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Part III

Statement of Program Service Accomplishments

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

☐ Yes ☒ No

1

Briefly describe the organization’s mission

Rooted in the loving ministry of Jesus as healer, we commit ourselves to serving all persons with special attention to those who are poor and vulnerable Our Catholic health ministry is dedicated to spiritually centered, holistic care which sustains and improves the health of individuals and communities We are advocates for a compassionate and just society through our actions and our words

2

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

☐ Yes ☒ No

If “Yes,” describe these new services on Schedule O

3

Did the organization cease conducting, or make significant changes in how it conducts, any program services?

☐ Yes ☒ No

If “Yes,” describe these changes on Schedule O

4

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

4a

(Code ) (Expenses \$ 202,672,755 including grants of \$ 14,453,561 ) (Revenue \$ 250,453,350 )

Providence Healthcare Network provides a full range of care, including outpatient care, inpatient care, emergency services, long-term care, mental health care, chemical dependency treatment, pediatric care, senior adult care services, and more Please see Schedule H for the full Community Benefit Report

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 202,672,755

Part IV Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

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

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

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

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

|    |                                                                                                                                                                                                                     |    |     |    |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-----|----|
|    |                                                                                                                                                                                                                     |    | Yes | No |
| 1a | Enter the number of voting members of the governing body at the end of the tax year                                                                                                                                 | 11 |     |    |
|    | 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                                                                                                                                  | 10 |     |    |
| 2  | Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?                                               | 2  |     | No |
| 3  | Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? | 3  |     | No |
| 4  | Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?                                                                                                    | 4  |     | No |
| 5  | Did the organization become aware during the year of a significant diversion of the organization's assets?                                                                                                          | 5  |     | No |
| 6  | Did the organization have members or stockholders?                                                                                                                                                                  | 6  | Yes |    |
| 7a | Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?                                                                  | 7a | Yes |    |
| b  | Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?                                                           | 7b | Yes |    |
| 8  | Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following                                                                                    |    |     |    |
| a  | The governing body?                                                                                                                                                                                                 | 8a | Yes |    |
| b  | Each committee with authority to act on behalf of the governing body?                                                                                                                                               | 8b | Yes |    |
| 9  | Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O        | 9  |     | No |

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

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

Section C. Disclosure

|    |                                                                                                                                                                                                                                                                                                                                                                                                                |  |
|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| 17 | List the States with which a copy of this Form 990 is required to be filed                                                                                                                                                                                                                                                                                                                                     |  |
| 18 | Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.<br><input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O) |  |
| 19 | Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year                                                                                                                                                                                                              |  |
| 20 | State the name, physical address, and telephone number of the person who possesses the books and records of the organization<br>Karen Richardson Sr VPCFO 6901 Medical Pkwy Waco, TX (254) 751-4000                                                                                                                                                                                                            |  |

Part VII

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

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

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

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

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

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

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

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

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

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

| (A)<br>Name and Title                            | (B)<br>Average hours per week (list any hours for related organizations below dotted line) | (C)<br>Position (do not check more than one box, unless person is both an officer and a director/trustee) |                       |         |              |                              |        | (D)<br>Reportable compensation from the organization (W- 2/1099-MISC) | (E)<br>Reportable compensation from related organizations (W- 2/1099-MISC) | (F)<br>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) Brett A Esrock<br>President & CEO            | 40 00<br>5 00                                                                              | X                                                                                                         |                       | X       |              |                              |        | 293,651                                                               | 0                                                                          | 49,272                                                                                        |
| (2) Kent Keahey Retired 42013<br>President & CEO | 40 00<br>5 00                                                                              | X                                                                                                         |                       | X       |              |                              |        | 1,524,153                                                             | 0                                                                          | 24,428                                                                                        |
| (3) Dr Ronald J Epps<br>Vice Chairman            | 1 00<br>0 00                                                                               | X                                                                                                         |                       | X       |              |                              |        | 0                                                                     | 0                                                                          | 0                                                                                             |
| (4) Dennis Michaelis<br>Secretary                | 1 00<br>0 00                                                                               | X                                                                                                         |                       | X       |              |                              |        | 0                                                                     | 0                                                                          | 0                                                                                             |
| (5) Sr Marie Therese Sedgwick<br>Chair           | 1 00<br>1 00                                                                               | X                                                                                                         |                       | X       |              |                              |        | 0                                                                     | 0                                                                          | 0                                                                                             |
| (6) Hal M Whitaker<br>Treasurer                  | 1 00<br>0 00                                                                               | X                                                                                                         |                       | X       |              |                              |        | 0                                                                     | 0                                                                          | 0                                                                                             |
| (7) Steven T Cates<br>Trustee                    | 1 00<br>0 00                                                                               | X                                                                                                         |                       |         |              |                              |        | 0                                                                     | 0                                                                          | 0                                                                                             |
| (8) Kenneth Hampton<br>Trustee                   | 1 00<br>0 00                                                                               | X                                                                                                         |                       |         |              |                              |        | 0                                                                     | 0                                                                          | 0                                                                                             |
| (9) Ms Deborah K Keel<br>Trustee                 | 1 00<br>0 00                                                                               | X                                                                                                         |                       |         |              |                              |        | 0                                                                     | 0                                                                          | 0                                                                                             |
| (10) Sr Ellen LaCapria DC<br>Trustee             | 1 00<br>0 00                                                                               | X                                                                                                         |                       |         |              |                              |        | 0                                                                     | 0                                                                          | 0                                                                                             |
| (11) Todd Moffatt MD<br>Trustee                  | 1 00<br>0 00                                                                               | X                                                                                                         |                       |         |              |                              |        | 0                                                                     | 0                                                                          | 0                                                                                             |
| (12) Sr Mary Jo Stein<br>Trustee                 | 1 00<br>0 00                                                                               | X                                                                                                         |                       |         |              |                              |        | 0                                                                     | 0                                                                          | 0                                                                                             |
| (13) Karen Richardson<br>Senior VP/CFO           | 40 00<br>5 00                                                                              |                                                                                                           |                       | X       |              |                              |        | 249,790                                                               | 0                                                                          | 51,370                                                                                        |
| (14) Timothy Barrett<br>SVP-CMO                  | 40 00<br>0 00                                                                              |                                                                                                           |                       |         | X            |                              |        | 320,244                                                               | 0                                                                          | 49,950                                                                                        |
| (15) Robert Buck<br>VP Clinical Support          | 40 00<br>0 00                                                                              |                                                                                                           |                       |         | X            |                              |        | 169,465                                                               | 0                                                                          | 36,770                                                                                        |
| (16) Jonathan Ford<br>VP Wkpl Spirituality       | 40 00<br>0 00                                                                              |                                                                                                           |                       |         | X            |                              |        | 181,700                                                               | 0                                                                          | 52,786                                                                                        |
| (17) Walter H Maloney<br>VP                      | 40 00<br>0 00                                                                              |                                                                                                           |                       |         | X            |                              |        | 304,309                                                               | 0                                                                          | 346,315                                                                                       |

## Part VII

|           |                                                                        |   |           |   |         |
|-----------|------------------------------------------------------------------------|---|-----------|---|---------|
| <b>1b</b> | <b>Sub-Total . . . . .</b>                                             | ▼ |           |   |         |
| <b>c</b>  | <b>Total from continuation sheets to Part VII, Section A . . . . .</b> | ▼ |           |   |         |
| <b>d</b>  | <b>Total (add lines 1b and 1c) . . . . .</b>                           | ▼ | 4,005,430 | 0 | 734,604 |

**2** Total number of individuals (including but not limited to those listed in the table below) who received more than \$100,000 of reportable compensation from the organization. 61

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

## **Section B. Independent Contractors**

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

| (A)<br>Name and business address                                             | (B)<br>Description of services | (C)<br>Compensation |
|------------------------------------------------------------------------------|--------------------------------|---------------------|
| John B Hamilton MD PO Box 23548 Waco TX 767023548                            | Medical Consulting             | 1,369,962           |
| Waco Center for Womens Health PA 601 Highway 6 Ste 101 Waco TX 76710         | Medical Services               | 655,164             |
| McLennan Cty Medical Education & Resear 1600 Providence Dr Waco TX 767072291 | Medical Services               | 341,814             |
| Surgical Clinic PA 6600 Fish Pond Rd Ste 101 Waco TX 76710                   | Medical Services               | 139,355             |
| Central Texas Medical Investments Ltd 601 W Highway 6 Ste 112 Waco TX 76710  | Consulting                     | 125,465             |

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 31

Part VIII

Statement of Revenue

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

|                                                           |                                           |                                                                                                                                               | (A)<br>Total revenue | (B)<br>Related or<br>exempt<br>function<br>revenue | (C)<br>Unrelated<br>business<br>revenue | (D)<br>Revenue<br>excluded from<br>tax under<br>sections<br>512, 513, or<br>514 |          |
|-----------------------------------------------------------|-------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------------------------------------|-----------------------------------------|---------------------------------------------------------------------------------|----------|
| Contributions, Gifts, Grants<br>and Other Similar Amounts | 1a                                        | Federated campaigns . . .                                                                                                                     | 1a                   |                                                    |                                         |                                                                                 |          |
|                                                           | b                                         | Membership dues . . . . .                                                                                                                     | 1b                   |                                                    |                                         |                                                                                 |          |
|                                                           | c                                         | Fundraising events . . . . .                                                                                                                  | 1c                   |                                                    |                                         |                                                                                 |          |
|                                                           | d                                         | Related organizations . . . .                                                                                                                 | 1d                   |                                                    |                                         |                                                                                 |          |
|                                                           | e                                         | Government grants (contributions)                                                                                                             | 1e                   | 25,795                                             |                                         |                                                                                 |          |
|                                                           | f                                         | All other contributions, gifts, grants, and<br>similar amounts not included above                                                             | 1f                   |                                                    |                                         |                                                                                 |          |
|                                                           | g                                         | Noncash contributions included in lines<br>1a-1f \$                                                                                           |                      |                                                    |                                         |                                                                                 |          |
|                                                           | h                                         | Total. Add lines 1a-1f . . . . .                                                                                                              |                      | 25,795                                             |                                         |                                                                                 |          |
| Program Service Revenue                                   |                                           |                                                                                                                                               | Business Code        |                                                    |                                         |                                                                                 |          |
|                                                           | 2a                                        | Net Patient Revenue                                                                                                                           | 624100               | 243,519,400                                        | 243,519,400                             |                                                                                 |          |
|                                                           | b                                         |                                                                                                                                               |                      |                                                    |                                         |                                                                                 |          |
|                                                           | c                                         |                                                                                                                                               |                      |                                                    |                                         |                                                                                 |          |
|                                                           | d                                         |                                                                                                                                               |                      |                                                    |                                         |                                                                                 |          |
|                                                           | e                                         |                                                                                                                                               |                      |                                                    |                                         |                                                                                 |          |
|                                                           | f                                         | All other program service revenue                                                                                                             |                      |                                                    |                                         |                                                                                 |          |
|                                                           | g                                         | Total. Add lines 2a-2f . . . . .                                                                                                              |                      | 243,519,400                                        |                                         |                                                                                 |          |
| Other Revenue                                             | 3                                         | Investment income (including dividends, interest,<br>and other similar amounts) . . . . .                                                     |                      | 7,140,734                                          |                                         | 7,140,734                                                                       |          |
|                                                           | 4                                         | Income from investment of tax-exempt bond proceeds . .                                                                                        |                      |                                                    |                                         |                                                                                 |          |
|                                                           | 5                                         | Royalties . . . . .                                                                                                                           |                      |                                                    |                                         |                                                                                 |          |
|                                                           | 6a                                        | (i) Real                                                                                                                                      |                      | (ii) Personal                                      |                                         |                                                                                 |          |
|                                                           |                                           | 359,777                                                                                                                                       |                      |                                                    |                                         |                                                                                 |          |
|                                                           |                                           | 0                                                                                                                                             |                      |                                                    |                                         |                                                                                 |          |
|                                                           |                                           | 359,777                                                                                                                                       |                      |                                                    |                                         |                                                                                 |          |
|                                                           | d                                         | Net rental income or (loss) . . . . .                                                                                                         |                      | 359,777                                            |                                         |                                                                                 | 359,777  |
|                                                           | 7a                                        | (i) Securities                                                                                                                                |                      | (ii) Other                                         |                                         |                                                                                 |          |
|                                                           |                                           |                                                                                                                                               |                      | 190,000                                            |                                         |                                                                                 |          |
|                                                           |                                           |                                                                                                                                               |                      | 383,458                                            |                                         |                                                                                 |          |
|                                                           |                                           |                                                                                                                                               |                      | -193,458                                           |                                         |                                                                                 |          |
|                                                           | d                                         | Net gain or (loss) . . . . .                                                                                                                  |                      | -193,458                                           |                                         |                                                                                 | -193,458 |
|                                                           | 8a                                        | Gross income from fundraising<br>events (not including<br>\$ _____<br>of contributions reported on line 1c)<br>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<br>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<br>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                                                       | Pharmacy Sales                            | 900099                                                                                                                                        | 2,914,582            | 2,914,582                                          |                                         |                                                                                 |          |
| b                                                         | Cafeteria Sales                           | 900099                                                                                                                                        | 2,291,289            |                                                    |                                         | 2,291,289                                                                       |          |
| c                                                         | Misc Other                                | 900099                                                                                                                                        | 823,868              | 823,868                                            |                                         |                                                                                 |          |
| d                                                         | All other revenue . . . . .               |                                                                                                                                               | 3,533,020            | 3,195,500                                          | 337,520                                 |                                                                                 |          |
| e                                                         | Total. Add lines 11a-11d . . . . .        |                                                                                                                                               | 9,562,759            |                                                    |                                         |                                                                                 |          |
| 12                                                        | Total revenue. See Instructions . . . . . |                                                                                                                                               | 260,415,007          | 250,453,350                                        | 337,520                                 | 9,598,342                                                                       |          |

Part IX

Statement of Functional Expenses

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

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

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| Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII. |                                                                                                                                                                                                                                                | (A)<br>Total expenses | (B)<br>Program service expenses | (C)<br>Management and general expenses | (D)<br>Fundraising expenses |
|--------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|---------------------------------|----------------------------------------|-----------------------------|
| 1                                                                              | Grants and other assistance to governments and organizations in the United States. See Part IV, line 21.                                                                                                                                       | 14,453,561            | 14,453,561                      |                                        |                             |
| 2                                                                              | Grants and other assistance to individuals in the United States. See Part IV, line 22.                                                                                                                                                         |                       |                                 |                                        |                             |
| 3                                                                              | Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.                                                                                                            |                       |                                 |                                        |                             |
| 4                                                                              | Benefits paid to or for members.                                                                                                                                                                                                               |                       |                                 |                                        |                             |
| 5                                                                              | Compensation of current officers, directors, trustees, and key employees.                                                                                                                                                                      | 3,871,142             |                                 | 3,871,142                              |                             |
| 6                                                                              | Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).                                                                                                 |                       |                                 |                                        |                             |
| 7                                                                              | Other salaries and wages.                                                                                                                                                                                                                      | 84,148,497            | 73,474,481                      | 10,674,016                             |                             |
| 8                                                                              | Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).                                                                                                                                            | 2,264,694             | 2,083,518                       | 181,176                                |                             |
| 9                                                                              | Other employee benefits.                                                                                                                                                                                                                       | 13,253,211            | 11,795,358                      | 1,457,853                              |                             |
| 10                                                                             | Payroll taxes.                                                                                                                                                                                                                                 | 6,687,443             | 5,951,824                       | 735,619                                |                             |
| 11                                                                             | Fees for services (non-employees):                                                                                                                                                                                                             |                       |                                 |                                        |                             |
| a                                                                              | Management.                                                                                                                                                                                                                                    |                       |                                 |                                        |                             |
| b                                                                              | Legal.                                                                                                                                                                                                                                         | 201,679               |                                 | 201,679                                |                             |
| c                                                                              | Accounting.                                                                                                                                                                                                                                    | 627,360               |                                 | 627,360                                |                             |
| d                                                                              | Lobbying.                                                                                                                                                                                                                                      |                       |                                 |                                        |                             |
| e                                                                              | Professional fundraising services. See Part IV, line 17.                                                                                                                                                                                       |                       |                                 |                                        |                             |
| f                                                                              | Investment management fees.                                                                                                                                                                                                                    |                       |                                 |                                        |                             |
| g                                                                              | Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).                                                                                                                                    | 32,957,267            | 25,527,798                      | 7,429,469                              |                             |
| 12                                                                             | Advertising and promotion.                                                                                                                                                                                                                     | 1,197,885             | 1,032                           | 1,196,853                              |                             |
| 13                                                                             | Office expenses.                                                                                                                                                                                                                               | 46,737,676            | 45,308,667                      | 1,429,009                              |                             |
| 14                                                                             | Information technology.                                                                                                                                                                                                                        |                       |                                 |                                        |                             |
| 15                                                                             | Royalties.                                                                                                                                                                                                                                     |                       |                                 |                                        |                             |
| 16                                                                             | Occupancy.                                                                                                                                                                                                                                     | 2,823,562             | 2,805,562                       | 18,000                                 |                             |
| 17                                                                             | Travel.                                                                                                                                                                                                                                        | 748,520               | 432,501                         | 316,019                                |                             |
| 18                                                                             | Payments of travel or entertainment expenses for any federal, state, or local public officials.                                                                                                                                                |                       |                                 |                                        |                             |
| 19                                                                             | Conferences, conventions, and meetings.                                                                                                                                                                                                        |                       |                                 |                                        |                             |
| 20                                                                             | Interest.                                                                                                                                                                                                                                      | 1,828,883             |                                 | 1,828,883                              |                             |
| 21                                                                             | Payments to affiliates.                                                                                                                                                                                                                        |                       |                                 |                                        |                             |
| 22                                                                             | Depreciation, depletion, and amortization.                                                                                                                                                                                                     | 11,954,148            | 6,963,836                       | 4,990,312                              |                             |
| 23                                                                             | Insurance.                                                                                                                                                                                                                                     | 528,166               |                                 | 528,166                                |                             |
| 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                                                                              | Other Operating Expense                                                                                                                                                                                                                        | 8,433,737             | 6,606,517                       | 1,827,220                              | 0                           |
| b                                                                              | Non-Recurring Costs/Res                                                                                                                                                                                                                        | 3,779,119             | 3,779,119                       | 0                                      | 0                           |
| c                                                                              | Equipment                                                                                                                                                                                                                                      | 2,164,635             | 1,984,633                       | 180,002                                | 0                           |
| d                                                                              | Maintenance & Repair                                                                                                                                                                                                                           | 1,534,288             | 1,504,348                       | 29,940                                 | 0                           |
| e                                                                              | All other expenses                                                                                                                                                                                                                             |                       |                                 |                                        |                             |
| 25                                                                             | <b>Total functional expenses.</b> Add lines 1 through 24e.                                                                                                                                                                                     | 240,195,473           | 202,672,755                     | 37,522,718                             | 0                           |
| 26                                                                             | <b>Joint costs.</b> Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720). |                       |                                 |                                        |                             |

Part X

Balance Sheet

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

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|                             |                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                              |             | (A)               |             | (B)         |             |
|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------------|-------------|-------------|-------------|
|                             |                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                              |             | Beginning of year |             | End of year |             |
| Assets                      | 1                                                                                                                                                   | Cash—non-interest-bearing . . . . .                                                                                                                                                                                                                                                                                          |             |                   | 1           |             |             |
|                             | 2                                                                                                                                                   | Savings and temporary cash investments . . . . .                                                                                                                                                                                                                                                                             |             | 12,815,151        | 2           | 782,547     |             |
|                             | 3                                                                                                                                                   | Pledges and grants receivable, net . . . . .                                                                                                                                                                                                                                                                                 |             |                   | 3           |             |             |
|                             | 4                                                                                                                                                   | Accounts receivable, net . . . . .                                                                                                                                                                                                                                                                                           |             | 36,328,385        | 4           | 39,962,714  |             |
|                             | 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 instructions) Complete Part II of Schedule L |             |                   | 6           |             |             |
|                             | 7                                                                                                                                                   | Notes and loans receivable, net . . . . .                                                                                                                                                                                                                                                                                    |             | 1,125,196         | 7           | 804,349     |             |
|                             | 8                                                                                                                                                   | Inventories for sale or use . . . . .                                                                                                                                                                                                                                                                                        |             | 3,990,290         | 8           | 4,958,536   |             |
|                             | 9                                                                                                                                                   | Prepaid expenses and deferred charges . . . . .                                                                                                                                                                                                                                                                              |             | 993,064           | 9           | 947,043     |             |
|                             | 10a                                                                                                                                                 | Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D                                                                                                                                                                                                                                            | 10a         | 232,732,421       |             |             |             |
|                             | b                                                                                                                                                   | Less accumulated depreciation . . . . .                                                                                                                                                                                                                                                                                      | 10b         | 127,406,468       | 110,777,962 | 10c         | 105,325,953 |
|                             | 11                                                                                                                                                  | Investments—publicly traded securities . . . . .                                                                                                                                                                                                                                                                             |             |                   | 11          |             |             |
|                             | 12                                                                                                                                                  | Investments—other securities See Part IV, line 11 . . . . .                                                                                                                                                                                                                                                                  |             |                   | 12          |             |             |
|                             | 13                                                                                                                                                  | Investments—program-related See Part IV, line 11 . . . . .                                                                                                                                                                                                                                                                   |             |                   | 13          |             |             |
|                             | 14                                                                                                                                                  | Intangible assets . . . . .                                                                                                                                                                                                                                                                                                  |             | 5,092,858         | 14          | 6,006,908   |             |
|                             | 15                                                                                                                                                  | Other assets See Part IV, line 11 . . . . .                                                                                                                                                                                                                                                                                  |             | 141,037,837       | 15          | 200,087,447 |             |
| 16                          | Total assets. Add lines 1 through 15 (must equal line 34) . . . . .                                                                                 |                                                                                                                                                                                                                                                                                                                              | 312,160,743 | 16                | 358,875,497 |             |             |
| Liabilities                 | 17                                                                                                                                                  | Accounts payable and accrued expenses . . . . .                                                                                                                                                                                                                                                                              |             | 19,980,534        | 17          | 21,081,533  |             |
|                             | 18                                                                                                                                                  | Grants payable . . . . .                                                                                                                                                                                                                                                                                                     |             |                   | 18          |             |             |
|                             | 19                                                                                                                                                  | Deferred revenue . . . . .                                                                                                                                                                                                                                                                                                   |             | 4,792,314         | 19          | 1,109,253   |             |
|                             | 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 . . . . .                                                                                                                                                                                                                                                     |             | 52,984,920        | 23          | 52,591,896  |             |
|                             | 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 . . . . .                                                                                                                                               |             | 23,155,059        | 25          | 45,578,161  |             |
|                             | 26                                                                                                                                                  | Total liabilities. Add lines 17 through 25 . . . . .                                                                                                                                                                                                                                                                         |             | 100,912,827       | 26          | 120,360,843 |             |
| Net Assets or Fund Balances | Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34. |                                                                                                                                                                                                                                                                                                                              |             |                   |             |             |             |
|                             | 27                                                                                                                                                  | Unrestricted net assets . . . . .                                                                                                                                                                                                                                                                                            |             | 210,639,277       | 27          | 237,723,514 |             |
|                             | 28                                                                                                                                                  | Temporarily restricted net assets . . . . .                                                                                                                                                                                                                                                                                  |             | 608,639           | 28          | 791,140     |             |
|                             | 29                                                                                                                                                  | Permanently restricted net assets . . . . .                                                                                                                                                                                                                                                                                  |             |                   | 29          | 0           |             |
|                             | Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.                          |                                                                                                                                                                                                                                                                                                                              |             |                   |             |             |             |
|                             | 30                                                                                                                                                  | Capital stock or trust principal, or current funds . . . . .                                                                                                                                                                                                                                                                 |             |                   | 30          |             |             |
|                             | 31                                                                                                                                                  | Paid-in or capital surplus, or land, building or equipment fund . . . . .                                                                                                                                                                                                                                                    |             |                   | 31          |             |             |
|                             | 32                                                                                                                                                  | Retained earnings, endowment, accumulated income, or other funds                                                                                                                                                                                                                                                             |             |                   | 32          |             |             |
|                             | 33                                                                                                                                                  | Total net assets or fund balances . . . . .                                                                                                                                                                                                                                                                                  |             | 211,247,916       | 33          | 238,514,654 |             |
| 34                          | Total liabilities and net assets/fund balances . . . . .                                                                                            |                                                                                                                                                                                                                                                                                                                              | 312,160,743 | 34                | 358,875,497 |             |             |

Part XI Reconciliation of Net Assets

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

|    |                                                                                                               |    |             |
|----|---------------------------------------------------------------------------------------------------------------|----|-------------|
| 1  | Total revenue (must equal Part VIII, column (A), line 12) . . . . .                                           | 1  | 260,415,007 |
| 2  | Total expenses (must equal Part IX, column (A), line 25) . . . . .                                            | 2  | 240,195,473 |
| 3  | Revenue less expenses Subtract line 2 from line 1 . . . . .                                                   | 3  | 20,219,534  |
| 4  | Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . . . . .           | 4  | 211,247,916 |
| 5  | Net unrealized gains (losses) on investments . . . . .                                                        | 5  | 4,226,322   |
| 6  | Donated services and use of facilities . . . . .                                                              | 6  |             |
| 7  | Investment expenses . . . . .                                                                                 | 7  |             |
| 8  | Prior period adjustments . . . . .                                                                            | 8  | 2,459,757   |
| 9  | Other changes in net assets or fund balances (explain in Schedule O) . . . . .                                | 9  | 361,125     |
| 10 | Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B)) | 10 | 238,514,654 |

Part XII Financial Statements and Reporting

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

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

SCHEDULE A  
(Form 990 or 990EZ)

Public Charity Status and Public Support

OMB No 1545-0047

2012

Open to Public Inspection

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

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

Department of the Treasury  
Internal Revenue Service

Name of the organization  
Providence Health Services of Waco

Employer identification number  
74-1109636

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<sup>1</sup>/<sub>3</sub>% 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<sup>1</sup>/<sub>3</sub>% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III )
- 10

☐

An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**
- 11

☐

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

a

☐

Type I 

b

☐

Type II 

c

☐

Type III - Functionally integrated 

d

☐

Type III - Non-functionally integrated
- e

☐

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

☐

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

☐

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

(i)

A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?

(ii)

A family member of a person described in (i) above?

(iii)

A 35% controlled entity of a person described in (i) or (ii) above?

h

☐

Provide the following information about the supported organization(s)

|          | Yes | No |
|----------|-----|----|
| 11g(i)   |     |    |
| 11g(ii)  |     |    |
| 11g(iii) |     |    |

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

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

Cat No 11285F

Schedule A (Form 990 or 990-EZ) 2012

Part II

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

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

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

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

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

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

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

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

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

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

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

|                              |
|------------------------------|
| Facts And Circumstances Test |
|                              |

|             |
|-------------|
| Explanation |
|             |
|             |
|             |
|             |

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2012

Open to Public Inspection

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

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

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

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

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

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

|                                                                |                                              |
|----------------------------------------------------------------|----------------------------------------------|
| Name of the organization<br>Providence Health Services of Waco | Employer identification number<br>74-1109636 |
|----------------------------------------------------------------|----------------------------------------------|

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      | ▶ \$                         | 0                           |
| 2  | Enter the amount of any excise tax incurred by organization managers under section 4955 | ▶ \$                         | 0                           |
| 3  | If the organization incurred a section 4955 tax, did it file Form 4720 for this year?   | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 4a | Was a correction made?                                                                  | <input type="checkbox"/> Yes | <input type="checkbox"/> 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?                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <input type="checkbox"/> Yes | <input type="checkbox"/> 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<br>(The term "expenditures" means amounts paid or incurred.)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                   | (a) Filing organization's totals                | (b) Affiliated group totals        |                    |                              |                                         |                                                 |                                           |                                                   |                                            |                                                  |                   |             |  |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|-------------------------------------------------|------------------------------------|--------------------|------------------------------|-----------------------------------------|-------------------------------------------------|-------------------------------------------|---------------------------------------------------|--------------------------------------------|--------------------------------------------------|-------------------|-------------|--|--|
| 1a Total lobbying expenditures to influence public opinion (grass roots lobbying)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                   |                                                 |                                    |                    |                              |                                         |                                                 |                                           |                                                   |                                            |                                                  |                   |             |  |  |
| b Total lobbying expenditures to influence a legislative body (direct lobbying)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                   |                                                 |                                    |                    |                              |                                         |                                                 |                                           |                                                   |                                            |                                                  |                   |             |  |  |
| c Total lobbying expenditures (add lines 1a and 1b)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                   |                                                 |                                    |                    |                              |                                         |                                                 |                                           |                                                   |                                            |                                                  |                   |             |  |  |
| d Other exempt purpose expenditures                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                   |                                                 |                                    |                    |                              |                                         |                                                 |                                           |                                                   |                                            |                                                  |                   |             |  |  |
| e Total exempt purpose expenditures (add lines 1c and 1d)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                   |                                                 |                                    |                    |                              |                                         |                                                 |                                           |                                                   |                                            |                                                  |                   |             |  |  |
| f Lobbying nontaxable amount Enter the amount from the following table in both columns                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                   |                                                 |                                    |                    |                              |                                         |                                                 |                                           |                                                   |                                            |                                                  |                   |             |  |  |
| <table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table> |                                                   | If the amount on line 1e, column (a) or (b) is: | The lobbying nontaxable amount is: | Not over \$500,000 | 20% of the amount on line 1e | Over \$500,000 but not over \$1,000,000 | \$100,000 plus 15% of the excess over \$500,000 | Over \$1,000,000 but not over \$1,500,000 | \$175,000 plus 10% of the excess over \$1,000,000 | Over \$1,500,000 but not over \$17,000,000 | \$225,000 plus 5% of the excess over \$1,500,000 | Over \$17,000,000 | \$1,000,000 |  |  |
| If the amount on line 1e, column (a) or (b) is:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | The lobbying nontaxable amount is:                |                                                 |                                    |                    |                              |                                         |                                                 |                                           |                                                   |                                            |                                                  |                   |             |  |  |
| Not over \$500,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 20% of the amount on line 1e                      |                                                 |                                    |                    |                              |                                         |                                                 |                                           |                                                   |                                            |                                                  |                   |             |  |  |
| Over \$500,000 but not over \$1,000,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | \$100,000 plus 15% of the excess over \$500,000   |                                                 |                                    |                    |                              |                                         |                                                 |                                           |                                                   |                                            |                                                  |                   |             |  |  |
| Over \$1,000,000 but not over \$1,500,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | \$175,000 plus 10% of the excess over \$1,000,000 |                                                 |                                    |                    |                              |                                         |                                                 |                                           |                                                   |                                            |                                                  |                   |             |  |  |
| Over \$1,500,000 but not over \$17,000,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | \$225,000 plus 5% of the excess over \$1,500,000  |                                                 |                                    |                    |                              |                                         |                                                 |                                           |                                                   |                                            |                                                  |                   |             |  |  |
| Over \$17,000,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | \$1,000,000                                       |                                                 |                                    |                    |                              |                                         |                                                 |                                           |                                                   |                                            |                                                  |                   |             |  |  |
| g Grassroots nontaxable amount (enter 25% of line 1f)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                   |                                                 |                                    |                    |                              |                                         |                                                 |                                           |                                                   |                                            |                                                  |                   |             |  |  |
| h Subtract line 1g from line 1a If zero or less, enter -0-                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                   |                                                 |                                    |                    |                              |                                         |                                                 |                                           |                                                   |                                            |                                                  |                   |             |  |  |
| i Subtract line 1f from line 1c If zero or less, enter -0-                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                   |                                                 |                                    |                    |                              |                                         |                                                 |                                           |                                                   |                                            |                                                  |                   |             |  |  |
| j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                   | <input type="checkbox"/> Yes                    | <input type="checkbox"/> 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<br>(150% of line 2a, column(e))    |          |          |          |          |           |
| c Total lobbying expenditures                                |          |          |          |          |           |
| d Grassroots nontaxable amount                               |          |          |          |          |           |
| e Grassroots ceiling amount<br>(150% of line 2d, column (e)) |          |          |          |          |           |
| f Grassroots lobbying expenditures                           |          |          |          |          |           |

Part II-B

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

| For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity. |                                                                                                                                                                                                                              | (a) |    | (b)    |
|---------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|--------|
|                                                                                                                           |                                                                                                                                                                                                                              | Yes | No | Amount |
| 1                                                                                                                         | During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of |     |    |        |
| a                                                                                                                         | Volunteers?                                                                                                                                                                                                                  |     | No |        |
| b                                                                                                                         | Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?                                                                                                                                 |     | No |        |
| c                                                                                                                         | Media advertisements?                                                                                                                                                                                                        |     | No |        |
| d                                                                                                                         | Mailings to members, legislators, or the public?                                                                                                                                                                             |     | No |        |
| e                                                                                                                         | Publications, or published or broadcast statements?                                                                                                                                                                          |     | No |        |
| f                                                                                                                         | Grants to other organizations for lobbying purposes?                                                                                                                                                                         | Yes |    | 13,668 |
| g                                                                                                                         | Direct contact with legislators, their staffs, government officials, or a legislative body?                                                                                                                                  |     | No |        |
| h                                                                                                                         | Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?                                                                                                                                    |     | No |        |
| i                                                                                                                         | Other activities?                                                                                                                                                                                                            |     | No |        |
| j                                                                                                                         | Total. Add lines 1c through 1i.                                                                                                                                                                                              |     |    | 13,668 |
| 2a                                                                                                                        | Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?                                                                                                                                |     | No |        |
| b                                                                                                                         | If "Yes," enter the amount of any tax incurred under section 4912                                                                                                                                                            |     |    |        |
| c                                                                                                                         | If "Yes," enter the amount of any tax incurred by organization managers under section 4912                                                                                                                                   |     |    |        |
| d                                                                                                                         | If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?                                                                                                                                 |     |    |        |

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

| Identifier                         | Return Reference  | Explanation                                                                                                                                                                                                                                                                                                                                                                 |
|------------------------------------|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Explanation of Lobbying Activities | Part II-B, Line 1 | Lobbying expenses represent the portion of dues paid to national and state hospital associations that is specifically allocable to lobbying. Providence Health Services of Waco does not participate in or intervene in (including the publishing or distributing or statements) any political campaign on behalf of (or in opposition to) any candidate for public office. |

SCHEDULE D  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization  
Providence Health Services of Waco

Employer identification number  
74-1109636

Part I

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

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

Part II

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

1

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

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

2

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

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

3

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

4

Number of states where property subject to conservation easement is located ▶\_\_\_\_\_

5

Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?

☐ Yes☐ No

6

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

7

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

8

Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)?

☐ Yes☐ No

9

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

Part III

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

1a

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

b

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

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

▶\$ \_\_\_\_\_

(ii) Assets included in Form 990, Part X

▶\$ \_\_\_\_\_

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶\$ \_\_\_\_\_

b

Assets included in Form 990, Part X

▶\$ \_\_\_\_\_

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

Cat No 52283D

Schedule D (Form 990) 2012

Part III

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

3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

5

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

☐ Yes

☐ No

Part IV

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

1a

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

☐ Yes

☐ No

b

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

|    |        |
|----|--------|
|    | Amount |
| 1c |        |
| 1d |        |
| 1e |        |
| 1f |        |

2a

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

☐ Yes

☐ No

b

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

☐

Part V

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

|                                                            | (a)Current year | (b)Prior year | b (c)Two years back | (d)Three years back | (e)Four years back |
|------------------------------------------------------------|-----------------|---------------|---------------------|---------------------|--------------------|
| 1a Beginning of year balance . . . . .                     | 1,068,368       | 1,080,115     | 965,256             | 873,370             | 931,263            |
| b Contributions . . . . .                                  | 32,149          | 38,475        | 32,020              | 31,644              | 39,858             |
| c Net investment earnings, gains, and losses               | 57,721          | -46,644       | 84,587              | 95,476              | -93,914            |
| d Grants or scholarships . . . . .                         |                 |               |                     | 28,144              | 3,837              |
| e Other expenditures for facilities and programs . . . . . | 2,582           | 3,578         | 1,748               | 7,090               |                    |
| f Administrative expenses . . . . .                        |                 |               |                     |                     |                    |
| g End of year balance . . . . .                            | 1,155,656       | 1,068,368     | 1,080,115           | 965,256             | 873,370            |

2

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

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶ 100 000 %

c

Temporarily restricted endowment ▶

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

3a

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

(i) unrelated organizations . . . . .

3a(i)

Yes

No

(ii) related organizations . . . . .

3a(ii)

Yes

b

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

3b

Yes

4

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

Part VI

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

| Description of property                                                                                      | (a) Cost or other basis (investment) | (b)Cost or other basis (other) | (c) Accumulated depreciation | (d) Book value |
|--------------------------------------------------------------------------------------------------------------|--------------------------------------|--------------------------------|------------------------------|----------------|
| 1a Land . . . . .                                                                                            | 3,056,088                            | 6,906,913                      |                              | 9,963,001      |
| b Buildings . . . . .                                                                                        |                                      | 146,072,670                    | 74,073,823                   | 71,998,847     |
| c Leasehold improvements . . . . .                                                                           |                                      | 5,525,864                      | 4,166,927                    | 1,358,937      |
| d Equipment . . . . .                                                                                        |                                      | 69,656,271                     | 49,165,718                   | 20,490,553     |
| e Other . . . . .                                                                                            |                                      | 1,514,615                      |                              | 1,514,615      |
| Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).) . . . . . ▶ |                                      |                                |                              | 105,325,953    |

Schedule D (Form 990) 2012



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

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

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

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

**Part XIII Supplemental Information**

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

| Identifier                                     | Return Reference | Explanation                                                                                                                                                                                                                                                                                                                                                                                                                |
|------------------------------------------------|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Description of Intended Use of Endowment Funds | Part V, Line 4   | All endowment funds are held by Providence Foundation Inc , a related organization. The funds are administered for the benefit of Providence Health Services of Waco, including the funding of various programs and services. These programs and services are detailed in the narrative provided for Part III, Line 4a, Program Service Accomplishments, which continues in Schedule H, Part VI, Supplemental Information. |

Additional Data

Software ID:  
Software Version:  
EIN: 74-1109636  
Name: Providence Health Services of Waco

Form 990, Schedule D, Part IX, - Other Assets

| (a) Description                                               | (b) Book value |
|---------------------------------------------------------------|----------------|
| (1) Deferred Compensation Asset                               | 7,201,281      |
| (2) Investment in Unconsolidated Entities                     | 10,049,644     |
| (3) Settlements from Third Parties                            | 8,191,899      |
| (4) Other Assets                                              | 45,228         |
| (5) Restricted Donations                                      | 778,327        |
| (6) Other Current Assets                                      | 149,864        |
| (7) Intercompany Receivable                                   | 32,412,360     |
| (8) Interest in Investments Held by Ascension Health Alliance | 141,258,844    |

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  
Providence Health Services of Waco

Employer identification number  
74-1109636

Part I

Financial Assistance and Certain Other Community Benefits at Cost

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

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) . . . .                                           |                                                 |                               | 21,993,228                          |                               | 21,993,228                        | 9 160 %                      |
| b Medicaid (from Worksheet 3, column a) . . . . .                                                   |                                                 |                               | 24,931,052                          | 35,554,990                    | -10,623,938                       | 0 %                          |
| c Costs of other means-tested government programs (from Worksheet 3, column b) .                    |                                                 |                               |                                     |                               |                                   |                              |
| d <b>Total</b> Financial Assistance and Means-Tested Government Programs .                          |                                                 |                               | 46,924,280                          | 35,554,990                    | 11,369,290                        | 9 160 %                      |
| <b>Other Benefits</b>                                                                               |                                                 |                               |                                     |                               |                                   |                              |
| e Community health improvement services and community benefit operations (from Worksheet 4) . . . . |                                                 |                               | 177,503                             | 23,769                        | 153,734                           | 0 060 %                      |
| f Health professions education (from Worksheet 5) . . . .                                           |                                                 |                               | 1,034,405                           |                               | 1,034,405                         | 0 430 %                      |
| g Subsidized health services (from Worksheet 6) . . . .                                             |                                                 |                               | 299,900                             |                               | 299,900                           | 0 120 %                      |
| h Research (from Worksheet 7)                                                                       |                                                 |                               |                                     |                               |                                   |                              |
| i Cash and in-kind contributions for community benefit (from Worksheet 8)                           |                                                 |                               | 8,432,494                           |                               | 8,432,494                         | 3 510 %                      |
| j <b>Total</b> Other Benefits . . . .                                                               |                                                 |                               | 9,944,302                           | 23,769                        | 9,920,533                         | 4 120 %                      |
| k <b>Total.</b> Add lines 7d and 7j .                                                               |                                                 |                               | 56,868,582                          | 35,578,759                    | 21,289,823                        | 13 280 %                     |

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                                      |                               | 57,615                               |                               | 57,615                             | 0 020 %                      |
| 3  | Community support                                         |                               | 252,175                              |                               | 252,175                            | 0 100 %                      |
| 4  | Environmental improvements                                |                               |                                      |                               |                                    |                              |
| 5  | Leadership development and training for community members |                               | 1,125                                |                               | 1,125                              | 0 %                          |
| 6  | Coalition building                                        |                               |                                      |                               |                                    |                              |
| 7  | Community health improvement advocacy                     |                               |                                      |                               |                                    |                              |
| 8  | Workforce development                                     |                               |                                      |                               |                                    |                              |
| 9  | Other                                                     |                               |                                      |                               |                                    |                              |
| 10 | Total                                                     |                               | 310,915                              |                               | 310,915                            | 0 120 %                      |

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

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

1

Yes

2

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

2

4,575,552

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

915,110

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

77,161,260

6

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

6

78,321,104

7

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

7

-1,159,844

8

Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used

☐ Cost accounting system

☐ Cost to charge ratio

☒ Other

Section C. Collection Practices

9a

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

9a

Yes

b

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

9b

Yes

Part IV

Management Companies and Joint Ventures

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

| (a) Name of entity             | (b) Description of primary activity of entity | (c) Organization's profit % or stock ownership % | (d) Officers, directors, trustees, or key employees' profit % or stock ownership % | (e) Physicians' profit % or stock ownership % |
|--------------------------------|-----------------------------------------------|--------------------------------------------------|------------------------------------------------------------------------------------|-----------------------------------------------|
| 1 1 Community Hospice of Texas | Hospice Services                              | 25 000 %                                         |                                                                                    |                                               |
| 2 2 FPSC II LLC                | Surgery Center                                | 46 000 %                                         |                                                                                    |                                               |
| 3                              |                                               |                                                  |                                                                                    |                                               |
| 4                              |                                               |                                                  |                                                                                    |                                               |
| 5                              |                                               |                                                  |                                                                                    |                                               |
| 6                              |                                               |                                                  |                                                                                    |                                               |
| 7                              |                                               |                                                  |                                                                                    |                                               |
| 8                              |                                               |                                                  |                                                                                    |                                               |
| 9                              |                                               |                                                  |                                                                                    |                                               |
| 10                             |                                               |                                                  |                                                                                    |                                               |
| 11                             |                                               |                                                  |                                                                                    |                                               |
| 12                             |                                               |                                                  |                                                                                    |                                               |
| 13                             |                                               |                                                  |                                                                                    |                                               |

Schedule H (Form 990) 2012

Part V

Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)  
How many hospital facilities did the organization operate during the tax year?  
3

Name, address, and primary website address

|   |                                                                                         | Licensed hospital | General medical & surgical | Children's hospital | Teaching hospital | Critical access hospital | Research facility | ER-24 hours | ER-other | Other (Describe)                      | Facility reporting group |
|---|-----------------------------------------------------------------------------------------|-------------------|----------------------------|---------------------|-------------------|--------------------------|-------------------|-------------|----------|---------------------------------------|--------------------------|
| 1 | Providence Health Center<br>6901 Medical Parkway<br>Waco,TX 76712<br>www.providence.net | X                 | X                          |                     |                   |                          |                   | X           |          |                                       | A                        |
| 2 | DePaul Center<br>301 Londonderry Dr<br>Waco,TX 76712<br>www.providence.net/depaul       | X                 |                            |                     |                   |                          |                   |             |          | Free Standing<br>Psychiatric Hospital | A                        |
| 3 | Providence Park<br>300 W State Highway 6<br>Waco,TX 76712<br>www.providencepark.net     | X                 |                            |                     |                   |                          |                   |             |          | Long-Term Care<br>Facility            | A                        |
|   |                                                                                         |                   |                            |                     |                   |                          |                   |             |          |                                       |                          |
|   |                                                                                         |                   |                            |                     |                   |                          |                   |             |          |                                       |                          |
|   |                                                                                         |                   |                            |                     |                   |                          |                   |             |          |                                       |                          |
|   |                                                                                         |                   |                            |                     |                   |                          |                   |             |          |                                       |                          |
|   |                                                                                         |                   |                            |                     |                   |                          |                   |             |          |                                       |                          |
|   |                                                                                         |                   |                            |                     |                   |                          |                   |             |          |                                       |                          |
|   |                                                                                         |                   |                            |                     |                   |                          |                   |             |          |                                       |                          |
|   |                                                                                         |                   |                            |                     |                   |                          |                   |             |          |                                       |                          |

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)  
Facility Reporting Group - A

Name of hospital facility or facility reporting group

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

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

Part V

Facility Information (continued)

| Financial Assistance Policy                                                                                                                                                                                                                                                                                                  |  | Yes       | No  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------|-----|
| <b>9</b> Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?                                                                                       |  | <b>9</b>  | Yes |
| <b>10</b> Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? . . . . .<br>If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 00000000000000</u> %<br>If "No," explain in Part VI the criteria the hospital facility used                        |  | <b>10</b> | Yes |
| <b>11</b> Used FPG to determine eligibility for providing <i>discounted</i> care? . . . . .<br>If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 00000000000000</u> %<br>If "No," explain in Part VI the criteria the hospital facility used                                         |  | <b>11</b> | Yes |
| <b>12</b> Explained the basis for calculating amounts charged to patients? . . . . .<br>If "Yes," indicate the factors used in determining such amounts (check all that apply)                                                                                                                                               |  | <b>12</b> | Yes |
| <b>a</b> <input checked="" type="checkbox"/> Income level                                                                                                                                                                                                                                                                    |  |           |     |
| <b>b</b> <input checked="" type="checkbox"/> Asset level                                                                                                                                                                                                                                                                     |  |           |     |
| <b>c</b> <input checked="" type="checkbox"/> Medical indigency                                                                                                                                                                                                                                                               |  |           |     |
| <b>d</b> <input checked="" type="checkbox"/> Insurance status                                                                                                                                                                                                                                                                |  |           |     |
| <b>e</b> <input checked="" type="checkbox"/> Uninsured discount                                                                                                                                                                                                                                                              |  |           |     |
| <b>f</b> <input checked="" type="checkbox"/> Medicaid/Medicare                                                                                                                                                                                                                                                               |  |           |     |
| <b>g</b> <input checked="" type="checkbox"/> State regulation                                                                                                                                                                                                                                                                |  |           |     |
| <b>h</b> <input type="checkbox"/> Other (describe in Part VI)                                                                                                                                                                                                                                                                |  |           |     |
| <b>13</b> Explained the method for applying for financial assistance? . . . . .                                                                                                                                                                                                                                              |  | <b>13</b> | Yes |
| <b>14</b> Included measures to publicize the policy within the community served by the hospital facility? . . . . .<br>If "Yes," indicate how the hospital facility publicized the policy (check all that apply)                                                                                                             |  | <b>14</b> | Yes |
| <b>a</b> <input type="checkbox"/> The policy was posted on the hospital facility's website                                                                                                                                                                                                                                   |  |           |     |
| <b>b</b> <input type="checkbox"/> The policy was attached to billing invoices                                                                                                                                                                                                                                                |  |           |     |
| <b>c</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms                                                                                                                                                                                               |  |           |     |
| <b>d</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices                                                                                                                                                                                                             |  |           |     |
| <b>e</b> <input checked="" type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility                                                                                                                                                                                          |  |           |     |
| <b>f</b> <input type="checkbox"/> The policy was available upon request                                                                                                                                                                                                                                                      |  |           |     |
| <b>g</b> <input type="checkbox"/> Other (describe in Part VI)                                                                                                                                                                                                                                                                |  |           |     |
| Billing and Collections                                                                                                                                                                                                                                                                                                      |  |           |     |
| <b>15</b> 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? . . . . .                                                                            |  | <b>15</b> | Yes |
| <b>16</b> Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP                                                                           |  |           |     |
| <b>a</b> <input type="checkbox"/> Reporting to credit agency                                                                                                                                                                                                                                                                 |  |           |     |
| <b>b</b> <input type="checkbox"/> Lawsuits                                                                                                                                                                                                                                                                                   |  |           |     |
| <b>c</b> <input type="checkbox"/> Liens on residences                                                                                                                                                                                                                                                                        |  |           |     |
| <b>d</b> <input type="checkbox"/> Body attachments                                                                                                                                                                                                                                                                           |  |           |     |
| <b>e</b> <input type="checkbox"/> Other similar actions (describe in Part VI)                                                                                                                                                                                                                                                |  |           |     |
| <b>17</b> 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? . . . . .<br>If "Yes," check all actions in which the hospital facility or a third party engaged |  | <b>17</b> | No  |
| <b>a</b> <input type="checkbox"/> Reporting to credit agency                                                                                                                                                                                                                                                                 |  |           |     |
| <b>b</b> <input type="checkbox"/> Lawsuits                                                                                                                                                                                                                                                                                   |  |           |     |
| <b>c</b> <input type="checkbox"/> Liens on residences                                                                                                                                                                                                                                                                        |  |           |     |
| <b>d</b> <input type="checkbox"/> Body attachments                                                                                                                                                                                                                                                                           |  |           |     |
| <b>e</b> <input type="checkbox"/> Other similar actions (describe in Part VI)                                                                                                                                                                                                                                                |  |           |     |

Part V

Facility Information (continued)

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

☐

Notified individuals of the financial assistance policy on admission
- b

☐

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

☐

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

☐

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

☐

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

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

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

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

Part V

Facility Information (continued)

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

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

| Name and address |                                                                         | Type of Facility (describe)                                         |
|------------------|-------------------------------------------------------------------------|---------------------------------------------------------------------|
| 1                | Providence Home Care<br>528 Meadow Lake Center<br>Waco, TX 76622        | Full Service Home Care Facility and Durable Medical Equipment Store |
| 2                | Providence Breast Center<br>6600 Fish Pond Rd Ste 104<br>Waco, TX 76710 | Women's Breast Health Center                                        |
| 3                |                                                                         |                                                                     |
| 4                |                                                                         |                                                                     |
| 5                |                                                                         |                                                                     |
| 6                |                                                                         |                                                                     |
| 7                |                                                                         |                                                                     |
| 8                |                                                                         |                                                                     |
| 9                |                                                                         |                                                                     |
| 10               |                                                                         |                                                                     |

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc )
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report
- 8
- Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

| Identifier | ReturnReference | Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|------------|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|            |                 | Part I, Line 3c The organization provides medically necessary care to all patients, regardless of race, color, creed, ethnic origin, gender, disability or economic status The organization uses a percentage of Federal Poverty Level (FPL) to determine free and discounted care At a minimum, patients with income less than or equal to 200% of the FPL, which may be adjusted for cost of living utilizing the local wage index compared to national wage index, will be eligible for 100% charity care write off of charges for services that have been provided to them Also, at a minimum, uninsured patients that do not fall within the 200% FPL may be eligible for a charity care adjustment An Assessment of the patient's personal and financial information based on the United States Census Bureau and Internal Revenue Service guidelines is performed by Providence Healthcare Network to determine the charity care discount |
|            |                 | Part I, Line 7 The cost of providing charity care, means tested government programs, and community benefit programs is estimated using internal cost data, and is calculated in compliance with Catholic Health Association ("CHA") guidelines The organization uses a cost accounting system that addresses all patient segments (for example inpatient, outpatient, emergency room, private insurance, Medicaid, Medicare, uninsured, or self-pay) The best available data was used to calculate the amounts reported in the table For certain categories in the table, this was a cost accounting system, in other categories, a specific cost-to-charge ratio was applied                                                                                                                                                                                                                                                                    |

| Identifier | ReturnReference | Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
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|            |                 | Part I, Line 7g The organization employs its physicians at physician clinics, so the associated costs and charges relating to those physician services are included in all relevant categories in Part I                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|            |                 | Part II Providence Healthcare Network actively participates year round with several organizations in our community Our ministry believes that it's essential to support local organizations financially as well as ensuring that our associates are engaged with them actively By having our associates engaged and on-site at events, we lead by example that living a healthy lifestyle is critical to our community's future Our associates are passionate about addressing the most basic needs in our community and feel that getting involved allows them a way to affect the most people We are promoting good, healthy lifestyles in the community that we serve and also live in when actively participating and can better identify other areas of need that need to be addressed Examples of organizations we are actively involved with as well as programs we initiate that provide direct support to our community are listed below - American Heart Association - Carter Blood Care - American Cancer Society - March of Dimes - AARP Tax Aide - Food For Families - Mission Waco Toy Drive - Story Book Christmas - National Red Ribbon Week - Leadership Waco |

| Identifier       | ReturnReference | Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
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| Part III, Line 2 |                 | After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, the Corporation follows established guidelines for placing certain past-due patient balances within collection agencies, subject to the terms of certain restrictions on collection efforts as determined by Ascension Health. Accounts receivable are written off after collection efforts have been followed in accordance with the Corporation's policies. After applying the cost-to-charge ratio, the share of the bad debt expense in fiscal year 2013 was \$15,981,415 at charges, (\$4,575,552 at cost).                                                                                                                                                                                                                                                                                                                                      |
| Part III, Line 3 |                 | The provision for doubtful accounts is based upon management's assessment of expected net collections considering economic conditions, historical experience, trends in the health care coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience by payor category, including those amounts not covered by insurance. The results of this review are then used to make any modifications to the provision for doubtful accounts to establish an appropriate allowance for doubtful accounts. After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, the System follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by the System. |

| Identifier       | ReturnReference | Explanation                                                                                                                                                                                                                                                                |
|------------------|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Part III, Line 4 |                 | The organization is part of the Ascension Health Alliance's consolidated audit in which the footnote that discusses the bad debt expense is located on page 17                                                                                                             |
|                  |                 | Part III, Line 8 Ascension Health and related health ministries follow the Catholic Health Association ("CHA") guidelines for determining community benefit CHA community benefit reporting guidelines suggest that Medicare shortfall is not treated as community benefit |

| Identifier | ReturnReference           | Explanation                                                                                                                                                                                                                                                                                                                              |
|------------|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|            |                           | Part III, Line 9b The organization has a written debt collection policy that also includes a provision on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance. If a patient qualifies for charity or financial assistance, certain collection practices do not apply. |
|            | Part V, Section B, Line 5 | The Community Health Needs Assessment ("CHNA") of each hospital facility can be located at the following web address: <a href="http://www.providence.net/patients/2013-CHNA.html">http://www.providence.net/patients/2013-CHNA.html</a>                                                                                                  |

| Identifier | ReturnReference            | Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|            | Part V, Section B, Line 16 | <p>The following steps were followed and considered reasonable efforts for purposes of Question 16 - Notified each individual of the facility's Financial Assistance Policy (FAP) This notification began on the date care was provided and ended on the 120th day after the first billing statement was provided to the individual - Individuals were notified of the FAP by methods as noted in Question 14 This includes, but is not limited to, providing the following - A brief description of eligibility requirements and assistance provided- Directions on how to access the FAP and application on our website and physical location of application forms- Instructions to obtain free copy of FAP and application by mail- Contact information for an individual/nonprofit organization to assist if the individual has questions- Statement of translations of FAP as well as plain language summaries- Statement that no FAP-eligible individual will be charged more for emergency/medically necessary care than AGB- For individuals who submitted an incomplete FAP, we provided that individual with information relevant to assist them with completion of the FAP - For individuals who submitted a complete FAP, we made and documented a determination as to whether that person was eligible under the facility's FAP - We determined eligibility based on other means such as establishing that the individual is eligible under one or more means tested programs (as noted in Question 12)</p> |
|            | Part V, Section B, Line 17 | <p>The following steps were followed and considered reasonable efforts for purposes of Question 17 - Notified each individual of the Hospital's Financial Assistance Policy (FAP) This notification began on the date care was provided and ended on the 120th day after the first billing statement was provided to the individual - Individuals were notified of the FAP as noted in Question 14 This includes, but is not limited to, the following - Brief description of eligibility requirements and assistance provided- Direct individuals to our website and physical location of application forms- Provided instructions to obtain free copy of FAP and application by mail- Provided contact information for an individual/nonprofit organization to assist if the individual has questions- Provided statement of translations of FAP as well as plain language summaries- Provided statement that no FAP-eligible individual will be charged more for emergency/medically necessary care than AGB- For individuals who submitted an incomplete FAP, we provided that individual with information relevant to assist them with completion of the FAP - For individuals who submitted a complete FAP, we made and documented a determination as to whether that person was eligible under the facility's FAP - We determined eligibility based on other means such as establishing that the individual is eligible under one or more means tested programs (as noted in Question 12)</p>                     |

| Identifier | ReturnReference            | Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
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|            | Part V, Section B, Line 18 | Question 18 is more appropriately answered as not applicable as the Billing and Collections Policy of Providence Health Center and Depaul Center does not allow a hospital to engage in extraordinary collection actions before the organization made reasonable efforts to determine whether the individual is eligible for assistance under the financial assistance policy. Reasonable efforts taken include but are not limited to - Notifying individuals of the financial assistance policy on admission- Notifying individuals of the financial assistance policy prior to discharge- Notifying individuals of the financial assistance policy in communications with the patients regarding the patients' bills- Documenting its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|            | Part V, Section B, Line 21 | The following steps were followed and considered reasonable efforts followed for purposes of identifying patients eligible for assistance under the facility's FAP - Notified each individual of the Hospital's Financial Assistance Policy (FAP) This notification began on the date care was provided and ended on the 120th day after the first billing statement was provided to the individual - Individuals were notified of the FAP as noted in Question 14 This includes, but is not limited to, the following - Brief description of eligibility requirements and assistance provided- Direct individuals to our website and physical location of application forms- Provided instructions to obtain free copy of FAP and application by mail- Provided contact information for an individual/nonprofit organization to assist if the individual has questions- Provided statement of translations of FAP as well as plain language summaries- Provided statement that no FAP-eligible individual will be charged more for emergency/medically necessary care than AGB- For individuals who submitted an incomplete FAP, we provided that individual with information relevant to assist them with completion of the FAP - For individuals who submitted a complete FAP, we made and documented a determination as to whether that person was eligible under the facility's FAP - We determined eligibility based on other means such as establishing that the individual is eligible under one or more means tested programs (as noted in Question 12) |

| Identifier | ReturnReference            | Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
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|            | Part V, Section B, Line 22 | The following steps were followed and considered reasonable efforts followed for purposes of identifying patients eligible for assistance under the facility's FAP - Notified each individual of the Hospital's Financial Assistance Policy (FAP) as noted in Question 14 This includes, but is not limited to, the following - Brief description of eligibility requirements and assistance provided- Direct individuals to our website and physical location of application forms- Provided instructions to obtain free copy of FAP and application by mail- Provided contact information for an individual/nonprofit organization to assist if the individual has questions- Provided statement of translations of FAP as well as plain language summaries- Provided statement that no FAP-eligible individual will be charged more for emergency/medically necessary care than AGB- This notification began on the date care was provided and ended on the 120th day after the first billing statement was provided to the individual - For individuals who submitted an incomplete FAP, we provided that individual with information relevant to assist them with completion of the FAP - For individuals who submitted a complete FAP, we made and documented a determination as to whether that person was eligible under the facility's FAP - We determined eligibility based on other means such as establishing that the individual is eligible under one or more means tested programs (as noted in Question 12)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|            |                            | Part VI, Line 2 Our Community Needs Assessment is conducted every three years, most recently in April 2013 In an effort to understand the health needs of residents of McLennan County, our ministry partnered with other healthcare entities to provide a comprehensive and unbiased profile of McLennan County This healthcare partnership included the Family Health Center, the Heart of Texas Regional Advisory Council (HOTRAC), Hillcrest Baptist Medical Center - Scott and White Healthcare, Providence Healthcare Network, and Waco-McLennan County Public Health District On behalf of this healthcare partnership, HOTRAC contracted with the University of North Texas Survey Research Center to conduct a survey of McLennan County residents The survey was designed to provide information on a number of health-related concerns on the following topic areas - General, physical, mental and emotional health status, - Healthcare access issues such as health insurance, dental insurance, as well as child care issues, - Health awareness of several health conditions, - Behaviors that affect health, and - Emergency preparedness Many of the questions in the survey were modeled after the Behavioral Risk Factor Surveillance system Questionnaire (BRFSS) and other questionnaire sources During the months of January and February 2013, a needs assessment survey was administered to residents of McLennan County The survey was the fourth surveillance survey conducted by the University of North Texas Survey Research Center of McLennan County (SRC) Previous surveys were conducted in 2001, 2006 and 2009 For the second time, a cell phone sampling frame was included Weights were applied to the 2013 data and revised for 2009 due to methodological advancements in dual-frame weighting procedures A total of 730 interviews were conducted and analyzed - 371 with people using a landline and 359 with people using a cell phone The SRC provided statistical analysis of the survey data to help identify local health needs, to determine priority health needs for McLennan County and to assist in developing a plan of action Overall, the 2013 Community Needs Assessment for McLennan County revealed that the majority of respondents (78.9 percent) are in good or better health, and it revealed three key findings These areas of specific needs included dental and insurance coverage lapses, a decline in preventative tests designed to promote women's health, and diabetes care and management Our Ministry is taking steps to address these needs |

| Identifier | ReturnReference | Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
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|            |                 | Part VI, Line 3 Providence Healthcare Network is prepared to educate and qualify patients for financial assistance as needed Financial assistance counselors meet with all self-pay patients and screen them for potential government benefits They assist them with the charity care application as well as work with them to establish eligibility for governmental benefits Our counselors receive extensive training on how to qualify patients for assistance under federal, state or local government programs They are also bi-lingual in both English and Spanish A summary of our charity care policy is provided to patients during the intake and discharge process                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|            |                 | Part VI, Line 4 Providence Healthcare Network is located in Waco, Texas and serves McLennan County (pop 238,707*) and the six contiguous counties which include Hill (pop 35,115*), Bosque (pop 18,125*), Limestone (pop 23,585*), Falls (pop 17,610*), Bell (pop 323,037*), and Coryell (pop 77,231*) Waco (pop 127,018*), known as the education and consumer center of Texas, is our primary service area and is located along Interstate 35 in Central Texas, equidistant from Dallas/Ft Worth and Austin (90 miles) Waco is served by two not for profit hospitals, Providence Healthcare Network and Hillcrest Baptist Medical Center In McLennan County, 21 8%* of households live at or below federal poverty guidelines, median income is \$41,589,* 21% of families are at or below the poverty level, uninsured and underinsured persons comprise 24 5%* of the population, and 41 8%* of our county's population is minority and 18 8%* speak a language other than English at home, with Spanish being the predominant other language In FY13, our Ministry served 16,751 patients and provided \$22 million in traditional charity care, and almost \$5 million in unpaid costs of public programs *source U S Census Bureau |

| Identifier | ReturnReference | Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
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|            |                 | <p>Part VI, Line 5 Providence Healthcare Network strives to improve the physical, mental, social and spiritual health status of its surrounding community Along with providing healthcare services to all that require medical attention, our ministry believes that it is crucial to educate the community on the types of behavior that improves their chances of living a healthy life Providence Healthcare Network has invested significantly in unique, top quality community health improvement/education programs and materials to accomplish its goals which include - Social service and support counseling for patients and families - Pastoral care - Space for community groups to use at no charge - Annual free health screenings - Employee and Administration active involvement on community boards and associations - Mentoring children through year round partnerships with local elementary schools - Ongoing clinical research to help advance medical care - Ongoing educational programs for internal and external medical/clinical staff - Comprehensive and interactive website - Charitable financial support of many local and national non-profit organizations - Collaboration with health department and other local hospital to identify community needs and address community problems - Free mammograms for uninsured and underinsured women - Trained financial assistance counselors available to identify eligibility for government benefits - Hospital volunteers receive extensive training by AARP to provide free tax preparation to the needy and underserved in our community - Free or no-cost medications provided to those persons that qualify - Flu shots offered at reduced prices for the general community and free to employees and their families - Disaster readiness support provided locally and globally - Year round CPR Life Support Course provided for free to the community - Active Volunteer Services Department providing the opportunity for persons in the community to come together and combine their compassion, skills and talent to make a difference in the lives of our patients and families, employees, physicians and clinical staffThrough each of these diverse community outreach support efforts, Providence Healthcare Network provides a significant impact on the overall well-being of the community while increasing access to health care services and reducing health care costs</p> |
|            |                 | <p>Part VI, Line 6 Providence Healthcare Network proudly serves as a member of Ascension Health, the nation's largest Catholic and largest nonprofit health system Since being founded by the Daughters of Charity in 1905 as a ministry to the suffering, Providence Healthcare Network and its affiliated Divisions have been dedicated to providing accessible, safe and quality healthcare to all patients regardless of their ability to pay Providence is a comprehensive healthcare network that operates several facilities including the Health Center, DePaul Center, Home Care, Durable Medical Equipment, Providence Park and 13 clinics in the Waco, Texas area Network wide, in FY13 our Ministry provided more than \$19 million in community health services, professional education, subsidized health care, research financial contributions and other community building activities</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

| Identifier | ReturnReference | Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             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|            |                 | <p>Community Benefit ReportProvidence Healthcare Network provides a full range of care, including outpatient care, inpatient care, emergency services, long-term care, mental health care, chemical dependency treatment, pediatric care, senior adult care services, and more Providence Health Alliance Inc is the part of Providence Healthcare Network that operates sixteen physician clinics that serve Waco and the six surrounding counties The Providence Clinics accept all payors to provide complete health care for individuals and families The clinics' team of dedicated health professionals provides a diverse range of services, from routine physicals and preventive medicine, to more complex matters of illness and injury The clinic specialties include Family Practice, Internal Medicine, Obstetrics/Gynecology, Psychiatry, Psychotherapy and Geriatric (senior adult) Medicine Providence Healthcare Network also includes Providence Health Services of Waco Inc (74-1109636) which operates Providence Health Center (acute care), Providence Park (residential, skilled nursing, and long-term care), DePaul Center (psychiatric care) and Providence Home Care Providence Healthcare Network also includes Providence Foundation, Inc (74-2683112), which is the fundraising division of Providence Healthcare Network and is responsible for the acquisition of capital equipment and advanced technology Providence Health Services of Waco, Inc and Providence Foundation, Inc file separate IRS Forms 990 The following information pertains to Providence Healthcare Network This report illustrates the significant degree to which Providence Healthcare Network contributes to the positive health status of the communities it serves As a member of Ascension Health, the nation's largest Catholic healthcare system, Providence Healthcare Network continues to build and strengthen sustainable collaborative efforts that benefit the health of individuals, families, and society as a whole Ascension Health directs its governance and management activities toward strong, vibrant, Catholic Health Ministries united in service and healing, and dedicates its resources to spiritually-centered care which sustains and improves the health of the communities it serves In accordance with Ascension Health's mission of service to those who are poor and vulnerable, each Health Ministry accepts patients regardless of their ability to pay Providence Healthcare Network has engaged in the following activities to ensure that our mission is accomplished Unreimbursed Services Provided to the Elderly and the Poor Providence Healthcare Network provides a substantial portion of its services to the elderly and poor During the fiscal year ending June 30, 2013, approximately 49.7% of the values of services rendered were to elderly patients under the Medicare program, and approximately 11% of the services were provided to patients who were deemed indigent under state, county, or Health Center Guidelines In the spirit of principles adopted by Ascension Health, Providence Healthcare Network has taken proactive steps to address those issues that will affect accessibility, the financing, and the delivery of healthcare to all persons, especially the uninsured, underinsured, and the underserved During the fiscal year ending June 30, 2013, the estimated unreimbursed cost of services provided to the elderly, uninsured, and underinsured totaled \$24 million before state uncompensated pool reimbursements Patient Services Providence Healthcare Network provides the following inpatient and outpatient medical services to the community - Bronchial Thermoplasty - Cancer Care - Cardiac Services - Cardio-Pulmonary Rehab - Da Vinci Surgery - Diabetes Care - Durable Medical Equipment - Education - Emergency Care - Home Care - Hospice - Midwifery - Neuroscience - Orthopedics - Pediatric Care - Pharmacy - Physician Clinical Services - Psychiatric Care - Radiology - Research - Rehabilitative Services - Senior Care - Independent, Assisted, Long-term Care, and Sub-Acute Care - Support Groups - Surgical Weight Loss - Central Stroke Center - Wound Care Center - Women &amp; Newborn Center - Volunteer ServicesSome of the services listed above operate at a loss in order to ensure that all services are available to meet community health care needs These include physician clinical services, and certain acute care departments During the fiscal year ending June 30, 2013, our Health Center treated 16,751 adults and children in the community for a total of 176,727 patient days of service The Health Center also provided outpatient services including 4,293 outpatient surgery patients, 78,301 emergency and minor care visits, and 32,949 homebound patients, 7,332 psychiatric care visits, and 155,195 physician office visits Community Outreach Activities Providence Healthcare Network seeks to improve the physical, mental, social and spiritual health status of its surrounding community In addition to providing health care services to all individuals who require medical attention, our Ministry has developed the following programs to help achieve its mission Expanding Awareness, Education, and Health Promotion - Providence Healthcare Network believes that it is essential to educate people regarding the types of behavior that improve their chances of living a healthy life Providence Healthcare Network has invested significantly in unique, top quality health education programs and materials to accomplish its goals - Bariatric Support Group - Cancer Support Group - Cardiac Support Group - Community Cancer Screenings - Community Health Screenings - DePaul Mental Health and Addiction Support Groups - Diabetes Support Group - Healing Grief - Internal Cardioverter Defibrillator Support Group - Living Livers Support Group - Mended Hearts Support Group - Osteoporosis Support Group - Pulmonary Support Group - NAMI of Waco - Worksite Wellness ProgramWebsite Educational Materials - All of the above listed support groups are posted on our website www.providence.net Additionally, we have several service lines that have dedicated websites in order to provide a convenient way to better educate their patients Also, several of our service lines highlight preventative educational materials Providence Surgical Weight Loss Center - We post support groups on the dedicated website www.werechanginglives.com This site provides health resources to help determine whether or not to have surgery and outlines lifestyle changes that must occur when you do Providence Breast Health Center - This website www.providencebhc.com provides resources that encourage women to be proactive in maintaining their breast health It includes such information as Facts and Figures and credible links to national organizations with preventative breast cancer information DePaul Center - Our psychiatric and substance abuse treatment division posts the schedule for monthly education seminars on mental health topics and posts support groups offered to assist in mental health Providence Stroke Center - Our Stroke website page highlights the signs &amp; symptoms of a stroke, the risk factors and also provides links to other important national organizations that provide additional in-depth preventative information Joint Camp - Joint Camp is a comprehensive and coordinated effort that involves everyone from admission clerks and lab personnel to nurses and dietary staff From the very first pre-surgery visit to the actual surgery, and on to recovery, the Joint Camp at Providence provides comprehensive care that patients can trust</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|            |                 | <p>Charitable Contributions to Community Organizations Providence Healthcare Network provides charitable support to many various organizations within our community Our Mission directs us to serve all persons, particularly the poor and vulnerable, toward improving the health of individuals and communities We feel it is our calling to support those organizations that serve this same purpose Listed below are just a few of those organizations that receive charitable contributions from our Ministry - Advocacy Center for Crime - Alzheimer's Association - American Cancer Society - American Heart Association - Arthritis Foundation - Baylor University - Big Brothers and Sisters - Cameron Park Zoo - Care Net Pregnancy Center - Central Texas Sickle Cell Anemia Association - Compassion Ministries - Empowerment by Knowledge Coalition - Family Health Center - Family Abuse Center - Fuzzy Friends Rescue - Greater Waco Chamber of Commerce - Greater Hewitt Chamber of Commerce - March of Dimes - Meals on Wheels - Midway ISD - Mission of Waco - Reach Therapeutic Riding Center - St Louis Catholic Church - Susan G Komen Central Texas - Waco ISD Education Foundation - YMCAParticipation in Charitable or Public Benefit Programs Providence Healthcare Network actively participates year round with several organizations in our community Listed below are several ways our Ministry gets involved - American Heart Association As the cause sponsor of the American Heart Association, Providence provides substantial financial support which aides their fight against our country's No. 1 and No. 3 causes of death heart disease and stroke Furthermore, our participation in the annual Heart Walk not only raises awareness, but also raises significant funds to support a variety of AHA research and educational programs - Carter Blood Care Associates participate in 10 onsite blood drives throughout the year The blood units that Carter Blood Care collects supports patient care both at Providence and in surrounding communities - Partners in Education For over 28 years Providence has partnered with Brook Avenue Elementary to provide positive role models that help to grow students' confidence and inspire them to succeed From career days, health fairs, and incentive programs, to Storybook Christmas, caroling, field day and a Pen Pal Program, our associates participate year-round with the 4th grade students to assist in the development success of school work and social skills - American Cancer Society Associate team for Relay For Life - Mission Waco Toy Drive Associates donated 300 new, unwrapped toys to the toy drive which benefits families in need during the holiday season - Food for Families Food Drive Providence associates donated 4,563 lbs. of non-perishable food items These generous donations help stock the shelves of the Caritas food pantry which provides food to those in need year-round - Storybook Christmas Providence donates new, age-appropriate books to our partner school, Brook Avenue Elementary - Pharmaceutical Assistance Program Providence coordinates free medications and assistance with co-pays to those that qualify Medications and support are donated by various pharmaceutical companies - Generations of Hope Adoption Agency Providence provides charitable support and attends annual fundraiser - National Red Ribbon Week Each year, Providence Healthcare Network and Providence DePaul Center sponsor National Red Ribbon Week in our community schools It is our goal is to assist schools in helping all students grade PK through 12 to be aware of the dangers of drugs and the benefits of living a healthy, drug-free lifestyle The Red Ribbon Wrist bands are an effective way of reminding kids to "Band Together Against Drugs " 70,000 red ribbon wrist bands were distributed to approximately 300 schools in McLennan and contiguous counties Medical Research Providence Healthcare Network furthers its Mission by contributing funds and personnel to support research that has helped advance medical care Research projects include the following - ACTIVE To evaluate the safety and efficacy of the Assurant Cobalt stent system in the treatment of atherosclerotic lesions in the Iliac arteries of subjects with peripheral arterial disease 6 patients enrolled - BIOFLEX-1 The treatment of Iliac and Femoral atherosclerotic lesions using the self-expanding Astron and Astron Pulsar Stents 11 patients enrolled - CHOICE Carotid Stenting for high risk surgical patients Evaluating outcomes through the collection of clinical evidence 34 patients enrolled - THE COMPLETE SE-SFA STUDY To evaluate the safety and efficacy of the Complete Self-Expanding SFA stent system in the treatment of atherosclerotic lesions in the Superficial SFA and popliteal lesion Purpose To investigate additional therapeutic tools and technology in an effort to provide more effective treatment for the 10% of patients that suffer from occlusive disease 10 patients enrolled - DAPT A prospective, multi-center, randomized, double-blind trial to assess the effectiveness and safety of 12 versus 30 months of dual antiplatelet therapy (DAPT) in subjects undergoing percutaneous coronary intervention (PCI) with either drug-eluting stent (DES) or bare metal stent (BMS) placement for the treatment of coronary artery lesions Purpose To address the concern that DES might lead to higher rates of stent-thrombosis particularly beyond the first year after implantation 74 patients enrolled - DEFINITIVE LE Determination of Effectiveness of the SilverHawk Peripheral, Plaque Excision System (SilverHawk Device) for the Treatment of Intrainguinal Vessels/ Lower Extremities 15 patients enrolled -GEL THE NEC Gaining Efficacy Long Term, HydroSoft, and Emerging, New Embolic Coil Purpose To study the effectiveness of Hydrosoft coil in patients with intravascular aneurysms 16 patients enrolled - PRE-DETERMINE To identify a series of genetic markers and biomarkers that specifically predict risk of arrhythmic death as compared to other causes of mortality among CAD patients with preserved LVEF (Left Ventricular Ejection Fraction) 60 patients enrolled - PACE-MI Analyze beta-blocker dose response effect on outcome of Myocardial infarction patients over two years 273 patients enrolled - VIRGO Variation in Recovery Role of Gender on Outcomes of Young Acute Myocardial Infarction (AMI) Patients 28 patients enrolled - WARFARIN To determine the utility of genetic testing in reducing the incidence of adverse events both bleeding and thromboembolic, associated with the initiation of warfarin therapy 24 patients enrolled - SILVER-AMI Research study that is collecting information to help predict recovery of older persons after a heart attack 9 patients enrolled - Gloria-AF Registry on Long-Term Oral Anti-thrombotic Treatment in patients with Atrial Fibrillation 25 patients enrolled - EXCITE-ISR Excimer Laser Randomized Controlled Study for treatment of Femoropopliteal In-stent-restenosis 4 patients enrolled - IN PACT SFA 11 Randomized trial of IN PACT (Paclitaxel) Admiral Drug-Eluting Balloon (DEB) vs standard PTA for the treatment of atherosclerotic lesions in the superficial femoral artery (SFA) and proximal popliteal artery (PPA) 3 patients enrolled - Research Website Yes, the M. Brian Aynesworth Research Center provides its research projects and their general purpose on the Providence Healthcare Network website www.providence.net Medical Education Providence Healthcare Network believes that, in order to provide the best health care to the community, its clinical personnel must receive ongoing medical education Listed below are classes, seminars, and materials that our Ministry has provided to its medical residents and staff - Clinical Staff activities In honor of James W. Jolliff, MD, this annual memorial endowment seminar is free of charge and is designed for healthcare professionals in the mental health field including physicians, psychologists, licensed professional counselors, social workers, registered nurses and other mental health professionals Through a lecture presentation, followed by a question and answer session and evaluation, the information provided during the seminars is intended to broaden the healthcare professional's knowledge to improve psychotherapeutic interventions, resulting in quality healthcare to the patient Information about the seminar is sent to mental health professionals in McLennan and contiguous counties An average of 120-150 people attend each year in the fall</p> |

| Identifier                                | ReturnReference | Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
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|                                           |                 | Summary Providence Healthcare Network furthers its charitable purposes by providing a broad array of services to meet the healthcare needs of patients and organizations in the community. We provide essential medical services to the community, train and recruit healthcare professionals to serve the needs of the broader community, provide appropriate charity services to those patients who are not able to pay for their own healthcare needs, provide services to other organizations that allow them to provide quality services to their patients or constituents, and present educational information classes and activities to the community in order to improve its overall health status. |
| Part V, Line 8 Facility Reporting Group A |                 | See below                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

| Identifier                             | ReturnReference           | Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
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| Facility 1 -- Providence Health Center | Part V, Section B, line 3 | The hospital facility took into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge or expertise in public health. These persons include Hammad Akram - Epidemiologist - Waco McLennan County Public Health District, Sherry Williams - Director - Waco McLennan County Public Health District, Mayor Malcolm Duncan - Mayor - McLennan County, Clement Milam - Development Director - Family Health Center, Christine Reeves - Director - Heart of Texas Regional Advisory Council, Ashley Allison - Director - Waco Foundation, Felicia Goodman - Director - Cooper Foundation. These persons were considered subject matter experts in the area of community health needs and current status of community health-related activities. They were consulted through face-to-face meetings. These people are part of organizations that represent a good cross section of our community. |
| Facility 1 -- Providence Health Center | Part V, Section B, line 4 | The other hospital facilities with which Providence Health Center, DePaul Center, and Providence Park conducted its CHNA include the Family Health Center, the Heart of Texas Regional Advisory Council (HOTRAC), Hillcrest Baptist Medical Center - Scott and White Healthcare, and Waco-McLennan County Public Health District.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

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| Facility 1 -- Providence Health Center | Part V, Section B, line 7   | <p>Key needs that are not being addressed and the reasons for not taking action are as follows Healthcare Access Providence will continue to provide charity care when people need emergent care We will continue to collaborate with the McLennan County CHAT, the city of Waco and McLennan County to advocate for Texas Medicaid expansion Dental Care Access Providence does not offer dental services Other resources are conveniently available, there are four Family Health Center dental clinic locations - South 18th Street Clinic - Madison Cooper Clinic - Elm Street Clinic - McGregor ClinicImmunizations Fifty-one percent of respondents reported getting a flu shot in the past 12 months However, four percent of the respondents indicated they had received the flu vaccine that was sprayed in their nose Respondents that had received the flu vaccine nasal spray were more likely to be adults from larger households and adults living at 100 percent or less of the poverty level RESPONSE In response to the findings of the 2009 CHNA, Providence Home Care offered weekend clinic and "drive through" flu shot options, they were not well-attended Currently, Providence Home Care offers flu shots at competitive prices Flu Shots are offered in all grocery stores and pharmacies at competitive prices Access has increased to meet community needs Providence provides flu vaccines for all associates at no cost Providence also educates physician offices of the importance of annual flu vaccines Health Status Twenty-two percent of respondents were limited in activities due to an impairment or health problem Back or neck pain (16 7 percent) and arthritis/rheumatism (12 4 percent) were the most common problems mentioned Thirty-nine percent of those with limited activities needed help with routine chores as a result RESPONSE Providence feels that other appropriate community resources are conveniently located and accessible to people in our county Illnesses Varying percentages of respondents had been told they or someone in the household had high blood pressure (39 3 percent), high blood cholesterol (41 8 percent), diabetes (23 0 percent), heart problems (18 0 percent), or behavioral or emotional problems (11 7 percent) Among other illnesses reported, allergies (64 0 percent) and being overweight (44 2 percent) were the most common Thirty-eight percent reported being tested for HIV RESPONSE Providence feels that by expanding our Diabetes program to help people control and improve glycemic levels as well as teach necessary self-management skills, a positive impact will be made on the various illnesses listed above BMI/Physical Activity A calculation of each respondent's individual body mass index revealed that 65 7 percent of respondents were either overweight (33 9 percent) or obese (31 8 percent) Less than one third (31 8 percent) were of normal weight The Body Mass Index was also calculated for the youngest of the respondent's children Approximately half of the children were of normal weight However, about 24 to 27 percent were at risk for obesity Eighty-two percent of respondents reported doing moderate activities for at least 10 minutes at a time Forty-seven percent did vigorous activities - a decrease from 52 2 percent in 2009 RESPONSE Providence feels that by expanding our Diabetes program to help people control and improve glycemic levels as well as teach necessary self-management skills, a positive impact will be made on Body Mass Index levels in our community Diet Respondents were queried about their dietary habits Fifty-five percent reported eating or drinking 2 to 4 servings of fruit per day (47 5 percent) or more than 4 servings per day (4 3 percent) Fifty-two percent reported eating 2 or more servings of fresh vegetables per day Fifty-six percent of respondents reported eating red meat, cheese, fried foods, eggs or tortillas at least once (30 9 percent) per day Fifty percent of respondents reported never eating pie, cake, cookies or sweetened cereals (12 8 percent) or eating less than one serving per day (37 4 percent) Thirty-eight percent of respondents reported eating restaurant food one time (41 3 percent), two times (7 9 percent), or 3 or more times (1 8 percent) on the day before the interview RESPONSE Providence feels that this area of the survey was strictly providing eating patterns of people in our community We do not have the capacity to address it alone but will continue to support good, healthy eating habits in our cafeteria by serving well balanced meals to our patients and guests Women/Men's Health (GYN/Prostate) Eight percent reported that someone in the household is pregnant or was pregnant within the past year Most of the pregnant women were between the ages of 18 and 24 Sixty-five percent of these women were either planning to breast-feed the baby or had done so Eighty-seven percent of the pregnant women received prenatal care Among male respondents, twenty-four percent had gotten a prostate exam in the past 12 months Ninety-six percent indicated that the test results were normal RESPONSE Providence currently has one Certified and one Nationally Certified Lactation Counselor In addition, we added information to our website on breastfeeding and services offered A lactation room was added to 5th floor during renovation The lactation room is utilized for returning patients that need assistance with breastfeeding or for staff who need to pump during work hours An additional lactation room was added for associates and physician use In April 2013, Providence received Waco's first "Texas Mother-Friendly Worksite" designation As Waco's largest employer, Providence plans to lead other employers in the pursuit of this designation that encourages employees to breast-feed by providing the necessary support to do so Smoking Of the respondents who had smoked at least 100 cigarettes in their entire life, 50 6 percent were current smokers every day (37 4 percent) or some days (13 1 percent) Forty-nine percent said they did not smoke at all One-third (31 2 percent) of current smokers reported smoking 1 to 5 cigarettes per day, and 28 9 percent smoked 6 to 10 per day Nearly one-third (32 6 percent) smoked 11 to 20 cigarettes per day RESPONSE Providence feels there are many other organizations in our community that address this ongoing smoking problem We continue to partner with them through community sponsorships that support their programs and we allow them to take the lead, as they are the subject matter experts We do, however, have a robust pulmonary program that includes a Lung Nodule Clinic, a Bronchial Thermoplasty program and a specialty clinic that helps with the negative effects of smoking Communications Respondents indicated that the best way for them to receive health information was through the Internet (31 7 percent) This was followed by other methods their healthcare providers (30 9 percent) and television (15 8 percent) RESPONSE In addition to re-launching our hospital website to include expanded information in 2010, Providence has added educational resources to the main page of our website, including an educational library and a symptom checker</p> |
| Facility 1 -- Providence Health Center | Part V, Section B, line 16e |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 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| Facility 1 -- Providence Health Center | Part V, Section B, line 17e |             |
| Facility 1 -- Providence Health Center | Part V, Section B, line 20d |             |

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| Facility 1 -- Providence Health Center | Part V, Section B, line 21 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Facility 2 -- DePaul Center            | Part V, Section B, line 3  | The hospital facility took into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge or expertise in public health. These persons include Hammad Akram - Epidemiologist - Waco McLennan County Public Health DistrictSherry Williams - Director - Waco McLennan County Public Health DistrictMayor Malcolm Duncan - Mayor - McLennan CountyClement Milam - Development Director - Family Health CenterChristine Reeves - Director - Heart of Texas Regional Advisory CouncilAshley Allison - Director - Waco FoundationFelicia Goodman - Director - Cooper FoundationThese persons were considered subject matter experts in the area of community health needs and current status of community health-related activities. They were consulted through face-to-face meetings. These people are part of organizations that represent a good cross section of our community. |

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| Facility 2 -- DePaul Center | Part V , Section B, line 7 | <p>Key needs that are not being addressed and the reasons for not taking action are as follows</p> <p>Healthcare Access Providence will continue to provide charity care when people need emergent care We will continue to collaborate with the McLennan County CHAT, the city of Waco and McLennan County to advocate for Texas Medicaid expansion Dental Care Access Providence does not offer dental services Other resources are conveniently available, there are four Family Health Center dental clinic locations - South 18th Street Clinic - Madison Cooper Clinic - Elm Street Clinic - McGregor Clinic</p> <p>Immunizations Fifty-one percent of respondents reported getting a flu shot in the past 12 months However, four percent of the respondents indicated they had received the flu vaccine that was sprayed in their nose Respondents that had received the flu vaccine nasal spray were more likely to be adults from larger households and adults living at 100 percent or less of the poverty level</p> <p>RESPONSE In response to the findings of the 2009 CHNA, Providence Home Care offered weekend clinic and "drive through" flu shot options, they were not well-attended Currently, Providence Home Care offers flu shots at competitive prices Flu Shots are offered in all grocery stores and pharmacies at competitive prices Access has increased to meet community needs Providence provides flu vaccines for all associates at no cost Providence also educates physician offices of the importance of annual flu vaccines</p> <p>Health Status Twenty-two percent of respondents were limited in activities due to an impairment or health problem Back or neck pain (16 7 percent) and arthritis/rheumatism (12 4 percent) were the most common problems mentioned Thirty-nine percent of those with limited activities needed help with routine chores as a result</p> <p>RESPONSE Providence feels that other appropriate community resources are conveniently located and accessible to people in our county</p> <p>Illnesses Varying percentages of respondents had been told they or someone in the household had high blood pressure (39 3 percent), high blood cholesterol (41 8 percent), diabetes (23 0 percent), heart problems (18 0 percent), or behavioral or emotional problems (11 7 percent) Among other illnesses reported, allergies (64 0 percent) and being overweight (44 2 percent) were the most common Thirty-eight percent reported being tested for HIV</p> <p>RESPONSE Providence feels that by expanding our Diabetes program to help people control and improve glycemic levels as well as teach necessary self-management skills, a positive impact will be made on the various illnesses listed above</p> <p>BMI/Physical Activity A calculation of each respondent's individual body mass index revealed that 65 7 percent of respondents were either overweight (33 9 percent) or obese (31 8 percent) Less than one third (31 8 percent) were of normal weight The Body Mass Index was also calculated for the youngest of the respondent's children Approximately half of the children were of normal weight However, about 24 to 27 percent were at risk for obesity Eighty-two percent of respondents reported doing moderate activities for at least 10 minutes at a time Forty-seven percent did vigorous activities - 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| Facility 3 -- Providence Park | Part V, Section B, line 3 | The hospital facility took into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge or expertise in public health. These persons include Hammad Akram - Epidemiologist - Waco McLennan County Public Health District, Sherry Williams - Director - Waco McLennan County Public Health District, Mayor Malcolm Duncan - Mayor - McLennan County, Clement Milam - Development Director - Family Health Center, Christine Reeves - Director - Heart of Texas Regional Advisory Council, Ashley Allison - Director - Waco Foundation, Felicia Goodman - Director - Cooper Foundation. These persons were considered subject matter experts in the area of community health needs and current status of community health-related activities. They were consulted through face-to-face meetings. These people are part of organizations that represent a good cross section of our community. |
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| Facility 3 -- Providence Park | Part V, Section B, line 7 | <p>Key findings needs not being addressed and the reasons Healthcare Access Providence will continue to provide charity care when people need emergent care We will continue to collaborate with the McLennan County CHAT, the city of Waco and McLennan County to advocate for Texas Medicaid expansion Dental Care Access Providence does not offer dental services Other resources are conveniently available, there are four Family Health Center dental clinic locations - Family Health Center - South 18th Street Clinic - Madison Cooper Clinic - Elm Street Clinic - McGregor ClinicImmunizations Fifty-one percent of respondents reported getting a flu shot in the past 12 months However, four percent of the respondents indicated they had received the flu vaccine that was sprayed in their nose Respondents that had received the flu vaccine nasal spray were more likely to be adults from larger households and by adults living at 100 percent or less of the poverty level RESPONSE In response to the findings of the 2009 CHNA, Providence Home Care offered weekend clinic and "drive through" flu shot options, they were not well-attended Currently, Providence Home Care offers flu shots at competitive prices Flu Shots are offered in all grocery stores and pharmacies at competitive prices Access has increased to meet community needs Providence provides flu vaccine for all associates at no cost Providence also educates physician offices of the importance of annual flu vaccines Health Status Twenty-two percent of respondents were limited in activities due to an impairment or health problem Back or neck pain (16 7 percent) and arthritis/rheumatism (12 4 percent) were the most common problems mentioned Thirty-nine percent of those with limited activities needed help with routine chores as a result RESPONSE Providence feels that other appropriate community resources are conveniently located and accessible to people in our county Illnesses Varying percentages of respondents had been told they or someone in the household had high blood pressure (39 3 percent), high blood cholesterol (41 8 percent), diabetes (23 0 percent), heart problems (18 0 percent), or behavioral or emotional problems (11 7 percent) Among other illnesses reported, allergies (64 0 percent) and being overweight (44 2 percent) were the most common Thirty-eight percent reported being tested for HIV RESPONSE Providence feels that by expanding our Diabetes program to help people control and improve glycemic levels as well as teach necessary self-management skills, a positive impact will be made on the various illnesses listed above BMI/Physical Activity A calculation of each respondent's individual body mass index revealed that 65 7 percent of respondents were either overweight (33 9 percent) or obese (31 8 percent) Less than one third (31 8 percent) were of normal weight The Body Mass Index was also calculated for the youngest of the respondent's children Approximately half of the children were of normal weight However, about 24 to 27 percent were at risk for obesity Eighty-two percent of respondents reported doing moderate activities for at least 10 minutes at a time Forty-seven percent did vigorous activities-a decrease from 52 2 percent in 2009 RESPONSE Providence feels that by expanding our Diabetes program to help people control and improve glycemic levels as well as teach necessary self-management skills, a positive impact will be made on Body Mass Index levels in our community Diet Respondents were queried about their dietary habits Fifty-five percent reported eating or drinking 2 to 4 servings of fruit per day (47 5 percent) or more than 4 servings per day (4 3 percent) Fifty-two percent reported eating 2 or more servings of fresh vegetables per day Fifty-six percent of respondents reported eating red meat, cheese, fried foods, eggs or tortillas at least once (30 9 percent) per day Fifty percent of respondents reported never eating pie, cake, cookies or sweetened cereals (12 8 percent) or eating less than one serving per day (37 4 percent) Thirty-eight percent of respondents reported eating restaurant food one time (41 3 percent), two times (7 9 percent), or 3 or more times (1 8 percent) on the day before the interview RESPONSE Providence feels that this area of the survey was strictly providing eating patterns of people in our community We do not have the capacity to address it alone but will continue to support good, healthy eating habits in our cafeteria by serving well balanced meals to our patients and guests Women/Men's Health (GYN/Prostate) Eight percent reported that someone in the household is pregnant or was pregnant within the past year Most of the pregnant women were between the ages of 18 and 24 Sixty-five percent of these women were either planning to breast-feed the baby or had done so Eighty-seven percent of the pregnant women received prenatal care Among male respondents, twenty-four percent had gotten a prostate exam in the past 12 months Ninety-six percent indicated that the test results were normal RESPONSE Providence currently has one Certified and one Nationally Certified Lactation Counselor In addition, we added information to our website on breastfeeding and services offered A lactation room was added to 5th floor during renovation The lactation room is utilized for returning patients that need assistance with breastfeeding or for staff who need to pump during work hours An additional lactation room was added for associates and physician use In April 2013, Providence received Waco's first "Texas Mother-Friendly Worksite" designation As Waco's largest employer, Providence plans to lead other employers in the pursuit of this designation that encourages employees to breast-feed by providing the necessary support to do so Smoking Of the respondents who had smoked at least 100 cigarettes in their entire life, 50 6 percent were current smokers every day (37 4 percent) or some days (13 1 percent) Forty-nine percent said they did not smoke at all One-third (31 2 percent) of current smokers reported smoking 1 to 5 cigarettes per day, and 28 9 percent smoked 6 to 10 per day Nearly one-third (32 6 percent) smoked 11 to 20 cigarettes per day RESPONSE Providence feels there are many other organizations in our community that address this ongoing smoking problem We continue to partner with them through community sponsorships that support their programs and we allow them to take the lead, as they are the subject matter experts We do, however, have a robust pulmonary program that includes a Lung Nodule Clinic, a Bronchial Thermoplasty program and a specialty clinic that help with the negative effects of smoking Communications Respondents indicated that the best way for them to receive health information was through the Internet (31 7 percent) This was followed other methods their healthcare providers (30 9 percent) and television (15 8 percent) RESPONSE In addition to re-launching our hospital website to include expanded information in 2010, Providence has added educational resources to the main page of our website, including an educational library and a symptom checker</p> |

|                                                                |                                                                                                                                                                                                                    |                                              |
|----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|
| Schedule I<br>(Form 990)                                       | Grants and Other Assistance to Organizations,<br>Governments and Individuals in the United States<br><br>Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22.<br>▶ Attach to Form 990 | OMB No 1545-0047                             |
|                                                                |                                                                                                                                                                                                                    | 2012                                         |
|                                                                |                                                                                                                                                                                                                    | Open to Public<br>Inspection                 |
| Department of the Treasury<br>Internal Revenue Service         |                                                                                                                                                                                                                    |                                              |
| Name of the organization<br>Providence Health Services of Waco |                                                                                                                                                                                                                    | Employer identification number<br>74-1109636 |

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? . . . . . | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 2 | Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States                                                                                                                        |                                         |                             |

Part II

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

| (a) Name and address of organization or government                                          | (b) EIN    | (c) IRC Code section if applicable | (d) Amount of cash grant | (e) Amount of non-cash assistance | (f) Method of valuation (book, FMV, appraisal, other) | (g) Description of non-cash assistance | (h) Purpose of grant or assistance |
|---------------------------------------------------------------------------------------------|------------|------------------------------------|--------------------------|-----------------------------------|-------------------------------------------------------|----------------------------------------|------------------------------------|
| (1) American Cancer Society<br>N19 W24350 Riverwood Dr<br>Waukesha, WI 53188                | 41-0724036 | 501(c)(3)                          | 24,400                   |                                   |                                                       |                                        | Special Events                     |
| (2) American Heart Association<br>10900-B Stonelake Blvd<br>Austin, TX 78759                | 13-5613797 | 501(c)(3)                          | 84,027                   |                                   |                                                       |                                        | Special Events                     |
| (3) Diocese of Austin<br>6625 E Highway 290<br>Austin, TX 78723                             | 74-1542827 | 501(c)(3)                          | 10,000                   |                                   |                                                       |                                        | Special Event                      |
| (4) Family Health Center and Family Practice Center<br>1600 Providence Dr<br>Waco, TX 76707 | 74-2446071 | 501(c)(3)                          | 12,000                   |                                   |                                                       |                                        | Special Event                      |
| (5) March of Dimes<br>3000 Herring Ave<br>Waco, TX 76708                                    | 75-1815327 | 501(c)(3)                          | 30,600                   |                                   |                                                       |                                        | Special Events                     |
| (6) SOCT<br>2950 50th Street<br>Lubbock, TX 79413                                           | 32-0316424 | 501(c)(3)                          | 5,948,000                |                                   |                                                       |                                        | Community Grants                   |
| (7) Waco Chamber of Commerce<br>PO Box 1220<br>Waco, TX 76703                               | 75-2420690 | 501(c)(3)                          | 25,500                   |                                   |                                                       |                                        | Special Events                     |
| (8) Waco Foundation<br>900 Austin Ave 9th Floor<br>Waco, TX 76701                           | 74-6054628 | 501(c)(3)                          | 25,000                   |                                   |                                                       |                                        | Special Event                      |
| (9) Waco Symphony<br>PO Box 1201<br>Waco, TX 76703                                          | 74-6062658 | 501(c)(3)                          | 10,300                   |                                   |                                                       |                                        | Special Events                     |
| (10) West Volunteer Ambulance Association<br>PO Box 461<br>West, TX 76691                   | 74-2330769 | 501(c)(3)                          | 30,000                   |                                   |                                                       |                                        | Special Event                      |
| (11) Ascension Health<br>PO Box 45998<br>St Louis, MO 63145                                 | 31-1662309 | 501(c)(3)                          | 5,329,955                |                                   |                                                       |                                        | Operating Support                  |
| (12) Providence Foundation Inc<br>6901 Medical Parkway<br>Waco, TX 76712                    | 74-2683112 | 501(c)(3)                          | 13,400                   |                                   |                                                       |                                        | Operating Support                  |

|   |                                                                                                           |    |
|---|-----------------------------------------------------------------------------------------------------------|----|
| 2 | Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . . | 12 |
| 3 | Enter total number of other organizations listed in the line 1 table . . . . .                            | 0  |

**Part III**

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

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

**Part IV**

**Supplemental Information.**

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

| Identifier                                 | Return Reference | Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|--------------------------------------------|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Procedure for Monitoring Grants in the U S | Part I, Line 2   | Schedule I, Part I, Line 2 When grant or sponsorship requests are submitted, each request is reviewed by the marketing team to determine if the request meets one or more of the following criteria - How does the request fit with our mission of providing charity care to our community? - How does the request support health related issues within our community? - Will this request be financially sustainable from year to year? - Is the organization/company making the request a member of the Greater Waco Chamber of Commerce? For approved requests, the appropriate forms are filled out and signed by the Vice President of Marketing The documents are then forwarded to accounting for processing Records are maintained of amounts spent and are regularly reviewed to ensure compliance |

Software ID:

Software Version:

EIN: 74-1109636

Name: Providence Health Services of Waco

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

| (a) Name and address of organization or government                       | (b) EIN    | (c) IRC Code section if applicable | (d) Amount of cash grant | (e) Amount of non-cash assistance | (f) Method of valuation (book, FMV, appraisal, other) | (g) Description of non-cash assistance | (h) Purpose of grant or assistance |
|--------------------------------------------------------------------------|------------|------------------------------------|--------------------------|-----------------------------------|-------------------------------------------------------|----------------------------------------|------------------------------------|
| American Cancer Society<br>N19 W24350 Riverwood Dr<br>Waukesha, WI 53188 | 41-0724036 | 501(c)(3)                          | 24,400                   |                                   |                                                       |                                        | Special Events                     |
| American Heart Association<br>10900-B Stonelake Blvd<br>Austin, TX 78759 | 13-5613797 | 501(c)(3)                          | 84,027                   |                                   |                                                       |                                        | Special Events                     |

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

| (a) Name and address of organization or government                              | (b) EIN    | (c) IRC Code section if applicable | (d) Amount of cash grant | (e) Amount of non-cash assistance | (f) Method of valuation (book, FMV , appraisal, other) | (g) Description of non-cash assistance | (h) Purpose of grant or assistance |
|---------------------------------------------------------------------------------|------------|------------------------------------|--------------------------|-----------------------------------|--------------------------------------------------------|----------------------------------------|------------------------------------|
| Diocese of Austin6625 E Highway 290 Austin,TX 78723                             | 74-1542827 | 501(c)(3)                          | 10,000                   |                                   |                                                        |                                        | Special Event                      |
| Family Health Center and Family Practice Center1600 Providence Dr Waco,TX 76707 | 74-2446071 | 501(c)(3)                          | 12,000                   |                                   |                                                        |                                        | Special Event                      |

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

| (a) Name and address of organization or government | (b) EIN    | (c) IRC Code section if applicable | (d) Amount of cash grant | (e) Amount of non-cash assistance | (f) Method of valuation (book, FMV, appraisal, other) | (g) Description of non-cash assistance | (h) Purpose of grant or assistance |
|----------------------------------------------------|------------|------------------------------------|--------------------------|-----------------------------------|-------------------------------------------------------|----------------------------------------|------------------------------------|
| March of Dimes3000 Herring Ave<br>Waco, TX 76708   | 75-1815327 | 501(c)(3)                          | 30,600                   |                                   |                                                       |                                        | Special Events                     |
| SO CT2950 50th Street<br>Lubbock, TX 79413         | 32-0316424 | 501(c)(3)                          | 5,948,000                |                                   |                                                       |                                        | Community Grants                   |

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

| (a) Name and address of organization or government       | (b) EIN    | (c) IRC Code section if applicable | (d) Amount of cash grant | (e) Amount of non-cash assistance | (f) Method of valuation (book, FMV , appraisal, other) | (g) Description of non-cash assistance | (h) Purpose of grant or assistance |
|----------------------------------------------------------|------------|------------------------------------|--------------------------|-----------------------------------|--------------------------------------------------------|----------------------------------------|------------------------------------|
| Waco Chamber of Commerce<br>PO Box 1220<br>Waco,TX 76703 | 75-2420690 | 501(c)(3)                          | 25,500                   |                                   |                                                        |                                        | Special Events                     |
| Waco Foundation900 Austin Ave 9th Floor<br>Waco,TX 76701 | 74-6054628 | 501(c)(3)                          | 25,000                   |                                   |                                                        |                                        | Special Event                      |

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

| (a) Name and address of organization or government           | (b) EIN    | (c) IRC Code section if applicable | (d) Amount of cash grant | (e) Amount of non-cash assistance | (f) Method of valuation (book, FMV , appraisal, other) | (g) Description of non-cash assistance | (h) Purpose of grant or assistance |
|--------------------------------------------------------------|------------|------------------------------------|--------------------------|-----------------------------------|--------------------------------------------------------|----------------------------------------|------------------------------------|
| Waco SymphonyPO Box 1201 Waco,TX 76703                       | 74-6062658 | 501(c)(3)                          | 10,300                   |                                   |                                                        |                                        | Special Events                     |
| West Volunteer Ambulance AssociationPO Box 461 West,TX 76691 | 74-2330769 | 501(c)(3)                          | 30,000                   |                                   |                                                        |                                        | Special Event                      |

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

| (a) Name and address of organization or government                 | (b) EIN    | (c) IRC Code section if applicable | (d) Amount of cash grant | (e) Amount of non-cash assistance | (f) Method of valuation (book, FMV , appraisal, other) | (g) Description of non-cash assistance | (h) Purpose of grant or assistance |
|--------------------------------------------------------------------|------------|------------------------------------|--------------------------|-----------------------------------|--------------------------------------------------------|----------------------------------------|------------------------------------|
| Ascension HealthPO Box 45998<br>St Louis,MO 63145                  | 31-1662309 | 501(c)(3)                          | 5,329,955                |                                   |                                                        |                                        | O perating Support                 |
| Providence Foundation Inc<br>6901 Medical Parkway<br>Waco,TX 76712 | 74-2683112 | 501(c)(3)                          | 13,400                   |                                   |                                                        |                                        | O perating Support                 |

Schedule J  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization  
Providence Health Services of Waco

Employer identification number  
74-1109636

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

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

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii) Do not list any individuals that are not listed on Form 990, Part VII  
**Note.** The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual

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

**Part III** Supplemental Information

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

| Identifier | Return Reference | Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|------------|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|            | Part I, Line 1a  | Providence Healthcare Network utilized an Accountable Plan to guide its activities in the reimbursement of business expenses for employees, officers, and board members. The Accountable Plan, in all material respects, conforms to the rules and regulations of the Internal Revenue Service. The CEO is eligible for travel reimbursement for companions, as well as reimbursement of health or social club dues or initiations fees. The benefits are treated as taxable compensation to each eligible person pursuant to the organization's accountable plan.                                                                                                                                                                                                                                                                                             |
|            | Part I, Line 4b  | The 457(f) deferred compensation plan has limited participation. Deemed participants are allowed to enroll within 30 days of nomination or during the annual enrollment period. Participants may defer up to 100% of income. For the first \$10,000 of employee contribution, employer match will be \$5,000. For the second \$10,000 of employee contribution, employer match will be \$3,500. Distributions are lump sum and the end of the deferral period must be at least 2 years from the beginning date. No hardship or loan provisions are provided. Forfeitures may occur upon termination of employment by the employer for cause or failure to honor the non-compete covenant. The following individuals received current year distributions of: Kent Keahey \$46,250; Karen Richardson \$30,680; Timothy Barrett \$30,733; Jonathan Ford \$29,506. |
|            | Part I, Line 7   | Officers of the Providence Health Services of Waco Management Council received a bonus in FY13. A bonus scheduled was presented and approved by the board prior to distribution. No formal bonus plan is documented or in use.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

**Software ID:**  
**Software Version:**  
**EIN:** 74-1109636  
**Name:** Providence Health Services of Waco

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

| (A) Name                          |      | (B) Breakdown of W-2 and/or 1099-MISC compensation |                                     |                          | (C) Deferred compensation | (D) Nontaxable benefits | (E) Total of columns (B)(i)-(D) | (F) Compensation reported in prior Form 990 or Form 990-EZ |
|-----------------------------------|------|----------------------------------------------------|-------------------------------------|--------------------------|---------------------------|-------------------------|---------------------------------|------------------------------------------------------------|
|                                   |      | (i) Base Compensation                              | (ii) Bonus & incentive compensation | (iii) Other compensation |                           |                         |                                 |                                                            |
| Brett A Esrock                    | (i)  | 293,171                                            | 0                                   | 480                      | 31,792                    | 17,480                  | 342,923                         | 0                                                          |
|                                   | (ii) | 0                                                  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0                                                          |
| Kent Keahey Retired 42013         | (i)  | 735,643                                            | 741,807                             | 46,703                   | 5,000                     | 19,428                  | 1,548,581                       | 0                                                          |
|                                   | (ii) | 0                                                  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0                                                          |
| Karen Richardson                  | (i)  | 209,834                                            | 0                                   | 39,956                   | 32,390                    | 18,980                  | 301,160                         | 0                                                          |
|                                   | (ii) | 0                                                  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0                                                          |
| Timothy Barrett                   | (i)  | 279,406                                            | 0                                   | 40,838                   | 32,875                    | 17,075                  | 370,194                         | 0                                                          |
|                                   | (ii) | 0                                                  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0                                                          |
| Robert Buck                       | (i)  | 153,889                                            | 0                                   | 15,576                   | 29,667                    | 7,103                   | 206,235                         | 0                                                          |
|                                   | (ii) | 0                                                  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0                                                          |
| Jonathan Ford                     | (i)  | 142,201                                            | 0                                   | 39,499                   | 31,088                    | 21,698                  | 234,486                         | 0                                                          |
|                                   | (ii) | 0                                                  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0                                                          |
| Walter H Maloney                  | (i)  | 271,060                                            | 30,000                              | 3,249                    | 333,906                   | 12,409                  | 650,624                         | 0                                                          |
|                                   | (ii) | 0                                                  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0                                                          |
| Annette Frances Ayers Retired 613 | (i)  | 167,618                                            | 0                                   | 1,436                    | 31,626                    | 16,259                  | 216,939                         | 0                                                          |
|                                   | (ii) | 0                                                  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0                                                          |
| Samuel E Abernathy                | (i)  | 162,540                                            | 0                                   | 7,111                    | 2,927                     | 14,896                  | 187,474                         | 0                                                          |
|                                   | (ii) | 0                                                  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0                                                          |
| Kurt W Kurtz                      | (i)  | 152,750                                            | 0                                   | 1,287                    | 2,687                     | 15,597                  | 172,321                         | 0                                                          |
|                                   | (ii) | 0                                                  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0                                                          |
| Larry Lefevre                     | (i)  | 146,107                                            | 0                                   | 11,275                   | 2,632                     | 12,028                  | 172,042                         | 0                                                          |
|                                   | (ii) | 0                                                  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0                                                          |
| Terry J Ratliff                   | (i)  | 155,254                                            | 0                                   | 470                      | 2,717                     | 14,956                  | 173,397                         | 0                                                          |
|                                   | (ii) | 0                                                  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0                                                          |
| Luci H Zahray                     | (i)  | 155,796                                            | 0                                   | 474                      | 2,745                     | 4,643                   | 163,658                         | 0                                                          |
|                                   | (ii) | 0                                                  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0                                                          |

Schedule L  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047  

2012

Open to Public Inspection

Name of the organization  
Providence Health Services of Waco

Employer identification number  
  
74-1109636

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

**Part IV Business Transactions Involving Interested Persons.**

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

| (a) Name of interested person | (b) Relationship between interested person and the organization | (c) Amount of transaction | (d) Description of transaction | (e) Sharing of organization's revenues? |    |
|-------------------------------|-----------------------------------------------------------------|---------------------------|--------------------------------|-----------------------------------------|----|
|                               |                                                                 |                           |                                | Yes                                     | No |
| (1) See Part V                | See Part V                                                      | 86,005                    | See Part V                     |                                         | No |
|                               |                                                                 |                           |                                |                                         |    |
|                               |                                                                 |                           |                                |                                         |    |
|                               |                                                                 |                           |                                |                                         |    |
|                               |                                                                 |                           |                                |                                         |    |
|                               |                                                                 |                           |                                |                                         |    |

**Part V Supplemental Information**

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

| Identifier                                                         | Return Reference | Explanation                                                                                                                                                                                                                                                                                                                                  |
|--------------------------------------------------------------------|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sch L, Part IV, Business Transactions Involving Interested Persons |                  | (a) Name of Person Jana Whitaker(b) Relationship between Interested Person and Organization Jana Whitaker is a family member to Hal M Whitaker (Board Treasurer) and is employed by Providence Health Services of Waco (c) Amount of Transaction \$86,005(d) Description of Transaction Employment(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 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  
Providence Health Services of Waco

Employer identification number  
74-1109636

| Identifier                             | Return Reference                       | Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------------------|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                        | Form 990, Part VI, Section A, line 6   | Providence Health Services of Waco has a single corporate member, Ascension Health                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|                                        | Form 990, Part VI, Section A, line 7a  | Providence Health Services of Waco has a single corporate member, Ascension Health, who has the ability to elect members to the governing body of Providence Health Services of Waco                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|                                        | Form 990, Part VI, Section A, line 7b  | All decisions that have a material impact to Providence Health Services of Waco's financial information or corporation as a whole are subject to approval by its sole corporate member, Ascension Health                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|                                        | Form 990, Part VI, Section B, line 11  | Management, including certain officers, works diligently to complete the Form 990 and attached schedules in a thorough manner. Management presents the Form to the Board, or a designated committee, to review. Prior to filing the return, all Board Members are provided the Form 990 and management team members are available to answer any Board Members questions.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|                                        | Form 990, Part VI, Section B, line 12c | Duty to Disclose. In connection with any actual or possible conflicts of interest, an interested person must disclose the existence of his or her financial interest and all material facts to the Trustees, or to the members of a committee with board delegated powers, considering the proposed transaction or arrangement. Such disclosure shall be made either through the annual questionnaire required under "Annual Statements" or when a conflict not disclosed on the questionnaire otherwise arises. The annual statements are reviewed by the compliance department to ensure no conflicts of interest exist.                                                                                                                                                                                                                                                     |
|                                        | Form 990, Part VI, Section B, line 15b | The executive Compensation Committee of the Board of Trustees of Ascension Health has been delegated the responsibility and authority to oversee the Executive Compensation Program, in accordance with the Committee Charter and the Board approved Executive Compensation Responsibility/Authority Matrix, of Providence Health Services of Waco's CEO or top management official. The Committee is charged with overseeing the Program in a manner designed to assure independence, avoid conflicts of interest, ensure reasonableness and market comparability of total compensation, and to otherwise abide by pertinent laws and regulations. Compensation determinations of other officers and key employees is administered by the Providence Healthcare Network Board of Trustees and is supported by external market data to verify and ensure market comparability. |
|                                        | Form 990, Part VI, Section C, line 19  | Organization provides governing documents, conflict of interest policy, and financial statements to the public upon request.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Other Fees                             | Form 990, Part IX, line 11g            | Purchased Services - Medical Program service expenses 1,883,328 Management and general expenses 0 Fundraising expenses 0 Total expenses 1,883,328 Purchased Services - Non-Medical Program service expenses 13,379,284 Management and general expenses 1,653,619 Fundraising expenses 0 Total expenses 15,032,903 Professional Fees Program service expenses 10,265,186 Management and general expenses 5,775,850 Fundraising expenses 0 Total expenses 16,041,036                                                                                                                                                                                                                                                                                                                                                                                                             |
| Changes in Net Assets or Fund Balances | Form 990, Part XI, line 9              | Change in Pension & Retirement Costs 358,390 Due to/from Unrestricted Funds - 21,509 Temp Restricted Fund Donations 121,830 Net Assets from Donations -97,586                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

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  
Providence Health Services of Waco

Employer identification number  
74-1109636

| Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" to Form 990, Part IV, line 33.) |                         |                                                  |                     |                           |                                  |
|----------------------------------------------------------------------------------------------------------------------------|-------------------------|--------------------------------------------------|---------------------|---------------------------|----------------------------------|
| (a)<br>Name, address, and EIN (if applicable) of disregarded entity                                                        | (b)<br>Primary activity | (c)<br>Legal domicile (state or foreign country) | (d)<br>Total income | (e)<br>End-of-year assets | (f)<br>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)<br>Name, address, and EIN of related organization                                                                                                                                                                   | (b)<br>Primary activity            | (c)<br>Legal domicile (state or foreign country) | (d)<br>Exempt Code section | (e)<br>Public charity status (if section 501(c)(3)) | (f)<br>Direct controlling entity   | (g)<br>Section 512(b)(13) controlled entity? |    |
|                                                                                                                                                                                                                         |                                    |                                                  |                            |                                                     |                                    | Yes                                          | No |
| (1) Providence Foundation Inc<br><br>6901 Medical Parkway<br><br>Waco, TX 76712<br>74-2683112                                                                                                                           | Support charitable purpose of PHSW | TX                                               | 501(c)(3)                  | 11A, I                                              | Providence Health Services of Waco | Yes                                          |    |
| (2) Providence Health Alliance<br><br>6901 Medical Parkway<br><br>Waco, TX 76712<br>74-2696970                                                                                                                          | Physician Practices                | TX                                               | 501(c)(3)                  | 3                                                   | Providence Health Services of Waco | Yes                                          |    |
| (3) Ascension Health<br><br>PO Box 45998<br><br>St Louis, MO 63145<br>31-1662309                                                                                                                                        | Healthcare                         | MO                                               | 501(c)(3)                  | 11A, I                                              | Ascension Health Alliance          |                                              | No |
|                                                                                                                                                                                                                         |                                    |                                                  |                            |                                                     |                                    |                                              |    |
|                                                                                                                                                                                                                         |                                    |                                                  |                            |                                                     |                                    |                                              |    |
|                                                                                                                                                                                                                         |                                    |                                                  |                            |                                                     |                                    |                                              |    |
|                                                                                                                                                                                                                         |                                    |                                                  |                            |                                                     |                                    |                                              |    |

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)<br>Name, address, and EIN of<br>related organization | (b)<br>Primary activity | (c)<br>Legal<br>domicile<br>(state or<br>foreign<br>country) | (d)<br>Direct<br>controlling<br>entity | (e)<br>Predominant<br>income(related,<br>unrelated,<br>excluded from<br>tax under<br>sections 512-<br>514) | (f)<br>Share of<br>total income | (g)<br>Share of<br>end-of-year<br>assets | (h)<br>Disproportionate<br>allocations? |    | (i)<br>Code V—UBI<br>amount in box<br>20 of<br>Schedule K-1<br>(Form 1065) | (j)<br>General or<br>managing<br>partner? |    | (k)<br>Percentage<br>ownership |
|----------------------------------------------------------|-------------------------|--------------------------------------------------------------|----------------------------------------|------------------------------------------------------------------------------------------------------------|---------------------------------|------------------------------------------|-----------------------------------------|----|----------------------------------------------------------------------------|-------------------------------------------|----|--------------------------------|
|                                                          |                         |                                                              |                                        |                                                                                                            |                                 |                                          | Yes                                     | No |                                                                            | Yes                                       | No |                                |
|                                                          |                         |                                                              |                                        |                                                                                                            |                                 |                                          |                                         |    |                                                                            |                                           |    |                                |
|                                                          |                         |                                                              |                                        |                                                                                                            |                                 |                                          |                                         |    |                                                                            |                                           |    |                                |
|                                                          |                         |                                                              |                                        |                                                                                                            |                                 |                                          |                                         |    |                                                                            |                                           |    |                                |
|                                                          |                         |                                                              |                                        |                                                                                                            |                                 |                                          |                                         |    |                                                                            |                                           |    |                                |
|                                                          |                         |                                                              |                                        |                                                                                                            |                                 |                                          |                                         |    |                                                                            |                                           |    |                                |
|                                                          |                         |                                                              |                                        |                                                                                                            |                                 |                                          |                                         |    |                                                                            |                                           |    |                                |
|                                                          |                         |                                                              |                                        |                                                                                                            |                                 |                                          |                                         |    |                                                                            |                                           |    |                                |

Part IV

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

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

Part V

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

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

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

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

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

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

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

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a

No

1b

Yes

1c

No

1d

No

1e

No

1f

No

1g

No

1h

No

1i

No

1j

Yes

1k

No

1l

No

1m

No

1n

No

1o

No

1p

Yes

1q

No

1r

Yes

1s

No

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

| (a)<br>Name of other organization | (b)<br>Transaction<br>type (a-s) | (c)<br>Amount involved | (d)<br>Method of determining amount involved |
|-----------------------------------|----------------------------------|------------------------|----------------------------------------------|
| (1) Providence Foundation Inc     | P                                | 298,514                | FMV                                          |
| (2) Providence Health Alliance    | J                                | 648,270                | FMV                                          |
| (3) Ascension Health              | B                                | 5,329,955              | FMV                                          |
| (4) Providence Foundation Inc     | R                                | 604,899                | FMV                                          |
|                                   |                                  |                        |                                              |
|                                   |                                  |                        |                                              |

Schedule R (Form 990) 2012

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

[illegible]

**Software ID:**  
**Software Version:**  
**EIN:** 74-1109636  
**Name:** Providence Health Services of Waco

**Part VII** Supplemental Information

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

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

-->

Form **4562**  
Department of the Treasury  
Internal Revenue Service (99)

Depreciation and Amortization  
(Including Information on Listed Property)

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

OMB No 1545-0172

**2012**

Attachment  
Sequence No **179**

|                                                               |                                                 |                                             |
|---------------------------------------------------------------|-------------------------------------------------|---------------------------------------------|
| Name(s) shown on return<br>Providence Health Services of Waco | Business or activity to which this form relates | <b>Identifying number</b><br><br>74-1109636 |
|---------------------------------------------------------------|-------------------------------------------------|---------------------------------------------|

Part I Election To Expense Certain Property Under Section 179

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

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

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

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

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

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

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

Section A

|    |                                                                                                                                   |    |       |
|----|-----------------------------------------------------------------------------------------------------------------------------------|----|-------|
| 17 | MACRS deductions for assets placed in service in tax years beginning before 2012                                                  | 17 | 1,627 |
| 18 | If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here |    |       |

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

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

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

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

Part IV Summary (see instructions)

|    |                                                                                                                                                                                                          |    |       |
|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-------|
| 21 | Listed property Enter amount from line 28                                                                                                                                                                | 21 |       |
| 22 | Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21 Enter here and on the appropriate lines of your return Partnerships and S corporations—see instructions | 22 | 1,627 |
| 23 | For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs                                                                  | 23 |       |

Part V

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

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

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

Section B—Information on Use of Vehicles

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

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

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

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

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

Part VI Amortization

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

CONSOLIDATED FINANCIAL  
STATEMENTS AND SUPPLEMENTARY  
INFORMATION

Ascension Health Alliance  
Years Ended June 30, 2013 and 2012  
With Reports of Independent Auditors

Ascension Health Alliance

Consolidated Financial Statements  
and Supplementary Information

Years Ended June 30, 2013 and 2012

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## Report of Independent Auditors

The Board of Directors  
Ascension Health Alliance

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## Opinion

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

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

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

*Ernst + Young LLP*

September 18, 2013

# Ascension Health Alliance

## Consolidated Balance Sheets (Dollars in Thousands)

|                                                                                                                                       | June 30,      |               |
|---------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
|                                                                                                                                       | 2013          | 2012          |
| <b>Assets</b>                                                                                                                         |               |               |
| Current assets                                                                                                                        |               |               |
| Cash and cash equivalents                                                                                                             | \$ 754,622    | \$ 306,469    |
| Short-term investments                                                                                                                | 113,955       | 216,914       |
| Accounts receivable, less allowance for doubtful<br>accounts (\$1,351,660 and \$1,113,255 at June 30, 2013<br>and 2012, respectively) | 2,361,809     | 1,927,222     |
| Inventories                                                                                                                           | 309,074       | 218,598       |
| Due from brokers (see Notes 4 and 5)                                                                                                  | 178,380       | 789,271       |
| Estimated third-party payor settlements                                                                                               | 119,379       | 159,871       |
| Other (see Notes 4 and 5)                                                                                                             | 1,035,026     | 752,348       |
| Total current assets                                                                                                                  | 4,872,245     | 4,370,693     |
| Long-term investments (see Notes 4 and 5)                                                                                             | 14,164,185    | 10,468,457    |
| Property and equipment, net                                                                                                           | 8,546,873     | 6,473,918     |
| Other assets                                                                                                                          |               |               |
| Investment in unconsolidated entities                                                                                                 | 628,772       | 943,747       |
| Capitalized software costs, net                                                                                                       | 728,613       | 642,596       |
| Other                                                                                                                                 | 1,106,683     | 876,483       |
| Total other assets                                                                                                                    | 2,464,068     | 2,462,826     |
| Total assets                                                                                                                          | \$ 30,047,371 | \$ 23,775,894 |

|                                                                | June 30,      |               |
|----------------------------------------------------------------|---------------|---------------|
|                                                                | 2013          | 2012          |
| <b>Liabilities and net assets</b>                              |               |               |
| Current liabilities                                            |               |               |
| Current portion of long-term debt                              | \$ 90,442     | \$ 45,363     |
| Long-term debt subject to short-term remarketing arrangements* | 1,187,125     | 1,094,425     |
| Accounts payable and accrued liabilities                       | 2,348,401     | 1,979,160     |
| Estimated third-party pay or settlements                       | 456,314       | 457,030       |
| Due to brokers (see Notes 4 and 5)                             | 493,420       | 880,613       |
| Current portion of self-insurance liabilities                  | 210,115       | 206,057       |
| Other (see Notes 4 and 5)                                      | 644,084       | 435,805       |
| Total current liabilities                                      | 5,429,901     | 5,098,453     |
| Noncurrent liabilities                                         |               |               |
| Long-term debt (senior and subordinated)                       | 5,278,866     | 3,655,406     |
| Self-insurance liabilities                                     | 553,706       | 518,995       |
| Pension and other postretirement liabilities                   | 554,368       | 492,366       |
| Other (see Notes 4 and 5)                                      | 1,099,362     | 1,087,782     |
| Total noncurrent liabilities                                   | 7,486,302     | 5,754,549     |
| Total liabilities                                              | 12,916,203    | 10,853,002    |
| Net assets                                                     |               |               |
| Unrestricted                                                   |               |               |
| Controlling interest                                           | 14,986,302    | 11,836,414    |
| Noncontrolling interests                                       | 1,592,356     | 647,236       |
| Unrestricted net assets                                        | 16,578,658    | 12,483,650    |
| Temporarily restricted                                         | 377,555       | 336,027       |
| Permanently restricted                                         | 174,955       | 103,215       |
| Total net assets                                               | 17,131,168    | 12,922,892    |
| Total liabilities and net assets                               | \$ 30,047,371 | \$ 23,775,894 |

\*Consists of variable rate demand bonds with put options that may be exercised at the option of the bondholders with stated repayment installments through 2047 as well as certain serial mode bonds with scheduled remarketing mandatory tender dates occurring prior to June 30, 2014. In the event that bonds are not remarketed upon the exercise of put options or the scheduled mandatory tenders, management would utilize other sources to access the necessary liquidity. Potential sources include liquidating investments, drawing upon the \$1 billion line of credit, and issuing commercial paper. The commercial paper program is supported by the \$1 billion line of credit.

*The accompanying notes are an integral part of the consolidated financial statements*

# Ascension Health Alliance

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

|                                                                                                                                                 | Year Ended June 30, |               |
|-------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------|
|                                                                                                                                                 | 2013                | 2012          |
| Operating revenue                                                                                                                               |                     |               |
| Net patient service revenue                                                                                                                     | \$ 16,912,410       | \$ 15,297,559 |
| Less provision for doubtful accounts                                                                                                            | 1,172,863           | 972,171       |
| Net patient service revenue, less provision<br>for doubtful accounts                                                                            | 15,739,547          | 14,325,388    |
| Other revenue                                                                                                                                   | 1,357,663           | 967,252       |
| Total operating revenue                                                                                                                         | 17,097,210          | 15,292,640    |
| Operating expenses                                                                                                                              |                     |               |
| Salaries and wages                                                                                                                              | 7,247,681           | 6,544,753     |
| Employee benefits                                                                                                                               | 1,581,587           | 1,426,722     |
| Purchased services                                                                                                                              | 1,030,574           | 734,396       |
| Professional fees                                                                                                                               | 1,128,880           | 1,021,582     |
| Supplies                                                                                                                                        | 2,427,714           | 2,260,901     |
| Insurance                                                                                                                                       | 115,521             | 100,834       |
| Interest                                                                                                                                        | 150,877             | 131,310       |
| Depreciation and amortization                                                                                                                   | 755,305             | 662,362       |
| Other                                                                                                                                           | 2,185,015           | 1,782,172     |
| Total operating expenses before impairment,<br>restructuring, and nonrecurring (losses) gains, net                                              | 16,623,154          | 14,665,032    |
| Income from operations before self-insurance trust fund investment<br>return and impairment, restructuring and nonrecurring (losses) gains, net | 474,056             | 627,608       |
| Self-insurance trust fund investment return                                                                                                     | 34,985              | 17,197        |
| Impairment, restructuring, and nonrecurring (losses) gains, net                                                                                 | (111,786)           | 286,046       |
| Income from operations                                                                                                                          | 397,255             | 930,851       |
| Nonoperating gains (losses)                                                                                                                     |                     |               |
| Investment return                                                                                                                               | 737,057             | (135,605)     |
| Loss on extinguishment of debt                                                                                                                  | (4,079)             | (2,813)       |
| Gain (loss) on interest rate swaps                                                                                                              | 61,202              | (74,846)      |
| Income from unconsolidated entities                                                                                                             | 8,544               | 8,802         |
| Contributions from business combinations, net                                                                                                   | 2,021,963           | 326,333       |
| Other                                                                                                                                           | (77,269)            | (69,221)      |
| Total nonoperating gains, net                                                                                                                   | 2,747,418           | 52,650        |
| Excess of revenues and gains over expenses and losses                                                                                           | 3,144,673           | 983,501       |
| Less noncontrolling interests                                                                                                                   | 131,184             | 13,154        |
| Excess of revenues and gains over expenses<br>and losses attributable to controlling interest                                                   | 3,013,489           | 970,347       |

*Continued on next page*

# Ascension Health Alliance

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

(Dollars in Thousands)

|                                                                                                        | Year Ended June 30, |               |
|--------------------------------------------------------------------------------------------------------|---------------------|---------------|
|                                                                                                        | 2013                | 2012          |
| Unrestricted net assets, controlling interest                                                          |                     |               |
| Excess of revenues and gains over expenses and losses                                                  | \$ 3,013,489        | \$ 970,347    |
| Transfers to sponsors and other affiliates, net                                                        | (10,962)            | (15,189)      |
| Contributed net assets                                                                                 | (1,050)             | (400)         |
| Net assets released from restrictions for property acquisitions                                        | 67,418              | 68,892        |
| Pension and other postretirement liability adjustments                                                 | 77,011              | (439,662)     |
| Change in unconsolidated entities' net assets                                                          | 23,295              | (15,890)      |
| Other                                                                                                  | 4,624               | 9,206         |
| Increase in unrestricted net assets, controlling interest,<br>before loss from discontinued operations | 3,173,825           | 577,304       |
| Loss from discontinued operations                                                                      | (23,937)            | (73,521)      |
| Increase in unrestricted net assets, controlling interest                                              | 3,149,888           | 503,783       |
| Unrestricted net assets, noncontrolling interests                                                      |                     |               |
| Excess of revenues and gains over expenses and losses                                                  | 131,184             | 13,154        |
| Distributions of capital                                                                               | (829,989)           | (575,618)     |
| Contributions of capital                                                                               | 1,579,187           | 1,166,961     |
| Contributions from business combinations                                                               | 64,738              | —             |
| Increase in unrestricted net assets, noncontrolling interests                                          | 945,120             | 604,497       |
| Temporarily restricted net assets, controlling interest                                                |                     |               |
| Contributions and grants                                                                               | 89,220              | 100,880       |
| Investment return                                                                                      | 17,232              | (638)         |
| Net assets released from restrictions                                                                  | (110,213)           | (104,028)     |
| Contributions from business combinations                                                               | 44,201              | 14,764        |
| Other                                                                                                  | 1,088               | (6,514)       |
| Increase in temporarily restricted net assets, controlling interest                                    | 41,528              | 4,464         |
| Permanently restricted net assets, controlling interest                                                |                     |               |
| Contributions                                                                                          | 2,664               | 5,082         |
| Investment return                                                                                      | 1,598               | (242)         |
| Contributions from business combinations                                                               | 67,846              | 1,573         |
| Other                                                                                                  | (368)               | (2,642)       |
| Increase in permanently restricted net assets, controlling interest                                    | 71,740              | 3,771         |
| Increase in net assets                                                                                 | 4,208,276           | 1,116,515     |
| Net assets, beginning of year                                                                          | 12,922,892          | 11,806,377    |
| Net assets, end of year                                                                                | \$ 17,131,168       | \$ 12,922,892 |

The accompanying notes are an integral part of the consolidated financial statements

# Ascension Health Alliance

## Consolidated Statements of Cash Flows (Dollars in Thousands)

|                                                                                                          | Year Ended June 30, |              |
|----------------------------------------------------------------------------------------------------------|---------------------|--------------|
|                                                                                                          | 2013                | 2012         |
| <b>Operating activities</b>                                                                              |                     |              |
| Increase in net assets                                                                                   | \$ 4,208,276        | \$ 1,116,515 |
| Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities   |                     |              |
| Depreciation and amortization                                                                            | 755,305             | 662,362      |
| Amortization of bond premiums                                                                            | (13,948)            | (10,663)     |
| Loss on extinguishment of debt                                                                           | 4,079               | 2,813        |
| Provision for doubtful accounts                                                                          | 1,177,889           | 972,171      |
| Pension and other postretirement liability adjustments                                                   | (77,011)            | 439,662      |
| Contributed net assets                                                                                   | 1,050               | 400          |
| Contributions from business combinations                                                                 | (1,742,900)         | (305,162)    |
| Interest, dividends, and net (gains) losses on investments                                               | (790,871)           | 119,288      |
| Change in market value of interest rate swaps                                                            | (61,349)            | 77,568       |
| Deferred gain on interest rate swaps                                                                     | (303)               | (303)        |
| Gain on sale of assets, net                                                                              | (2,986)             | (6,749)      |
| Impairment and nonrecurring expenses                                                                     | 17,259              | 45,956       |
| Contribution of noncontrolling interest in CHIMCO Alpha Fund, LLC                                        | —                   | (440,015)    |
| Transfers to sponsor and other affiliates, net                                                           | 10,962              | 15,189       |
| Restricted contributions, investment return, and other                                                   | (99,133)            | (117,621)    |
| Other restricted activity                                                                                | 17,610              | (6,280)      |
| Nonoperating depreciation expense                                                                        | 317                 | 308          |
| (Increase) decrease in                                                                                   |                     |              |
| Short-term investments                                                                                   | 212,560             | 35,298       |
| Accounts receivable                                                                                      | (1,173,962)         | (1,138,644)  |
| Inventories and other current assets                                                                     | (205,051)           | 244,426      |
| Due from brokers                                                                                         | 610,891             | (83,976)     |
| Investments classified as trading                                                                        | (959,834)           | (983,483)    |
| Other assets                                                                                             | (182,272)           | (11,759)     |
| Increase (decrease) in                                                                                   |                     |              |
| Accounts payable and accrued liabilities                                                                 | (21,721)            | 48,504       |
| Estimated third-party pay or settlements, net                                                            | 29,225              | 28,192       |
| Due to brokers                                                                                           | (387,193)           | (277,720)    |
| Other current liabilities                                                                                | 92,673              | (288,178)    |
| Self-insurance liabilities                                                                               | (15,342)            | (45,390)     |
| Other noncurrent liabilities                                                                             | (154,292)           | (351,740)    |
| Net cash provided by (used in) continuing operating activities                                           | 1,249,928           | (259,031)    |
| Net cash (used in) provided by and adjustments to reconcile change in assets for discontinued operations | (11,301)            | 111,046      |
| Net cash provided by (used in) operating activities                                                      | 1,238,627           | (147,985)    |

Continued on next page

# Ascension Health Alliance

## Consolidated Statements of Cash Flows (continued)

(Dollars in Thousands)

|                                                              | Year Ended June 30, |              |
|--------------------------------------------------------------|---------------------|--------------|
|                                                              | 2013                | 2012         |
| <b>Investing activities</b>                                  |                     |              |
| Property, equipment, and capitalized software additions, net | \$ (901,286)        | \$ (840,553) |
| Proceeds from sale of property and equipment                 | 26,321              | 2,029        |
| Net cash used in investing activities                        | (874,965)           | (838,524)    |
| <b>Financing activities</b>                                  |                     |              |
| Issuance of long-term debt                                   | 1,228,995           | 1,832,269    |
| Repayment of long-term debt                                  | (1,236,472)         | (1,779,632)  |
| Decrease in assets under bond indenture agreements           | 20,577              | 17,513       |
| Transfers to sponsors and other affiliates, net              | (27,742)            | (2,639)      |
| Restricted contributions, investment return, and other       | 99,133              | 117,621      |
| Net cash provided by financing activities                    | 84,491              | 185,132      |
| Net increase (decrease) in cash and cash equivalents         | 448,153             | (801,377)    |
| Cash and cash equivalents at beginning of year               | 306,469             | 1,107,846    |
| Cash and cash equivalents at end of year                     | \$ 754,622          | \$ 306,469   |

*The accompanying notes are an integral part of the consolidated financial statements*

# Ascension Health Alliance

## Notes to Consolidated Financial Statements *(Dollars in Thousands)*

June 30, 2013

### **1. Organization and Mission**

#### **Organizational Structure**

Ascension Health Alliance is a Missouri nonprofit corporation formed on September 13, 2011. Ascension Health Alliance is the sole corporate member and parent organization of Ascension Health, a Catholic national health system consisting primarily of nonprofit corporations that own and operate local healthcare facilities, or Health Ministries, located in 23 of the United States and the District of Columbia.

In addition to serving as the sole corporate member of Ascension Health, Ascension Health Alliance serves as the member or shareholder of various other subsidiaries, including Ascension Health Global Mission, Ascension Health Insurance, Ltd (AHIL), Ascension Health Resource and Supply Management Group, LLC (The Resource Group), Clinical Holdings Corporation, Catholic Healthcare Investment Management Company (CHIMCO), CHIMCO Alpha Fund, LLC, Ascension Health Ventures, LLC, Ascension Health Leadership Academy, LLC, Ascension Health – IS, Inc (AHIS), AHV Holding Company, LLC, and AH Holdings, LLC. Ascension Health Alliance and its member organizations are referred to collectively as the System.

#### **Sponsorship**

Ascension Health Alliance is sponsored by Ascension Health Ministries, a Public Juridic Person. The Participating Entities of Ascension Health Ministries are the Daughters of Charity of St. Vincent de Paul in the United States, St. Louise Province, the Congregation of St. Joseph, the Congregation of the Sisters of St. Joseph of Carondelet, the Congregation of Alexian Brothers of the Immaculate Conception Province, Inc – American Province, and the Sisters of the Sorrowful Mother of the Third Order of St. Francis of Assisi – US/Caribbean Province. As more fully described in the Organizational Changes note, Marian Health System, which was previously sponsored by the Sisters of the Sorrowful Mother of the Third Order of St. Francis of Assisi – US/Caribbean Province, became part of Ascension Health on April 1, 2013. In addition, Alexian Brothers Health System, which was previously sponsored by the Congregation of Alexian Brothers of the Immaculate Conception Province, Inc – American Province, became part of Ascension Health on January 1, 2012.

## Ascension Health Alliance

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

#### 1. Organization and Mission (continued)

##### Mission

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

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

Discounts are provided to all uninsured patients, including those with the means to pay. Discounts provided to those patients who did not qualify for assistance under charity care guidelines are not included in the cost of providing care of persons living in poverty and community benefit programs. The cost of providing care to persons living in poverty and community benefit programs is estimated by reducing charges forgone by a factor derived from the ratio of each entity's total operating expenses to the entity's billed charges for patient care.

## Ascension Health Alliance

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

#### 1. Organization and Mission (continued)

Certain costs such as graduate medical education and certain other activities are excluded from total operating expenses for purposes of this computation

The amount of traditional charity care provided, determined on the basis of cost, was \$524,605 and \$466,916 for the years ended June 30, 2013 and 2012, respectively. The amount of unpaid cost of public programs, cost of other programs for persons living in poverty and other vulnerable persons, and community benefit cost is reported in the accompanying supplementary information.

#### 2. Significant Accounting Policies

##### Principles of Consolidation

All corporations and other entities for which operating control is exercised by the System or one of its member corporations are consolidated, and all significant inter-entity transactions have been eliminated in consolidation. Investments in entities where the System does not have operating control are recorded under the equity or cost method of accounting. Income from unconsolidated entities is included in consolidated excess of revenues and gains over expenses and losses in the accompanying Consolidated Statements of Operations and Changes in Net Assets as follows:

|                         | <b>Year Ended June 30,</b> |             |
|-------------------------|----------------------------|-------------|
|                         | <b>2013</b>                | <b>2012</b> |
| Other revenue           | \$ 105,173                 | \$ 81,329   |
| Nonoperating gains, net | 8,544                      | 8,802       |

##### Use of Estimates

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

## Ascension Health Alliance

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

#### **2. Significant Accounting Policies (continued)**

##### **Fair Value of Financial Instruments**

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

##### **Cash and Cash Equivalents**

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

##### **Short-Term Investments**

Short-term investments consist of investments with original maturities exceeding three months and up to one year.

##### **Inventories**

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

##### **Long-Term Investments and Investment Return**

Investments, excluding investments in unconsolidated entities, are measured at fair value, are classified as trading securities, and include pooled short-term investment funds, U.S. government, state, municipal and agency obligations, corporate and foreign fixed income securities, asset-backed securities, and equity securities. Investments also include alternative investments and other investments which are valued based on the net asset value of the investments, as further discussed in the Fair Value Measurements note. Investments also include derivatives held by the Alpha Fund, also measured at fair value, as discussed in the Pooled Investment Fund note.

## Ascension Health Alliance

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

#### 2. Significant Accounting Policies (continued)

Long-term investments include assets limited as to use of approximately \$1,313,000 and \$916,000, at June 30, 2013 and 2012, respectively, comprised primarily of investments placed in trust and held by captive insurance companies for the payment of self-insured claims and investments which are limited as to use, as designated by donors

Purchases and sales of investments are accounted for on a trade-date basis. Investment returns consist of dividends, interest, and gains and losses. The cost of substantially all securities sold is based on the average cost method. Investment returns on investments, excluding returns of self-insurance trust funds, are reported as nonoperating gains (losses) in the Consolidated Statements of Operations and Changes in Net Assets, unless the return is restricted by donor or law. Investment returns of self-insurance trust funds are reported as a separate component of income from operations in the Consolidated Statements of Operations and Changes in Net Assets.

#### Property and Equipment

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

|                                   | <b>June 30,</b>     |                     |
|-----------------------------------|---------------------|---------------------|
|                                   | <b>2013</b>         | <b>2012</b>         |
| Land and improvements             | \$ 870,810          | \$ 653,848          |
| Building and equipment            | 14,756,936          | 12,917,263          |
|                                   | <b>15,627,746</b>   | 13,571,111          |
| Less accumulated depreciation     | 7,567,936           | 7,378,499           |
|                                   | <b>8,059,810</b>    | 6,192,612           |
| Construction-in-progress          | 487,063             | 281,306             |
| Total property and equipment, net | <b>\$ 8,546,873</b> | <b>\$ 6,473,918</b> |

Depreciation is determined on a straight-line basis over the estimated useful lives of the related assets. Depreciation expense in 2013 and 2012 was \$640,232 and \$570,198, respectively.

Several capital projects have remaining construction and related equipment purchase commitments of approximately \$294,000.

## Ascension Health Alliance

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

#### 2. Significant Accounting Policies (continued)

##### Intangible Assets

Intangible assets primarily consist of goodwill and capitalized computer software costs, including internally developed software. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage.

Intangible assets are included in the Consolidated Balance Sheets as presented in the table that follows. Capitalized software costs in the table below include software in progress of \$99,048 and \$362,336 at June 30, 2013 and 2012, respectively.

|                                            | <b>June 30,</b>       |                       |
|--------------------------------------------|-----------------------|-----------------------|
|                                            | <b>2013</b>           | <b>2012</b>           |
| Capitalized software costs                 | \$ 1,423,556          | \$ 1,210,729          |
| Less accumulated amortization              | <u>694,943</u>        | <u>568,133</u>        |
| Capitalized software costs, net            | <u>728,613</u>        | 642,596               |
| <br>Goodwill                               | <br>130,306           | <br>123,707           |
| Other, net                                 | <u>71,439</u>         | <u>26,205</u>         |
| Intangible assets included in other assets | <u>201,745</u>        | <u>149,912</u>        |
| <br>Total intangible assets, net           | <br><u>\$ 930,358</u> | <br><u>\$ 792,508</u> |

Intangible assets whose lives are indefinite, primarily goodwill, are not amortized and are evaluated for impairment at least annually, while intangible assets with definite lives, primarily capitalized computer software costs, are amortized over their expected useful lives. Amortization expense for these intangible assets in 2013 and 2012 was \$113,126 and \$89,704, respectively.

## Ascension Health Alliance

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

#### **2. Significant Accounting Policies (continued)**

During the year ended June 30, 2010, the System began a significant multi-year, System-wide enterprise resource planning project, including information technology and process standardization (Symphony), which is expected to continue through fiscal year 2016. The project is anticipated to result in a transition to a common software product for various finance, information technology, procurement, and human resources management processes, including standardization of those processes throughout the System. Capitalized costs of Symphony were approximately \$301,000 and \$279,000 at June 30, 2013 and 2012, respectively, and are included in capitalized software costs in the preceding table. Certain costs of this project were also expensed. Beginning September 1, 2012, the software associated with Symphony was considered substantially complete and ready for its intended use and is amortized on a straight-line basis over its expected useful life. Accumulated amortization of Symphony was \$25,000 at June 30, 2013. See the Impairment, Restructuring, and Nonrecurring Gains (Losses) discussion below for additional information about costs associated with Symphony.

#### **Noncontrolling Interests**

The consolidated financial statements include all assets, liabilities, revenues, and expenses of entities that are controlled by the System and therefore consolidated. Noncontrolling interests in the Consolidated Balance Sheets represent the portion of net assets owned by entities outside the System, for those entities in which the System's ownership interest is less than 100%.

#### **Temporarily and Permanently Restricted Net Assets**

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

Temporarily and permanently restricted net assets consist solely of controlling interests of the System.

## Ascension Health Alliance

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

#### **2. Significant Accounting Policies (continued)**

##### **Performance Indicator**

The performance indicator is the excess of revenues and gains over expenses and losses. Changes in unrestricted net assets that are excluded from the performance indicator primarily include pension and other postretirement liability adjustments, transfers to or from sponsors and other affiliates, net assets released from restrictions for property acquisitions, change in unconsolidated entities' net assets, cumulative effect of a change in accounting principle, discontinued operations, and contributions received of property and equipment.

##### **Operating and Nonoperating Activities**

The System's primary mission is to meet the healthcare needs in its market areas through a broad range of general and specialized healthcare services, including inpatient acute care, outpatient services, long-term care, and other healthcare 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 System's primary mission are considered to be nonoperating.

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

Net patient service revenue is reported at the estimated realizable amounts from patients, third-party payors, and others for services provided and includes estimated retroactive adjustments under reimbursement agreements with third-party payors. Revenue under certain third-party payor agreements is subject to audit, retroactive adjustments, and significant regulatory actions. Provisions for third-party payor settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and as final settlements are determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenue related to prior periods increased net patient service revenue by \$48,997 and \$146,535 for the years ended June 30, 2013 and 2012, respectively.

## Ascension Health Alliance

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

#### 2. Significant Accounting Policies (continued)

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

|                    | <b>June 30,</b> |             |
|--------------------|-----------------|-------------|
|                    | <b>2013</b>     | <b>2012</b> |
| Medicare           | <b>37%</b>      | 38%         |
| Medicaid           | <b>11</b>       | 11          |
| Third-party payors | <b>44</b>       | 41          |
| Self-pay           | <b>8</b>        | 10          |
|                    | <b>100%</b>     | 100%        |

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

|                    | <b>June 30,</b> |             |
|--------------------|-----------------|-------------|
|                    | <b>2013</b>     | <b>2012</b> |
| Medicare           | <b>22%</b>      | 20%         |
| Medicaid           | <b>8</b>        | 10          |
| Third-party payors | <b>43</b>       | 44          |
| Self-pay           | <b>27</b>       | 26          |
|                    | <b>100%</b>     | 100%        |

The provision for doubtful accounts is based upon management's assessment of expected net collections considering economic conditions, historical experience, trends in healthcare coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience by payor category, including those amounts not covered by insurance. The results of this review are then used to make any modifications to the provision for doubtful accounts to establish an appropriate allowance for doubtful accounts. After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, the System follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by the System.

## Ascension Health Alliance

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

#### **2. Significant Accounting Policies (continued)**

Accounts receivable are written off after collection efforts have been followed in accordance with the System's policies. See Adoption of New Accounting Standards section for change in accounting presentation of provision for doubtful accounts in the accompanying Consolidated Statements of Operations and Changes in Net Assets.

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

#### **Impairment, Restructuring, and Nonrecurring Gains (Losses)**

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

Nonrecurring expenses associated with Symphony include project management and process re-engineering costs, amortization expense for those Health Ministries not yet on Symphony, as well as costs to establish a shared service center and develop a business intelligence data warehouse. Costs associated with product deployment are recorded as nonrecurring gains (losses), and costs associated with product support are recorded as recurring operating expenses.

During the year ended June 30, 2013, the System recorded total impairment, restructuring, and nonrecurring losses, net of \$111,786. This amount was comprised primarily of \$116,386 of nonrecurring expenses associated with Symphony, one-time termination benefits and other restructuring expenses of \$61,677, and impairment and other nonrecurring expenses of \$6,040, partially offset by pension curtailment gains of \$72,317, as discussed in Retirement Plans note.

During the year ended June 30, 2012, the System recorded total impairment, restructuring and nonrecurring gains, net of \$286,046. This amount was comprised primarily of pension curtailment gains of \$402,402, as discussed in the Retirement Plans note, partially offset by long-lived asset impairments and restructuring charges of \$60,761 and \$55,595 of nonrecurring expenses associated with Symphony.

## Ascension Health Alliance

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

#### **2. Significant Accounting Policies (continued)**

##### **Amortization**

Bond issuance costs, discounts, and premiums are amortized over the term of the bonds using a method approximating the effective interest method

Capitalized software, including internally developed software, is amortized on a straight-line basis over the expected useful life of the software

##### **Income Taxes**

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

##### **Regulatory Compliance**

Various federal and state agencies have initiated investigations regarding reimbursement claimed by certain members of the System. The investigations are in various stages of discovery, and the ultimate resolution of these matters, including the liabilities, if any, cannot be readily determined, however, in the opinion of management, the results of the investigations will not have a material adverse impact on the consolidated financial statements of the System.

##### **Reclassifications**

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

## Ascension Health Alliance

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

#### **2. Significant Accounting Policies (continued)**

##### **Adoption of New Accounting Standards**

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

The System recognizes patient service revenue at the time services are rendered, even though the patient's ability to pay may not be completely assessed at that time. The System adopted this guidance as of July 1, 2012, and retrospectively applied the presentation requirements to all periods presented. Based on an assessment at the reporting entity level, the adoption of this guidance resulted in the reclassification of the System's provision for doubtful accounts for the year ended June 30, 2012, decreasing total operating revenue and total operating expenses before impairment, restructuring, and nonrecurring losses, net by \$972,171.

##### **Subsequent Events**

The System evaluates the impact of subsequent events, which are events that occur after the Consolidated Balance Sheet date but before the consolidated financial statements are issued, for potential recognition in the consolidated financial statements as of the Consolidated Balance Sheet date. For the year ended June 30, 2013, the System evaluated subsequent events through September 18, 2013, representing the date on which the accompanying audited consolidated financial statements were issued. During this period, there were no material subsequent events that required recognition or disclosure in the accompanying consolidated financial statements.

## Ascension Health Alliance

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

#### **3. Organizational Changes**

##### **Business Combinations**

###### *Marian Health System*

Effective April 1, 2013, Ascension Health, a subsidiary of the System, became the sole corporate member, through a non-cash business combination transaction, of three regional health systems that formerly comprised Marian Health System, Inc (Marian Health System) Via Christi Health, Inc (Via Christi Health), based in Wichita, Kansas, Ministry Health Care, Inc (Ministry Health Care), based in Milwaukee, Wisconsin, and St John Health System, Inc (St John Health), based in Tulsa, Oklahoma (collectively, the Marian Systems) Prior to this transaction, Marian Health System was the sole corporate member of Ministry Health Care and St John Health, while Ascension Health and Marian Health System were the two corporate members of Via Christi Health

Prior to April 1, 2013, the System accounted for its 50% interest in Via Christi Health under the equity method of accounting The System's investment in Via Christi Health at March 31, 2013 and June 30, 2012, was \$545,018 and \$493,105, respectively, which amounts were reported in the Consolidated Balance Sheets at those dates in investment in unconsolidated entities Of these amounts, \$28,101 at March 31, 2013, and \$30,321 at June 30, 2012, represented the difference between the amount at which the System's investment in Via Christi Health was carried and its interest in the underlying net assets of Via Christi Health, related to the excess of fair value of Via Christi Health property and equipment and long-term debt over their carrying values at the date the System received its interest in Via Christi Health Via Christi Health's total assets and total liabilities were \$1,706,258 and \$712,757 at June 30, 2012

For the year ended June 30, 2013, the System's excess of revenues and gains over expenses and losses included \$34,141, representing the System's share of Via Christi Health's excess of revenues over expenses prior to the business combination transaction on April 1, 2013 The System's investment in Via Christi Health of \$545,018 at March 31, 2013, was derecognized on April 1, 2013, in conjunction with the accounting for the business combination transaction

## Ascension Health Alliance

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

#### 3. Organizational Changes (continued)

Preliminary fair value adjustments for the business combination have been recorded in the accompanying consolidated financial statements as of June 30, 2013. The valuation of net assets is expected to be completed during fiscal 2014. The following table summarizes the April 1, 2013, fair values of the Marian Systems' net assets, by major type:

|                                                       |                            |
|-------------------------------------------------------|----------------------------|
| Net working capital                                   | \$ 557,274                 |
| Intangible assets, including capitalized software     | 135,819                    |
| Property and equipment                                | 1,950,739                  |
| Assets limited as to use                              | 1,126,259                  |
| Investments and other long-term assets                | 1,125,652                  |
| Noncurrent liabilities assumed                        | <u>(2,144,948)</u>         |
| Subtotal                                              | 2,750,795                  |
| Less: March 31, 2013 Investment in Via Christi Health | <u>(545,018)</u>           |
| Fair value of net assets                              | <u><u>\$ 2,205,777</u></u> |

The fair value of net assets of \$2,205,777 in the preceding table was recognized in the Consolidated Statement of Operations and Changes in Net Assets for the year ended June 30, 2013, as a nonoperating contribution from business combinations of \$2,028,992, contributions of temporarily and permanently restricted net assets of \$44,201 and \$67,846, respectively, and contributions of noncontrolling interests of \$64,738.

For the three months ended June 30, 2013, the System recognized revenues of the Marian Systems of \$1,049,259, and an excess of revenues and gains over expenses and losses of the Marian Systems of \$56,670, of which \$55,542 was attributable to controlling interest, with the remaining attributable to noncontrolling interests. Additionally, for the three months ended June 30, 2013, the System recognized an increase in unrestricted net assets – controlling interests, excluding the excess of revenues and gains over expenses and losses of \$56,670 above, of \$53,801, an increase in unrestricted net assets – noncontrolling interests of \$823, an increase in temporarily restricted net assets of \$915, and a decrease in permanently restricted net assets of \$56.

## Ascension Health Alliance

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

#### 3. Organizational Changes (continued)

The following unaudited pro forma financial information presents the combined results of operations of the System and the Marian Systems for the years ended June 30, 2013 and 2012, as though the April 1, 2013, business combination transaction had occurred on July 1, 2011. This pro forma financial information is not necessarily indicative of the results of operations that would have occurred had the System and the Marian Systems constituted a single entity during those periods, nor is it necessarily indicative of future operating results.

|                                                                | <b>Year Ended June 30,</b> |               |
|----------------------------------------------------------------|----------------------------|---------------|
|                                                                | <b>2013</b>                | <b>2012</b>   |
| Total operating revenue                                        | <b>\$ 20,566,255</b>       | \$ 19,442,796 |
| Excess of revenues and gains over expenses and losses          | <b>1,177,338</b>           | 3,129,905     |
| Increase in unrestricted net assets – controlling interest     | <b>1,307,542</b>           | 2,678,973     |
| Increase in unrestricted net assets – noncontrolling interests | <b>879,585</b>             | 672,035       |
| Increase in temporarily restricted net assets                  | <b>5,856</b>               | 47,234        |
| Increase in permanently restricted net assets                  | <b>7,945</b>               | 70,485        |

The excess of revenues and gains over expenses and losses and the increase in unrestricted net assets – controlling interest for the year ended June 30, 2012, in the table above include the nonoperating contribution from business combination of \$2,028,992 reflected in the Consolidated Statement of Operations and Changes in Net Assets for the year ended June 30, 2013, to reflect the April 1, 2013, business combination as if it had occurred on July 1, 2011. The pro forma excess of revenues and gains over expenses and losses above includes certain adjustments attributable to the April 1, 2013, business combination transaction.

In addition, the increases in unrestricted net assets – controlling interest, temporarily restricted net assets, and permanently restricted net assets for the year ended June 30, 2012, in the table above include the contributions from business combinations reflected in the contributions of noncontrolling interests and temporarily and permanently restricted net assets of \$64,738, \$44,201, and \$67,846, respectively. The preceding amounts are also reflected in the Consolidated Statement of Operations and Changes in Net Assets for the year ended June 30, 2013, to reflect the April 1, 2013, business combination as if it had occurred on July 1, 2011.

## Ascension Health Alliance

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

#### **3. Organizational Changes (continued)**

##### *Alexian Brothers Health System*

Effective January 1, 2012, Ascension Health, a subsidiary of the System, became sole corporate member of Alexian Brothers Health System (Alexian Brothers), a Catholic healthcare system that operates acute and specialty care hospitals, ambulatory care clinics, physician practices, and senior living facilities in Illinois, Missouri, Tennessee, and Wisconsin. This transaction resulted in a net increase to unrestricted net assets of \$326,333, reflected as contributions from business combinations, net in the Consolidated Statement of Operations and Changes in Net Assets during the year ended June 30, 2012. Furthermore, this addition resulted in a contribution of restricted net assets of \$16,337, included in other changes in net assets in the Consolidated Statement of Operations and Changes in Net Assets for the year ended June 30, 2012.

#### **Divestitures and Discontinued Operations**

On May 1, 2013, the System entered into a definitive agreement with HCA Midwest Health System to sell St. Joseph and St. Mary's Medical Centers and other Carondelet Health subsidiaries in Kansas City, Missouri (Carondelet Health – Kansas City). This transaction is expected to close in fiscal year 2014. The operations of Carondelet Health – Kansas City are reflected in the System's consolidated financial statements as discontinued operations. The assets and liabilities of Carondelet Health – Kansas City are classified as held for sale in other assets and other liabilities, respectively, in the System's consolidated financial statements.

Effective October 1, 2011, Seton Health System, Inc. (Seton Health) in Troy, New York, separated from the System and became part of a newly formed nonprofit healthcare organization that operates in the state of New York. The operations of Seton Health are reflected in the System's consolidated financial statements as discontinued operations.

The System reported a decrease in net assets from discontinued operations of \$23,937 for the year ended June 30, 2013, representing the decrease in net assets related to the separation of Carondelet Health – Kansas City and the deficit of revenues over expenses for previously discontinued lines of business in Michigan. These entities had recorded operating revenues totaling \$303,430 during the period that they were operational during the year ended June 30, 2013.

## Ascension Health Alliance

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

#### **3. Organizational Changes (continued)**

The System reported a decrease in net assets from discontinued operations of \$73,521 for the year ended June 30, 2012, representing the decrease of net assets related to the separation of Seton Health, the deficit of revenues over expenses for Carondelet Health – Kansas City and for previously discontinued lines of business in Michigan. These entities had recorded operating revenues totaling \$354,486 during the period that they were operational during the year ended June 30, 2012.

#### **4. Pooled Investment Fund**

Prior to April 2012, the System held a significant portion of its investments in the Ascension Legacy Portfolio (formerly the Health System Depository, or HSD), an investment pool of funds in which the System and a limited number of nonprofit healthcare providers participated. In April 2012, a significant portion of the assets in the Ascension Legacy Portfolio was transferred to the CHIMCO Alpha Fund, LLC (Alpha Fund), a limited liability company organized in the state of Delaware.

At June 30, 2013 and 2012, a significant portion of the System's investments consists of the System's interest in the Alpha Fund. Certain System assets continue to be held through the Ascension Legacy Portfolio, and subsequent to April 2012, the Ascension Legacy Portfolio no longer holds assets for unrelated entities. Additional System investments include those held and managed by the Health Ministries' consolidated foundations.

The Alpha Fund includes the investment interests of the System and other Alpha Fund members. CHIMCO manages and serves as the manager and primary investment advisor of the Alpha Fund, overseeing the investment strategies offered to the Alpha Fund's members. The System began consolidating the Alpha Fund in April 2012.

The portion of the Alpha Fund's net assets representing interests held by entities other than the System are reflected in noncontrolling interests in the Consolidated Balance Sheets, which amount to \$1,450,580 and \$589,493 at June 30, 2013 and 2012, respectively.

The consolidation of the Alpha Fund by the System in April 2012 resulted in an increase of net assets of \$440,015, representing the noncontrolling interests of the Alpha Fund as of the date investments were transferred into the Alpha Fund.

## Ascension Health Alliance

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

#### 4. Pooled Investment Fund (continued)

Prior to April 2012, CHIMCO, a wholly owned subsidiary of the System, managed the investment portfolio of the System held in the Ascension Legacy Portfolio. CHIMCO provides expertise in the areas of asset allocation, selection and monitoring of outside investment managers, and risk management. The System did not consolidate the Ascension Legacy Portfolio prior to April 2012. Accordingly, the System's investments recorded in the consolidated financial statements consisted only of the System's pro rata share of the Ascension Legacy Portfolio's investments held for participants prior to April 2012.

The Alpha Fund invests in a diversified portfolio of investments including alternative investments, such as real asset funds, hedge funds, private equity funds, commodity funds, and private credit funds. Collectively, these funds have liquidity terms ranging from daily to annual with notice periods ranging from 1 to 180 days. Due to redemption restrictions, investments in certain of these funds, whose fair value was \$920,761 at June 30, 2013, cannot currently be redeemed. However, the potential for the Alpha Fund to sell its interest in these funds in a secondary market prior to the end of the fund term does exist.

The Alpha Fund's investments in certain alternative investment funds also include contractual commitments to provide capital contributions during the investment period, which is typically five years and can extend to the end of the fund term. During these contractual periods, investment managers may require the Alpha Fund to invest in accordance with the terms of the agreement. Commitments not funded during the investment period will expire and remain unfunded. As of June 30, 2013, contractual agreements of the Alpha Fund expire between July 2013 and April 2019. The remaining unfunded capital commitments of the Alpha Fund total approximately \$1,140,000 for 76 individual funds as of June 30, 2013. Due to the uncertainty surrounding whether the contractual commitments will require funding during the contractual period, future minimum payments to meet these commitments cannot be reasonably estimated. These committed amounts are expected to be primarily satisfied by the liquidation of existing investments in the Alpha Fund.

In the normal course of operations and within established Alpha Fund guidelines, the Alpha Fund may enter into various exchange-traded and over-the-counter derivative contracts for trading purposes, including futures, option, and forward contracts as well as warrants and swaps. These instruments are used primarily to adjust the portfolio duration, restructure term structure exposure, change sector exposure, and arbitrage market inefficiencies. See the Fair Value Measurements note for a discussion of how fair value for the Alpha Fund's derivatives is determined.

## Ascension Health Alliance

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

#### 4. Pooled Investment Fund (continued)

At June 30, 2013 and 2012, the notional value of Alpha Fund derivatives outstanding was approximately \$2,126,000 and \$2,071,000, respectively. The fair value of Alpha Fund derivatives in an asset position was \$35,404 and \$71,936 at June 30, 2013 and 2012, respectively, while the fair value of Alpha Fund derivatives in a liability position was \$84,249 and \$36,266 at June 30, 2013 and 2012, respectively. These derivatives are included in long-term investments in the Consolidated Balance Sheets at June 30, 2013 and 2012.

The Alpha Fund also participates in a securities lending program, whereby a portion of the Alpha Fund's investments are loaned to selected established brokerage firms in return for cash and securities from the brokers as collateral for the investments loaned, usually on a short-term basis. The fair value of collateral held by the Alpha Fund associated with such lending agreements amounts to approximately \$394,000 and \$320,000 at June 30, 2013 and 2012, respectively, and is included in other current assets in the Consolidated Balance Sheets, while the liability associated with the obligation to repay such collateral is also approximately \$394,000 and \$320,000 at June 30, 2013 and 2012, respectively, and is included in other current liabilities in the Consolidated Balance Sheets. In addition, the Alpha Fund has liabilities for investments sold, not yet purchased, representing obligations of the Alpha Fund to purchase investments in the market at prevailing prices. The fair value of this Alpha Fund liability is approximately \$7,000 and \$160,000 at June 30, 2013 and 2012, respectively, and is included in other noncurrent liabilities in the Consolidated Balance Sheets.

Due from brokers and due to brokers on the Consolidated Balance Sheets at June 30, 2013 and 2012, represent the Alpha Fund's positions and amounts due from or to various brokers, primarily amounts for security transactions not yet settled, and cash held by brokers for securities sold, not yet purchased.

## Ascension Health Alliance

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

#### 5. Cash and Investments

The System's cash and investments are reported in the June 30, 2013 and 2012, Consolidated Balance Sheets as presented in the table that follows. Total cash and investments, net, includes both the System's membership interest in the Alpha Fund and the noncontrolling interests held by other Alpha Fund members. System unrestricted cash and investments, net, represent the System's cash and investments excluding the noncontrolling interests held by other Alpha Fund members and assets limited as to use.

|                                                                        | <b>June 30,</b> |              |
|------------------------------------------------------------------------|-----------------|--------------|
|                                                                        | <b>2013</b>     | <b>2012</b>  |
| Cash and cash equivalents                                              | \$ 754,622      | \$ 306,469   |
| Short-term investments                                                 | 113,955         | 216,914      |
| Long-term investments                                                  | 14,164,185      | 10,468,457   |
| Subtotal                                                               | 15,032,762      | 10,991,840   |
| Other Alpha Fund and Ascension Legacy Portfolio assets and liabilities |                 |              |
| In other current assets                                                | 459,050         | 360,999      |
| In other long-term assets                                              | 2,785           | 2,924        |
| In accounts payable and other accrued liabilities                      | (5,680)         | (12,779)     |
| In other current liabilities                                           | (394,763)       | (322,873)    |
| In other noncurrent liabilities                                        | (6,622)         | (157,073)    |
| Due to brokers, net                                                    | (315,040)       | (91,342)     |
| Total cash and investments, net                                        | 14,772,492      | 10,771,696   |
| Less noncontrolling interests of Alpha Fund                            | 1,450,580       | 589,493      |
| System cash and investments, including assets limited as to use        | 13,321,912      | 10,182,203   |
| Less assets limited as to use                                          |                 |              |
| Under bond indenture agreement                                         | 33,955          | 16,966       |
| Self-insurance trust funds                                             | 728,621         | 683,937      |
| Temporarily or permanently restricted                                  | 564,168         | 363,482      |
| Total assets limited as to use                                         | 1,326,744       | 1,064,385    |
| System unrestricted cash and investments, net                          | \$ 11,995,168   | \$ 9,117,818 |

## Ascension Health Alliance

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

#### 5. Cash and Investments (continued)

At June 30, 2013 and 2012, the composition of cash and cash equivalents, short-term investments and long-term investments, which include certain assets limited as to use, is summarized as follows

|                                                                                       | <b>June 30,</b>             |                             |
|---------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
|                                                                                       | <b>2013</b>                 | <b>2012</b>                 |
| Cash and cash equivalents and short-term investments                                  | <b>\$ 1,113,823</b>         | \$ 498,902                  |
| Pooled short-term investment funds                                                    | <b>311,027</b>              | 416,087                     |
| U S government, state, municipal, and agency obligations                              | <b>3,447,500</b>            | 3,271,474                   |
| Corporate and foreign fixed income securities                                         | <b>1,664,001</b>            | 980,322                     |
| Asset-backed securities                                                               | <b>1,196,168</b>            | 1,057,735                   |
| Equity securities                                                                     | <b>2,695,483</b>            | 1,574,188                   |
| Alternative investments and other investments                                         |                             |                             |
| Private equity and real estate funds                                                  | <b>809,341</b>              | 594,466                     |
| Hedge funds                                                                           | <b>2,860,776</b>            | 1,887,407                   |
| Commodities funds and other investments                                               | <b>934,643</b>              | 711,259                     |
| Total alternative investments and other investments                                   | <b>4,604,760</b>            | 3,193,132                   |
| Total cash and cash equivalents, short-term investments,<br>and long-term investments | <b><u>\$ 15,032,762</u></b> | <b><u>\$ 10,991,840</u></b> |

Net investments under CHIMCO management and held in the Ascension Legacy Portfolio at March 31, 2012, yet not included in the Alpha Fund or the Ascension Legacy Portfolio while still managed by CHIMCO at April 1, 2012, were approximately \$1,820,000. As of June 30, 2013 and 2012, the System's membership interest in the Alpha Fund totaled \$11,251,590 and \$8,840,551, respectively. As of June 30, 2013 and 2012, the noncontrolling interest (see Note 2) in the Alpha Fund, representing interests held by entities other than the System, totaled \$1,450,580 and \$589,493, respectively.

Investment return recognized by the System for the years ended June 30, 2013 and 2012, is summarized in the following table. Total investment return includes the System's return in the Ascension Legacy Portfolio and the investment return of the Alpha Fund. System investment return represents the System's total investment return, net of the investment return earned by the noncontrolling interests of other Alpha Fund members.

## Ascension Health Alliance

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

#### 5. Cash and Investments (continued)

|                                                                 | <b>Year Ended June 30,</b> |                     |
|-----------------------------------------------------------------|----------------------------|---------------------|
|                                                                 | <b>2013</b>                | <b>2012</b>         |
| Unrestricted investment return in Ascension Legacy Portfolio    | \$ —                       | \$ 63,965           |
| Interest and dividends                                          | <b>170,034</b>             | 51,453              |
| Net gains (losses) on investments reported at fair value        | <b>602,008</b>             | (233,826)           |
| Restricted investment return and unrealized gains (losses), net | <b>18,830</b>              | (880)               |
| Total investment return                                         | <b>790,872</b>             | (119,288)           |
| Less return earned by noncontrolling interests of Alpha Fund    | <b>106,039</b>             | (9,278)             |
| System investment return                                        | <b>\$ 684,833</b>          | <b>\$ (110,010)</b> |

#### 6. Fair Value Measurements

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

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

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

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

## Ascension Health Alliance

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

#### 6. Fair Value Measurements (continued)

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

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

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

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

#### *Cash and cash equivalents and short-term investments*

Cash and cash equivalents and certain short-term investments include certificates of deposit, whose fair value is based on cost plus accrued interest. Significant observable inputs include security cost, maturity, and relevant short-term interest rates. Other short-term investments designated as Level 2 investments primarily consist of commercial paper, whose fair value is based on the income approach. Significant observable inputs include security cost, maturity, credit rating, interest rate, and par value.

#### *Pooled short-term investment fund*

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

## Ascension Health Alliance

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

#### **6. Fair Value Measurements (continued)**

##### *U. S. government, state, municipal, and agency obligations*

The fair value of investments in U S government, state, municipal, and agency obligations is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads.

##### *Corporate and foreign fixed income securities*

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

##### *Asset-backed securities*

The fair value of U S agency and corporate asset-backed securities is primarily determined using techniques consistent with the income approach. Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and quotes.

##### *Equity securities*

The fair value of investments in U S and international equity securities is primarily determined using techniques consistent with the income approach. The values for underlying investments are fair value estimates determined by external fund managers based on quoted market prices, operating results, balance sheet stability, growth, dividend, dividend yield, and other business and market sector fundamentals.

## Ascension Health Alliance

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

#### **6. Fair Value Measurements (continued)**

##### *Alternative investments and other investments*

Alternative investments consist of private equity, hedge funds, private equity funds, commodity funds, and real estate partnerships. The fair value of private equity is primarily determined using techniques consistent with both the market and income approaches, based on the System's estimates and assumptions in the absence of observable market data. The market approach considers comparable company, comparable transaction, and company-specific information, including but not limited to restrictions on disposition, subsequent purchases of the same or similar securities by other investors, pending mergers or acquisitions, and current financial position and operating results. The income approach considers the projected operating performance of the portfolio company.

The fair value of hedge funds, private equity funds, commodity funds, and real estate partnerships is primarily determined using net asset values, which approximate fair value, as determined by an external fund manager based on quoted market prices, operating results, balance sheet stability, growth, and other business and market sector fundamentals.

Other investments include derivative assets and derivative liabilities of the Alpha Fund, whose fair value is primarily determined using techniques consistent with the market approach. Significant observable inputs to valuation models include interest rates, Treasury yields, volatilities, credit spreads, maturity, and recovery rates.

##### *Securities lending collateral*

The fair value of collateral received under the Alpha Fund's securities lending program is valued using the calculated net asset value for the commingled fund in which the collateral is invested. The underlying investments in the commingled fund are valued using techniques consistent with the market approach, which uses significant observable market inputs such as available trade, quotes, benchmark curves, sector groupings, and matrix pricing.

## Ascension Health Alliance

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

#### **6. Fair Value Measurements (continued)**

##### *Benefit plan assets*

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

##### *Interest rate swap assets and liabilities*

The fair value of interest rate swaps is primarily determined using techniques consistent with the market approach. Significant observable inputs to valuation models include interest rates, Treasury yields, volatilities, credit spreads, maturity, and recovery rates.

##### *Investments sold, not yet purchased*

The fair value of investments sold, not yet purchased is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark, constant maturity curves, and spreads.

# Ascension Health Alliance

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

### 6. Fair Value Measurements (continued)

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

|                                                                      | Level 1    | Level 2    | Level 3   | Total                |
|----------------------------------------------------------------------|------------|------------|-----------|----------------------|
| <b>June 30, 2013</b>                                                 |            |            |           |                      |
| Cash and cash equivalents                                            | \$ 618,129 | \$ 14,277  | \$ —      | \$ 632,406           |
| Short-term investments                                               | 21,821     | 45,258     | 238       | 67,317               |
| Pooled short-term investment funds                                   | 311,027    | —          | —         | 311,027              |
| U.S. government, state, municipal, and agency obligations            | —          | 3,441,671  | 5,829     | 3,447,500            |
| Corporate and foreign fixed income securities                        | —          | 1,272,714  | 391,287   | 1,664,001            |
| Asset-backed securities                                              | —          | 1,079,135  | 117,033   | 1,196,168            |
| Equity securities                                                    | 2,656,950  | 36,370     | 2,163     | 2,695,483            |
| Alternative investments and other investments                        |            |            |           |                      |
| Private equity and real estate funds                                 | 529        | 3,752      | 799,414   | 803,695              |
| Hedge funds                                                          | —          | —          | 2,857,114 | 2,857,114            |
| Commodities funds and other investments                              | 5,762      | (6,061)    | 831,182   | 830,883              |
| Assets not at fair value                                             |            |            |           | 527,168              |
| Cash and investments                                                 |            |            |           | <u>\$ 15,032,762</u> |
| Securities lending collateral, in other current assets               | \$ —       | \$ 394,310 | \$ —      | \$ 394,310           |
| Benefit plan assets, in other noncurrent assets                      | 225,755    | —          | 37,505    | 263,260              |
| Interest rate swaps, in other noncurrent assets                      | —          | 76,650     | —         | 76,650               |
| Investments sold, not yet purchased, in other noncurrent liabilities | —          | 6,622      | —         | 6,622                |
| Interest rate swaps, included in other noncurrent liabilities        | —          | 194,546    | —         | 194,546              |

# Ascension Health Alliance

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

### 6. Fair Value Measurements (continued)

For the year ended June 30, 2013, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following

|                                              | Short-Term<br>Investments | U S<br>Government,<br>State,<br>Municipal,<br>and Agency<br>Obligations | Corporate<br>and Foreign<br>Fixed<br>Income<br>Securities | Asset-Backed<br>Securities | Equity<br>Securities | Private<br>Equity and<br>Real Estate<br>Funds | Hedge<br>Funds | Commodities<br>Funds and<br>Other<br>Investments | Benefit Plan<br>Assets |
|----------------------------------------------|---------------------------|-------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------|----------------------|-----------------------------------------------|----------------|--------------------------------------------------|------------------------|
| <b>June 30, 2013</b>                         |                           |                                                                         |                                                           |                            |                      |                                               |                |                                                  |                        |
| Beginning balance                            | \$ —                      | \$ 7,437                                                                | \$ 120,418                                                | \$ 15,297                  | \$ 13,118            | \$ 593,753                                    | \$ 1,887,407   | \$ 615,813                                       | \$ 36,882              |
| Total realized and unrealized gains (losses) |                           |                                                                         |                                                           |                            |                      |                                               |                |                                                  |                        |
| Included in income from operations           | —                         | 16                                                                      | 242                                                       | 10                         | 1,489                | —                                             | 123            | (45)                                             | —                      |
| Included in nonoperating gains (losses)      |                           | 445                                                                     | 1,059                                                     | (227)                      | 170                  | 83,975                                        | 220,887        | 80,222                                           | 49                     |
| Included in changes in net assets            | 3                         | —                                                                       | —                                                         | —                          | —                    | —                                             | 293            | 27                                               | —                      |
| Purchases                                    | —                         | 169                                                                     | 328,980                                                   | 122,703                    | 718                  | 188,085                                       | 981,414        | 401,957                                          | 47,644                 |
| Settlements                                  | —                         | —                                                                       | —                                                         | —                          | —                    | (25)                                          | —              | —                                                | (279)                  |
| Sales                                        | —                         | (2,238)                                                                 | (58,928)                                                  | (17,883)                   | (13,372)             | (66,836)                                      | (232,198)      | (266,889)                                        | (44,655)               |
| Transfers into Level 3                       | 235                       | —                                                                       | 2,962                                                     | —                          | 40                   | 927                                           | 3,271          | 139                                              | 13,376                 |
| Transfers out of Level 3                     | —                         | —                                                                       | (3,446)                                                   | (2,867)                    | —                    | (465)                                         | (4,083)        | (42)                                             | (15,512)               |
| Ending balance                               | \$ 238                    | \$ 5,829                                                                | \$ 391,287                                                | \$ 117,033                 | \$ 2,163             | \$ 799,414                                    | \$ 2,857,114   | \$ 831,182                                       | \$ 37,505              |

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur

# Ascension Health Alliance

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

### 6. Fair Value Measurements (continued)

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

|                                                                      | Level 1   | Level 2    | Level 3   | Total                |
|----------------------------------------------------------------------|-----------|------------|-----------|----------------------|
| <b>June 30, 2012</b>                                                 |           |            |           |                      |
| Cash and cash equivalents                                            | \$ 78,301 | \$ 3,419   | \$ —      | \$ 81,720            |
| Short-term investments                                               | 14,567    | 79,321     | —         | 93,888               |
| Pooled short-term investment funds                                   | 416,087   | —          | —         | 416,087              |
| U.S. government, state, municipal, and agency obligations            | —         | 3,264,037  | 7,437     | 3,271,474            |
| Corporate and foreign fixed income securities                        | —         | 859,904    | 120,418   | 980,322              |
| Asset-backed securities                                              | —         | 1,042,438  | 15,297    | 1,057,735            |
| Equity securities                                                    | 1,546,579 | 14,491     | 13,118    | 1,574,188            |
| Alternative investments and other investments                        |           |            |           |                      |
| Private equity and real estate funds                                 | —         | —          | 593,753   | 593,753              |
| Hedge funds                                                          | —         | —          | 1,887,407 | 1,887,407            |
| Commodities funds and other investments                              | 8,699     | 3,327      | 615,813   | 627,839              |
| Assets not at fair value                                             |           |            |           | 407,427              |
| Cash and investments                                                 |           |            |           | <u>\$ 10,991,840</u> |
| Securities lending collateral, in other current assets               | \$ —      | \$ 321,937 | \$ —      | \$ 321,937           |
| Benefit plan assets, in other noncurrent assets                      | 134,705   | —          | 36,882    | 171,587              |
| Interest rate swaps, in other noncurrent assets                      | —         | 94,082     | —         | 94,082               |
| Investments sold, not yet purchased, in other noncurrent liabilities | —         | 157,073    | —         | 157,073              |
| Interest rate swaps, included in other noncurrent liabilities        | —         | 252,413    | —         | 252,413              |

# Ascension Health Alliance

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

### 6. Fair Value Measurements (continued)

For the year ended June 30, 2012, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following Level 3 investments of the Alpha Fund are included in transfers in the table below

|                                                 | U.S.<br>Government,<br>State,<br>Municipal,<br>and Agency<br>Obligations | Corporate and<br>Foreign Fixed<br>Income<br>Securities | Asset-Backed<br>Securities | Equity<br>Securities | Private Equity<br>and Real<br>Estate Funds | Hedge<br>Funds      | Commodities<br>Funds and<br>Other<br>Investments | Benefit Plan<br>Assets |
|-------------------------------------------------|--------------------------------------------------------------------------|--------------------------------------------------------|----------------------------|----------------------|--------------------------------------------|---------------------|--------------------------------------------------|------------------------|
| <b>June 30, 2012</b>                            |                                                                          |                                                        |                            |                      |                                            |                     |                                                  |                        |
| Beginning balance                               | \$ 442                                                                   | \$ 5,024                                               | \$ 1,924                   | \$ 15,515            | \$ 71,768                                  | \$ 11,667           | \$ 2,731                                         | \$ 31,706              |
| Total realized and unrealized gains<br>(losses) |                                                                          |                                                        |                            |                      |                                            |                     |                                                  |                        |
| Included in income from<br>operations           | 21                                                                       | 192                                                    | (7)                        | 886                  | —                                          | 45                  | (436)                                            | —                      |
| Included in nonoperating gains<br>(losses)      | 6                                                                        | 904                                                    | (149)                      | (69)                 | (6,814)                                    | (15,149)            | (12,031)                                         | —                      |
| Included in changes in net assets               | —                                                                        | —                                                      | —                          | —                    | 64                                         | 1,233               | (7)                                              | 20                     |
| Purchases                                       | —                                                                        | 77,943                                                 | 2,919                      | —                    | 64,537                                     | 154,740             | 238,895                                          | 8,701                  |
| Settlements                                     | —                                                                        | —                                                      | —                          | —                    | —                                          | —                   | —                                                | (91)                   |
| Issuances                                       | —                                                                        | —                                                      | —                          | —                    | —                                          | —                   | —                                                | 35                     |
| Sales                                           | —                                                                        | (57,768)                                               | (2,700)                    | (3,588)              | (9,215)                                    | (5,187)             | (76,098)                                         | (5,373)                |
| Transfers into Level 3                          | 6,968                                                                    | 94,201                                                 | 15,012                     | 374                  | 473,413                                    | 1,740,058           | 462,759                                          | 2,649                  |
| Transfers out of Level 3                        | —                                                                        | (78)                                                   | (1,702)                    | —                    | —                                          | —                   | —                                                | (765)                  |
| Ending balance                                  | <u>\$ 7,437</u>                                                          | <u>\$ 120,418</u>                                      | <u>\$ 15,297</u>           | <u>\$ 13,118</u>     | <u>\$ 593,753</u>                          | <u>\$ 1,887,407</u> | <u>\$ 615,813</u>                                | <u>\$ 36,882</u>       |

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur

## Ascension Health Alliance

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

#### 7. Long-Term Debt

Long-term debt at June 30, 2013 and 2012, is comprised of the following and is presented in accordance with the specific master trust indenture to which the debt relates. As further discussed below, certain portions of long-term debt are secured under the Alexian Brothers Health System Master Trust Indenture, the Mercy Regional Health Center, Inc. Master Trust Indenture, The Howard Young Medical Center, Inc. Master Trust Indenture, the St. John Health System Master Trust Indenture, and the Ministry Health Care Master Trust Indenture.

|                                                                                                                                                                                                                                                            | <b>June 30,</b>   |    | <b>2012</b> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|----|-------------|
|                                                                                                                                                                                                                                                            | <b>2013</b>       |    |             |
| Tax-exempt hospital revenue bonds – secured under Ascension Health Alliance Senior Credit Group Master Trust Indenture                                                                                                                                     |                   |    |             |
| Variable rate demand bonds, subject to a put provision that provides for a cumulative 7-month notice and remarketing period, payable through November 2047, interest (0.12% to 0.15% at June 30, 2013) tied to a market index plus a spread                | <b>\$ 408,605</b> | \$ | 308,605     |
| Variable rate demand bonds, subject to a 7-day put provision, payable through November 2039, interest (0.06% to 0.07% at June 30, 2013) set at prevailing market rates                                                                                     | <b>225,665</b>    |    | 225,665     |
| Variable rate demand bonds, subject to a 7-day put provision, payable through November 2033, interest (0.06% to 0.07% at June 30, 2013) set at prevailing market rates, swapped to fixed rates of 5.454% and 5.544%, respectively, through maturity        | <b>307,300</b>    |    | 307,300     |
| Indexed put bonds subject to weekly rate resets based on a taxable index, payable through November 2046, interest (2.095% at June 30, 2013) swapped to a variable rate tied to a tax-exempt market index plus a spread through November 2016               | <b>153,800</b>    |    | 153,800     |
| Fixed rate put bonds (converted from an indexed put bond made based on a taxable index in May 2009) payable through November 2046, interest (4.10% at June 30, 2013) swapped to a variable rate tied to a market index plus a spread through November 2016 | <b>153,690</b>    |    | 153,690     |
| Fixed rate serial and term bonds payable in installments through November 2051, interest at 2.00% to 5.25%                                                                                                                                                 | <b>1,207,490</b>  |    | 1,308,105   |
| Fixed rate serial and term bonds payable in installments through November 2039, interest at 5.00% swapped to variable rates over the life of the bonds                                                                                                     | <b>587,360</b>    |    | 587,360     |
| Fixed rate serial mode bonds payable through 2047 with purchase dates ranging from June 2014 through June 2021, interest at 0.90% to 5.00% through the purchase dates                                                                                      | <b>1,224,750</b>  |    | 904,185     |

# Ascension Health Alliance

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

### 7. Long-Term Debt (continued)

|                                                                                                                                                                      | June 30,  |           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
|                                                                                                                                                                      | 2013      | 2012      |
| Tax-exempt hospital revenue bonds – unsecured under Ascension Health Alliance Subordinate Master Trust Indenture                                                     |           |           |
| Variable rate demand bonds, subject to a 7-day put provision, payable through November 2027, interest (0.06% at June 30, 2013) set at prevailing market rates        | \$ 56,060 | \$ 56,060 |
| Fixed rate serial mode bonds payable through 2027 with purchase dates through November 2019, interest at 1.625%, swapped to variable mode through the purchase dates | 49,810    | 49,810    |
| Fixed rate serial mode bonds payable through 2027 with purchase dates through May 2018, interest at 0.55% to 5.00%                                                   | 396,705   | 396,705   |
| Taxable bonds – secured under Ascension Health Alliance Senior Credit Group Master Trust Indenture                                                                   |           |           |
| Taxable fixed rate term bonds payable in installments through November 2053, interest at 4.847%                                                                      | 425,000   | –         |
| Total hospital revenue bonds under Senior Master Trust Indenture and Subordinate Master Trust Indenture                                                              | 5,196,235 | 4,451,285 |
| Tax-exempt hospital revenue bonds – secured under Alexian Brothers Health System Master Trust Indenture                                                              |           |           |
| Fixed rate term bonds payable in installments through February 2038, interest at 3.50% to 5.50%                                                                      | 157,000   | 161,565   |
| Total hospital revenue bonds under the Alexian Brothers Health System Master Trust Indenture                                                                         | 157,000   | 161,565   |
| Tax-exempt hospital revenue bonds – secured under Mercy Regional Health Center, Inc. Master Trust Indenture                                                          |           |           |
| Fixed rate term bonds payable in installments through November 2029, interest at 2.00% to 5.00%                                                                      | 25,060    | –         |
| Total hospital revenue bonds under the Mercy Regional Health Center, Inc. Master Trust Indenture                                                                     | 25,060    | –         |
| Tax-exempt hospital revenue bonds – secured under The Howard Young Medical Center, Inc. Master Trust Indenture                                                       |           |           |
| Fixed rate term bonds payable in installments through August 2030, interest at 3.00% to 5.00%                                                                        | 20,040    | –         |
| Total hospital revenue bonds under The Howard Young Medical Center, Inc. Master Trust Indenture                                                                      | 20,040    | –         |

# Ascension Health Alliance

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

### 7. Long-Term Debt (continued)

|                                                                                                                                                                                                                                                                                                                                                                                                                                                      | June 30,     |              |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 2013         | 2012         |
| Tax-exempt hospital revenue bonds – secured under St. John Health System Master Trust Indenture                                                                                                                                                                                                                                                                                                                                                      |              |              |
| Fixed rate term bonds payable in installments through February 2042, interest at 4.00% to 5.00%                                                                                                                                                                                                                                                                                                                                                      | \$ 414,500   | \$ –         |
| Total hospital revenue bonds under the St. John Health System Master Trust Indenture                                                                                                                                                                                                                                                                                                                                                                 | 414,500      | –            |
| Tax-exempt hospital revenue bonds – secured under Ministry Health Care Master Trust Indenture                                                                                                                                                                                                                                                                                                                                                        |              |              |
| Fixed rate term bonds payable in installments through August 2035, interest at 2.50% to 5.50%                                                                                                                                                                                                                                                                                                                                                        | 368,260      | –            |
| Total hospital revenue bonds under the Ministry Health Care Master Trust Indenture                                                                                                                                                                                                                                                                                                                                                                   | 368,260      | –            |
| Total hospital revenue bonds under the Ascension Health Alliance Senior Master Trust Indenture, Ascension Health Alliance Subordinate Master Trust Indenture, the Alexian Brothers Health System Master Trust Indenture, the Mercy Regional Health Center, Inc. Master Trust Indenture, The Howard Young Medical Center, Inc. Master Trust Indenture, St. John Health System Master Trust Indenture, and Ministry Health Care Master Trust Indenture | 6,181,095    | 4,612,850    |
| Other debt                                                                                                                                                                                                                                                                                                                                                                                                                                           |              |              |
| Obligations under capital leases                                                                                                                                                                                                                                                                                                                                                                                                                     | 42,979       | 33,221       |
| Other                                                                                                                                                                                                                                                                                                                                                                                                                                                | 113,823      | 37,936       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 6,337,897    | 4,684,007    |
| Unamortized premium, net                                                                                                                                                                                                                                                                                                                                                                                                                             | 218,536      | 111,187      |
| Less current portion                                                                                                                                                                                                                                                                                                                                                                                                                                 | (90,442)     | (45,363)     |
| Less long-term debt subject to short-term remarketing arrangements                                                                                                                                                                                                                                                                                                                                                                                   | (1,187,125)  | (1,094,425)  |
| Long-term debt, less current portion and long-term debt subject to short-term remarketing arrangements                                                                                                                                                                                                                                                                                                                                               | \$ 5,278,866 | \$ 3,655,406 |

# Ascension Health Alliance

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

### 7. Long-Term Debt (continued)

|                                                                                                                             | June 30,            |                     |
|-----------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
|                                                                                                                             | 2013                | 2012                |
| Ascension Health Alliance Senior Master Trust Indenture long-term debt obligations, including unamortized premium, net      | \$ 3,579,334        | \$ 2,919,702        |
| Ascension Health Alliance Subordinate Master Trust Indenture long-term debt obligations, including unamortized premium, net | 511,009             | 515,278             |
| Alexian Brothers Health System Master Trust Indenture long-term debt obligations, including unamortized premium, net        | 162,594             | 167,257             |
| Mercy Health Regional Center, Inc. Master Trust Indenture long-term debt obligations, including unamortized premium, net    | 27,258              | —                   |
| The Howard Young Medical Center, Inc. Master Trust Indenture long-term debt obligations, including unamortized premium, net | 20,933              | —                   |
| St. John Health System Master Trust Indenture long-term debt obligations, including unamortized premium, net                | 437,503             | —                   |
| Ministry Health Care Master Trust Indenture long-term debt obligations, including unamortized premium, net                  | 394,781             | —                   |
| Other                                                                                                                       | 145,454             | 53,169              |
| Long-term debt, less current portion, and long-term debt subject to short-term remarketing arrangements                     | <u>\$ 5,278,866</u> | <u>\$ 3,655,406</u> |

Scheduled principal repayments of long-term debt, considering obligations subject to short-term remarketing as due according to their long-term amortization schedule, as of June 30, 2013, are as follows

| Year ending<br>June 30 | Ascension<br>Health<br>Alliance<br>MTIs | Alexian<br>Brothers<br>Health<br>System MTI | Mercy<br>Regional<br>Health<br>Center, Inc.<br>MTI | The Howard<br>Young<br>Medical<br>Center, Inc.<br>MTI | St. John<br>Health<br>System<br>MTI | Ministry<br>Health Care<br>MTI | Other<br>Debt     | Total               |
|------------------------|-----------------------------------------|---------------------------------------------|----------------------------------------------------|-------------------------------------------------------|-------------------------------------|--------------------------------|-------------------|---------------------|
| 2014                   | \$ 57,135                               | \$ 3,290                                    | \$ 1,020                                           | \$ 855                                                | \$ 6,950                            | \$ 9,845                       | \$ 11,230         | \$ 90,325           |
| 2015                   | 59,835                                  | 340                                         | 1,045                                              | 875                                                   | 7,305                               | 11,185                         | 10,168            | 90,753              |
| 2016                   | 50,130                                  | 7,485                                       | 1,080                                              | 910                                                   | 7,680                               | 11,665                         | 6,393             | 85,343              |
| 2017                   | 65,945                                  | 13,130                                      | 1,125                                              | 945                                                   | 8,070                               | 12,185                         | 19,878            | 121,278             |
| 2018                   | 69,045                                  | 15,655                                      | 1,175                                              | 975                                                   | 6,890                               | 12,890                         | 6,422             | 113,052             |
| Thereafter             | 4,894,145                               | 117,100                                     | 19,615                                             | 15,480                                                | 377,605                             | 310,490                        | 102,711           | 5,837,146           |
| Total                  | <u>\$ 5,196,235</u>                     | <u>\$ 157,000</u>                           | <u>\$ 25,060</u>                                   | <u>\$ 20,040</u>                                      | <u>\$ 414,500</u>                   | <u>\$ 368,260</u>              | <u>\$ 156,802</u> | <u>\$ 6,337,897</u> |

## Ascension Health Alliance

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

#### **7. Long-Term Debt (continued)**

The carrying amounts of variable rate bonds and other notes payable approximate fair value. The fair values of the unsecured fixed rate serial and term bonds are obtained from independent public valuation services. The fair value of fixed rate serial and term bonds, including the component of variable rate demand bonds subject to long-term fixed interest rates, approximates carrying value at June 30, 2013 and 2012. During the years ended June 30, 2013 and 2012, interest paid was approximately \$170,000 and \$144,000, respectively. Capitalized interest was approximately \$5,400 and \$2,000 for the years ended June 30, 2013 and 2012, respectively.

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

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

A Subordinate Credit Group, which is comprised of subordinate obligated group members, subordinate designated affiliates, and subordinate limited designated affiliates, was created under the Subordinate Master Trust Indenture (Subordinate MTI). The subordinate obligated group members are jointly and severally liable under the Subordinate MTI to make all payments required with respect to obligations under the Subordinate MTI and may be entities not controlled directly or indirectly by the System. Subordinate designated affiliates and subordinate limited designated affiliates are not obligated to make debt service payments on the obligations under the Subordinate MTI. The System may cause each subordinate designated affiliate to

## Ascension Health Alliance

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

#### 7. Long-Term Debt (continued)

transfer such amounts as are necessary to enable the obligated group members to comply with the terms of the Subordinate MTI, including payment of the outstanding obligations. Additionally, each subordinate limited designated affiliate has an independent subordinate limited designated affiliate agreement and promissory note with the System, with stipulated repayment terms and conditions, each subject to the governing law of the subordinate limited designated affiliate's state of incorporation.

The unsecured variable rate demand bonds of both the Senior and Subordinate Credit Groups, while subject to long-term amortization periods, may be put to the System at the option of the bondholders in connection with certain remarketing dates. To the extent that bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2013, the principal amount of such bonds has been classified as a current liability in the accompanying Consolidated Balance Sheets. Management believes the likelihood of a material amount of bonds being put to the System to be remote. However, to address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including the line of credit, commercial paper program, and maintaining unrestricted assets as a source of self-liquidity.

On January 1, 2012, Alexian Brothers became part of the System. Subsequently, the System redeemed or refinanced a portion of Alexian Brothers' debt, however, a portion of the bonds previously issued for the benefit of Alexian Brothers remains outstanding (the Alexian Brothers' Bonds). The Alexian Brothers' Bonds continue to be secured by the Alexian Brothers Health System Master Trust Indenture (As Amended and Restated), dated October 1, 1992, between the Members of the Alexian Brothers Health System Obligated Group established under this document and the Alexian Brothers Health System Master Trustee.

On April 1, 2013, Marian Health System joined Ascension Health. Subsequently, the System redeemed or refinanced a portion of the debt of the Marian Systems, however, a portion of the bonds previously issued for the benefit of the Marian Systems remains outstanding. These bonds continue to be secured by the respective Master Trust Indentures, including the Amended and Restated Master Trust Indenture dated October 1, 1999, by and between St. John Health System and the St. John Health Master Trustee, the Master Trust Indenture dated October 1, 1984, by and between Ministry Health Care and the Ministry Health Care Master Trustee, the Master Trust Indenture dated August 15, 1993, between The Howard Young Medical Center, Inc., a subsidiary of Ministry Health Care, and The Howard Young Medical Center, Inc. Master

## Ascension Health Alliance

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

#### 7. Long-Term Debt (continued)

Trustee, and the Master Trust Indenture dated January 15, 2013, between Mercy Regional Health Center, Inc (a subsidiary of Via Christi Health) and the Mercy Regional Health Center, Inc Master Trustee

In June 2013, the System issued a total of \$521,865 of tax-exempt bonds, Series 2013A and 2013B, through the Wisconsin issuing authority In June 2013, the System also issued a total of \$425,000 of taxable bonds, Series 2013A The proceeds of the bonds, including original issue premium, were used to refinance debt and general corporate purposes

In May 2012, the System issued a total of \$435,370 of tax-exempt bonds, Series 2012A through 2012E, through four different issuing authorities in four different states The proceeds of the bonds, including original issue premium, were used to reimburse the System for previous capital expenditures

Due to aggregate financing activity during the fiscal years ended June 30, 2013 and 2012, losses on extinguishment of debt of \$4,079 and \$2,813, respectively, were recorded, which are included in nonoperating gains (losses) in the accompanying Consolidated Statements of Operations and Changes in Net Assets

The System is a party to multiple interest rate swap agreements that convert the variable or fixed rates of certain debt issues to fixed or variable rates, respectively See the Derivative Instruments note for a discussion of these derivatives

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

As of June 30, 2013, the Senior Credit Group has a \$75,000 revolving line of credit related to its letters of credit program toward which a bank commitment of \$75,000 extends to November 27, 2013 The revolving line of credit may be accessed solely in the form of Letters of Credit issued by the bank for the benefit of the members of the Credit Groups Of this \$75,000 revolving line of credit, letters of credit totaling \$46,765 have been issued as of June 30, 2013 No borrowings were outstanding under the letters of credit as of June 30, 2013 and 2012

## Ascension Health Alliance

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

#### 8. Derivative Instruments

The System uses interest rate swap agreements to manage interest rate risk associated with its outstanding debt. Interest rate swaps with varying characteristics are outstanding under the Master Trust Indentures of the System, Alexian Brothers, Ministry Health Care, and St. John Health. These swaps have historically been used to effectively convert interest rates on variable rate bonds to fixed rates and rates on fixed rate bonds to variable rates. At June 30, 2013 and 2012, the notional values of outstanding interest rate swaps were as follows:

|                                    | <b>June 30,</b>     |                     |
|------------------------------------|---------------------|---------------------|
|                                    | <b>2013</b>         | <b>2012</b>         |
| Ascension Health Alliance MTI      | \$ 2,128,757        | \$ 2,189,232        |
| Alexian Brothers Health System MTI | 47,220              | 55,120              |
| Ministry Health Care MTI           | 270,880             | —                   |
| St. John Health System MTI         | 125,000             | —                   |
| Total                              | <u>\$ 2,571,857</u> | <u>\$ 2,244,352</u> |

The System recognizes the fair value of its interest rate swaps in the Consolidated Balance Sheets as assets, recorded in other noncurrent assets, or liabilities, recorded in other noncurrent liabilities, as appropriate. The respective fair values of interest rate swaps in an asset and liability position for the System, Alexian Brothers, Ministry Health Care and St. John Health were as follows:

|                                    | <b>June 30, 2013</b> |                   | <b>June 30, 2012</b> |                   |
|------------------------------------|----------------------|-------------------|----------------------|-------------------|
|                                    | <b>Asset</b>         | <b>Liability</b>  | <b>Asset</b>         | <b>Liability</b>  |
| Ascension Health Alliance MTI      | \$ 73,846            | \$ 174,413        | \$ 94,082            | \$ 248,511        |
| Alexian Brothers Health System MTI | —                    | 2,685             | —                    | 3,902             |
| Ministry Health Care MTI           | 2,804                | 16,492            | —                    | —                 |
| St. John Health System MTI         | —                    | 956               | —                    | —                 |
| Total                              | <u>\$ 76,650</u>     | <u>\$ 194,546</u> | <u>\$ 94,082</u>     | <u>\$ 252,413</u> |

## Ascension Health Alliance

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

#### 8. Derivative Instruments (continued)

The System's interest rate swap agreements include collateral requirements for each counterparty under such agreements, based upon specific contractual criteria. Collateral requirements are separately calculated for the System, Alexian Brothers, Ministry Health Care, and St. John Health based on the credit ratings of each. In the case of the System, the applicable credit rating is the Senior Credit Group long-term debt credit ratings (Senior Debt Credit Ratings), as obtained from each of two major credit rating agencies. Credit rating and the net liability position of total interest rate swap agreements outstanding with each counterparty determine the amount of collateral to be posted. Collateral and net fair value of interest rate swap agreements with credit-risk-related contingent features at June 30, 2013 and 2012, based upon the respective net liability positions and applicable credit ratings were as follows:

|                            | June 30, 2013       |                   | June 30, 2012       |                   |
|----------------------------|---------------------|-------------------|---------------------|-------------------|
|                            | Net Fair Value      | Collateral Posted | Net Fair Value      | Collateral Posted |
| Ascension Health Alliance  |                     |                   |                     |                   |
| MTI                        | \$ (100,567)        | \$ —              | \$ (154,429)        | \$ —              |
| Alexian Brothers Health    |                     |                   |                     |                   |
| System MTI                 | (2,685)             | —                 | (3,902)             | —                 |
| Ministry Health Care MTI   | (13,688)            | 23,024            | —                   | —                 |
| St. John Health System MTI | (956)               | —                 | —                   | —                 |
| Total                      | <u>\$ (117,896)</u> | <u>\$ 23,024</u>  | <u>\$ (158,331)</u> | <u>\$ —</u>       |

Prior to July 1, 2006, the System designated certain of its interest rate swaps as cash flow hedges, for accounting purposes, and accordingly deferred gains or losses associated with those swaps in net assets. As of June 30, 2013, the deferred net gain associated with these interest rate swaps was \$4,357. The portion of this gain that will be reclassified into nonoperating gains (losses) over the next 12 months is immaterial.

Beginning July 1, 2006, the System's previously designated cash flow hedging relationships were de-designated for accounting purposes. Accordingly, all changes in the fair value of interest rate swaps have been recognized in nonoperating gains (losses) in the accompanying Consolidated Statements of Operations and Changes in Net Assets. A net nonoperating loss of \$61,349 was recognized for the year ended June 30, 2013, while a net nonoperating loss of \$77,568 was recognized for the year ended June 30, 2012.

## Ascension Health Alliance

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

#### **9. Retirement Plans**

##### **Defined-Benefit Plans**

Certain System entities participate in defined-benefit pension plans (the System Plans), which are noncontributory, defined-benefit pension plans covering substantially all eligible employees of certain System entities. Benefits are based on each participant's years of service and compensation. All of the System Plans' assets are invested in Trusts, which include the Master Pension Trust (the Trust) and other trusts (the Other Trusts). The System Plans' assets primarily consist of cash and cash equivalents, equity, fixed income funds, and alternative investments. Contributions to the System Plans are based on actuarially determined amounts sufficient to meet the benefits to be paid to participants.

During the years ended June 30, 2013 and 2012, the System approved and communicated to employees a redesign of associate retirement benefits, which affects certain System Plans, as well as provides an enhanced comprehensive defined contribution plan. This redesign resulted in the recognition of curtailment gains of \$73,198 and \$415,834, for the years ended June 30, 2013 and 2012, respectively, of which, \$73,198 and \$402,402 was recognized in total impairment, restructuring, and nonrecurring gains for the years ended June 30, 2013 and 2012, respectively. This redesign also resulted in a decrease to the projected benefit obligation and is included in pension and other postretirement liabilities in the Consolidated Balance Sheets.

The assets of the System Plans are available to pay the benefits of eligible employees and retirees of all participating entities. In the event entities participating in the System Plans are unable to fulfill their financial obligations under the System Plans, the other participating entities are obligated to do so.

## Ascension Health Alliance

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

#### 9. Retirement Plans (continued)

The following table sets forth the combined benefit obligations and assets of the System Plans at June 30, 2013 and 2012, components of net periodic benefit costs for the years then ended, and a reconciliation of the amounts recognized in the accompanying consolidated financial statements

|                                                        | <b>Year Ended June 30,</b> |                     |
|--------------------------------------------------------|----------------------------|---------------------|
|                                                        | <b>2013</b>                | <b>2012</b>         |
| Change in projected benefit obligation                 |                            |                     |
| Projected benefit obligation at beginning of year      | \$ 6,437,246               | \$ 5,734,449        |
| Service cost                                           | 119,018                    | 194,906             |
| Interest cost                                          | 289,634                    | 311,981             |
| Amendments                                             | (12,792)                   | (5,463)             |
| Assumption change                                      | (363,778)                  | 873,252             |
| Actuarial (gain) loss                                  | (28,641)                   | 1,051               |
| Business combinations                                  | 1,137,270                  | 131,174             |
| Curtailment                                            | (74,962)                   | (561,854)           |
| Benefits paid                                          | (301,215)                  | (242,250)           |
| Projected benefit obligation at end of year            | <u>7,201,780</u>           | <u>6,437,246</u>    |
| Accumulated benefit obligation at end of year          | 7,155,166                  | 6,341,693           |
| Change in plan assets                                  |                            |                     |
| Fair value of plan assets at beginning of year         | 5,992,677                  | 5,397,593           |
| Actual return on plan assets                           | 121,715                    | 711,555             |
| Employer contributions                                 | 54,541                     | 14,421              |
| Business combinations                                  | 874,666                    | 111,358             |
| Benefits paid                                          | (301,215)                  | (242,250)           |
| Fair value of plan assets at end of year               | <u>6,742,384</u>           | <u>5,992,677</u>    |
| Net amount recognized at end of year and funded status | <u>\$ (459,396)</u>        | <u>\$ (444,569)</u> |

The System Plans' funded status as a percentage of the projected benefit obligation at June 30, 2013 and 2012, was 93.6% and 93.1%, respectively. The System Plans' funded status as a percentage of the accumulated benefit obligation at June 30, 2013 and 2012, was 94.2% and 94.5%, respectively.

# Ascension Health Alliance

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

### 9. Retirement Plans (continued)

Included in unrestricted net assets at June 30, 2013 and 2012, are the following amounts that have not yet been recognized in net periodic pension cost for the System Plans

|                                   | <b>Year Ended June 30,</b> |                   |
|-----------------------------------|----------------------------|-------------------|
|                                   | <b>2013</b>                | <b>2012</b>       |
| Unrecognized prior service credit | \$ (23,080)                | \$ (16,230)       |
| Unrecognized actuarial loss       | 364,739                    | 433,352           |
|                                   | <u>\$ 341,659</u>          | <u>\$ 417,122</u> |

Changes in plan assets and benefit obligations recognized in unrestricted net assets for System Plans during 2013 and 2012 include

|                                      | <b>Year Ended June 30,</b> |                   |
|--------------------------------------|----------------------------|-------------------|
|                                      | <b>2013</b>                | <b>2012</b>       |
| Current year actuarial (gain) loss   | \$ (87,934)                | \$ 48,601         |
| Amortization of actuarial loss       | 19,725                     | 350,877           |
| Current year prior service credit    | (12,792)                   | (5,463)           |
| Amortization of prior service credit | 5,944                      | 58,781            |
|                                      | <u>\$ (75,057)</u>         | <u>\$ 452,796</u> |

|                                                | <b>Year Ended June 30,</b> |                     |
|------------------------------------------------|----------------------------|---------------------|
|                                                | <b>2013</b>                | <b>2012</b>         |
| <b>Components of net periodic benefit cost</b> |                            |                     |
| Service cost                                   | \$ 119,018                 | \$ 194,906          |
| Interest cost                                  | 289,634                    | 311,981             |
| Expected return on plan assets                 | (500,497)                  | (447,703)           |
| Amortization of prior service credit           | (6,242)                    | (10,646)            |
| Amortization of actuarial loss                 | 53,783                     | 16,931              |
| Curtailment gain                               | (73,198)                   | (415,834)           |
| Settlement gain                                | (12)                       | (111)               |
| Net periodic benefit cost                      | <u>\$ (117,514)</u>        | <u>\$ (350,476)</u> |

## Ascension Health Alliance

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

#### 9. Retirement Plans (continued)

The prior service credit and actuarial loss included in unrestricted net assets and expected to be recognized in net periodic pension cost during the year ending June 30, 2014, are \$4,200 and \$7,630, respectively

The assumptions used to determine the benefit obligation and net periodic benefit cost for the System Plans are set forth below

|                                                                   | <b>June 30,</b> |             |
|-------------------------------------------------------------------|-----------------|-------------|
|                                                                   | <b>2013</b>     | <b>2012</b> |
| Weighted-average discount rate                                    | <b>4.88%</b>    | 4.42%       |
| Weighted-average rate of compensation increase                    | <b>3.81%</b>    | 4.00%       |
| Weighted-average expected long-term rate of return on plan assets | <b>8.30%</b>    | 8.43%       |

The System Plans' assets invested in the Trust are invested in a portfolio designed to protect principal and obtain competitive investment returns and long-term investment growth, consistent with actuarial assumptions, with a reasonable and prudent level of risk. Diversification is achieved by allocating to funds and managers that correlate to one of three economic strategies: growth, deflation, and inflation. Growth strategies include U.S. equity, emerging market equity, global equity, international equity, directional hedge funds, private equity, high yield, and private credit. Deflation strategies include core fixed income, absolute return hedge funds, and cash. Inflation strategies include inflation-linked bonds, commodity-related investments, and real assets. The System Plans use multiple investment managers with complementary styles, philosophies, and approaches. In accordance with the System Plans' objectives, derivatives may also be used to gain market exposure in an efficient and timely manner.

## Ascension Health Alliance

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

#### 9. Retirement Plans (continued)

In accordance with the System Plans' asset diversification targets, as presented in the table that follows, the Trust holds certain alternative investments, consisting of various hedge funds, real asset funds, private equity funds, commodity funds, private credit funds, and certain other private funds. These investments do not have observable market values. As such, each of these investments is valued at net asset value as determined by each fund's investment manager, which approximates fair value. The fair value of the System Plans' alternative investments in the Trust as of June 30, 2013, is reported in the fair value measurement table that follows. Collectively, these funds have liquidity terms ranging from daily to annual with notice periods ranging from 1 to 180 days. Due to redemption restrictions, investments of certain private funds, whose fair value was approximately \$665,000 at June 30, 2013, cannot be redeemed. However, the potential for the System Plans to sell their interest in real asset funds and private equity funds in a secondary market prior to the end of the fund term does exist.

The investments in these alternative investment funds may also include contractual commitments to provide capital contributions during the investment period, which is typically five years, and may extend to the end of the fund term. During these contractual periods, investment managers may require the System Plans to invest in accordance with the terms of the agreement. Commitments not funded during the investment period will expire and remain unfunded. As of June 30, 2013, investment periods expire between July 2013 and March 2018. The remaining unfunded capital commitments of the Trust total approximately \$525,000 for 57 individual contracts as of June 30, 2013.

The weighted-average asset allocation for the System Plans in the Trust at the end of fiscal 2013 and 2012 and the target allocation for fiscal 2014, by asset category, are as follows:

| <b>Asset category</b> | <b>Target<br/>Allocation</b> | <b>Percentage of Plan Assets<br/>at Year-End</b> |             |
|-----------------------|------------------------------|--------------------------------------------------|-------------|
|                       | <b>2014</b>                  | <b>2013</b>                                      | <b>2012</b> |
| Growth                | 50%                          | <b>52%</b>                                       | 49%         |
| Deflation             | 30                           | <b>29</b>                                        | 32          |
| Inflation             | 20                           | <b>19</b>                                        | 19          |
| Total                 | 100%                         | <b>100%</b>                                      | 100%        |

## Ascension Health Alliance

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

#### 9. Retirement Plans (continued)

The System Plans' assets in the Other Trusts are invested in portfolios designed to best serve the participants of the System Plans' through a long-term investment strategy designed to ensure that funds are available to pay benefits as they become due and to maximize the total return at a prudent level of investment risk. The System Plans' assets invested in the Other Trusts are diversified among various assets classes based upon established investment guidelines.

| Asset category | Target<br>Allocation | Percentage of Plan Assets<br>at Year-End |      |
|----------------|----------------------|------------------------------------------|------|
|                | 2014                 | 2013                                     | 2012 |
| Cash           | 4%                   | 6%                                       | 1%   |
| Growth         | 58                   | 61                                       | 63   |
| Income         | 29                   | 25                                       | 22   |
| Other          | 9                    | 8                                        | 14   |
| Total          | 100%                 | 100%                                     | 100% |

# Ascension Health Alliance

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

### 9. Retirement Plans (continued)

The following tables summarize fair value measurements at June 30, 2013 and 2012, by asset class and by level, for the System Plans' assets and liabilities. As also discussed in the Fair Value Measurements note, the System follows the three-level fair value hierarchy to categorize plan assets and liabilities recognized at fair value, which prioritizes the inputs used to measure such fair values. The inputs and valuation techniques discussed in the Fair Value Measurements note also apply to the System Plans' assets and liabilities as presented in the following tables.

|                                                          | Level 1    | Level 2   | Level 3   | Total               |
|----------------------------------------------------------|------------|-----------|-----------|---------------------|
| <b>June 30, 2013</b>                                     |            |           |           |                     |
| Short-term investments                                   | \$ 324,803 | \$ 20,331 | \$ –      | \$ 345,134          |
| Derivatives receivable                                   | 1,078      | 337       | 21,059    | 22,474              |
| U S government, state, municipal, and agency obligations | –          | 1,671,493 | 1,266     | 1,672,759           |
| Corporate and foreign fixed income securities            | 25,843     | 566,812   | 53,729    | 646,384             |
| Asset-backed securities                                  | –          | 226,920   | 22,838    | 249,758             |
| Equity securities                                        | 1,317,933  | 18,741    | 2,936     | 1,339,610           |
| Alternative investments and other investments            |            |           |           |                     |
| Private equity and real estate funds                     | –          | –         | 747,864   | 747,864             |
| Hedge funds                                              | 34,708     | –         | 1,452,190 | 1,486,898           |
| Commodities funds and other investments                  | –          | 316,971   | 271,282   | 588,253             |
| Assets not at fair value                                 |            |           |           | 334,875             |
| Total                                                    |            |           |           | <u>7,434,009</u>    |
| Derivatives payable                                      | 68         | 300       | 248,988   | 249,356             |
| Investments sold, not yet purchased                      | 3,794      | (71)      | –         | 3,723               |
| Liabilities not at fair value                            |            |           |           | 438,546             |
| Total                                                    |            |           |           | <u>691,625</u>      |
| Fair value of plan assets                                |            |           |           | <u>\$ 6,742,384</u> |

# Ascension Health Alliance

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

### 9. Retirement Plans (continued)

|                                                          | Level 1    | Level 2   | Level 3   | Total               |
|----------------------------------------------------------|------------|-----------|-----------|---------------------|
| <b>June 30, 2012</b>                                     |            |           |           |                     |
| Short-term investments                                   | \$ 192,025 | \$ 5,392  | \$ –      | \$ 197,417          |
| Derivatives receivable                                   | 63,991     | 92,702    | 14,229    | 170,922             |
| U S government, state, municipal, and agency obligations | –          | 2,189,580 | 1,903     | 2,191,483           |
| Corporate and foreign fixed income securities            | 70,238     | 387,734   | 28,308    | 486,280             |
| Asset-backed securities                                  | –          | 194,201   | 14,243    | 208,444             |
| Equity securities                                        | 782,558    | –         | 1,514     | 784,072             |
| Alternative investments and other investments            |            |           |           |                     |
| Private equity and real estate funds                     | –          | –         | 546,165   | 546,165             |
| Hedge funds                                              | –          | –         | 1,187,124 | 1,187,124           |
| Commodities funds and other investments                  | –          | –         | 282,320   | 282,320             |
| Assets not at fair value                                 |            |           |           | 874,681             |
| Total                                                    |            |           |           | <u>6,928,908</u>    |
| Derivatives payable                                      | 5,849      | 51,314    | 6,055     | 63,218              |
| Investments sold, not yet purchased                      | –          | 29,342    | –         | 29,342              |
| Liabilities not at fair value                            |            |           |           | 843,671             |
| Total                                                    |            |           |           | <u>936,231</u>      |
| Fair value of plan assets                                |            |           |           | <u>\$ 5,992,677</u> |

# Ascension Health Alliance

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

### 9. Retirement Plans (continued)

For the years ended June 30, 2013 and 2012, the changes in the fair value of the System Plans' assets measured using significant unobservable inputs (Level 3) consisted of the following

|                                                                                  | Net<br>Derivatives | U S<br>Government,<br>State,<br>Municipal,<br>and Agency<br>Obligations | Corporate<br>and Foreign<br>Fixed<br>Income<br>Securities | Asset-Backed<br>Securities | Equity<br>Securities | Private<br>Equity and<br>Real Estate<br>Funds | Hedge<br>Funds | Commodities<br>Funds and<br>Other<br>Investments |
|----------------------------------------------------------------------------------|--------------------|-------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------|----------------------|-----------------------------------------------|----------------|--------------------------------------------------|
| <b>June 30, 2013</b>                                                             |                    |                                                                         |                                                           |                            |                      |                                               |                |                                                  |
| Beginning balance                                                                | \$ 8,174           | \$ 1,903                                                                | \$ 28,308                                                 | \$ 14,243                  | \$ 1,514             | \$ 546,165                                    | \$ 1,187,124   | \$ 282,320                                       |
| Acquisitions                                                                     | —                  | —                                                                       | —                                                         | —                          | —                    | 37,048                                        | —              | 9,994                                            |
| Total actual return on assets                                                    | (154,133)          | 130                                                                     | (171)                                                     | (89)                       | 5                    | 54,153                                        | 147,977        | (21,032)                                         |
| Purchases, issuances, and settlements                                            | (122,486)          | (767)                                                                   | 31,994                                                    | 20,384                     | 1,417                | 98,174                                        | 156,513        | —                                                |
| Transfers into (out of) Level 3                                                  | 40,516             | —                                                                       | (6,402)                                                   | (11,700)                   | —                    | 12,324                                        | (39,424)       | —                                                |
| Ending balance                                                                   | \$ (227,929)       | \$ 1,266                                                                | \$ 53,729                                                 | \$ 22,838                  | \$ 2,936             | \$ 747,864                                    | \$ 1,452,190   | \$ 271,282                                       |
| Actual return on plan assets relating to plan assets still held at June 30, 2013 | \$ (280,606)       | \$ 59                                                                   | \$ (2,202)                                                | \$ (115)                   | \$ 227               | \$ 54,968                                     | \$ 147,248     | \$ (21,024)                                      |
| <b>June 30, 2012</b>                                                             |                    |                                                                         |                                                           |                            |                      |                                               |                |                                                  |
| Beginning balance                                                                | \$ (208,367)       | \$ 2,129                                                                | \$ 19,462                                                 | \$ 4,427                   | \$ 1,701             | \$ 376,420                                    | \$ 1,011,817   | \$ 203,246                                       |
| Acquisitions                                                                     | —                  | —                                                                       | —                                                         | —                          | —                    | —                                             | 30,428         | —                                                |
| Total actual return on assets                                                    | 167,900            | 48                                                                      | 1,431                                                     | (211)                      | (196)                | 25,991                                        | (9,426)        | (30,748)                                         |
| Purchases, issuances, and settlements                                            | 48,641             | (274)                                                                   | 9,662                                                     | 10,517                     | —                    | 143,754                                       | 154,305        | 109,826                                          |
| Transfers (out of) into Level 3                                                  | —                  | —                                                                       | (2,247)                                                   | (490)                      | 9                    | —                                             | —              | (4)                                              |
| Ending balance                                                                   | \$ 8,174           | \$ 1,903                                                                | \$ 28,308                                                 | \$ 14,243                  | \$ 1,514             | \$ 546,165                                    | \$ 1,187,124   | \$ 282,320                                       |
| Actual return on plan assets relating to plan assets still held at June 30, 2012 | \$ 9,095           | \$ 11                                                                   | \$ (820)                                                  | \$ (477)                   | \$ —                 | \$ 18,389                                     | \$ (38,835)    | \$ (29,356)                                      |

The Trust has entered into a series of interest rate swap agreements with a net notional amount of \$2,699,100. The combined targeted duration of these swaps and the Trust's fixed income investments approximates the duration of the liabilities of the Trust. Currently, 75% of the dollar duration of the liability is subject to this economic hedge. The purpose of this strategy is to economically hedge the change in the net funded status for a significant portion of the liability that can occur due to changes in interest rates.

## Ascension Health Alliance

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

#### 9. Retirement Plans (continued)

The expected long-term rate of return on the System Plans' assets is based on historical and projected rates of return for current and planned asset categories in the investment portfolio. Assumed 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 using benchmark rates. Based on the target asset allocation among the asset categories, the overall expected rate of return for the portfolio was developed and adjusted for historical and expected experience of active portfolio management results compared to benchmark returns and for the effect of expenses paid from plan assets.

Information about the expected cash flows for the System Plans follows:

|                                      |           |
|--------------------------------------|-----------|
| Expected employer contributions 2014 | \$ 53,090 |
| Expected benefit payments            |           |
| 2014                                 | 445,000   |
| 2015                                 | 452,800   |
| 2016                                 | 464,400   |
| 2017                                 | 484,000   |
| 2018                                 | 489,500   |
| 2019–2023                            | 2,461,000 |

The contribution amount above includes amounts paid to Trusts. The benefit payment amounts above reflect the total benefits expected to be paid from Trusts.

#### Other Postretirement Benefit Plans

In addition to the retirement plan described above, certain Health Ministries sponsor postretirement benefit plans that provide healthcare benefits to qualified retirees who meet certain eligibility requirements. The total benefit obligation of these plans at June 30, 2013 and 2012, is \$45,308 and \$47,428, respectively. The net obligation included in pension and other postretirement liabilities in the accompanying Consolidated Balance Sheets at June 30, 2013 and 2012, is \$6,624 and \$12,423, respectively. The change in the plans' assets and benefit obligations recognized in unrestricted net assets during the year ended June 30, 2013, was \$2,678.

## Ascension Health Alliance

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

#### **9. Retirement Plans (continued)**

##### **Defined-Contribution Plans**

System entities participate in contributory and noncontributory defined-contribution plans covering all eligible associates. There are three primary types of contributions to these plans: employer automatic contributions, employee contributions, and employer matching contributions. Benefits for employer automatic contributions are determined as a percentage of a participant's salary and, for certain entities, increases over specified periods of employee service. These benefits are funded annually, and participants become fully vested over a period of time. Benefits for employer matching contributions are determined as a percentage of an eligible participant's contributions each payroll period. These benefits are funded each payroll period, and participants become fully vested in these employer contributions immediately. Expenses for the defined-contribution plans were \$202,838 and \$127,134 during 2013 and 2012, respectively.

#### **10. Self-Insurance Programs**

Certain System hospitals and other entities participate in pooled risk programs to insure professional and general liability risks and workers' compensation risks to the extent of certain self-insured limits. In addition, various umbrella insurance policies have been purchased to provide coverage in excess of the self-insured limits. The System provides its self-insurance through various trust funds and captive insurance companies. Actuarially determined amounts, discounted at 6% for the System, are contributed to the trust funds and the captive insurance companies to provide for the estimated cost of claims. The loss reserves recorded for estimated self-insured professional, general liability, and workers' compensation claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported, which are discounted at 6% in 2013 and 2012 for the System. Those entities not participating in the self-insured programs are insured under separate policies.

## Ascension Health Alliance

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

#### 10. Self-Insurance Programs (continued)

##### Professional and General Liability Programs

Professional and general liability coverage is provided on a claims-made basis through a wholly owned onshore trust and through AHIL

AHIL has a self-insured retention of \$10,000 per occurrence with no aggregate. Excess coverage is provided through AHIL with limits up to \$185,000. AHIL retains \$5,000 per occurrence and \$5,000 annual aggregate for professional liability. AHIL also retains a 20% quota share of the first \$25,000 of umbrella excess. The remaining excess coverage is reinsured by commercial carriers.

Sunflower Assurance, Inc. (Sunflower) was acquired when Marian Health System joined the System. Sunflower provides excess coverage with limits up to \$75,000 above the primary coverage for Via Christi Health and retains 10% of the first reinsurance layer of \$10,000 on a quota share basis. The remaining excess coverage is reinsured by commercial carriers.

Self-insured entities in the states of Indiana, Kansas, and Wisconsin are provided professional liability coverage with limits in compliance with participation in the Patient Compensation Funds. The Patient Compensation Funds apply to claims in excess of the primary self-insured limit.

Included in operating expenses in the accompanying Consolidated Statements of Operations and Changes in Net Assets is professional and general liability expense of \$74,887 and \$71,687 for the years ended June 30, 2013 and 2012, respectively. Included in current and long-term self-insurance liabilities on the accompanying Consolidated Balance Sheets are professional and general liability loss reserves of \$614,913 and \$596,381 at June 30, 2013 and 2012, respectively.

AHIL also offers physician professional liability coverage through insurance or reinsurance arrangements to nonemployed physicians practicing at the System's various facilities, primarily in Michigan, Indiana, Kansas, and Illinois. Coverage is offered to physicians with limits ranging from \$100 per claim to \$1,000 per claim with various aggregate limits.

Edessa Insurance Company Ltd. (Edessa) was acquired as part of the Alexian Brothers business combination, as discussed in the Organizational Changes note. Effective July 1, 2012, the self-insurance programs of Edessa were consolidated into AHIL, and Edessa ceased operations.

## Ascension Health Alliance

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

#### 10. Self-Insurance Programs (continued)

##### Workers' Compensation

Workers' compensation coverage is provided on an occurrence basis through a grantor trust. The self-insured trust provides coverage up to \$1,000 per occurrence with no aggregate. The trust provides a mechanism for funding the workers' compensation obligations of its members. Workers' compensation coverage for Marian Health System is self-insured or commercially insured up to various limits. Excess insurance against catastrophic loss is obtained through commercial insurers. Premium payments made to the trust are expensed and represent claims reported and claims incurred but not reported.

Included in operating expenses in the accompanying Consolidated Statements of Operations and Changes in Net Assets is workers' compensation expense of \$44,395 and \$40,256 for the years ended June 30, 2013 and 2012, respectively. Included in current and long-term self-insurance liabilities on the accompanying Consolidated Balance Sheets are workers' compensation loss reserves of \$137,825 and \$110,657 at June 30, 2013 and 2012, respectively.

#### 11. Lease Commitments

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

| Year ending June 30 |                   |
|---------------------|-------------------|
| 2014                | \$ 211,716        |
| 2015                | 191,235           |
| 2016                | 149,545           |
| 2017                | 121,166           |
| 2018                | 93,215            |
| Thereafter          | 231,248           |
| Total               | <u>\$ 998,125</u> |

Certain System entities are lessees under operating lease agreements for the use of space in buildings owned by third parties, including medical office buildings (MOBs) and medical and information technology equipment. In addition, certain System entities have subleased space within buildings where the entity has a current operating lease commitment. Certain System entities are also lessors under operating lease agreements, primarily ground leases related to third-party-owned MOBs on land owned by the System entity.

## Ascension Health Alliance

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

#### 11. Lease Commitments (continued)

The System's future minimum noncancelable payments associated with operating leases where a System entity is the lessee, as well as future minimum noncancelable receipts associated with operating leases where a System entity is the sublessor or lessor, are presented in the table that follows. Future minimum payments and receipts relate to noncancelable leases with terms of one year or more.

|                     | <b>Future<br/>Payments<br/>Where the<br/>System is<br/>Lessee</b> | <b>Future<br/>Receipts<br/>Where the<br/>System is<br/>Sublessor/<br/>Lessor</b> | <b>Net Future<br/>Payments<br/>(Receipts)</b> |
|---------------------|-------------------------------------------------------------------|----------------------------------------------------------------------------------|-----------------------------------------------|
| Year ending June 30 |                                                                   |                                                                                  |                                               |
| 2014                | \$ 211,716                                                        | \$ 45,749                                                                        | \$ 165,967                                    |
| 2015                | 191,235                                                           | 38,072                                                                           | 153,163                                       |
| 2016                | 149,545                                                           | 32,591                                                                           | 116,954                                       |
| 2017                | 121,166                                                           | 28,075                                                                           | 93,091                                        |
| 2018                | 93,215                                                            | 25,289                                                                           | 67,926                                        |
| Thereafter          | 231,248                                                           | 299,907                                                                          | (68,659)                                      |
| Total               | <u>\$ 998,125</u>                                                 | <u>\$ 469,683</u>                                                                | <u>\$ 528,442</u>                             |

Rental expense under operating leases amounted to \$365,718 and \$336,538 in 2013 and 2012, respectively.

#### 12. Contingencies and Commitments

The System is involved in litigation and regulatory investigations arising in the ordinary course of business. Regulatory investigations also occur from time to time. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect on the System's Consolidated Balance Sheet.

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

## Ascension Health Alliance

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

#### 12. Contingencies and Commitments (continued)

In September 2010, Ascension Health received a letter from the U S Department of Justice (the DOJ) in connection with its nationwide review to determine whether, in certain cases, implantable cardioverter defibrillators were provided to certain Medicare beneficiaries in accordance with national coverage criteria. In connection with this nationwide review, identified System hospitals are reviewing applicable medical records and responding to the DOJ. The DOJ's investigation spans a time frame beginning in 2003 and extending through the present time. Through September 18, 2013, the DOJ has not asserted any claims against any System hospitals. The System continues to fully cooperate with the DOJ in its investigation.

The System enters into agreements with nonemployed physicians that include minimum revenue guarantees. The terms of the guarantees vary. The carrying amounts of the liability for the System's obligation under these guarantees were \$44,606 and \$26,678 at June 30, 2013 and 2012, respectively, and are included in other current and noncurrent liabilities in the accompanying Consolidated Balance Sheets. The maximum amount of future payments that the System could be required to make under these guarantees is approximately \$100,100.

The System entered into agreements with sponsors for support through January 2017. The System's obligation under these agreements totals \$49,028 at June 30, 2013, and is included in other current and noncurrent liabilities in the accompanying Consolidated Balance Sheet.

The System entered into Master Service Agreements for information technology services provided by third parties. The maximum amount of future payments that the System could be required to make under these agreements is approximately \$201,600.

Guarantees and other commitments represent contingent commitments issued by Ascension Health Alliance Senior and Subordinate Credit Groups, generally to guarantee the performance of an affiliate to a third party in borrowing arrangements such as commercial paper issuances, bond financing, and other transactions. The terms of guarantees are equal to the terms of the related debt, which can be as long as 27 years. The following represents the remaining guarantees and other commitments of the Senior and Subordinate Credit Group at June 30, 2013:

|                                                        |    |        |
|--------------------------------------------------------|----|--------|
| Hospital de la Concepción 2000 Series A debt guarantee | \$ | 30,185 |
| St. Vincent de Paul Series 2000A debt guarantee        |    | 28,300 |
| Other guarantees and commitments                       |    | 33,937 |

## Supplementary Information

## Report of Independent Auditors on Supplementary Information

The Board of Directors  
Ascension Health Alliance

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

*Ernst & Young LLP*

September 18, 2013

# Ascension Health Alliance

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

Years Ended June 30, 2013 and 2012

The net cost of providing care to persons living in poverty and community benefit programs is as follows

|                                                                            | <b>June 30,</b>     |                     |
|----------------------------------------------------------------------------|---------------------|---------------------|
|                                                                            | <b>2013</b>         | <b>2012</b>         |
| Traditional charity care provided                                          | \$ 524,605          | \$ 466,916          |
| Unpaid cost of public programs for persons living in poverty               | 488,959             | 455,401             |
| Other programs for personal living in poverty and other vulnerable persons | 89,923              | 75,724              |
| Community benefit programs                                                 | 383,583             | 335,436             |
| Care of persons living in poverty and community benefit programs           | <u>\$ 1,487,070</u> | <u>\$ 1,333,477</u> |

# Ascension Health Alliance

## Details of Consolidated Balance Sheet

(Dollars in Thousands)

June 30, 2013

|                                                                                         | Consolidated<br>Ascension<br>Health<br>Alliance | Consolidated<br>Ascension<br>Health<br>Alliance less<br>Health<br>Ministries<br>Presented | Reclassification | Consolidated<br>Baltimore | Consolidated<br>Birmingham | Consolidated<br>Flint | Consolidated<br>Kalamazoo | Consolidated<br>Lewiston |
|-----------------------------------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------------------------------------------------|------------------|---------------------------|----------------------------|-----------------------|---------------------------|--------------------------|
| <b>Assets</b>                                                                           |                                                 |                                                                                           |                  |                           |                            |                       |                           |                          |
| Current assets                                                                          |                                                 |                                                                                           |                  |                           |                            |                       |                           |                          |
| Cash and cash equivalents                                                               | \$ 754,622                                      | \$ 221,598                                                                                | \$ —             | \$ 14,826                 | \$ 13,436                  | \$ 5,136              | \$ 11,691                 | \$ 5,737                 |
| Short-term investments                                                                  | 113,955                                         | 51,189                                                                                    | —                | —                         | —                          | 500                   | —                         | 565                      |
| Accounts receivable less allowances for<br>uncollectible accounts (\$1,351,660 in 2013) | 2,361,809                                       | 1,241,572                                                                                 | —                | 53,294                    | 71,872                     | 48,531                | 63,725                    | 21,606                   |
| Inventories                                                                             | 309,074                                         | 149,528                                                                                   | —                | 7,633                     | 12,292                     | 6,714                 | 8,050                     | 2,875                    |
| Due from brokers                                                                        | 178,380                                         | 178,380                                                                                   | —                | —                         | —                          | —                     | —                         | —                        |
| Estimated third-party payor settlements                                                 | 119,379                                         | 55,731                                                                                    | —                | —                         | 8,200                      | 9,321                 | 6,897                     | —                        |
| Other                                                                                   | 1,035,026                                       | 789,045                                                                                   | —                | 5,293                     | 13,554                     | 9,805                 | 10,261                    | 1,682                    |
| Total current assets                                                                    | 4,872,245                                       | 2,687,043                                                                                 | —                | 81,046                    | 119,354                    | 80,007                | 100,624                   | 32,465                   |
| Long-term investments                                                                   | 14,164,185                                      | 9,921,466                                                                                 | 3,705,308        | 15,104                    | 16,508                     | 1,993                 | 21,788                    | 593                      |
| Interest in investments held by<br>Ascension Health Alliance                            | —                                               | —                                                                                         | (3,705,308)      | 180,235                   | 188,196                    | 188,395               | 139,959                   | 75,636                   |
| Property and equipment net                                                              | 8,546,873                                       | 3,930,621                                                                                 | —                | 240,204                   | 354,150                    | 159,567               | 161,025                   | 39,901                   |
| Other assets                                                                            |                                                 |                                                                                           |                  |                           |                            |                       |                           |                          |
| Investment in unconsolidated entities                                                   | 628,772                                         | 223,985                                                                                   | —                | 18,717                    | 5,889                      | 14,535                | 16,876                    | —                        |
| Capitalized software costs net                                                          | 728,613                                         | 502,282                                                                                   | —                | 1,162                     | 1,906                      | 9,590                 | 157                       | 2,404                    |
| Other                                                                                   | 1,106,683                                       | 761,482                                                                                   | —                | 12,830                    | 10,309                     | 14,125                | 23,144                    | 14,623                   |
| Total other assets                                                                      | 2,464,068                                       | 1,487,749                                                                                 | —                | 32,709                    | 18,104                     | 38,250                | 40,177                    | 17,027                   |
| Total assets                                                                            | \$ 30,047,371                                   | \$ 18,026,879                                                                             | \$ —             | \$ 549,298                | \$ 696,312                 | \$ 468,212            | \$ 463,573                | \$ 165,622               |

| Consolidated<br>Milwaukee | Consolidated<br>Ministry | Consolidated<br>Mobile | Consolidated<br>Nashville | Consolidated<br>Saginaw &<br>Tawas | Consolidated<br>Tucson | Consolidated<br>Tulsa | Consolidated<br>Waco | Consolidated<br>Washington D C | Consolidated<br>Wichita |
|---------------------------|--------------------------|------------------------|---------------------------|------------------------------------|------------------------|-----------------------|----------------------|--------------------------------|-------------------------|
| \$ 4 107                  | \$ 301 544               | \$ 1 144               | \$ 12 393                 | \$ 7 949                           | \$ 7 438               | \$ 30 935             | \$ 3 583             | \$ 1 201                       | \$ 111 904              |
| –                         | 24 023                   | –                      | 253                       | 11 012                             | 5 862                  | 7 916                 | 1 455                | –                              | 11 180                  |
| 89 751                    | 169 137                  | 31 632                 | 138 556                   | 38 787                             | 59 941                 | 129 596               | 43 103               | 28 526                         | 132 180                 |
| 10 542                    | 27 432                   | 6 168                  | 15 816                    | 6 404                              | 10 236                 | 15 766                | 5 027                | 2 740                          | 21 851                  |
| –                         | –                        | –                      | –                         | –                                  | –                      | –                     | –                    | –                              | –                       |
| 1 243                     | 6 299                    | 3 204                  | 7 637                     | 5 075                              | 1 154                  | 2 906                 | 8 192                | 1 327                          | 2 193                   |
| 24 876                    | 55 760                   | 5 225                  | 26 362                    | 8 292                              | 10 171                 | 22 955                | 1 677                | 5 439                          | 44 629                  |
| 130 519                   | 584 195                  | 47 373                 | 201 017                   | 77 519                             | 94 802                 | 210 074               | 63 037               | 39 233                         | 323 937                 |
| 17 864                    | 287 345                  | 3 552                  | 40 060                    | 6 145                              | 23 129                 | 69 731                | 795                  | 2 905                          | 29 899                  |
| 111 976                   | 515 452                  | 165 956                | 588 464                   | 289 425                            | 18 992                 | 378 162               | 146 311              | 45 419                         | 672 730                 |
| 633 556                   | 703 634                  | 64 876                 | 468 500                   | 109 094                            | 247 167                | 660 947               | 102 293              | 52 434                         | 618 904                 |
| 24 691                    | 14 223                   | 884                    | 36 252                    | 13 768                             | 90 291                 | 76 877                | 10 050               | 3 670                          | 78 064                  |
| 32 951                    | 29 622                   | 4 631                  | 39 213                    | 17 492                             | 10 491                 | 26 638                | 3 160                | 12 821                         | 34 093                  |
| 16 050                    | 86 082                   | 13 435                 | 39 223                    | 12 229                             | 7 624                  | 43 454                | 13 888               | 12 567                         | 25 618                  |
| 73 692                    | 129 927                  | 18 950                 | 114 688                   | 43 489                             | 108 406                | 146 969               | 27 098               | 29 058                         | 137 775                 |
| \$ 967 607                | \$ 2 220 553             | \$ 300 707             | \$ 1 412 729              | \$ 525 672                         | \$ 492 496             | \$ 1 465 883          | \$ 339 534           | \$ 169 049                     | \$ 1 783 245            |

# Ascension Health Alliance

## Details of Consolidated Balance Sheet (continued) (Dollars in Thousands)

June 30, 2013

|                                                                  | Consolidated<br>Ascension<br>Health<br>Alliance | Consolidated<br>Ascension<br>Health<br>Alliance less<br>Ministries<br>Presented | Consolidated<br>Baltimore | Consolidated<br>Birmingham | Consolidated<br>Flint | Consolidated<br>Kalamazoo | Consolidated<br>Lewiston |
|------------------------------------------------------------------|-------------------------------------------------|---------------------------------------------------------------------------------|---------------------------|----------------------------|-----------------------|---------------------------|--------------------------|
| <b>Liabilities and net assets</b>                                |                                                 |                                                                                 |                           |                            |                       |                           |                          |
| Current liabilities                                              |                                                 |                                                                                 |                           |                            |                       |                           |                          |
| Current portion of long-term debt                                | \$ 90 442                                       | \$ 26 796                                                                       | \$ 1 143                  | \$ 1 692                   | \$ 4 248              | \$ 2 391                  | \$ 386                   |
| Long-term debt subject to short-term<br>remarketing arrangements | 1 187 125                                       | 1 187 125                                                                       | —                         | —                          | —                     | —                         | —                        |
| Accounts payable and accrued liabilities                         | 2 348 401                                       | 1 444 189                                                                       | 40 421                    | 51 261                     | 56 098                | 45 622                    | 10 632                   |
| Estimated third-party payor settlements                          | 456 314                                         | 289 834                                                                         | 117                       | 16 006                     | 8 984                 | 13 404                    | 5 652                    |
| Due to brokers                                                   | 493 420                                         | 493 420                                                                         | —                         | —                          | —                     | —                         | —                        |
| Current portion of self-insurance liabilities                    | 210 115                                         | 170 711                                                                         | 1 934                     | 1 386                      | 2 553                 | 1 308                     | 782                      |
| Other                                                            | 644 084                                         | 434 728                                                                         | 15 904                    | 26 034                     | 62                    | 993                       | 7 120                    |
| Total current liabilities                                        | 5 429 901                                       | 4 046 803                                                                       | 59 519                    | 96 379                     | 71 945                | 63 718                    | 24 572                   |
| Noncurrent liabilities                                           |                                                 |                                                                                 |                           |                            |                       |                           |                          |
| Long-term debt (senior and subordinated)                         | 5 278 866                                       | 1 697 249                                                                       | 78 270                    | 115 834                    | 290 872               | 163 683                   | 26 406                   |
| Self-insurance liabilities                                       | 553 706                                         | 486 547                                                                         | 2 182                     | 3 284                      | 3 311                 | 3 204                     | 157                      |
| Pension and other postretirement liabilities                     | 554 368                                         | 341 517                                                                         | —                         | 2 802                      | 9 752                 | 48 437                    | —                        |
| Other                                                            | 1 099 362                                       | 727 708                                                                         | 8 285                     | 66 784                     | 6 319                 | 30 686                    | 1 957                    |
| Total noncurrent liabilities                                     | 7 486 302                                       | 3 253 021                                                                       | 88 737                    | 188 704                    | 310 254               | 246 010                   | 28 520                   |
| Total liabilities                                                | 12 916 203                                      | 7 299 824                                                                       | 148 256                   | 285 083                    | 382 199               | 309 728                   | 53 092                   |
| Net assets                                                       |                                                 |                                                                                 |                           |                            |                       |                           |                          |
| Unrestricted                                                     |                                                 |                                                                                 |                           |                            |                       |                           |                          |
| Controlling interest                                             | 14 986 302                                      | 8 873 840                                                                       | 392 653                   | 393 055                    | 81 365                | 148 880                   | 112 195                  |
| Noncontrolling interests                                         | 1 592 356                                       | 1 523 448                                                                       | —                         | 1 128                      | —                     | —                         | —                        |
| Unrestricted net assets                                          | 16 578 658                                      | 10 397 288                                                                      | 392 653                   | 394 183                    | 81 365                | 148 880                   | 112 195                  |
| Temporarily restricted                                           | 377 555                                         | 237 965                                                                         | 7 930                     | 15 613                     | 4 103                 | 4 674                     | 335                      |
| Permanently restricted                                           | 174 955                                         | 91 802                                                                          | 459                       | 1 433                      | 545                   | 291                       | —                        |
| Total net assets                                                 | 17 131 168                                      | 10 727 055                                                                      | 401 042                   | 411 229                    | 86 013                | 153 845                   | 112 530                  |
| Total liabilities and net assets                                 | \$ 30 047 371                                   | \$ 18 026 879                                                                   | \$ 549 298                | \$ 696 312                 | \$ 468 212            | \$ 463 573                | \$ 165 622               |

| Consolidated<br>Milwaukee | Consolidated<br>Ministry | Consolidated<br>Mobile | Consolidated<br>Nashville | Consolidated<br>Saginaw &<br>Tawas | Consolidated<br>Tucson | Consolidated<br>Tulsa | Consolidated<br>Waco | Consolidated<br>Washington D C | Consolidated<br>Wichita |
|---------------------------|--------------------------|------------------------|---------------------------|------------------------------------|------------------------|-----------------------|----------------------|--------------------------------|-------------------------|
| \$ 4 625                  | \$ 16 198                | \$ 1 041               | \$ 6 400                  | \$ 2 039                           | \$ 2 534               | \$ 8 927              | \$ 757               | \$ 925                         | \$ 10 340               |
| –                         | –                        | –                      | –                         | –                                  | –                      | –                     | –                    | –                              | –                       |
| 46 909                    | 178 263                  | 16 173                 | 86 651                    | 30 578                             | 62 146                 | 96 244                | 21 260               | 33 151                         | 128 803                 |
| 332                       | 12 276                   | 2 446                  | 16 585                    | 10 225                             | 72 379                 | 2 405                 | 897                  | 4 750                          | 22                      |
| –                         | –                        | –                      | –                         | –                                  | –                      | –                     | –                    | –                              | –                       |
| 2 762                     | –                        | 479                    | 10 023                    | 1 248                              | 1 472                  | 5 500                 | 600                  | 1 028                          | 8 329                   |
| 13 955                    | 89 771                   | 5 282                  | 27 751                    | 1 578                              | 4 529                  | 10 976                | 3 452                | 1 949                          | –                       |
| 68 583                    | 296 508                  | 25 421                 | 147 410                   | 45 668                             | 143 060                | 124 052               | 26 966               | 41 803                         | 147 494                 |
| 316 694                   | 710 719                  | 70 208                 | 407 177                   | 127 466                            | 145 097                | 514 433               | 51 835               | 63 345                         | 499 578                 |
| 6                         | –                        | 1 561                  | 3 069                     | 1 713                              | 5 430                  | 12 385                | 1 950                | 2 426                          | 26 481                  |
| 3 232                     | 77 463                   | 53                     | 9 652                     | –                                  | –                      | 53 595                | 7 865                | –                              | –                       |
| 20 337                    | 70 949                   | 9 746                  | 19 611                    | 6 684                              | 39 233                 | 36 559                | 7 890                | 6 492                          | 40 122                  |
| 340 269                   | 859 131                  | 81 568                 | 439 509                   | 135 863                            | 189 760                | 616 972               | 69 540               | 72 263                         | 566 181                 |
| 408 852                   | 1 155 639                | 106 989                | 586 919                   | 181 531                            | 332 820                | 741 024               | 96 506               | 114 066                        | 713 675                 |
| 540 891                   | 991 800                  | 192 441                | 792 910                   | 337 660                            | 145 910                | 703 926               | 239 989              | 51 219                         | 987 568                 |
| –                         | 1 790                    | –                      | 2 158                     | –                                  | –                      | (89)                  | –                    | –                              | 63 921                  |
| 540 891                   | 993 590                  | 192 441                | 795 068                   | 337 660                            | 145 910                | 703 837               | 239 989              | 51 219                         | 1 051 489               |
| 12 112                    | 20 641                   | 1 277                  | 28 455                    | 5 784                              | 10 226                 | 11 022                | 2 288                | 3 764                          | 11 366                  |
| 5 752                     | 50 683                   | –                      | 2 287                     | 697                                | 3 540                  | 10 000                | 751                  | –                              | 6 715                   |
| 558 755                   | 1 064 914                | 193 718                | 825 810                   | 344 141                            | 159 676                | 724 859               | 243 028              | 54 983                         | 1 069 570               |
| \$ 967 607                | \$ 2 220 553             | \$ 300 707             | \$ 1 412 729              | \$ 525 672                         | \$ 492 496             | \$ 1 465 883          | \$ 339 534           | \$ 169 049                     | \$ 1 783 245            |

# Ascension Health Alliance

## Details of Consolidated Balance Sheet (Dollars in Thousands)

June 30, 2012

|                                                                                          | Consolidated<br>Ascension<br>Health<br>Alliance | Consolidated<br>Ascension<br>Health<br>Alliance less<br>Health<br>Ministries<br>Presented | Reclassification | Consolidated<br>Baltimore |
|------------------------------------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------------------------------------------------|------------------|---------------------------|
| <b>Assets</b>                                                                            |                                                 |                                                                                           |                  |                           |
| Current assets                                                                           |                                                 |                                                                                           |                  |                           |
| Cash and cash equivalents                                                                | \$ 306,469                                      | \$ 227,151                                                                                | \$ –             | \$ 13,229                 |
| Short-term investments                                                                   | 216,914                                         | 202,701                                                                                   | –                | –                         |
| Interest in investments held by Ascension<br>Health Alliance                             | –                                               | –                                                                                         | (84,930)         | 1,114                     |
| Accounts receivable, less allowances for<br>uncollectible accounts (\$1,113,255 in 2012) | 1,927,222                                       | 1,390,098                                                                                 | –                | 50,344                    |
| Inventories                                                                              | 218,598                                         | 154,791                                                                                   | –                | 5,677                     |
| Due from brokers                                                                         | 789,271                                         | 789,271                                                                                   | –                | –                         |
| Estimated third-party payor settlements                                                  | 159,871                                         | 126,544                                                                                   | –                | –                         |
| Other                                                                                    | 752,348                                         | 643,257                                                                                   | –                | 8,737                     |
| Total current assets                                                                     | 4,370,693                                       | 3,533,813                                                                                 | (84,930)         | 79,101                    |
| Long-term investments                                                                    | 10,468,457                                      | 8,907,284                                                                                 | 1,449,331        | 16,889                    |
| Interest in investments held by<br>Ascension Health Alliance                             | –                                               | –                                                                                         | (1,364,401)      | 180,177                   |
| Property and equipment, net                                                              | 6,473,918                                       | 4,225,270                                                                                 | –                | 216,705                   |
| Other assets                                                                             |                                                 |                                                                                           |                  |                           |
| Investment in unconsolidated entities                                                    | 943,747                                         | 748,948                                                                                   | –                | 17,409                    |
| Capitalized software costs, net                                                          | 642,596                                         | 529,227                                                                                   | –                | 1,699                     |
| Other                                                                                    | 876,483                                         | 775,215                                                                                   | –                | 9,011                     |
| Total other assets                                                                       | 2,462,826                                       | 2,053,390                                                                                 | –                | 28,119                    |
| Total assets                                                                             | \$ 23,775,894                                   | \$ 18,719,757                                                                             | \$ –             | \$ 520,991                |

| Consolidated<br>Birmingham | Consolidated<br>Milwaukee | Consolidated<br>Nashville | Consolidated<br>Saginaw &<br>Tawas | Consolidated<br>Tucson | Consolidated<br>Waco | Consolidated<br>Washington D.C. |
|----------------------------|---------------------------|---------------------------|------------------------------------|------------------------|----------------------|---------------------------------|
| \$ 13,338                  | \$ 4,663                  | \$ 20,770                 | \$ 6,697                           | \$ 12,362              | \$ 3,588             | \$ 4,671                        |
| —                          | —                         | 603                       | 9,094                              | 4,516                  | —                    | —                               |
| 1,536                      | 14,229                    | 30,632                    | 4,629                              | 17,961                 | 10,705               | 4,124                           |
| 62,608                     | 87,310                    | 148,817                   | 41,401                             | 69,569                 | 41,201               | 35,874                          |
| 9,464                      | 9,631                     | 14,197                    | 6,801                              | 10,984                 | 3,990                | 3,063                           |
| —                          | —                         | —                         | —                                  | —                      | —                    | —                               |
| 5,404                      | 3,696                     | 3,758                     | 9,837                              | 961                    | 8,119                | 1,552                           |
| 9,868                      | 32,631                    | 28,166                    | 5,216                              | 17,052                 | 1,696                | 5,725                           |
| 102,218                    | 152,160                   | 246,943                   | 83,675                             | 133,405                | 69,299               | 55,009                          |
| 15,394                     | 18,902                    | 30,230                    | 5,753                              | 20,995                 | 303                  | 3,376                           |
| 156,874                    | 74,110                    | 473,140                   | 287,265                            | 4,636                  | 124,253              | 63,946                          |
| 369,969                    | 664,628                   | 484,636                   | 113,007                            | 241,399                | 107,722              | 50,582                          |
| 5,437                      | 21,657                    | 34,862                    | 12,501                             | 90,675                 | 8,678                | 3,580                           |
| 1,770                      | 39,124                    | 38,578                    | 7,182                              | 14,572                 | 2,275                | 8,169                           |
| 7,939                      | 13,275                    | 35,304                    | 7,736                              | 8,947                  | 12,348               | 6,708                           |
| 15,146                     | 74,056                    | 108,744                   | 27,419                             | 114,194                | 23,301               | 18,457                          |
| \$ 659,601                 | \$ 983,856                | \$ 1,343,693              | \$ 517,119                         | \$ 514,629             | \$ 324,878           | \$ 191,370                      |

# Ascension Health Alliance

## Details of Consolidated Balance Sheet (continued)

(Dollars in Thousands)

June 30, 2012

|                                                                  | Consolidated<br>Ascension<br>Health<br>Alliance | Consolidated<br>Ascension<br>Health<br>Alliance less<br>Ministries<br>Presented | Consolidated<br>Baltimore |
|------------------------------------------------------------------|-------------------------------------------------|---------------------------------------------------------------------------------|---------------------------|
| <b>Liabilities and net assets</b>                                |                                                 |                                                                                 |                           |
| Current liabilities                                              |                                                 |                                                                                 |                           |
| Current portion of long-term debt                                | \$ 45,363                                       | \$ 33,402                                                                       | \$ 626                    |
| Long-term debt subject to short-term<br>remarketing arrangements | 1,094,425                                       | 1,094,425                                                                       | –                         |
| Accounts payable and accrued liabilities                         | 1,979,160                                       | 1,567,834                                                                       | 43,391                    |
| Estimated third-party payor settlements                          | 457,030                                         | 330,867                                                                         | –                         |
| Due to brokers                                                   | 880,613                                         | 880,613                                                                         | –                         |
| Current portion of self-insurance liabilities                    | 206,057                                         | 186,014                                                                         | 2,106                     |
| Other                                                            | 435,805                                         | 358,459                                                                         | 18,498                    |
| Total current liabilities                                        | 5,098,453                                       | 4,451,614                                                                       | 64,621                    |
| Noncurrent liabilities                                           |                                                 |                                                                                 |                           |
| Long-term debt (senior and subordinated)                         | 3,655,406                                       | 2,330,137                                                                       | 79,381                    |
| Self-insurance liabilities                                       | 518,995                                         | 499,637                                                                         | 1,913                     |
| Pension and other postretirement liabilities                     | 492,366                                         | 441,278                                                                         | 3,493                     |
| Other                                                            | 1,087,782                                       | 921,680                                                                         | 6,677                     |
| Total noncurrent liabilities                                     | 5,754,549                                       | 4,192,732                                                                       | 91,464                    |
| Total liabilities                                                | 10,853,002                                      | 8,644,346                                                                       | 156,085                   |
| Net assets                                                       |                                                 |                                                                                 |                           |
| Unrestricted                                                     |                                                 |                                                                                 |                           |
| Controlling interest                                             | 11,836,414                                      | 9,101,543                                                                       | 349,251                   |
| Noncontrolling interests                                         | 647,236                                         | 643,352                                                                         | –                         |
| Unrestricted net assets                                          | 12,483,650                                      | 9,744,895                                                                       | 349,251                   |
| Temporarily restricted                                           | 336,027                                         | 241,596                                                                         | 15,199                    |
| Permanently restricted                                           | 103,215                                         | 88,920                                                                          | 456                       |
| Total net assets                                                 | 12,922,892                                      | 10,075,411                                                                      | 364,906                   |
| Total liabilities and net assets                                 | \$ 23,775,894                                   | \$ 18,719,757                                                                   | \$ 520,991                |

| Consolidated<br>Birmingham | Consolidated<br>Milwaukee | Consolidated<br>Nashville | Consolidated<br>Saginaw &<br>Tawas | Consolidated<br>Tucson | Consolidated<br>Waco | Consolidated<br>Washington D.C. |
|----------------------------|---------------------------|---------------------------|------------------------------------|------------------------|----------------------|---------------------------------|
| \$ 926                     | \$ 2,532                  | \$ 3,750                  | \$ 1,206                           | \$ 2,001               | \$ 414               | \$ 506                          |
| —                          | —                         | —                         | —                                  | —                      | —                    | —                               |
| 59.832                     | 62.633                    | 81.337                    | 30.315                             | 78.462                 | 19.969               | 35.387                          |
| 19.675                     | 1.738                     | 17.614                    | 7.617                              | 74.337                 | 1.302                | 3.880                           |
| —                          | —                         | —                         | —                                  | —                      | —                    | —                               |
| 1.733                      | 3.008                     | 7.919                     | 1.250                              | 2.307                  | 465                  | 1.255                           |
| 2.777                      | 5.176                     | 41.048                    | 343                                | 3.286                  | 4.742                | 1.476                           |
| 84.943                     | 75.087                    | 151.668                   | 40.731                             | 160.393                | 26.892               | 42.504                          |
| 117.478                    | 321.189                   | 413.371                   | 129.452                            | 147.583                | 52.571               | 64.244                          |
| 3.428                      | 1                         | 2.864                     | 1.627                              | 5.143                  | 1.977                | 2.405                           |
| 6.230                      | 17.589                    | 13.531                    | 783                                | —                      | 9.462                | —                               |
| 66.482                     | 16.565                    | 15.560                    | 5.368                              | 40.796                 | 8.600                | 6.054                           |
| 193.618                    | 355.344                   | 445.326                   | 137.230                            | 193.522                | 72.610               | 72.703                          |
| 278.561                    | 430.431                   | 596.994                   | 177.961                            | 353.915                | 99.502               | 115.207                         |
| 365.048                    | 534.523                   | 710.751                   | 332.826                            | 148.264                | 222.595              | 71.613                          |
| 1.302                      | —                         | 2.582                     | —                                  | —                      | —                    | —                               |
| 366.350                    | 534.523                   | 713.333                   | 332.826                            | 148.264                | 222.595              | 71.613                          |
| 13.315                     | 13.152                    | 31.229                    | 5.747                              | 9.187                  | 2.052                | 4.550                           |
| 1.375                      | 5.750                     | 2.137                     | 585                                | 3.263                  | 729                  | —                               |
| 381.040                    | 553.425                   | 746.699                   | 339.158                            | 160.714                | 225.376              | 76.163                          |
| \$ 659,601                 | \$ 983,856                | \$ 1,343,693              | \$ 517,119                         | \$ 514,629             | \$ 324,878           | \$ 191,370                      |

# Ascension Health Alliance

## Details of Consolidated Statement of Operations and Changes in Net Assets (Dollars in Thousands)

Year Ended June 30, 2013

|                                                                                                                                                         | Consolidated<br>Ascension<br>Health<br>Alliance | Consolidated<br>Ascension<br>Health<br>Alliance less<br>Ministries<br>Presented | Consolidated<br>Baltimore | Consolidated<br>Birmingham | Consolidated<br>Flint | Consolidated<br>Kalamazoo | Consolidated<br>Lewiston |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|---------------------------------------------------------------------------------|---------------------------|----------------------------|-----------------------|---------------------------|--------------------------|
| Operating revenue                                                                                                                                       |                                                 |                                                                                 |                           |                            |                       |                           |                          |
| Net patient service revenue                                                                                                                             | \$ 16 912 410                                   | \$ 10 361 066                                                                   | \$ 419 247                | \$ 651 936                 | \$ 454 997            | \$ 541 397                | \$ 139 838               |
| Less provision for doubtful accounts                                                                                                                    | 1 172 863                                       | 797 506                                                                         | 18 230                    | 24 205                     | 16 563                | 18 544                    | 4 878                    |
| Net patient service revenue less provision<br>for doubtful accounts                                                                                     | 15 739 547                                      | 9 563 560                                                                       | 401 017                   | 627 731                    | 438 434               | 522 853                   | 134 960                  |
| Other revenue                                                                                                                                           | 1 357 663                                       | 780 308                                                                         | 12 085                    | 39 997                     | 20 584                | 35 972                    | 4 375                    |
| Total operating revenue                                                                                                                                 | 17 097 210                                      | 10 343 868                                                                      | 413 102                   | 667 728                    | 459 018               | 558 825                   | 139 335                  |
| Operating expenses                                                                                                                                      |                                                 |                                                                                 |                           |                            |                       |                           |                          |
| Salaries and wages                                                                                                                                      | 7 247 681                                       | 4 567 793                                                                       | 198 232                   | 219 244                    | 204 060               | 223 624                   | 52 762                   |
| Employee benefits                                                                                                                                       | 1 581 587                                       | 1 002 854                                                                       | 30 490                    | 46 792                     | 56 617                | 65 053                    | 11 788                   |
| Purchased services                                                                                                                                      | 1 030 574                                       | 356 892                                                                         | 25 020                    | 84 559                     | 45 083                | 64 243                    | 13 407                   |
| Professional fees                                                                                                                                       | 1 128 880                                       | 740 103                                                                         | 17 997                    | 15 979                     | 37 184                | 43 276                    | 8 716                    |
| Supplies                                                                                                                                                | 2 427 714                                       | 1 367 020                                                                       | 59 966                    | 138 758                    | 62 523                | 74 159                    | 30 127                   |
| Insurance                                                                                                                                               | 115 521                                         | 79 544                                                                          | 886                       | 3 330                      | 1 393                 | 2 680                     | 365                      |
| Interest                                                                                                                                                | 150 877                                         | 67 401                                                                          | 2 737                     | 7 595                      | 10 269                | 5 694                     | 931                      |
| Depreciation and amortization                                                                                                                           | 755 305                                         | 455 202                                                                         | 17 661                    | 34 350                     | 11 814                | 18 126                    | 4 807                    |
| Other                                                                                                                                                   | 2 185 015                                       | 1 338 582                                                                       | 32 436                    | 91 757                     | 29 311                | 56 285                    | 9 162                    |
| Total operating expenses before<br>impairment restructuring and<br>nonrecurring gains (losses) net                                                      | 16 623 154                                      | 9 975 391                                                                       | 385 425                   | 642 364                    | 458 254               | 553 140                   | 132 065                  |
| Income (loss) from operations before self-insurance<br>trust fund investment return and impairment<br>restructuring and nonrecurring gains (losses) net | 474 056                                         | 368 477                                                                         | 27 677                    | 25 364                     | 764                   | 5 685                     | 7 270                    |
| Self-insurance trust fund investment return                                                                                                             | 34 985                                          | 35 003                                                                          | —                         | —                          | —                     | —                         | —                        |
| Impairment restructuring and<br>nonrecurring gains (losses) net                                                                                         | (111 786)                                       | (147 668)                                                                       | (1 030)                   | (4 156)                    | (2 774)               | (1 489)                   | (500)                    |
| Income (loss) from operations                                                                                                                           | 397 255                                         | 255 812                                                                         | 26 647                    | 21 208                     | (2 010)               | 4 196                     | 6 770                    |
| Nonoperating gains (losses)                                                                                                                             |                                                 |                                                                                 |                           |                            |                       |                           |                          |
| Investment return                                                                                                                                       | 737 057                                         | 604 724                                                                         | 15 619                    | 14 348                     | 12 813                | 10 657                    | 5 437                    |
| Loss on extinguishment of debt                                                                                                                          | (4 079)                                         | (4 079)                                                                         | —                         | —                          | —                     | —                         | —                        |
| Gain (loss) on interest rate swaps                                                                                                                      | 61 202                                          | 55 298                                                                          | (17)                      | 5                          | (63)                  | (35)                      | (6)                      |
| Income from unconsolidated entities                                                                                                                     | 8 544                                           | 4 044                                                                           | 1 308                     | —                          | 884                   | —                         | —                        |
| Contributions from business combinations net                                                                                                            | 2 021 963                                       | 2 021 963                                                                       | —                         | —                          | —                     | —                         | —                        |
| Other                                                                                                                                                   | (77 269)                                        | (73 999)                                                                        | (1 253)                   | (416)                      | (1 110)               | (1 286)                   | (524)                    |
| Total nonoperating gains (losses) net                                                                                                                   | 2 747 418                                       | 2 607 951                                                                       | 15 657                    | 13 937                     | 12 524                | 9 336                     | 4 907                    |
| Excess (deficit) of revenues and gains<br>over expenses and losses                                                                                      | 3 144 673                                       | 2 870 033                                                                       | 42 304                    | 35 145                     | 10 514                | 13 532                    | 11 677                   |
| Less noncontrolling interests                                                                                                                           | 131 184                                         | 122 083                                                                         | —                         | 566                        | —                     | —                         | —                        |
| Excess (deficit) of revenues and gains over expenses and losses<br>attributable to controlling interest                                                 | 3 013 489                                       | 2 747 950                                                                       | 42 304                    | 34 579                     | 10 514                | 13 532                    | 11 677                   |

| Consolidated<br>Milwaukee | Consolidated<br>Ministry | Consolidated<br>Mobile | Consolidated<br>Nashville | Consolidated<br>Saginaw &<br>Tawas | Consolidated<br>Tucson | Consolidated<br>Tulsa | Consolidated<br>Waco | Consolidated<br>Washington D C | Consolidated<br>Wichita |
|---------------------------|--------------------------|------------------------|---------------------------|------------------------------------|------------------------|-----------------------|----------------------|--------------------------------|-------------------------|
| \$ 627 323                | \$ 336 232               | \$ 267 116             | \$ 1 233 158              | \$ 325 126                         | \$ 497 485             | \$ 265 372            | \$ 286 577           | \$ 232 461                     | \$ 273 079              |
| 32 113                    | 22 577                   | 19 318                 | 76 041                    | 13 681                             | 45 251                 | 35 334                | 18 233               | 14 407                         | 15 982                  |
| 595 210                   | 313 655                  | 247 798                | 1 157 117                 | 311 445                            | 452 234                | 230 038               | 268 344              | 218 054                        | 257 097                 |
| 32 469                    | 214 863                  | 9 682                  | 100 610                   | 8 581                              | 36 926                 | 14 710                | 13 443               | 14 162                         | 18 896                  |
| 627 679                   | 528 518                  | 257 480                | 1 257 727                 | 320 026                            | 489 160                | 244 748               | 281 787              | 232 216                        | 275 993                 |
| 249 296                   | 179 165                  | 97 823                 | 418 120                   | 132 001                            | 230 945                | 113 942               | 110 711              | 124 977                        | 124 986                 |
| 49 138                    | 45 898                   | 15 970                 | 91 851                    | 28 779                             | 42 718                 | 21 140                | 25 258               | 18 818                         | 28 423                  |
| 65 230                    | 43 099                   | 30 145                 | 123 539                   | 44 631                             | 67 213                 | 11 314                | 17 868               | 25 476                         | 12 855                  |
| 48 550                    | 22 608                   | 7 115                  | 67 410                    | 29 607                             | 31 552                 | 8 790                 | 17 635               | 19 764                         | 12 594                  |
| 66 824                    | 50 083                   | 53 361                 | 232 769                   | 50 032                             | 81 605                 | 44 606                | 44 915               | 27 330                         | 43 636                  |
| 2 410                     | 1 662                    | 1 644                  | 5 694                     | 1 810                              | 5 822                  | 1 790                 | 1 170                | 2 595                          | 2 726                   |
| 11 168                    | 3 226                    | 2 950                  | 14 406                    | 4 595                              | 6 093                  | 5 434                 | 1 829                | 2 344                          | 4 205                   |
| 45 622                    | 16 840                   | 10 606                 | 60 228                    | 11 318                             | 22 052                 | 11 760                | 12 070               | 7 778                          | 15 071                  |
| 78 534                    | 164 539                  | 27 434                 | 181 908                   | 26 830                             | 43 252                 | 20 884                | 33 263               | 26 481                         | 24 357                  |
| 616 772                   | 527 120                  | 247 048                | 1 195 925                 | 329 603                            | 531 252                | 239 660               | 264 719              | 255 563                        | 268 853                 |
| 10 907                    | 1 398                    | 10 432                 | 61 802                    | (9 577)                            | (42 092)               | 5 088                 | 17 068               | (23 347)                       | 7 140                   |
| —                         | —                        | —                      | —                         | —                                  | —                      | —                     | (1)                  | —                              | (17)                    |
| (5 111)                   | 45 607                   | (351)                  | 177                       | (1 624)                            | (7 787)                | 22 648                | (4 101)              | (1 161)                        | (2 466)                 |
| 5 796                     | 47 005                   | 10 081                 | 61 979                    | (11 201)                           | (49 879)               | 27 736                | 12 966               | (24 508)                       | 4 657                   |
| 5 462                     | (12 275)                 | 12 805                 | 41 675                    | 24 614                             | 2 573                  | (5 451)               | 10 278               | 4 641                          | (10 863)                |
| —                         | —                        | —                      | —                         | —                                  | —                      | —                     | —                    | —                              | —                       |
| (68)                      | 6 506                    | (13)                   | (88)                      | (56)                               | (25)                   | (236)                 | (10)                 | 14                             | (4)                     |
| —                         | —                        | —                      | —                         | 104                                | —                      | —                     | —                    | 522                            | 1 682                   |
| —                         | —                        | —                      | —                         | —                                  | —                      | —                     | —                    | —                              | —                       |
| (462)                     | 3 931                    | —                      | (916)                     | (292)                              | (761)                  | 36                    | (502)                | 71                             | 214                     |
| 4 932                     | (1 838)                  | 12 792                 | 40 671                    | 24 370                             | 1 787                  | (5 651)               | 9 766                | 5 248                          | (8 971)                 |
| 10 728                    | 45 167                   | 22 873                 | 102 650                   | 13 169                             | (48 092)               | 22 085                | 22 732               | (19 260)                       | (4 314)                 |
| —                         | (39)                     | —                      | 7 406                     | —                                  | —                      | —                     | —                    | —                              | 1 168                   |
| 10 728                    | 45 206                   | 22 873                 | 95 244                    | 13 169                             | (48 092)               | 22 085                | 22 732               | (19 260)                       | (5 482)                 |

# Ascension Health Alliance

## Details of Consolidated Statement of Operations and Changes in Net Assets (continued) (Dollars in Thousands)

Year Ended June 30, 2013

|                                                                                                          | Consolidated<br>Ascension<br>Health<br>Alliance | Consolidated<br>Ascension<br>Health<br>Alliance less<br>Ministries<br>Presented | Consolidated<br>Baltimore | Consolidated<br>Birmingham | Consolidated<br>Flint | Consolidated<br>Kalamazoo | Consolidated<br>Lewiston |
|----------------------------------------------------------------------------------------------------------|-------------------------------------------------|---------------------------------------------------------------------------------|---------------------------|----------------------------|-----------------------|---------------------------|--------------------------|
| Unrestricted net assets controlling interest                                                             |                                                 |                                                                                 |                           |                            |                       |                           |                          |
| Excess (deficit) of revenues and gains over expenses and losses                                          | \$ 3,013,489                                    | \$ 2,747,950                                                                    | \$ 42,304                 | \$ 34,579                  | \$ 10,514             | \$ 13,532                 | \$ 11,677                |
| Transfer (to) from sponsors and other affiliates net                                                     | (10,962)                                        | 34,395                                                                          | (7,390)                   | (8,680)                    | (4,616)               | (5,912)                   | (2,330)                  |
| Contributed net assets                                                                                   | (1,050)                                         | (2,574,751)                                                                     | —                         | —                          | —                     | —                         | —                        |
| Net assets released from restrictions for property acquisitions                                          | 67,418                                          | 44,389                                                                          | 8,064                     | 885                        | 390                   | 751                       | 110                      |
| Pension and other postretirement liability adjustments                                                   | 77,011                                          | 13,987                                                                          | 424                       | 1,176                      | (2,219)               | 5,789                     | (1,336)                  |
| Change in unconsolidated entities net assets                                                             | 23,295                                          | 17,771                                                                          | —                         | —                          | 176                   | —                         | —                        |
| Other                                                                                                    | 4,624                                           | 2,471                                                                           | —                         | 47                         | (1,343)               | 4                         | —                        |
| Increase in unrestricted net assets controlling interest before (loss) gain from discontinued operations | 3,173,825                                       | 286,212                                                                         | 43,402                    | 28,007                     | 2,902                 | 14,164                    | 8,121                    |
| Loss from discontinued operations                                                                        | (23,937)                                        | (23,937)                                                                        | —                         | —                          | —                     | —                         | —                        |
| Increase (decrease) in unrestricted net assets controlling interest                                      | 3,149,888                                       | 262,275                                                                         | 43,402                    | 28,007                     | 2,902                 | 14,164                    | 8,121                    |
| Unrestricted net assets noncontrolling interest                                                          |                                                 |                                                                                 |                           |                            |                       |                           |                          |
| Excess of revenues and gains over expenses and losses                                                    | 131,184                                         | 122,083                                                                         | —                         | 566                        | —                     | —                         | —                        |
| Distributions of capital                                                                                 | (829,989)                                       | (820,355)                                                                       | —                         | (731)                      | —                     | —                         | —                        |
| Contributions of capital                                                                                 | 1,579,187                                       | 1,578,269                                                                       | —                         | —                          | —                     | —                         | —                        |
| Contributions from business combinations                                                                 | 64,738                                          | 99                                                                              | —                         | (9)                        | —                     | —                         | —                        |
| Increase (decrease) in unrestricted net assets noncontrolling interest                                   | 945,120                                         | 880,096                                                                         | —                         | (174)                      | —                     | —                         | —                        |
| Temporarily restricted net assets controlling interest                                                   |                                                 |                                                                                 |                           |                            |                       |                           |                          |
| Contributions and grants                                                                                 | 89,220                                          | 61,215                                                                          | 2,632                     | 5,016                      | 753                   | 1,532                     | 173                      |
| Investment return                                                                                        | 17,232                                          | 13,390                                                                          | 186                       | 309                        | 152                   | 286                       | 1                        |
| Net assets released from restrictions                                                                    | (110,213)                                       | (70,917)                                                                        | (10,087)                  | (2,983)                    | (798)                 | (2,047)                   | (167)                    |
| Contributions from business combinations                                                                 | 44,201                                          | —                                                                               | —                         | —                          | —                     | —                         | —                        |
| Other                                                                                                    | 1,088                                           | 3,251                                                                           | —                         | (44)                       | —                     | 57                        | —                        |
| Increase (decrease) in temporarily restricted net assets controlling interest                            | 41,528                                          | 6,939                                                                           | (7,269)                   | 2,298                      | 107                   | (172)                     | 7                        |
| Permanently restricted net assets controlling interest                                                   |                                                 |                                                                                 |                           |                            |                       |                           |                          |
| Contributions                                                                                            | 2,664                                           | 2,326                                                                           | —                         | 19                         | 11                    | 5                         | —                        |
| Investment return                                                                                        | 1,598                                           | 1,622                                                                           | 3                         | 39                         | 1                     | —                         | —                        |
| Contributions from business combinations                                                                 | 67,846                                          | 2                                                                               | —                         | —                          | —                     | —                         | —                        |
| Other                                                                                                    | (368)                                           | (249)                                                                           | —                         | —                          | —                     | —                         | —                        |
| Increase in permanently restricted net assets controlling interest                                       | 71,740                                          | 3,701                                                                           | 3                         | 58                         | 12                    | 5                         | —                        |
| Increase in net assets                                                                                   | 4,208,276                                       | 1,153,011                                                                       | 36,136                    | 30,189                     | 3,021                 | 13,997                    | 8,128                    |
| Net assets beginning of year                                                                             | 12,922,892                                      | 9,574,044                                                                       | 364,906                   | 381,040                    | 82,992                | 139,848                   | 104,402                  |
| Net assets end of year                                                                                   | \$ 17,131,168                                   | \$ 10,727,055                                                                   | \$ 401,042                | \$ 411,229                 | \$ 86,013             | \$ 153,845                | \$ 112,530               |

| Consolidated<br>Milwaukee        | Consolidated<br>Ministry                 | Consolidated<br>Mobile         | Consolidated<br>Nashville                 | Consolidated<br>Saginaw &<br>Tawas | Consolidated<br>Tucson                | Consolidated<br>Tulsa                    | Consolidated<br>Waco           | Consolidated<br>Washington D C  | Consolidated<br>Wichita                 |
|----------------------------------|------------------------------------------|--------------------------------|-------------------------------------------|------------------------------------|---------------------------------------|------------------------------------------|--------------------------------|---------------------------------|-----------------------------------------|
| \$ 10 728<br>(12 041)<br>—       | \$ 38 700<br>—<br>920 665                | \$ 22 873<br>(4 513)<br>(250)  | \$ 95 244<br>(21 085)<br>—                | \$ 13 169<br>(8 968)<br>—          | \$ (48 092)<br>38 608<br>—            | \$ 22 321<br>—<br>664 297                | \$ 22 732<br>(5 330)<br>—      | \$ (19 260)<br>(3 100)<br>—     | \$ (5 482)<br>—<br>988 989              |
| 2 208<br>5 473<br>—<br>—         | —<br>30 566<br>—<br>1 869                | 171<br>675<br>—<br>760         | 6 816<br>1 184<br>—<br>—                  | 1 118<br>(487)<br>—<br>2           | 1 687<br>—<br>5 348<br>95             | —<br>16 903<br>—<br>405                  | 96<br>142<br>—<br>(246)        | 409<br>1 101<br>—<br>456        | 324<br>3 633<br>—<br>104                |
| 6 368<br>—                       | 991 800<br>—                             | 19 716<br>—                    | 82 159<br>—                               | 4 834<br>—                         | (2 354)<br>—                          | 703 926<br>—                             | 17 394<br>—                    | (20 394)<br>—                   | 987 568<br>—                            |
| 6 368                            | 991 800                                  | 19 716                         | 82 159                                    | 4 834                              | (2 354)                               | 703 926                                  | 17 394                         | (20 394)                        | 987 568                                 |
| —<br>—<br>—<br>—                 | (39)<br>(57)<br>817<br>1 069             | —<br>—<br>—<br>—               | 7 406<br>(7 830)<br>—<br>—                | —<br>—<br>—<br>—                   | —<br>—<br>—<br>—                      | —<br>—<br>—<br>(89)                      | —<br>—<br>—<br>—               | —<br>—<br>—<br>—                | 1 168<br>(1 016)<br>101<br>63 668       |
| —                                | 1 790                                    | —                              | (424)                                     | —                                  | —                                     | (89)                                     | —                              | —                               | 63 921                                  |
| 63<br>—<br>(2 208)<br>—<br>1 105 | 1 612<br>(113)<br>—<br>21 229<br>(2 087) | 837<br>23<br>(980)<br>—<br>(3) | 3 109<br>2 358<br>(7 200)<br>—<br>(1 041) | 1 145<br>248<br>(1 356)<br>—<br>—  | 3 649<br>606<br>(2 896)<br>—<br>(320) | 2 301<br>(179)<br>(2 203)<br>11 103<br>— | 540<br>62<br>(536)<br>—<br>170 | 3 424<br>—<br>(4 210)<br>—<br>— | 1 219<br>(97)<br>(1 625)<br>11 869<br>— |
| (1 040)                          | 20 641                                   | (123)                          | (2 774)                                   | 37                                 | 1 039                                 | 11 022                                   | 236                            | (786)                           | 11 366                                  |
| —<br>—<br>—<br>2                 | 90<br>(146)<br>51 129<br>(390)           | —<br>—<br>—<br>—               | 150<br>—<br>—<br>—                        | 33<br>79<br>—<br>—                 | —<br>—<br>—<br>277                    | —<br>—<br>10 000<br>—                    | 30<br>—<br>—<br>(8)            | —<br>—<br>—<br>—                | —<br>—<br>6 715<br>—                    |
| 2                                | 50 683                                   | —                              | 150                                       | 112                                | 277                                   | 10 000                                   | 22                             | —                               | 6 715                                   |
| 5 330<br>553 425                 | 1 064 914<br>—                           | 19 593<br>174 125              | 79 111<br>746 699                         | 4 983<br>339 158                   | (1 038)<br>160 714                    | 724 859<br>—                             | 17 652<br>225 376              | (21 180)<br>76 163              | 1 069 570<br>—                          |
| \$ 558 755                       | \$ 1 064 914                             | \$ 193 718                     | \$ 825 810                                | \$ 344 141                         | \$ 159 676                            | \$ 724 859                               | \$ 243 028                     | \$ 54 983                       | \$ 1 069 570                            |

# Ascension Health Alliance

## Details of Consolidated Statement of Operations and Changes in Net Assets (Dollars in Thousands)

Year Ended June 30, 2012

|                                                                                                                                                               | Consolidated<br>Ascension<br>Health<br>Alliance | Consolidated<br>Ascension<br>Health<br>Alliance less<br>Health<br>Ministries<br>Presented | Consolidated<br>Baltimore |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------------------------------------------------|---------------------------|
| Operating revenue                                                                                                                                             |                                                 |                                                                                           |                           |
| Net patient service revenue                                                                                                                                   | \$ 15,297,559                                   | \$ 10,990,636                                                                             | \$ 413,223                |
| Less provision for doubtful accounts                                                                                                                          | 972,171                                         | 760,350                                                                                   | 13,612                    |
| Net patient service revenue, less provision for doubtful accounts                                                                                             | 14,325,388                                      | 10,230,286                                                                                | 399,611                   |
| Other revenue                                                                                                                                                 | 967,252                                         | 717,557                                                                                   | 9,909                     |
| Total operating revenue                                                                                                                                       | 15,292,640                                      | 10,947,843                                                                                | 409,520                   |
| Operating expenses                                                                                                                                            |                                                 |                                                                                           |                           |
| Salaries and wages                                                                                                                                            | 6,544,753                                       | 4,821,591                                                                                 | 200,322                   |
| Employee benefits                                                                                                                                             | 1,426,722                                       | 1,090,379                                                                                 | 32,560                    |
| Purchased services                                                                                                                                            | 734,396                                         | 309,807                                                                                   | 20,812                    |
| Professional fees                                                                                                                                             | 1,021,582                                       | 752,589                                                                                   | 18,033                    |
| Supplies                                                                                                                                                      | 2,260,901                                       | 1,536,041                                                                                 | 64,639                    |
| Insurance                                                                                                                                                     | 100,834                                         | 74,724                                                                                    | 962                       |
| Interest                                                                                                                                                      | 131,310                                         | 77,876                                                                                    | 2,966                     |
| Depreciation and amortization                                                                                                                                 | 662,362                                         | 451,080                                                                                   | 17,996                    |
| Other                                                                                                                                                         | 1,782,172                                       | 1,270,545                                                                                 | 29,346                    |
| Total operating expenses before impairment, restructuring, and nonrecurring gains (losses), net                                                               | 14,665,032                                      | 10,384,632                                                                                | 387,636                   |
| Income (loss) from operations before self-insurance trust fund investment investment return and impairment restructuring and nonrecurring gains (losses), net | 627,608                                         | 563,211                                                                                   | 21,884                    |
| Self-insurance trust fund investment return                                                                                                                   | 17,197                                          | 17,197                                                                                    | —                         |
| Impairment, restructuring, and nonrecurring gains (losses), net                                                                                               | 286,046                                         | 166,713                                                                                   | 21,547                    |
| Income (loss) from operations                                                                                                                                 | 930,851                                         | 747,121                                                                                   | 43,431                    |
| Nonoperating gains (losses)                                                                                                                                   |                                                 |                                                                                           |                           |
| Investment return                                                                                                                                             | (135,605)                                       | (110,356)                                                                                 | (3,289)                   |
| Loss on extinguishment of debt                                                                                                                                | (2,813)                                         | (2,727)                                                                                   | —                         |
| Gain (loss) on interest rate swaps                                                                                                                            | (74,846)                                        | (75,687)                                                                                  | 56                        |
| Income from unconsolidated entities                                                                                                                           | 8,802                                           | 3,785                                                                                     | 4,889                     |
| Contributions from business combinations, net                                                                                                                 | 326,333                                         | 326,333                                                                                   | —                         |
| Other                                                                                                                                                         | (69,221)                                        | (63,858)                                                                                  | (1,176)                   |
| Total nonoperating gains (losses), net                                                                                                                        | 52,650                                          | 77,490                                                                                    | 480                       |
| Excess (deficit) of revenues and gains over expenses and losses                                                                                               | 983,501                                         | 824,611                                                                                   | 43,911                    |
| Less noncontrolling interests                                                                                                                                 | 13,154                                          | 3,802                                                                                     | —                         |
| Excess (deficit) of revenues and gains over expenses and losses attributable to controlling interest                                                          | 970,347                                         | 820,809                                                                                   | 43,911                    |

| Consolidated<br>Birmingham | Consolidated<br>Milwaukee | Consolidated<br>Nashville | Consolidated<br>Saginaw &<br>Tawas | Consolidated<br>Tucson | Consolidated<br>Waco | Consolidated<br>Washington D.C. |
|----------------------------|---------------------------|---------------------------|------------------------------------|------------------------|----------------------|---------------------------------|
| \$ 653,472                 | \$ 658,781                | \$ 1,213,068              | \$ 341,003                         | \$ 476,761             | \$ 305,501           | \$ 245,114                      |
| 49,146                     | 30,293                    | 48,866                    | 8,541                              | 34,951                 | 25,909               | 503                             |
| 604,326                    | 628,488                   | 1,164,202                 | 332,462                            | 441,810                | 279,592              | 244,611                         |
| 30,667                     | 43,747                    | 101,037                   | 6,978                              | 31,212                 | 11,610               | 14,535                          |
| 634,993                    | 672,235                   | 1,265,239                 | 339,440                            | 473,022                | 291,202              | 259,146                         |
| 209,474                    | 267,331                   | 424,213                   | 134,261                            | 244,570                | 114,672              | 128,319                         |
| 41,773                     | 55,922                    | 93,645                    | 23,467                             | 43,711                 | 24,633               | 20,632                          |
| 77,901                     | 57,116                    | 125,016                   | 38,604                             | 74,182                 | 12,579               | 18,379                          |
| 11,150                     | 68,831                    | 65,537                    | 27,205                             | 45,481                 | 14,089               | 18,667                          |
| 129,966                    | 69,448                    | 231,069                   | 56,600                             | 93,039                 | 49,962               | 30,137                          |
| 4,717                      | 2,723                     | 4,975                     | 1,695                              | 6,452                  | 732                  | 3,854                           |
| 7,808                      | 11,785                    | 15,562                    | 4,978                              | 5,973                  | 1,972                | 2,390                           |
| 33,620                     | 47,469                    | 56,945                    | 12,125                             | 24,023                 | 12,113               | 6,991                           |
| 87,659                     | 78,781                    | 182,142                   | 25,527                             | 41,659                 | 41,550               | 24,963                          |
| 604,068                    | 659,406                   | 1,199,104                 | 324,462                            | 579,090                | 272,302              | 254,332                         |
| 30,925                     | 12,829                    | 66,135                    | 14,978                             | (106,068)              | 18,900               | 4,814                           |
| —                          | —                         | —                         | —                                  | —                      | —                    | —                               |
| 10,819                     | 21,381                    | 41,199                    | 21,410                             | (21,887)               | 6,171                | 18,693                          |
| 41,744                     | 34,210                    | 107,334                   | 36,388                             | (127,955)              | 25,071               | 23,507                          |
| (1,456)                    | (1,077)                   | (9,495)                   | (6,369)                            | (352)                  | (2,021)              | (1,190)                         |
| (12)                       | —                         | (2)                       | (72)                               | —                      | —                    | —                               |
| 82                         | 225                       | 289                       | 87                                 | 110                    | 37                   | (45)                            |
| —                          | —                         | —                         | 47                                 | —                      | —                    | 81                              |
| —                          | —                         | —                         | —                                  | —                      | —                    | —                               |
| (364)                      | (575)                     | (784)                     | (287)                              | (1,776)                | (487)                | 86                              |
| (1,750)                    | (1,427)                   | (9,992)                   | (6,594)                            | (2,018)                | (2,471)              | (1,068)                         |
| 39,994                     | 32,783                    | 97,342                    | 29,794                             | (129,973)              | 22,600               | 22,439                          |
| 462                        | —                         | 8,890                     | —                                  | —                      | —                    | —                               |
| 39,532                     | 32,783                    | 88,452                    | 29,794                             | (129,973)              | 22,600               | 22,439                          |

# Ascension Health Alliance

## Details of Consolidated Statement of Operations and Changes in Net Assets (continued)

(Dollars in Thousands)

Year Ended June 30, 2012

|                                                                                                               | Consolidated<br>Ascension<br>Health<br>Alliance | Consolidated<br>Ascension<br>Health<br>Alliance less<br>Health<br>Ministries<br>Presented | Consolidated<br>Baltimore |
|---------------------------------------------------------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------------------------------------------------|---------------------------|
| Unrestricted net assets, controlling interest                                                                 |                                                 |                                                                                           |                           |
| Excess (deficit) of revenues and gains over expenses and losses                                               | \$ 970,347                                      | \$ 820,809                                                                                | \$ 43,911                 |
| Transfer (to) from sponsors and other affiliates, net                                                         | (15,189)                                        | 38,694                                                                                    | (5,111)                   |
| Contributed net assets                                                                                        | (400)                                           | (400)                                                                                     | —                         |
| Net assets released from restrictions for property acquisitions                                               | 68,892                                          | 49,189                                                                                    | 1,824                     |
| Pension and other postretirement liability adjustments                                                        | (439,662)                                       | (301,442)                                                                                 | (27,779)                  |
| Change in unconsolidated entities' net assets                                                                 | (15,890)                                        | (11,623)                                                                                  | —                         |
| Other                                                                                                         | 9,206                                           | 9,890                                                                                     | —                         |
| Increase in unrestricted net assets, controlling interest,<br>before (loss) gain from discontinued operations | 577,304                                         | 605,117                                                                                   | 12,845                    |
| Loss from discontinued operations                                                                             | (73,521)                                        | (73,521)                                                                                  | —                         |
| Increase (decrease) in unrestricted net assets, controlling interest                                          | 503,783                                         | 531,596                                                                                   | 12,845                    |
| Unrestricted net assets, noncontrolling interest                                                              |                                                 |                                                                                           |                           |
| Excess of revenues and gains over expenses and losses                                                         | 13,154                                          | 3,802                                                                                     | —                         |
| Distributions of capital                                                                                      | (575,618)                                       | (566,546)                                                                                 | —                         |
| Contributions of capital                                                                                      | 1,166,961                                       | 1,167,028                                                                                 | —                         |
| Increase in unrestricted net assets, noncontrolling interest                                                  | 604,497                                         | 604,284                                                                                   | —                         |
| Temporarily restricted net assets, controlling interest                                                       |                                                 |                                                                                           |                           |
| Contributions and grants                                                                                      | 100,880                                         | 74,330                                                                                    | 4,313                     |
| Investment return                                                                                             | (638)                                           | 92                                                                                        | 50                        |
| Net assets released from restrictions                                                                         | (104,028)                                       | (74,184)                                                                                  | (3,332)                   |
| Contributions from business combinations                                                                      | 14,764                                          | 14,764                                                                                    | —                         |
| Other                                                                                                         | (6,514)                                         | (7,242)                                                                                   | —                         |
| Increase (decrease) in temporarily restricted net assets, controlling interest                                | 4,464                                           | 7,760                                                                                     | 1,031                     |
| Permanently restricted net assets, controlling interest                                                       |                                                 |                                                                                           |                           |
| Contributions                                                                                                 | 5,082                                           | 4,687                                                                                     | 33                        |
| Investment return                                                                                             | (242)                                           | (252)                                                                                     | (6)                       |
| Contributions from business combinations                                                                      | 1,573                                           | 1,573                                                                                     | —                         |
| Other                                                                                                         | (2,642)                                         | (1,938)                                                                                   | —                         |
| Increase in permanently restricted net assets, controlling interest                                           | 3,771                                           | 4,070                                                                                     | 27                        |
| Increase in net assets                                                                                        | 1,116,515                                       | 1,147,710                                                                                 | 13,903                    |
| Net assets, beginning of year                                                                                 | 11,806,377                                      | 8,927,701                                                                                 | 351,003                   |
| Net assets, end of year                                                                                       | \$ 12,922,892                                   | \$ 10,075,411                                                                             | \$ 364,906                |

| Consolidated |          | Consolidated |          | Consolidated |          | Consolidated    |          | Consolidated |           | Consolidated |         | Consolidated    |          |
|--------------|----------|--------------|----------|--------------|----------|-----------------|----------|--------------|-----------|--------------|---------|-----------------|----------|
| Birmingham   |          | Milwaukee    |          | Nashville    |          | Saginaw & Tawas |          | Tucson       |           | Waco         |         | Washington D.C. |          |
| \$           | 39,532   | \$           | 32,783   | \$           | 88,452   | \$              | 29,794   | \$           | (129,973) | \$           | 22,600  | \$              | 22,439   |
|              | (7,371)  |              | (8,856)  |              | (15,145) |                 | (6,046)  |              | (5,430)   |              | (3,798) |                 | (2,126)  |
|              | —        |              | —        |              | —        |                 | —        |              | —         |              | —       |                 | —        |
|              | 6,801    |              | 3,592    |              | 3,729    |                 | 1,505    |              | 2,016     |              | 209     |                 | 27       |
|              | (12,027) |              | (19,512) |              | (28,378) |                 | (22,236) |              | —         |              | (7,133) |                 | (21,155) |
|              | —        |              | —        |              | —        |                 | —        |              | (4,267)   |              | —       |                 | —        |
|              | 11       |              | —        |              | —        |                 | (5)      |              | (55)      |              | (91)    |                 | (544)    |
|              | 26,946   |              | 8,007    |              | 48,658   |                 | 3,012    |              | (137,709) |              | 11,787  |                 | (1,359)  |
|              | —        |              | —        |              | —        |                 | —        |              | —         |              | —       |                 | —        |
|              | 26,946   |              | 8,007    |              | 48,658   |                 | 3,012    |              | (137,709) |              | 11,787  |                 | (1,359)  |
|              | 462      |              | —        |              | 8,890    |                 | —        |              | —         |              | —       |                 | —        |
|              | (358)    |              | —        |              | (8,714)  |                 | —        |              | —         |              | —       |                 | —        |
|              | (21)     |              | —        |              | (46)     |                 | —        |              | —         |              | —       |                 | —        |
|              | 83       |              | —        |              | 130      |                 | —        |              | —         |              | —       |                 | —        |
|              | 3,536    |              | 187      |              | 6,541    |                 | 1,705    |              | 3,964     |              | 975     |                 | 5,329    |
|              | 49       |              | —        |              | (652)    |                 | (70)     |              | (92)      |              | (15)    |                 | —        |
|              | (8,026)  |              | (3,592)  |              | (4,926)  |                 | (1,825)  |              | (3,821)   |              | (472)   |                 | (3,850)  |
|              | —        |              | —        |              | —        |                 | —        |              | —         |              | —       |                 | —        |
|              | (44)     |              | 903      |              | (523)    |                 | (16)     |              | 61        |              | 90      |                 | 257      |
|              | (4,485)  |              | (2,502)  |              | 440      |                 | (206)    |              | 112       |              | 578     |                 | 1,736    |
|              | 8        |              | —        |              | —        |                 | 316      |              | —         |              | 38      |                 | —        |
|              | —        |              | —        |              | —        |                 | 16       |              | —         |              | —       |                 | —        |
|              | —        |              | —        |              | —        |                 | —        |              | —         |              | —       |                 | —        |
|              | —        |              | (674)    |              | —        |                 | 23       |              | (50)      |              | (3)     |                 | —        |
|              | 8        |              | (674)    |              | —        |                 | 355      |              | (50)      |              | 35      |                 | —        |
|              | 22,552   |              | 4,831    |              | 49,228   |                 | 3,161    |              | (137,647) |              | 12,400  |                 | 377      |
|              | 358,488  |              | 548,594  |              | 697,471  |                 | 335,997  |              | 298,361   |              | 212,976 |                 | 75,786   |
| \$           | 381,040  | \$           | 553,425  | \$           | 746,699  | \$              | 339,158  | \$           | 160,714   | \$           | 225,376 | \$              | 76,163   |