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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2012

Open to Public Inspection

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

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

C Name of organization
COVENANT HEALTH SYSTEM

Doing Business As
COVENANT HEALTH

Number and street (or P O box if mail is not delivered to street address) | Room/suite
3615 19TH STREET
Suite

City or town, state or country, and ZIP + 4
LUBBOCK, TX 794101203

D Employer identification number
75-2765566

E Telephone number
(806) 725-0000

G Gross receipts $ 552,925,902

F Name and address of principal officer
RICHARD PARKS
3615 19TH STREET
LUBBOCK,TX 794101203

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

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

H(c) Group exemption number ▶

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

J Website: ▶ WWW COVENANTHEALTH ORG

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation 1998

M State of legal domicile TX

Part I Summary

1 Briefly describe the organization's mission or most significant activities
SEE SCHEDULE O

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

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	19
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	13
5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	**5**	4,518
6	Total number of volunteers (estimate if necessary)	**6**	137
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	7,839,720
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	6,224,675	6,301,276
9	Program service revenue (Part VIII, line 2g)	561,027,764	531,846,230
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	2,937,866	14,778,396
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	0	0
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	570,190,305	552,925,902
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	4,514,300	1,128,252
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	212,110,410	217,551,097
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	305,351,765	298,498,116
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	521,976,475	517,177,465
19	Revenue less expenses Subtract line 18 from line 12	48,213,830	35,748,437

Revenue

Expenses

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	634,343,422	665,647,522
21	Total liabilities (Part X, line 26)	222,471,839	210,561,490
22	Net assets or fund balances Subtract line 21 from line 20	411,871,583	455,086,032

Net Assets or Fund Balances

Part II Signature Block

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

Sign Here

****** | 2014-05-12
Signature of officer | Date

RICHARD PARKS BOARD MEMBER/PRESIDENT/CEO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Firm's name ▶ ERNST & YOUNG US LLP			Firm's EIN ▶	
Firm's address ▶ 401 CONGRESS AVENUE SUITE 1800 AUSTIN, TX 78701			Phone no (512) 478-9881	

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

Part III **Statement of Program Service Accomplishments**

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

1 Briefly describe the organization's mission

SEE SCHEDULE O

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 $ 489,565,320 including grants of $ 1,128,252) (Revenue $ 531,846,230)

SEE SCHEDULE O

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** ▶ 489,565,320

Part IV Checklist of Required Schedules

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

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**	Yes	
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25*	**24a**		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**	Yes	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**	Yes	
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**	Yes	
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	**34**	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	**35a**	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**	Yes	
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	410		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c		Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	4,518		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b		Yes	
3a	Did the organization have unrelated business gross income of $1,000 or more during the year? . . .	3a		Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*	3b		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)?	4a			No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? . . .	6a			No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	7a			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .	7f			No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g			
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O	13a			
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .	14b			

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

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

Section A. Governing Body and Management

			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	**1a** 19		
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
b	Enter the number of voting members included in line 1a, above, who are independent	**1b** 13		
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**		No

Section C. Disclosure

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

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

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

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

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

▶SHARON CLARK 2107 OXFORD SUITE 112 LUBBOCK, TX (806)725-5234

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
See Additional Data Table										

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
1b **Sub-Total** . . . . . ▶										
c **Total from continuation sheets to Part VII, Section A** . . . . ▶										
d **Total (add lines 1b and 1c)** . . . . . ▶								6,316,409	2,366,332	414,949

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 199

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
TTUHSC , 3601 4TH STREET LUBBOCK TX 79430	PHYSICIAN SERVICES	7,492,387
ARAMARK , 25271 NETWORK LOCKBOX CHICAGO IL 606731252	FOOD SERVICES	7,384,308
NORTHSTAR ANESTHESIA PA , 2000 E LAMAR BLVD SUITE 400 ARLINGTON TX 76006	ANESTHESIA SERVICES	6,423,196
DELOITTE CONSULTING LLP , PO BOX 7247 PHILADELPHIA PA 19170	CONSULTING SERVICES	2,502,255
EXECUTIVE HEALTH RESOURCES INC , PO BOX 822688 PHILIDELPHIA PA 19182	ADVISORY SERVICES	1,894,746
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 ▶ 195		

Part VIII Statement of Revenue

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

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c	0			
	d	Related organizations	1d	4,088,508			
	e	Government grants (contributions)	1e	2,212,768			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f				
	g	Noncash contributions included in lines 1a-1f $		1,841,135			
	h	**Total.** Add lines 1a-1f			6,301,276		
Program Service Revenue			Business Code				
	2a	PATIENT REVENUE	622110	502,254,780	502,254,780	0	0
	b	MEDICAL OFFICE BUILDING	531120	4,556,828	4,556,828	0	0
	c	OUTREACH LAB SERVICES	621511	4,882,593	0	4,882,593	0
	d	BILLING/MANAGEMENT FEE	541611	4,093,273	1,136,146	2,957,127	0
	e	CAFETERIA	722310	3,404,287	3,404,287	0	0
	f	All other program service revenue		12,654,469	12,654,469		0
	g	**Total.** Add lines 2a–2f		531,846,230			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		14,778,396			14,778,396
	4	Income from investment of tax-exempt bond proceeds		0			
	5	Royalties		0			
			(i) Real	(ii) Personal			
	6a	Gross rents					
	b	Less rental expenses					
	c	Rental income or (loss)	0	0			
	d	Net rental income or (loss)			0		
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory					
	b	Less cost or other basis and sales expenses					
	c	Gain or (loss)					
	d	Net gain or (loss)			0		
	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b	0			
	c	Net income or (loss) from fundraising events			0		
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities			0		
	10a	Gross sales of inventory, less returns and allowances	a				
	b	Less cost of goods sold	b				
	c	Net income or (loss) from sales of inventory			0		
		Miscellaneous Revenue		Business Code			
	11a						
	b						
	c						
	d	All other revenue					
	e	**Total.** Add lines 11a–11d			0		
	12	**Total revenue.** See Instructions			552,925,902	524,006,510	7,839,720	14,778,396

Part IX Statement of Functional Expenses

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

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the United States See Part IV, line 21	1,128,252	1,128,252		
2 Grants and other assistance to individuals in the United States See Part IV, line 22	0	0		
3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0	0		
4 Benefits paid to or for members	0	0		
5 Compensation of current officers, directors, trustees, and key employees	3,670,758		3,670,758	0
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	16,092	0	16,092	0
7 Other salaries and wages	146,649,458	140,418,259	6,231,199	0
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	10,124,790	10,124,790	0	0
9 Other employee benefits	44,569,262	41,004,087	3,565,175	0
10 Payroll taxes	12,520,737	11,730,127	790,610	0
11 Fees for services (non-employees)				
a Management	12,358,789	8,216,136	4,142,653	0
b Legal	1,793,389	4,280	1,789,109	0
c Accounting	766,734	605,720	161,014	0
d Lobbying	17,252	17,252	0	0
e Professional fundraising services See Part IV, line 17	0			0
f Investment management fees	0	0	0	0
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	94,725,869	93,484,586	1,241,283	0
12 Advertising and promotion	1,561,600	69,386	1,492,214	0
13 Office expenses	14,678,740	12,613,301	2,065,439	0
14 Information technology	11,378,571	9,926,208	1,452,363	0
15 Royalties . .	0	0	0	0
16 Occupancy	8,924,877	8,921,725	3,152	0
17 Travel	1,071,466	605,988	465,478	0
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0	0	0	0
19 Conferences, conventions, and meetings	155,137	72,555	82,582	0
20 Interest	7,611,130	7,611,130	0	0
21 Payments to affiliates	0	0	0	0
22 Depreciation, depletion, and amortization	26,801,656	26,801,656	0	0
23 Insurance	3,170,212	2,999,886	170,326	0
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24e If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O)				
a MEDICAL SUPPLIES	112,875,902	112,743,771	132,131	0
b OTHER EXPENSES	606,792	466,225	140,567	0
c				
d				
e All other expenses				
25 **Total functional expenses.** Add lines 1 through 24e	517,177,465	489,565,320	27,612,145	0
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

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

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		4,920,354	1	1,673,555
	2	Savings and temporary cash investments		84,130,162	2	62,660,767
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		67,413,297	4	67,030,122
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L		0	6	0
	7	Notes and loans receivable, net		0	7	0
	8	Inventories for sale or use		11,248,800	8	10,277,134
	9	Prepaid expenses and deferred charges		2,363,148	9	2,057,147
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 808,187,176			
	b	Less accumulated depreciation	10b 549,864,693	231,799,332	10c	258,322,483
	11	Investments—publicly traded securities		130,071,241	11	125,538,679
	12	Investments—other securities See Part IV, line 11		8,856,597	12	9,603,667
	13	Investments—program-related See Part IV, line 11		0	13	0
	14	Intangible assets		0	14	0
	15	Other assets See Part IV, line 11		93,540,491	15	128,483,968
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		634,343,422	16	665,647,522
Liabilities	17	Accounts payable and accrued expenses		39,074,471	17	40,649,214
	18	Grants payable		0	18	0
	19	Deferred revenue		0	19	0
	20	Tax-exempt bond liabilities		0	20	0
	21	Escrow or custodial account liability Complete Part IV of Schedule D		0	21	0
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		2,714,955	23	2,501,593
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		180,682,413	25	167,410,683
	26	**Total liabilities.** Add lines 17 through 25		222,471,839	26	210,561,490
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		411,871,583	27	455,086,032
	28	Temporarily restricted net assets		0	28	0
	29	Permanently restricted net assets		0	29	0
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		411,871,583	33	455,086,032
	34	Total liabilities and net assets/fund balances		634,343,422	34	665,647,522

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	552,925,902
2	Total expenses (must equal Part IX, column (A), line 25)	2	517,177,465
3	Revenue less expenses Subtract line 2 from line 1	3	35,748,437
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	411,871,583
5	Net unrealized gains (losses) on investments	5	-2,765,083
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	8,747,151
9	Other changes in net assets or fund balances (explain in Schedule O)	9	1,483,944
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	455,086,032

Part XII Financial Statements and Reporting

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

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

Additional Data

Software ID:
Software Version:
EIN: 75-2765566
Name: COVENANT HEALTH SYSTEM

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
JANIE RAMIREZ BOARD MEMBER/COMMITTEE CHAIR	3.0 3.0	X						0	0	0
VAN MAY BOARD MEMBER/COMMITTEE CHAIR	5.0 5.0	X						0	0	0
MICHAEL ROBERTSON MD BOARD MEMBER/COMMITTEE CHAIR	3.0 8.0	X						36,200	0	0
JUAN SANCHEZ MUNOZ PHD BOARD MEMBER	2.0 2.0	X						0	0	0
SR MARY THERESE SWEENEY CSJ BOARD VICE CHAIR/COMM CHAIR	5.0 45.0	X		X				0	0	0
RICHARD PARKS BOARD MEMBER/PRESIDENT/CEO	28.0 22.0	X		X				0	1,029,011	40,943
TEB THAMES MD BOARD SEC /COMM VICE CHAIR	3.0 3.0	X		X				0	0	0
DAN POPE BOARD MEMBER (THRU 12/31/2012)	2.0 2.0	X						0	0	0
JOHN ZWIACHER BOARD CHAIR/COMMITTEE CHAIR	5.0 5.0	X		X				0	0	0
JO ANN ESCASA-HAIGH BOARD MEMBER	2.0 48.0	X						0	550,284	35,440
R BYRN BASS JR BOARD MEMBER	2.0 2.0	X						0	0	0
JAMES GUTHEIL MD BOARD MEMBER	2.0 48.0	X						0	787,037	35,667
JAMES KIRK MD BOARD MEMBER	2.0 2.0	X						26,125	0	0
JOHN C ANDERSON BOARD MEMBER (Thru 12/31/2012)	2.0 2.0	X						0	0	0
MICHAEL DANCHAK MD BOARD MEMBER (THRU 12/31/2012)	2.0 2.0	X						0	0	0
SISTER SHARON BECKER CSJ BOARD MEMBER	2.0 2.0	X						0	0	0
SUZANNE BLAKE BD MEMBER/COMMITTEE V CHAIR	3.0 3.0	X						0	0	0
TODD BRODBECK DO BOARD MEMBER (THRU 12/31/2012)	2.0 2.0	X						0	0	0
JOHN HAMILTON BD MEMBER/COMMITTEE V CHAIR	3.0 3.0	X						0	0	0
JOE DEE BROOKS BOARD MEMBER	2.0 7.0	X						0	0	0
KITTY HARRIS PHD BOARD MEMBER	2.0 2.0	X						0	0	0
SAM HAWTHORNE BD MEMBER/COMMITTEE V CHAIR	3.0 3.0	X						0	0	0
BRENT HOFFMAN BOARD MEMBER/COMMITTEE CHAIR	3.0 3.0	X						0	0	0
TROY THIBODEAUX CHIEF OPERATING OFFICER	30.0 20.0			X				616,853	0	16,503
JOHN GRIGSON SVP-CFO	26.0 24.0			X				598,834	0	27,705

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
CLARK COCHRAN VP MISSION INTEG (THRU 3/9/13)	48 0 2 0			X				256,278	0	11,070
SUSAN NEVES VP ADMINISTRATION - CMC	50 0 0 0				X			250,408	0	0
STEVEN MCCAMY PRESIDENT-COVENANT MEDICAL GRP	5 0 45 0				X			537,423	0	11,348
ROXIE TAYLOR VP ADMIN LAKESIDE & JACC	28 0 22 0				X			447,199	0	28,962
SHARYN IVORY VP ADMIN POST-ACUTE SVCS	50 0 0 0				X			236,442	0	0
STEVEN BECK SVP REGIONAL SERVICES	30 0 20 0				X			300,915	0	34,471
KAREN BAGGERLY VP NURSING	50 0 0 0				X			404,921	0	34,004
CHRIS DOUGHERTY CEO CHILDREN'S HOSPITAL	0 0 50 0					X		386,327	0	14,652
LAWRENCE MARTINELLI CHIEF MED INFORMANTICS OFFICER	50 0 0 0					X		412,467	0	17,600
CRAIG RHYNE MD CMO OF CHS	50 0 0 0					X		825,272	0	36,678
SHARON CLARK VP FINANCE	50 0 0 0					X		462,167	0	35,287
ROBERT SALEM MD SVP MEDICAL DIRECTOR, EMERITUS	48 0 2 0					X		518,578	0	34,619

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
COVENANT HEALTH SYSTEM

Employer identification number
75-2765566

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section A. Public Support

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

Section B. Total Support

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

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

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

Section C. Computation of Public Support Percentage

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

15 Public support percentage for 2011 Schedule A, Part II, line 14 **15**

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

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

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

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

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

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

Section A. Public Support

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

Section B. Total Support

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

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

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

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

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

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

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

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

Facts And Circumstances Test

Explanation

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SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2012

Open to Public Inspection

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

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

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

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

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

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

Name of the organization	**Employer identification number**
COVENANT HEALTH SYSTEM	75-2765566

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

1 Provide a description of the organization's direct and indirect political campaign activities in Part IV

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ $ _____

2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ $ _____

3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ **Yes** ☐ **No**

4a Was a correction made? ☐ **Yes** ☐ **No**

b If "Yes," describe in Part IV

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

1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ $ _____

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities ▶ $ _____

3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b ▶ $ _____

4 Did the filing organization file **Form 1120-POL** for this year? ☐ **Yes** ☐ **No**

5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV

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

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

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

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

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

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

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

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

Lobbying Expenditures During 4-Year Averaging Period

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

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	0
d	Mailings to members, legislators, or the public?		No	0
e	Publications, or published or broadcast statements?		No	0
f	Grants to other organizations for lobbying purposes?		No	0
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	0
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	0
i	Other activities?	Yes		17,252
j	Total Add lines 1c through 1i			17,252
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
PORTION OF DUES PAID TO HOSPITAL ASSOCIATIONS FOR LOBBYING ACTIVITIES	SCHEDULE C, PART II-B, LINE 1I	DURING THE PAST YEAR, THE ST JOSEPH HEALTH SYSTEM HAS CONDUCTED AN ADVOCACY EFFORT WHICH INCLUDED SOME LOBBYING ACTIVITY THESE INCLUDED MEETING WITH LOCAL, STATE, AND FEDERAL LEGISLATORS, THEIR STAFF AND OTHER GOVERNMENTAL OFFICIALS, AND COMMUNICATIONS TO LEGISLATORS ADVOCATING POSITIONS ON LEGISLATION

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
COVENANT HEALTH SYSTEM

Employer identification number
75-2765566

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

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

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

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

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)
☐ Preservation of land for public use (e g , recreation or education) ☐ Preservation of an historically important land area
☐ Protection of natural habitat ☐ Preservation of a certified historic structure
☐ Preservation of open space

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		18,349,427		18,349,427
b Buildings		394,042,278	275,960,073	118,082,205
c Leasehold improvements		20,314,234	15,001,494	5,312,740
d Equipment		321,017,632	258,903,126	62,114,506
e Other		54,463,605		54,463,605
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				258,322,483

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

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

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

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

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

(a) Description	(b) Book value
(1) BOARD DESIGNATED ASSET	371,146
(2) ASSETS HELD IN TRUST	10,155,775
(3) LT DUE FROM AFFILIATES	100,480,952
(4) OTHER RECEIVABLES	1,402,233
(5) DEFERRED FINANCING COSTS	1,186,162
(6) DUE FROM THIRD PARTIES	14,887,700
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	128,483,968

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

1 (a) Description of liability	(b) Book value
Federal income taxes	0
LONG TERM NOTES	129,905,843
CURRENT MATURITIES OF LT DEBT	13,442,332
OTHER LIABILITIES	10,764,100
PAYABLE TO THIRD-PARTY PAYORS	13,298,408
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	167,410,683

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

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

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

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

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

Part XIII Supplemental Information

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

Identifier	Return Reference	Explanation
CONSOLIDATED AUDIT FOOTNOTE FOR FIN 48 (ASC 740)	SCHEDULE D, PART X, LINE 2	ACCOUNTING STANDARDS CODIFICATION (ASC) 740, INCOME TAXES, CLARIFIES THE ACCOUNTING FOR INCOME TAXES BY PRESCRIBING A MINIMUM RECOGNITION THRESHOLD THAT A TAX POSITION IS REQUIRED TO MEET BEFORE BEING RECOGNIZED IN THE FINANCIAL STATEMENTS ASC 740 ALSO PROVIDES GUIDANCE ON DERECOGNITION, MEASUREMENT, CLASSIFICATION, INTEREST AND PENALTIES, DISCLOSURE, AND TRANSITION THE GUIDANCE IS APPLICABLE TO PASS-THROUGH ENTITIES AND TAX-EXEMPT ORGANIZATIONS NO SIGNIFICANT TAX LIABILITY FOR TAX BENEFITS, INTEREST OR PENALTIES WAS ACCRUED AT JUNE 30, 2013 OR 2012

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
COVENANT HEALTH SYSTEM

Employer identification number
75-2765566

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," was it a written policy?	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year			
	☑ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care	3a	Yes	
	☐ 100% ☐ 150% ☐ 200% ☑ Other 175 %			
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care	3b	Yes	
	☐ 200% ☐ 250% ☑ 300% ☐ 350% ☐ 400% ☐ Other ____ %			
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			29,424,296		29,424,296	5 500 %
b Medicaid (from Worksheet 3, column a)			41,781,971	34,592,145	7,189,826	1 340 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			1,519,911	125,494	1,394,417	0 260 %
d **Total** Financial Assistance and Means-Tested Government Programs			72,726,178	34,717,639	38,008,539	7 100 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			2,526,929	117,057	2,409,872	0 450 %
f Health professions education (from Worksheet 5)			20,045,143	3,707,485	16,337,658	3 050 %
g Subsidized health services (from Worksheet 6)			11,544		11,544	
h Research (from Worksheet 7)			62,510		62,510	0 010 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			897,291		897,291	0 170 %
j **Total.** Other Benefits			23,543,417	3,824,542	19,718,875	3 680 %
k **Total.** Add lines 7d and 7j			96,269,595	38,542,181	57,727,414	10 780 %

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building			24,293		24,293	0 %
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 **Total**			24,293		24,293	0 %

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

Section A. Bad Debt Expense

			Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?	1		No
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount	2 52,701,449		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit	3		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements			

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	130,744,763
6	Enter Medicare allowable costs of care relating to payments on line 5	6	140,374,464
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	-9,629,701
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 COVENANT L-T CARE LP	LONG-TERM CARE	70 000 %	0 %	31 000 %
2 LUBBOCK SURG CTR LTD	HEALTHCARE	59 000 %	0 %	41 000 %
3 METHODIST DIAGNOSTIC	HEALTHCARE	60 000 %	0 %	40 000 %
4 LUBBOCK GAMMA LP	HEALTHCARE	41 670 %	0 %	58 333 %
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)
How many hospital facilities did the organization operate during the tax year?
2

	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	COVENANT MEDICAL CENTER 3615 19TH STREET LUBBOCK,TX 794101203 WWW COVENANTHEALTH ORG	X	X				X	X			1
2	COVENANT MED CENTER-LAKESIDE CAMPUS 4000 24TH STREET LUBBOCK,TX 79410 WWW COVENANTHEALTH ORG	X	X	X			X	X			2

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group COVENANT MEDICAL CENTERCOV LAKESIDE

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) 1

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

Part V Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 175 % If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 % If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☑ Asset level			
c ☑ Medical indigency			
d ☑ Insurance status			
e ☐ Uninsured discount			
f ☑ Medicaid/Medicare			
g ☑ State regulation			
h ☑ Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?	**13**	Yes	
14 Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☐ The policy was posted on the hospital facility's website			
b ☐ The policy was attached to billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☐ The policy was available upon request			
g ☑ Other (describe in Part VI)			
Billing and Collections			
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	**17**		No
If "Yes," check all actions in which the hospital facility or a third party engaged			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			

Part V Facility Information *(continued)*

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

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

Policy Relating to Emergency Medical Care

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

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

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

Part V Facility Information *(continued)*

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

How many non-hospital health care facilities did the organization operate during the tax year?
10

	Name and address	Type of Facility (describe)
1	JOE ARRINGTON CANCER RSCH & TRTM CENTER 4101 22ND PLACE LUBBOCK,TX 79410	GENERAL MEDICAL & SURGICAL
2	COVENANT LT CARE LP 4000 24TH STREET LUBBOCK,TX 79410	LONG TERM CARE
3	COVENANT HEART & VASCULAR 3615 19TH STREET LUBBOCK,TX 79410	GENERAL MEDICAL & SURGICAL
4	LUBBOCK SURGERY CENTER 2301 QUAKER LUBBOCK,TX 79410	SURGERY CENTER
5	METHODIST DIAGNOSTIC IMAGING 4005 24TH STREET LUBBOCK,TX 79410	DIAGNOSTIC CENTER
6	FAMILY HEALTHCARE CENTER 7601 QUAKER LUBBOCK,TX 79410	MEDICAL CLINIC
7	SOUTHWEST MEDICAL PARK 9812 SLIDE ROAD LUBBOCK,TX 79424	GENERAL MEDICAL & SURGICAL
8	FAMILY HEALTHCARE CENTER 416 FRANFORD ROAD LUBBOCK,TX 79410	MEDICAL CLINIC
9	ARRINGTON COMPREHENSIVE BREAST CENTER 4101 22ND PLACE LUBBOCK,TX 79410	GENERAL MEDICAL & SURGICAL
10	LUBBOCK GAMMA 10000 MEMORIAL DRIVE SUITE 540 HOUSTON,TX 77024	GENERAL MEDICAL & SURGICAL

Part VI Supplemental Information

Complete this part to provide the following information

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

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

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

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

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

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

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

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

Identifier	ReturnReference	Explanation
SCHEDULE H, PART I, LINE 7		THE AMOUNTS REPORTED IN THE TABLE WERE CALCULATED USING THE ORGANIZATION'S COST ACCOUNTING SYSTEM
SCHEDULE H, PART I, LINE 7G	SUBSIDIZED HEALTH SERVICES	NO COSTS ATTRIBUTABLE TO PHYSICIAN CLINICS WERE INCLUDED

Identifier	ReturnReference	Explanation
COMMUNITY BUILDING ACTIVITIES	SCHEDULE H, PART II	COVENANT HEALTH SYSTEM (CHS) IS COMMITTED TO SERVING ITS COMMUNITIES WITH AN EMPHASIS ON PROVIDING OPTIMAL HEALTHCARE SERVICES AND PROGRAMS BY DEDICATING ITS EFFORTS TO ASSIST ALL PERSONS REGARDLESS OF THEIR AGE, SEX, CREED, DISABILITY, NATIONAL ORIGIN OR FINANCIAL STATUS THE VISION OF CHS IS TO BRING PEOPLE TOGETHER TO PROVIDE COMPASSIONATE CARE, PROMOTE HEALTH IMPROVEMENT, AND CREATE HEALTHY COMMUNITIES DURING THE YEAR, THE EMPLOYEES OF CHS HAVE VOLUNTEERED COUNTLESS HOURS TO VARIOUS COMMUNITY-BASED ORGANIZATIONS, PROFESSIONAL ORGANIZATIONS, AND VOLUNTEERED WITH LOCAL NON-PROFIT ORGANIZATIONS TO IMPROVE HEALTH AND QUALITY OF LIFE IN OUR COMMUNITY
SCHEDULE H, PART III, SECTION A, LINE 2	DISCOUNTS ON PATIENT ACCOUNTS IN BAD DEBT	THE ORGANIZATION ANALYZES ITS HISTORICAL EXPERIENCE AND TRENDS TO ESTIMATE THE APPROPRIATE BAD DEBT EXPENSE DISCOUNTS AND PAYMENTS ON PATIENT ACCOUNTS ARE RECORDED PRIOR TO CALCULATING BAD DEBT EXPENSE

Identifier	ReturnReference	Explanation
SCHEDULE H, PART III, SECTION A, LINE 4		PAGE 11 OF THE FINANCIAL STATEMENTS - THE ORGANIZATION RECEIVES PAYMENT FOR SERVICES RENDERED TO PATIENTS FROM FEDERAL AND STATE GOVERNMENTS UNDER THE MEDICARE AND MEDICAID PROGRAMS, PRIVATELY SPONSORED MANAGED CARE PROGRAMS FOR WHICH PAYMENT IS MADE BASED ON TERMS DEFINED UNDER FORMAL CONTRACTS, AND OTHER PAYORS THE ORGANIZATION BELIEVES THERE ARE NO SIGNIFICANT RISKS ASSOCIATED WITH RECEIVABLES FROM GOVERNMENT PROGRAMS RECEIVABLES FROM CONTRACTED AND OTHERS ARE FROM VARIOUS PAYORS WHO ARE SUBJECT TO DIFFERING ECONOMIC CONDITIONS, AND DO NOT REPRESENT ANY CONCENTRATED RISKS TO THE ORGANIZATION THE ORGANIZATION ANALYZES ITS HISTORICAL EXPERIENCE AND IDENTIFIES TRENDS FOR EACH OF ITS MAJOR PAYOR SOURCES OF REVENUE TO ESTIMATE THE APPROPRIATE ALLOWANCE FOR DOUBTFUL ACCOUNTS
SCHEDULE H, PART III, SECTION B, LINE 8		THE ORGANIZATION DOES NOT REPORT MEDICARE REVENUES AND EXPENSES (EXCEPT FOR AMOUNTS REPORTED IN PART I, LINE 7) AS COMMUNITY BENEFIT MEDICARE COSTS ARE DETERMINED USING THE MEDICARE COST REPORT THE MEDICARE COST REPORT SUBMITTED FOR THE FISCAL YEAR USES CMS STANDARD COSTING METHODS THIS METHOD INCLUDES SPECIFIC STEP-DOWN ALLOCATION PROCESSES WHICH ARE APPLIED TO CALCULATE ALLOWABLE MEDICARE COSTS

Identifier	ReturnReference	Explanation
SCHEDULE H, PART III, SECTION C, LINE 9B		COVENANT HEALTH SYSTEM PATIENT ACCOUNTS WERE NOT FORWARDED TO COLLECTION STATUS WHEN THE PATIENT MADE A GOOD FAITH EFFORT TO RESOLVE OUTSTANDING ACCOUNT BALANCES SUCH EFFORTS INCLUDE APPLYING FOR FINANCIAL ASSISTANCE, NEGOTIATING A PAYMENT PLAN, OR APPLYING FOR MEDICAID COVERAGE PRIOR TO ADVANCING ANY ACCOUNT FOR EXTERNAL COLLECTION, THE ORGANIZATION PERFORMED AN EVALUATION TO IDENTIFY IF THE ACCOUNTS FOR PATIENTS WHO QUALIFIED FOR FREE CARE (100 PERCENT FINANCIAL ASSISTANCE) WERE WRITTEN OFF AND COLLECTION EFFORTS WERE NOT PURSUED THE ORGANIZATION'S COLLECTIONS POLICY APPLIED TO ACCOUNTS FOR PATIENTS WHO QUALIFIED FOR A PARTIAL DISCOUNT
COVENANT MEDICAL CENTER (1) AND COVENANT MED CENTER-LAKESIDE CAMPUS (2)	SCHEDULE H, PART V, SECTION B, LINE 3	ALL IDENTIFIED HEALTH NEEDS BASED ON SECONDARY DATA ANALYSIS WERE PRESENTED TO FOCUS GROUPS COMPRISED OF LUBBOCK COMMUNITY HEALTH LEADERS, LUBBOCK COMMUNITY SERVICE ORGANIZATION REPRESENTATIVES, INTERNAL COVENANT DEPARTMENT LEADERS AND THE CB COMMITTEE COVENANT HEALTH OBTAINED CONSULTATION ON THE COMMUNITY NEEDS ASSESSMENT FROM PUBLIC HEALTH EXPERT CATHERINE F KINNEY, MSW, PHD COVENANT MEDICAL GROUP PHYSICIANS WERE ASKED TO COMPLETE AN ON-LINE SURVEY RELATED THE IDENTIFIED NEEDS THE FEEDBACK RECEIVED FROM THESE GROUPS COMBINED WITH THE SECONDARY DATA ANALYSIS HELPED SHAPE THE FINAL PRIORITIES

Identifier	ReturnReference	Explanation
COVENANT MEDICAL CENTER (1) AND COVENANT MED CENTER-LAKESIDE CAMPUS (2)	SCHEDULE H, PART V, SECTION B, LINE 4	COVENANT HEALTH'S COMMUNITY HEALTH OUTREACH DEPARTMENT (CHO) CONDUCTS A COMMUNITY NEEDS AND ASSETS ASSESSMENT EVERY THREE YEARS THIS NEEDS ASSESSMENT IS CONDUCTED AS A SYSTEM WHICH INCLUDES COVENANT MEDICAL CENTER, COVENANT CHILDREN'S HOSPITAL AND COVENANT SPECIALTY HOSPITAL (JOINT VENTURE) ALL LOCATED IN LUBBOCK, TX
COVENANT MEDICAL CENTER (1) AND COVENANT MED CENTER-LAKESIDE CAMPUS (2)	SCHEDULE H, PART V, SECTION B, LINE 5A	THE WEB ADDRESS IS http //www covenanthealth org/documents/CHNA-2012-Covenant-Medical-Center- Final-Reviewed pdf

Identifier	ReturnReference	Explanation
COVENANT MEDICAL CENTER (1) AND COVENANT MED CENTER-LAKESIDE CAMPUS (2)	SCHEDULE H, PART V, SECTION B, LINE 7	HEALTH NEEDS EXPLORED DURING OUR NEEDS ASSESSMENT THAT WERE NOT SELECTED AS A KEY FOCUS AREA FOR COVENANT HEALTH OUTREACH INCLUDED SUBSTANCE ABUSE (LEGAL, ILLICIT, INCLUDING TOBACCO USE), MATERNAL/CHILD HEALTH, CARDIOVASCULAR AND RESPIRATORY DISEASE, AND SEXUALLY TRANSMITTED DISEASE WHEN APPLYING THE RANKING SYSTEM FOR THE REQUIRED ELEMENTS AND OPTIONAL CONSIDERATIONS THESE HEALTH ISSUES SCORED LOWER CARDIOVASCULAR, MATERNAL/CHILD HEALTH AND RESPIRATORY NEEDS ARE CURRENTLY WELL ADDRESSED WITHIN COVENANT HEALTH'S AND COVENANT MEDICAL GROUP SERVICE LINES AND THROUGH OTHER COMMUNITY BASED INTERVENTION PROGRAMS STD PREVENTION WAS NOT SELECTED AS A COVENANT HEALTH PRIORITY HOWEVER WE CONTINUED TO WORK WITH LOCAL AGENCIES FOR WHICH THIS IS A PRIORITY COVENANT HEALTH ALSO ADDRESSED STD PREVENTION THOUGH AN EDUCATION PROGRAM TITLED "BOY TALK GIRL TALK " COVENANT COMMUNITY OUTREACH CONTINUED TO PARTNER WITH OTHER COMMUNITY OUTREACH PROGRAMS TO SUPPORT THEIR EFFORTS IN ADDRESSING THE COMMUNITY NEEDS THAT WERE NOT SELECTED AS PRIORITIES ONE SUCH EFFORT IS BY PROVIDING GRANTS FUNDS TO THE LUBBOCK CHILDREN'S HEALTH CLINIC, THE SICK CHILDREN'S CLINIC, CATHOLIC FAMILY SERVICES, AND WOMEN'S PROTECTIVE SERVICES TO HELP ADDRESS A VARIETY OF HEALTH NEEDS AND SOCIAL BARRIERS IN THE COMMUNITY FOR FURTHER INFORMATION, PLEASE SEE THE IMPLEMENTATION STRATEGY REPORT FOUND AT http //www covenanthealth org/documents/FINAL-CMC-FY12-FY14-CB-Plan-501R-A LIGNMENT-FEB2013 pdf
COVENANT MEDICAL CENTER (1) AND COVENANT MED CENTER-LAKESIDE CAMPUS (2)	SCHEDULE H, PART V, SECTION B, LINE 12H	THE ORGANIZATION RECOGNIZES THAT A PORTION OF THE UNINSURED OR UNDERINSURED PATIENT POPULATION MAY NOT ENGAGE IN THE TRADITIONAL FINANCIAL ASSISTANCE APPLICATION PROCESS THEREFORE, THE ORGANIZATION ALSO USES AN AUTOMATED PREDICTIVE SCORING TOOL TO IDENTIFY AND QUALIFY PATIENTS FOR FINANCIAL ASSISTANCE FOR ACCOUNTS THAT ARE INITIALLY CLASSIFIED AS BAD DEBT

Identifier	ReturnReference	Explanation
COVENANT MEDICAL CENTER (1) AND COVENANT MED CENTER-LAKESIDE CAMPUS (2)	SCHEDULE H, PART V, SECTION B, LINE 14G	THE ORGANIZATION POSTS ITS SUMMARIZED FINANCIAL ASSISTANCE NOTICE IN ALL ADMITTING AREAS IN BOTH ENGLISH AND SPANISH AND PROVIDES THE FULL POLICY UPON REQUEST SUMMARIZED NOTICES OF THE POLICY ARE AVAILABLE ON ITS WEBSITE ALONG WITH CONTACT INFORMATION IN THE EVENT OF ADDITIONAL INQUIRIES NOTICES OF FINANCIAL ASSISTANCE ARE INCLUDED WITH BILLINGS FOR UNINSURED PATIENTS BILINGUAL PATIENT ACCOUNT REPRESENTATIVES ARE AVAILABLE TO ADDRESS QUESTIONS AND ASSIST IN THE COMPLETION OF A FINANCIAL ASSISTANCE APPLICATION IN ENGLISH OR SPANISH
COVENANT MEDICAL CENTER (1) AND COVENANT MED CENTER-LAKESIDE CAMPUS (2)	SCHEDULE H, PART V, SECTION B, LINE 18E	THE ORGANIZATION POSTS ITS SUMMARIZED FINANCIAL ASSISTANCE NOTICE IN ALL ADMITTING AREAS IN BOTH ENGLISH AND SPANISH AND PROVIDES THE FULL POLICY UPON REQUEST SUMMARIZED NOTICES OF THE POLICY ARE AVAILABLE ON ITS WEBSITE ALONG WITH CONTACT INFORMATION IN THE EVENT OF ADDITIONAL INQUIRIES NOTICES OF FINANCIAL ASSISTANCE ARE INCLUDED WITH BILLINGS FOR UNINSURED PATIENTS BILINGUAL PATIENT ACCOUNT REPRESENTATIVES ARE AVAILABLE TO ADDRESS QUESTIONS AND ASSIST IN THE COMPLETION OF A FINANCIAL ASSISTANCE APPLICATION IN ENGLISH OR SPANISH

Identifier	ReturnReference	Explanation
COVENANT MEDICAL CENTER (1) AND COVENANT MED CENTER-LAKESIDE CAMPUS (2)	SCHEDULE H, PART V, SECTION B, LINE 20D	FOR PATIENTS WITH A FAMILY INCOME BETWEEN 176% AND 300% OF FEDERAL POVERTY GUIDELINES (FPG), THE HOSPITALS FACILITIES USE MEDICARE RATES WHEN CALCULATING THE MAXIMUM AMOUNTS THAT CAN BE CHARGED FOR CATASTROPHIC CASES WITH A PATIENT RESPONSIBILITY GREATER THAN $75,000, MEDICARE RATES ARE USED TO DETERMINE THE MAXIMUM AMOUNT THAT CAN BE CHARGED
NEEDS ASSESSMENT	SCHEDULE H, PART VI, LINE 2	A NEEDS ASSESSMENT IS COMPILED EVERY THREE YEARS WHICH DETAILS OVERARCHING HEALTHCARE CONCERNS FOR TEXAS IN GENERAL AS WELL AS MANY DETAILS AFFECTING THE LUBBOCK COMMUNITY BENEFIT SERVICE AREA IN PARTICULAR SOME OF THE OTHER SOURCES USED FOR COVENANT'S NEEDS ASSESSMENT INCLUDE ST JOSEPH HEALTH SYSTEM'S PRC DATA ASSESSMENT, THE UNITED WAY COMMUNITY STATUS REPORT, AND THE TEXAS DEPARTMENT OF STATE HEALTH SERVICES DATA THE PROCESS USED FOR THE PRIORITIZATION OF THE PROGRAMS WAS DETERMINED BY GENERAL CONSENSUS ALL ASSESSMENTS USED FOR THIS PLAN, PRIMARY AND SECONDARY DATA THAT WAS ANALYZED, INDIVIDUAL MEETINGS WITH GROUPS OF STAKEHOLDERS, AND MEMBERS OF THE COMMUNITY BENEFIT COMMITTEE ALL CONFIRMED THE PROGRAMS WHICH ARE PRIORITIZED FOR THIS PLAN

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	SCHEDULE H, PART VI, LINE 3	THE ORGANIZATION POSTED NOTICES INFORMING THE PUBLIC OF THE FINANCIAL ASSISTANCE PROGRAM NOTICES WERE POSTED IN HIGH VOLUME INPATIENT AND OUTPATIENT SERVICE AREAS NOTICES WERE ALSO POSTED AT LOCATIONS WHERE A PATIENT COULD PAY THEIR BILL NOTICES INCLUDED CONTACT INFORMATION ON HOW A PATIENT COULD OBTAIN MORE INFORMATION ON FINANCIAL ASSISTANCE AS WELL AS WHERE TO APPLY FOR ASSISTANCE THESE NOTICES WERE POSTED IN ENGLISH AND SPANISH AND ANY OTHER LANGUAGES THAT WERE REPRESENTATIVE OF 5% OR GREATER OF PATIENTS IN THE HOSPITAL'S SERVICE AREA ALL PATIENTS WHO DEMONSTRATED LACK OF FINANCIAL COVERAGE BY THIRD PARTY INSURERS WERE OFFERED AN OPPORTUNITY TO COMPLETE THE FINANCIAL ASSISTANCE APPLICATION AND WERE OFFERED INFORMATION, ASSISTANCE, AND REFERRAL AS APPROPRIATE TO GOVERNMENT SPONSORED PROGRAMS FOR WHICH THEY MAY HAVE BEEN ELIGIBLE
COMMUNITY INFORMATION	SCHEDULE H, PART VI, LINE 4	COVENANT HEALTH IS THE ONLY SJHS MINISTRY PROVIDING SERVICES TO COMMUNITIES IN TWO STATES COVENANT HEALTH PROVIDES SERVICES IN NEW MEXICO AND DRAWS PATIENTS FROM NEW MEXICO COMMUNITIES INTO LUBBOCK THE CIRCUMSTANCES OF THESE COMMUNITY MEMBERS PROFOUNDLY IMPACT THE ORGANIZATION AND THE SERVICES IT PROVIDES COVENANT HEALTH'S COMMUNITY BENEFIT PRIORITIES ADDRESS DUHN POPULATIONS WITHIN BOTH CORE SERVICE AREAS AND SECONDARY SERVICE AREAS FOR COMMUNITY RESIDENTS WHO ARE FACED WITH MULTIPLE HEALTH PROBLEMS AND HAVE LIMITED ACCESS TO TIMELY, HIGH-QUALITY HEALTH CARE CORE SERVICE AREAS INCLUDE THE TEXAS COUNTIES OF LUBBOCK, BAILEY, LAMB, HALE, FLOYD, MOTLEY, COCHRAN, HOCKLEY, CROSBY, DICKENS, YOAKUM, TERRY, LYNN, GARZA, KENT, GAINES, DAWSON, BORDEN, AND SCURRY ESPECIALLY WITHIN LUBBOCK, FOUR NEIGHBORHOODS, ARNETT-BENSON, HARWELL, PARKWAY-CHERRY POINT AND DUNBAR-MANHATTAN HEIGHTS, ARE DESIGNATED AS MEDICALLY UNDERSERVED AREAS (MUA'S) SECONDARY SERVICE AREAS INCLUDE PARMER, CASTRO, AND KING COUNTIES IN TEXAS COVENANT HEALTH COMMUNITY BENEFIT PROGRAMS AND OUTREACH ACTIVITIES ARE FOCUSED ON LOW-INCOME AREAS WITHIN LUBBOCK COUNTY AND THOSE LIVING IN A 60 MILE RADIUS OF THE CITY OF LUBBOCK THERE IS AN EMPHASIS ON RESIDENTS WHO LIVE WITHIN THE FOLLOWING LUBBOCK ZIP CODES 79401, 79403, 79404, 79411, 79412 AND 79415 THE REGIONAL COUNTIES TARGETED INCLUDE CROSBY, DAWSON, LAMB, GAINS, AND LYNN MANY OF THESE COMMUNITIES ARE MEDICALLY UNDERSERVED AREAS (MUA'S) OR PERSISTENT POVERTY AREAS (PPA'S) OR BOTH THE LUBBOCK ZIP CODES WERE SELECTED DUE TO DATA THAT SHOWS PER CAPITA INCOME IS SIGNIFICANTLY LOWER THAN COUNTY, STATE AND U S AVERAGES THE PERCENTAGE OF CHILDREN, ELDERLY AND INDIVIDUALS BELOW THE POVERTY LEVEL IS SIGNIFICANTLY HIGHER THAN COUNTY, STATE AND U S AVERAGES THE REGIONAL COUNTIES TARGETED SHOW PER CAPITA INCOME IS SIGNIFICANTLY LOWER THAN COUNTY, STATE AND U S AVERAGES THE PERCENTAGE OF RESIDENTS REPORTING SPANISH AS THEIR PRIMARY LANGUAGE IS HIGHER THAN STATE AND U S AVERAGE (EXCLUDING TAHOKA WHICH IS LOWER THAN THE STATE AVERAGE BUT HIGHER THAN THE U S AVERAGE) THE PERCENTAGE OF CHILDREN BELOW POVERTY LEVEL IS SIGNIFICANTLY HIGHER THAN THE STATE AND U S (EXCLUDING TAHOKA WHICH IS LOWER THAN THE STATE AVERAGE BUT HIGHER THAN THE U S AVERAGE) THE PERCENTAGE OF RESIDENTS AGED 65+ BELOW THE POVERTY LEVEL IS SIGNIFICANTLY HIGHER IN CROSBYTON AND TAHOKA THAN LUBBOCK COUNTY, STATE AND U S AVERAGES THE FY12-14 COVENANT HEALTH NEEDS ASSESSMENT DATA REFLECTS THE FOLLOWING PERCENTAGES FOR UNINSURED LUBBOCK COUNTY 31%, CROSBY COUNTY 36%, DAWSON COUNTY 29%, LAMB COUNTY, 33%, GAINES COUNTY 40%, AND LYNN COUNTY 34% TEXAS AS A WHOLE WAS 30% AND NATIONALLY IT IS 17 5% LUBBOCK AND THE SURROUNDING REGION ARE SERVED BY TWO MAJOR HOSPITALS, COVENANT HEALTH AND UNIVERSITY MEDICAL CENTER THERE ARE ALSO A FEW VERY SMALL REGIONAL HOSPITALS OUTSIDE OF LUBBOCK COUNTY WHICH PROVIDE LIMITED SERVICES AND OFTEN TRANSFER PATIENTS TO ONE OF THE TWO LUBBOCK HOSPITALS

Identifier	ReturnReference	Explanation
PROMOTION OF COMMUNITY HEALTH	SCHEDULE H, PART VI, LINE 5	THE GOVERNING BODY IS COMPRISED OF A MAJORITY OF PERSONS WHO RESIDE IN THE HOSPITAL'S PRIMARY SERVICE AREA AND WHO ARE NOT EMPLOYEES, CONTRACTORS, OR FAMILY MEMBERS THE SUB-COMMITTEE OF THE BOARD OF TRUSTEES, KNOWN AS THE COMMUNITY BENEFIT COMMITTEE, OVERSAW THE DEVELOPMENT AND IMPLEMENTATION OF THE COMMUNITY HEALTH NEEDS ASSESSMENT REPORT AND COMMUNITY BENEFIT PLAN/IMPLEMENTATION STRATEGY REPORT EVERY THREE YEARS, AS WELL AS AN ANNUAL COMMUNITY BENEFIT REPORT THE COMMITTEE ALSO PROVIDED GENERAL DIRECTION TO COVENANT HEALTH REGARDING 1) BUDGETING DECISIONS, 2) COMMUNITY BENEFIT PROGRAM CONTENT, 3) COMMUNITY BENEFIT PROGRAM DESIGN, 4) TARGET GEOGRAPHIC/POPULATION, 5) PROGRAM CONTINUATION OR DISCONTINUATION, 6) FUND DEVELOPMENT SUPPORT, AND 7) COMMUNITY-WIDE ENGAGEMENT MEDICAL STAFF PRIVILEGES ARE EXTENDED TO ALL QUALIFIED PHYSICIANS IN THE COMMUNITY GIVING BACK TO THE COMMUNITY IS HARDWIRED INTO EVERY ASPECT OF OUR ORGANIZATION AS A MEMBER OF THE FAITH-BASED HEALTH MINISTRY OF ST JOSEPH HEALTH SYSTEM, WE PROVIDE FREE AND DISCOUNTED CARE VIA OUR FINANCIAL ASSISTANCE PROGRAM AND HAVE A FUNDING STREAM TO ADDRESS THE NEEDS OF THE ECONOMICALLY POOR AND VULNERABLE IN THE COMMUNITIES WE SERVE OUR COMMITMENT TO COMMUNITY IS FURTHER DEMONSTRATED THROUGH OUR STRATEGIC COMMUNITY INVESTMENTS ON AN ANNUAL BASIS, TEN PERCENT OF OUR NET INCOME IS DEVOTED TO FUND COMMUNITY PROGRAMS FOR THE ECONOMICALLY POOR (CARE FOR THE POOR FUNDS) SPECIFICALLY, FUNDS ARE USED FOR OUTREACH PROGRAMS, DEFINED AS THOSE SERVICES THAT ADDRESS A SPECIFIC UNMET HEALTH NEED AND ARE SEPARATE FROM TRADITIONAL ACUTE CARE SERVICES FUNDS ARE ALSO USED TO PROVIDE GRANTS AND DONATIONS TO COMMUNITY ORGANIZATIONS SERVING THE ECONOMICALLY POOR THE FOLLOWING PROGRAMS IN FY13 WERE MADE POSSIBLE THROUGH CARE FOR THE POOR FUNDS AND EXEMPLIFY OUR COMMITMENT TO PROMOTE HEALTH AND ACCESS TO THE LOW INCOME AND BROADER COMMUNITY COMMUNITY DENTAL CLINIC, MOBILE DENTAL CLINIC, HEALTH EDUCATION OUTREACH, COMMUNITY COUNSELING CENTER THE FOLLOWING PROGRAM IN FY13 WAS MADE POSSIBLE THROUGH CARE FOR THE POOR FUNDS AND EXEMPLIFIES OUR COMMITMENT TO PROMOTE HEALTH ACCESS TO THE LOW-INCOME AND BROADER COMMUNITY COVENANT BODY MIND INSTITUTE (CHILDHOOD OBESITY PROGRAM)
AFFILIATED HEALTH CARE SYSTEM	SCHEDULE H, PART VI, LINE 6	COVENANT HEALTH IS A HEALING MINISTRY OF ST JOSEPH HEALTH SYSTEM, AN INTEGRATED HEALTHCARE DELIVERY SYSTEM SPONSORED BY THE ST JOSEPH HEALTH MINISTRY ST JOSEPH HEALTH SYSTEM IS ORGANIZED INTO THREE REGIONS NORTHERN CALIFORNIA, SOUTHERN CALIFORNIA, AND WEST TEXAS/EASTERN NEW MEXICO THE SYSTEM INCLUDES 14 ACUTE CARE HOSPITALS, HOME HEALTH AGENCIES, HOSPICE CARE, OUTPATIENT SERVICES, COMMUNITY CLINICS, AND PHYSICIAN ORGANIZATIONS EACH ASSOCIATED MINISTRY WORKS TO LIVE OUT ITS MISSION TO EXTEND THE HEALING MINISTRY OF JESUS IN THE TRADITION OF THE SISTERS OF ST JOSEPH OF ORANGE BY CONTINUALLY IMPROVING THE HEALTH AND QUALITY OF LIFE OF THE COMMUNITIES IT SERVES IN 1986, ST JOSEPH HEALTH SYSTEM CREATED A PLAN AND BEGAN AN EFFORT TO FURTHER ITS COMMITMENT TO NEIGHBORS IN NEED WITH A VISION OF REACHING BEYOND THE WALLS OF ITS HEALTHCARE FACILITIES AND TRANSCENDING TRADITIONAL EFFORTS OF PROVIDING FINANCIAL ASSISTANCE FOR THOSE IN NEED OF ACUTE SERVICES, ST JOSEPH HEALTH SYSTEM CREATED THE ST JOSEPH HEALTH SYSTEM FOUNDATION TO IMPROVE THE HEALTH OF LOW-INCOME INDIVIDUALS RESIDING IN LOCAL COMMUNITIES OUR FOUNDATIONAL DOCUMENT, A VISION OF VALUES, FORMALIZES A POLICY THROUGH WHICH THE HOSPITAL MINISTRIES RETURN TEN PERCENT OF THEIR NET INCOME TO THE ST JOSEPH HEALTH SYSTEM FOUNDATION TO SUPPORT OUTREACH EFFORTS FOR THE MATERIALLY POOR THE FOUNDATION THEN FUNDS PROGRAMS IN COMMUNITIES SERVED BY ST JOSEPH HEALTH HOSPITALS THAT EXEMPLIFY THE FOUR CORE VALUES OF ST JOSEPH HEALTH SYSTEM SERVICE, EXCELLENCE, DIGNITY, AND JUSTICE

Identifier	ReturnReference	Explanation
STATE FILING OF COMMUNITY BENEFIT REPORT	SCHEDULE H, PART VI, LINE 7	TEXAS

Additional Data

Software ID:
Software Version:
EIN: 75-2765566
Name: COVENANT HEALTH SYSTEM

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

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

How many non-hospital health care facilities did the organization operate during the tax year?
10

Name and address	Type of Facility (describe)
JOE ARRINGTON CANCER RSCH & TRTM CENTER 4101 22ND PLACE LUBBOCK,TX 79410	GENERAL MEDICAL & SURGICAL
COVENANT LT CARE LP 4000 24TH STREET LUBBOCK,TX 79410	GENERAL MEDICAL & SURGICAL
COVENANT HEART & VASCULAR 3615 19TH STREET LUBBOCK,TX 79410	GENERAL MEDICAL & SURGICAL
LUBBOCK SURGERY CENTER 2301 QUAKER LUBBOCK,TX 79410	GENERAL MEDICAL & SURGICAL
METHODIST DIAGNOSTIC IMAGING 4005 24TH STREET LUBBOCK,TX 79410	GENERAL MEDICAL & SURGICAL
FAMILY HEALTHCARE CENTER 7601 QUAKER LUBBOCK,TX 79410	GENERAL MEDICAL & SURGICAL
SOUTHWEST MEDICAL PARK 9812 SLIDE ROAD LUBBOCK,TX 79424	GENERAL MEDICAL & SURGICAL
FAMILY HEALTHCARE CENTER 416 FRANFORD ROAD LUBBOCK,TX 79410	GENERAL MEDICAL & SURGICAL
ARRINGTON COMPREHENSIVE BREAST CENTER 4101 22ND PLACE LUBBOCK,TX 79410	GENERAL MEDICAL & SURGICAL
LUBBOCK GAMMA 10000 MEMORIAL DRIVE SUITE 540 HOUSTON,TX 77024	GENERAL MEDICAL & SURGICAL

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
COVENANT HEALTH SYSTEM

Employer identification number
75-2765566

Part I General Information on Grants and Assistance

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

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

Part II Grants and Other Assistance to Governments and Organizations in the United States.

Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than $5,000. Part II can be duplicated if additional space is needed.

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) FIRST UNITED METHODIST CHURCH 1411 BROADWAY LUBBOCK,TX 79401		501(c)(3)	15,000				GRANT FOR TV WORSHIP SERVICE
(2) DIOCESE OF LUBBOCK PO BOX 98700 LUBBOCK,TX 79416	75-2773524	501(c)(3)	50,000				DONATION TO DIOCESAN CATH APP
(3) UNITED WAY 1655 MAIN STREET LUBBOCK,TX 79401	75-0961812	501(c)(3)	40,000				PROGRAM SUPPORT
(4) SOUTH PLAINS CLOSING THE GAP P-20 COUNCIL PO BOX 41071 LUBBOCK,TX 79409	80-0414487	501(c)(3)	10,000				SP GENERATION TX SCHOLARSHIP
(5) TEXAS TECH UNIVERSITY BOX 41105 LUBBOCK,TX 79409	75-2668014	501(C)(3)	125,000				HEALTHIEST COMM & CHILD OB PRG
(6) ST JOSEPH HEALTH SYSTEM FOUNDATION 3345 MICHELSON DR 100 IRVINE,CA 92612	33-0143024	501(c)(3)	676,400				CARE FOR THE POOR

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . . ▶ 6

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
DESCRIPTION OF ORGANIZATION'S PROCEDURES FOR MONITORING THE USE OF GRANTS	SCHEDULE I, PART I, LINE 2	DONATIONS MADE TO OTHER ORGANIZATIONS ARE APPROVED BY MANAGEMENT TO ENSURE THEY SUPPORT THE MISSION OF COVENANT HEALTH SYSTEM NO ADDITIONAL MONITORING IS DONE

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
COVENANT HEALTH SYSTEM

Employer identification number
75-2765566

Part I Questions Regarding Compensation

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

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

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

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

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

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
SUPPLEMENTAL COMPENSATION INFORMATION	SCHEDULE J, PART I, LINE 1A	DISCRETIONARY SPENDING EXECUTIVES RECEIVE A PERCENTAGE OF BASE COMPENSATION FOR DISCRETIONARY SPENDING THESE AMOUNTS ARE INCLUDED IN OTHER REPORTABLE COMPENSATION COMPANION TRAVEL ST JOSEPH HEALTH SYSTEM ALLOWS FOR COMPANION TRAVEL TO CERTAIN PRE-APPROVED, MINISTRY SPONSORED EVENTS COMPANION TRAVEL IS TREATED AS TAXABLE COMPENSATION IN MOST CASES IN THE CASE THAT COMPANION TRAVEL IS NOT TAXABLE COMPENSATION, THE INDIVIDUAL IS PROVIDING A SERVICE TO THE HEALTH SYSTEM AS A REPRESENTATIVE WITH KNOWLEDGE OF THE COMMUNITIES AND MINISTRIES WE SERVE MEMBERS OF THE BOARD AND EXECUTIVE MANAGEMENT TEAM ARE SELECTED TO PARTICIPATE IN AN ANNUAL PILGRIMAGE TO LE PUY, FRANCE, WHERE THE SISTERS' FIRST CONGREGATION WAS FORMED THE PURPOSE OF THE PILGRIMAGE IS FOR THE ORGANIZATION'S LEADERS TO DEVELOP A DEEPER UNDERSTANDING OF THE ROOTS AND HERITAGE OF THE ORGANIZATION IN ORDER TO CARRY OUT THE MISSION COMPANION TRAVEL IS CONSIDERED TO BE AN ESSENTIAL PART OF THIS EXPERIENCE AND THE COMPANION ACTS AS A REPRESENTATIVE WITH KNOWLEDGE OF THE COMMUNITIES AND MINISTRIES WE SERVE THE FOLLOWING TRUSTEE RECEIVED A BENEFIT FOR COMPANION TRAVEL THAT WAS INTENDED TO BE COMPENSATION JOANN ESCASA-HAIGH - $4,507
SCHEDULE J, PART I, LINE 3		THE ORGANIZATION'S PRESIDENT/CEO IS PAID BY ITS TAX EXEMPT PARENT, ST JOSEPH HEALTH SYSTEM, AND IS DISCLOSED AS A PERSON PAID BY A RELATED ORGANIZATION SEE SCHEDULE O, PART VI, LINE 15A NARRATIVE FOR THE PROCESS THAT IS COMPLETED BY THE ST JOSEPH HEALTH SYSTEM
SEVERANCE PAYMENTS	SCHEDULE J, PART I, LINE 4A	SHARYN IVORY RECEIVED $214,947 AND SUSAN NEVES RECEIVED $227,645 FOR SEVERANCE PAID THROUGH COVENANT HEALTH SYSTEM
DESCRIPTION OF NON-FIXED PAYMENTS	SCHEDULE J, PART I, LINE 7	A PORTION OF EXECUTIVES SALARIES ARE PLACED "AT-RISK" AND ARE NOT AWARDED UNLESS SPECIFIC STRATEGIC OBJECTIVE TARGETS ARE MET OR EXCEEDED THE AT-RISK EXECUTIVE PLAN IS DESIGNED TO MOTIVATE AND REWARD EXECUTIVES FOR TEAM PERFORMANCE THAT SUPPORTS THE STRATEGIC GOALS AND SUCCESSFUL PERFORMANCE OF ST JOSEPH HEALTH SYSTEM AT-RISK PAY IS AWARDED TO ASSISTANT VICE PRESIDENTS, VICE PRESIDENTS, SENIOR VICE PRESIDENTS, EXECUTIVE VICE PRESIDENTS, AND THE CHIEF EXECUTIVE OFFICER BASED ON ACHIEVING OR SURPASSING SPECIFIC GOALS THAT ARE PREDETERMINED BY THE BOARD OF TRUSTEES PRIOR TO THE BEGINNING OF THE FISCAL YEAR THE GOALS INCLUDE OUR STRATEGIC OBJECTIVES OF PERFECT CARE, SACRED ENCOUNTERS, AND HEALTHIEST COMMUNITIES AS WELL AS FISCAL STEWARDSHIP EACH OF THESE FACTORS IS TAKEN INTO CONSIDERATION WHEN DETERMINING THE PERCENTAGE OF AT-RISK PAY

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 75-2765566
Name: COVENANT HEALTH SYSTEM

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				
RICHARD PARKS	(I)	0	0	0	0	0	0	0
	(II)	652,146	234,300	142,565	10,000	30,943	1,069,954	0
TROY THIBODEAUX	(I)	395,300	138,228	83,325	10,000	6,503	633,356	0
	(II)	0	0	0	0	0	0	0
JOHN GRIGSON	(I)	375,826	135,979	87,029	10,000	17,705	626,539	0
	(II)	0	0	0	0	0	0	0
SUSAN NEVES	(I)	22,763	0	227,645	0	0	250,408	0
	(II)	0	0	0	0	0	0	0
STEVEN MCCAMY	(I)	338,027	120,670	78,726	10,000	1,348	548,771	0
	(II)	0	0	0	0	0	0	0
ROXIE TAYLOR	(I)	264,822	101,926	80,451	22,500	6,462	476,161	0
	(II)	0	0	0	0	0	0	0
SHARYN IVORY	(I)	21,495	0	214,947	0	0	236,442	0
	(II)	0	0	0	0	0	0	0
STEVEN BECK	(I)	182,783	68,355	49,777	20,000	14,471	335,386	0
	(II)	0	0	0	0	0	0	0
KAREN BAGGERLY	(I)	249,039	89,111	66,771	27,500	6,504	438,925	0
	(II)	0	0	0	0	0	0	0
CHRIS DOUGHERTY	(I)	259,053	72,983	54,291	0	14,652	400,979	0
	(II)	0	0	0	0	0	0	0
LAWRENCE MARTINELLI	(I)	273,520	82,316	56,631	4,430	13,170	430,067	0
	(II)	0	0	0	0	0	0	0
CRAIG RHYNE MD	(I)	487,364	176,008	161,900	17,312	19,366	861,950	0
	(II)	0	0	0	0	0	0	0
SHARON CLARK	(I)	281,091	116,579	64,497	10,000	25,287	497,454	0
	(II)	0	0	0	0	0	0	0
JO ANN ESCASA-HAIGH	(I)	0	0	0	0	0	0	0
	(II)	373,331	94,236	82,717	10,000	25,440	585,724	0
CLARK COCHRAN	(I)	161,573	58,314	36,391	8,871	2,199	267,348	0
	(II)	0	0	0	0	0	0	0
ROBERT SALEM MD	(I)	272,542	98,779	147,257	20,000	14,619	553,197	0
	(II)	0	0	0	0	0	0	0
JAMES GUTHEIL MD	(I)	0	0	0	0	0	0	0
	(II)	775,977	2,793	8,267	8,000	27,667	822,704	0

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
COVENANT HEALTH SYSTEM

Employer identification number
75-2765566

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) KALEN PARKS	DAUGHTER OF CEO	16,092	EMPLOYEE OF CHS		No
(2) MEMPHIS PLACE MALL LTD	MICHAEL ROBERTSON/BD MBR	120,846	LEASE OF BUILDING		No
(3) PARKHILL SMITH COOPER INC	JOHN HAMILTON/BD MBR	367,549	ARCHITECTURAL SERVICES		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation

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SCHEDULE M (Form 990)

Department of the Treasury
Internal Revenue Service

Noncash Contributions

▶Complete if the organizations answered "Yes" on Form 990, Part IV, lines 29 or 30.
▶ Attach to Form 990.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
COVENANT HEALTH SYSTEM

Employer identification number
75-2765566

Part I Types of Property

		(a) Check if applicable	(b) Number of contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining noncash contribution amounts
1	Art—Works of art				
2	Art—Historical treasures				
3	Art—Fractional interests				
4	Books and publications				
5	Clothing and household goods				
6	Cars and other vehicles				
7	Boats and planes				
8	Intellectual property				
9	Securities—Publicly traded				
10	Securities—Closely held stock				
11	Securities—Partnership, LLC, or trust interests				
12	Securities—Miscellaneous				
13	Qualified conservation contribution—Historic structures				
14	Qualified conservation contribution—Other				
15	Real estate—Residential				
16	Real estate—Commercial				
17	Real estate—Other				
18	Collectibles				
19	Food inventory				
20	Drugs and medical supplies				
21	Taxidermy				
22	Historical artifacts				
23	Scientific specimens				
24	Archeological artifacts				
25	Other ▶ (MEDICAL EQUIPMENT)	X	195	1,841,135	COST/SELLING PRICE
26	Other ▶ ( )				
27	Other ▶ ( )				
28	Other ▶ ( )				

29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement . . . **29**

			Yes	No
30a	During the year, did the organization receive by contribution any property reported in Part I, lines 1-28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period?	30a		No
b	If "Yes," describe the arrangement in Part II			
31	Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?	31	Yes	
32a	Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash contributions?	32a		No
b	If "Yes," describe in Part II			
33	If the organization did not report an amount in column (c) for a type of property for which column (a) is checked, describe in Part II			

Part II **Supplemental Information.** Complete this part to provide the information required by Part I, lines 30b, 32b, and 33, and whether the organization is reporting in Part I, column (b), the number of contributions, the number of items received, or a combination of both. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
SCHEDULE M, PART I, LINE 25, COLUMN (B)		THE NUMBER IN COLUMN B REPRESENTS THE NUMBER OF CONTRIBUTIONS RECEIVED, NOT THE NUMBER OF ITEMS RECEIVED

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
COVENANT HEALTH SYSTEM

Employer identification number
75-2765566

Identifier	Return Reference	Explanation
ORGANIZATION'S MISSION	FORM 990, PART I, LINE 1 AND PART III, LINE 1	COVENANT HEALTH SYSTEM IS COMMITTED TO EXTENDING THE CHRISTIAN MINISTRY BY CARING FOR THE WHOLE PERSON-BODY, MIND AND SPIRIT-AND BY WORKING WITH OTHERS TO IMPROVE HEALTH AND QUALITY OF LIFE IN OUR COMMUNITIES

Identifier	Return Reference	Explanation
PROGRAM SERVICE ACCOMPLISHMENTS	FORM 990, PART III, LINE 4A	COVENANT HEALTH (COVENANT HEALTH/COVENANT HEALTH LUBBOCK/CH) HAS BEEN MEETING THE HEALTH A ND QUALITY OF LIFE NEEDS OF THE LOCAL COMMUNITY FOR OVER 15 YEARS SERVING THE COMMUNITIES OF WEST TEXAS AND EASTERN NEW MEXICO, COVENANT HEALTH LUBBOCK INCLUDES COVENANT MEDICAL C ENTER, COVENANT CHILDREN'S HOSPITAL, COVENANT SPECIALTY HOSPITAL, AND COVENANT MEDICAL GRO UP COVENANT HEALTH PROVIDES QUALITY CARE IN THE AREAS OF CARDIAC SERVICES, MOBILE MAMMOGR APHY, MOBILE DENTAL, OUTPATIENT CANCER TREATMENT, PRIMARY CARE, WOMEN'S HEALTH AND CHILDRE N'S HEALTH WITH OVER 4,500 EMPLOYEES COMMITTED TO REALIZING THE MISSION, COVENANT HEALTH IS ONE OF THE LARGEST EMPLOYERS IN THE WEST TEXAS REGION THREE MISSION OUTCOMES STRATEGIC ALLY GUIDE OUR MINISTRY WORK COVENANT HEALTH IS COMMITTED TO THREE SYSTEMWIDE MISSION OUTC OMES 1) SACRED ENCOUNTERS, 2) PERFECT CARE, AND 3) HEALTHIEST COMMUNITIES EVERY INTERACT ION WILL BE EXPERIENCED AS A SACRED ENCOUNTER THE GOAL OF SACRED ENCOUNTER HAS A DIRECT C ONNECTION TO THE OVERALL MISSION OUR VALUE OF DIGNITY CALLS FOR US TO RESPECT EACH PERSON AS AN INHERENTLY VALUABLE MEMBER OF THE HUMAN COMMUNITY AND AS A UNIQUE EXPRESSION OF LIF E WE STRIVE TO DO THIS BY KEEPING AT THE FOREFRONT OF OUR MINDS THE UNDERSTANDING OF THE IMPACT WE CAN HAVE ON ONE ANOTHER WITH EVERY ACTION WE TAKE AT COVENANT HEALTH WE EDUCATE OUR EMPLOYEES ON WHAT IS EXPECTED BEHAVIOR IN RELATION TO PATIENT CARE, CUSTOMER SERVICE AND TEAMWORK EMPLOYEES ARE INTRODUCED TO THESE EXPECTATIONS AND TO THE GOAL TO MAKE EVERY ENCOUNTER SACRED AT NEW EMPLOYEE ORIENTATION THESE CONCEPTS ARE ALSO INTEGRATED INTO EMP LOYEE'S 90 DAY AND ANNUAL EVALUATIONS THIS IS REINFORCED THROUGHOUT THEIR EMPLOYMENT THRO UGH BOTH OPTIONAL AND MANDATORY TRAINING, LEADERSHIP DEVELOPMENT AND OUR HR STANDARDS OF B EHAVIOR SACRED PATIENT ENCOUNTERS ARE RECOGNIZED AT CH THROUGH HERO CARDS, EMPLOYEE OF TH E MONTH STORIES AND A VALUES IN ACTION RECOGNITION PROGRAM LEADERS ARE SENT TO MISSION AN D MENTORING WHICH IS A FORMATION PROGRAM LEAD BY SJHS PATIENT AND STAFF SACRED STORIES AR E ALSO SHARED REGULARLY THROUGH WEEKLY MESSAGES FROM OUR CEO, VPMI AND PATIENT EXPERIENCE OFFICE OUR SPIRITUAL CARE AND MISSION SERVICES STAFF STRIVE TO OFFER SUPPORT, COACHING AN D MENTORING TO STAFF TO REINFORCE THE MISSION AND VALUES COVENANT HEALTH HAS A NO ONE DIE S ALONE PROGRAM IN WHICH STAFF VOLUNTEER TO SPEND TIME WITH PATIENTS WHO ARE EXPECTED TO D IE IN THE HOSPITAL AND HAVE NO FRIENDS OR FAMILY PRESENT SCHWARTZ CENTER ROUND SESSIONS A RE HELD IN ORDER TO ALLOW CAREGIVERS TO REFLECT ON AND DISCUSS THE IMPACT OF COMPASSIONATE CARE ALL PATIENTS WILL RECEIVE PERFECT CARE IT IS OUR ATTENTION TO DETAIL AND THE SMALL EST IMPERFECTIONS OF EACH PATIENT'S EXPERIENCE THAT DRIVES A DEEPER UNDERSTANDING AND ULTI MATELY A SUSTAINABLE APPROACH TO THE ACHIEVEMENT OF PERFECT CARE AT COVENANT HEALTH WE ED UCATE OUR EMPLOYEES ON THE GOAL OF PERFECT CARE EMPLOYEES ARE INTRODUCED TO THIS GOAL AT NEW EMPLOYEE ORIENTATION, NEW PHYSICIAN ORIENTATION, NURSING ORIENTATION, AND IN DEPARTMEN T ORIENTATIONS THIS GOAL IS ALSO INTEGRATED INTO EMPLOYEE'S 90 DAY AND ANNUAL EVALUATIONS THIS IS REINFORCED THROUGHOUT THEIR EMPLOYMENT THROUGH MANDATORY TRAINING IN ADDITION C H'S QUALITY DEPARTMENT CONTINUALLY STRIVES TO FORMALLY AND INFORMALLY EDUCATE STAFF ON PER FECT CARE EXPECTATIONS QUALITY INDICATORS ARE TRACKED AND REPORTED TO EMT, THE BOARD OF D IRECTORS, PHYSICIAN MEETINGS, NURSING MEETINGS AND AT THE CLINICAL EXCELLENCE COMMITTEE L EAN PROCESS IMPROVEMENT TACTICS ARE USED TO CONTINUALLY IMPROVE PROCESSES AND PERFORMANCE TO ENHANCE THE PATIENT EXPERIENCE AND LIMIT POTENTIAL IMPERFECTIONS IN PATIENT CARE CME'S ARE OFFERED REGULARLY ON-SITE TO OUR PHYSICIANS AND STAFF WITHIN DEPARTMENTS, UNITS AND SECTIONS SPECIFIC PROCESSES ARE CONSTANTLY MONITORED TO INSURE PATIENT SAFETY AND BEST CAR E TRAINING IS AVAILABLE TO ALL STAFF TO ENHANCE PERFORMANCE AND PATIENT SAFETY THE COMMU NITIES WE SERVE WILL BE AMONG THE HEALTHIEST IN OUR NATION WE SEEK TO DEVELOP COMMUNITY H EALTH INITIATIVES THAT IMPACT LONG-TERM HEALTH ACROSS THE ENTIRE COMMUNITY COVENANT PROVI DED FINANCIAL SUPPORT TO TEXAS TECH UNIVERSITY CENTER FOR OBESITY PREVENTION AND RESILIENC Y TO FUND COVENANT BODY MIND INITIATIVE WHICH IS A SCHOOL BASED WELLNESS AND PREVENTION PR OGRAM IT IS ALSO A LONGITUDINAL STUDY MEASURING THE EFFECTIVENESS OF A PREVENTION AND INT ERVENTION PROGRAM THAT IMPACTS CHILDHOOD OBESITY THOSE PERFORMING THE STUDY WILL PROVIDE THE CB COMMITTEE WITH QUARTERLY UPDATES ON STRATEGY AND MEASURES FY13 PROGRAM EXPANSION - INCREASED SCHOOLS RECEIVING CBMI CURRICULUM FROM 21 IN THE FALL OF 2012 TO 34 IN THE FALL OF 2013 - INCREASED THE NUMBER OF SCHOOLS OFFERING THE COMPREHENSIVE WELLNESS SEMESTER CO URSE FROM 5 IN 2012 TO 11 IN 2013 - INCREASED THE NUMBER OF COUNTIES IN TEXAS WITH SCHOOLS USING THE CBMI CURRICULUM FROM 8 TO 21 - AS A RESULT OF NATIONAL CONFERENCE PRESENTATIONS , WE HAVE A SCHOOL IN NEW HAMPSHIRE OFFERING THE S

Identifier	Return Reference	Explanation
PROGRAM SERVICE ACCOMPLISHMENTS	FORM 990, PART III, LINE 4A	EMESTER COURSE, AND VIRGINIA COMMONWEALTH UNIVERSITY IS UTILIZING OUR CURRICULUM IN THEIR AFTERSCHOOL YOUTH WELLNESS PROGRAM - ONLINE TEACHER TRAINING IN PLACE ON OUR WEBSITE WWW D EPTS TTU EDU/HS/BMI FY13 RESEARCH OUTCOMES - OF THE STUDENTS RECEIVING THE CBMI PROGRAM IN 2012-2013 SCHOOL YEAR, 70% WERE IN OR MOVING TOWARD A HEALTHY BMI, WITH AN INCREASED NUMB ER IN THE HEALTHY RANGE - THE MEASURES CURRENTLY BEING USED ARE DEMONSTRATING VALIDITY AND RELIABILITY - A POST-DOCTORAL RESEARCHER HAS BEEN HIRED TO ANALYZE DATA - POSTER SESSION ABSTRACT PUBLISHED IN THE JOURNAL OF THE ACADEMY OF NUTRITION AND DIETETICS

Identifier	Return Reference	Explanation
PROGRAM SERVICE ACCOMPLISHMENTS		PATIENT FINANCIAL ASSISTANCE PROGRAM AND UNREIMBURSED MEDICAID OUR MISSION IS TO PROVIDE QUALITY CARE TO ALL OUR PATIENTS, REGARDLESS OF ABILITY TO PAY WE BELIEVE THAT NO ONE SHOULD DELAY SEEKING NEEDED MEDICAL CARE BECAUSE THEY LACK HEALTH INSURANCE THAT IS WHY COVENANT HEALTH LUBBOCK HAS A PATIENT FINANCIAL ASSISTANCE PROGRAM (FAP) THAT PROVIDES FREE OR DISCOUNTED SERVICES TO ELIGIBLE PATIENTS ADDITIONALLY COVENANT HEALTH OPERATES THREE DIRECT COMMUNITY OUTREACH PROGRAMS, EMPLOYS A SOCIAL WORKER TO ASSIST LOW-INCOME PERSONS AND GRANTS FUNDING TO TEXAS TECH UNIVERSITY FOR A CHILDHOOD OBESITY PROGRAM (CBMI)(AS PREVIOUSLY MENTIONED) THESE PROGRAMS ARE ALL FOR LOW-INCOME PERSONS IN OUR COMMUNITY COUNSELING CENTER PROGRAM COVENANT COMMUNITY OUTREACH COUNSELING CENTER EMPLOYS FOUR LICENSED PROFESSIONAL COUNSELORS TO PROVIDE COUNSELING SERVICES TO UNDERSERVED AND LOW-INCOME PERSONS IN OUR COMMUNITY THE CENTER OFFERS INDIVIDUAL, COUPLES AND FAMILY THERAPY TO PEOPLE OF ALL AGES IN A SAFE AND ENCOURAGING ENVIRONMENT CHARGES FOR SERVICES ARE BASED ON A SLIDING FEE SCALE AND PARTICIPANTS MUST FINANCIALLY QUALIFY PATIENTS ARE NEVER TURNED AWAY DUE TO A LACK OF ABILITY TO PAY DENTAL CLINIC THE COMMUNITY OUTREACH DENTAL CLINIC SERVES LOW-INCOME FAMILIES IN OUR REGION WE OFFER COMPREHENSIVE DENTAL CARE TO PATIENTS AGED 5 AND UP WE OFFER ADULT AND CHILDREN'S SERVICES IN LUBBOCK AND HAVE AN ADULT MOBILE DENTAL UNIT THAT SERVES PATIENTS IN A 75-MILE RADIUS OF LUBBOCK PATIENTS MUST FINANCIALLY QUALIFY TO ACCESS THESE SERVICES SOME PATIENT CO-PAY AMOUNTS ARE REQUIRED HOWEVER, PATIENTS ARE NEVER TURNED AWAY DUE TO A LACK OF ABILITY TO PAY DIABETES PREVENTION AND INTERVENTION PROGRAM (HEALTH EDUCATION) OFFERS FREE DIABETES CLASSES WITH AN EMPHASIS ON EMPOWERMENT AND SELF-MANAGEMENT IN ADDITION FREE INDIVIDUAL APPOINTMENTS FOR EDUCATION ON DIABETES, CHOLESTEROL AND HYPERTENSION ARE AVAILABLE TO THE COMMUNITY HEALTH EDUCATION IS AVAILABLE FOR ELEMENTARY SCHOOL CLASSROOM, COMMUNITY CLINICS, AND COMMUNITY CENTERS ON DIET AND EXERCISE FOR DISEASE PREVENTION HEALTH PRESENTATIONS ARE AVAILABLE FOR COMMUNITY, FAITH-BASED AND SCHOOL GROUPS IN FY13 COVENANT HEALTH'S COMMUNITY HEALTH OUTREACH DIABETES EDUCATION SERVICES PARTNERED WITH CATHOLIC CHARITIES TO FURTHER EXTEND THIS PROGRAM'S OUTREACH TO THOSE WHO ARE NEED OF DIABETES EDUCATION AND SUPPORT SOCIAL WORKER MEDICAL HOME MANAGEMENT (ACCESS TO CARE) A SOCIAL WORKER IS AVAILABLE FREE OF CHARGE TO PATIENTS IN ANY OF THE COVENANT COMMUNITY OUTREACH PROGRAMS AND TO PATIENTS WHO UTILIZE COVENANT'S EMERGENCY DEPARTMENT THE SOCIAL WORKER COORDINATES WITH LOCAL CLINICS AND AGENCIES TO ENSURE PATIENTS RECEIVE ASSISTANCE WITH PRESCRIPTION AND ACCESS TO PRIMARY CARE IN AN OUTPATIENT SETTING FOR MORE INFORMATION ABOUT COVENANT HEALTH, PLEASE VISIT WWW COVENANTHEALTH ORG FOR MORE INFORMATION ABOUT ST JOSEPH HEALTH SYSTEM, PLEASE VISIT WWW STJHS ORG

Identifier	Return Reference	Explanation
DESCRIPTION OF CLASSES OF MEMBERS OR STOCKHOLDERS	FORM 990, PART VI, LINE 6	ST JOSEPH HEALTH SYSTEM AND LUBBOCK METHODIST HOSPITAL SYSTEM ARE THE CORPORATE MEMBERS OF COVENANT HEALTH SYSTEM

Identifier	Return Reference	Explanation
DESCRIPTION OF CLASSES OF PERSONS AND THE NATURE OF THEIR RIGHTS	FORM 990, PART VI, LINE 7A	COVENANT HEALTH SYSTEM HAS A TIERED GOVERNANCE IN WHICH THE CORPORATE MEMBERS RESERVE THE RIGHT TO APPOINT TRUSTEES TO THE COVENANT HEALTH SYSTEM BOARD ALL TRUSTEE APPOINTMENTS THAT COME FROM THE COVENANT HEALTH SYSTEM BOARD AS NOMINATIONS MUST BE APPROVED BY THE ST JOSEPH HEALTH SYSTEM, AS THE CORPORATE MEMBER, AND THE ST JOSEPH HEALTH MINISTRY, AS THE ORGANIZATIONAL SPONSOR THE ST JOSEPH HEALTH SYSTEM MEMBER APPROVES 50% OF THE BOARD NOMINATIONS, PLUS THE VOTING CEO THE LUBBOCK METHODIST HEALTH SYSTEM MEMBER APPROVES THE OTHER 50% OF BOARD NOMINATIONS

Identifier	Return Reference	Explanation
DESCR CLASSES OF PERSONS, DECISIONS REQUIRING APPR & TYPE OF VOTING RIGHTS	FORM 990, PART VI, LINE 7B	THE RESERVED RIGHTS IN OUR TIERED GOVERNANCE STRUCTURE CONTEMPLATE APPROVAL BY THE ST JOSEPH HEALTH SYSTEM MEMBER OF FINANCING, BUDGETS, UNBUDGETED EXPENDITURES OF DEFINED AMOUNTS, STRATEGIC PLAN, APPOINTMENT OF AUDITORS, CREATION OR INVESTMENT IN A LEGALLY RECOGNIZED ENTITY, JOINT VENTURES, PURPOSES, SALE OR DISPOSITION OF REAL PROPERTY, MERGER OR SALE OF SUBSTANTIALLY ALL ASSETS, APPOINTMENT AND REMOVAL OF TRUSTEES, ADOPTION OR AMENDMENT OF ARTICLES OR BYLAWS

Identifier	Return Reference	Explanation
DESCRIBE THE PROCESS USED BY MANAGEMENT &/OR GOVERNING BODY TO REVIEW 990	FORM 990, PART VI, LINE 11B	THE FORM 990 WAS PREPARED BY THE FINANCE DEPARTMENT BASED ON INFORMATION RECEIVED FROM VARIOUS DEPARTMENTS OF THE ORGANIZATION AS APPLICABLE THE FORM 990 WAS THEN REVIEWED BY AN OFFICER OF THE ORGANIZATION A COPY OF THE FORM 990 FILING WAS DISTRIBUTED TO ALL VOTING MEMBERS OF THE BOARD FOR THE APRIL 2014 MEETING DURING THE FINANCE COMMITTEE MEETING, MANAGEMENT PRESENTED AND DISCUSSED CERTAIN DISCLOSURES AND INFORMATION INCLUDED IN THE FORM 990 THE FINANCE COMMITTEE CHAIR THEN PROVIDED A SUMMARY AT THE FULL BOARD MEETING

Identifier	Return Reference	Explanation
CONFLICT OF INTEREST POLICY	FORM 990, PART VI, LINE 12C	OFFICERS, TRUSTEES, AND KEY EMPLOYEES ARE REQUIRED TO DISCLOSE ANNUALLY ON THE CONFLICT OF INTEREST DISCLOSURE FORM THE EXISTENCE AND NATURE OF ANY ACTUAL, APPARENT, OR POTENTIAL CONFLICTS OF INTEREST HE/SHE MAY HAVE. ADDITIONALLY, DISCLOSURES SHALL BE MADE PROMPTLY ANY TIME AN ACTUAL, APPARENT, OR POTENTIAL CONFLICT OF INTEREST ARISES AND BEFORE THE CONSUMMATION OF ANY CONTRACT, TRANSACTION, OR ARRANGEMENT THAT IS THE SUBJECT OF THE POTENTIAL CONFLICT OF INTEREST. WHEN A CONFLICT OF INTEREST IS IDENTIFIED, SUCH CONFLICT IS DISCLOSED TO THE CONFLICTS & COMPENSATION COMMITTEE. IF THE CONFLICT INVOLVES A MEMBER OF THAT COMMITTEE, THE REMAINING COMMITTEE MEMBERS REVIEW THE MATTER AND DETERMINE WHETHER A CONFLICT OF INTEREST EXISTS. THE OFFICER, TRUSTEE, OR KEY EMPLOYEE MAY NOT BE PRESENT DURING ANY MEETING IN WHICH THE COMMITTEE CONDUCTS ITS EVALUATION, EXCEPT TO ANSWER QUESTIONS AS MAY BE NECESSARY. ONCE ALL NECESSARY INFORMATION HAS BEEN OBTAINED, THE COMMITTEE CONDUCTS ITS EVALUATION AND FORWARDS ITS FINDINGS AND RECOMMENDATIONS TO THE SJHS CHIEF COMPLIANCE OFFICER. IF THE COMMITTEE DETERMINES AN UNRESOLVED CONFLICT OF INTEREST EXISTS, THE COMMITTEE WILL EVALUATE AND RECOMMEND CONFLICT MITIGATION STRATEGIES. THE SJHS CHIEF COMPLIANCE OFFICER, IN CONSULTATION WITH SJHS GENERAL COUNSEL, WILL REVIEW THE COMMITTEE FINDINGS, RECOMMENDATIONS, AND MITIGATION STRATEGIES, AND PRESENT RECOMMENDATIONS TO THE BOARD FOR DISCUSSION AND VOTE.

Identifier	Return Reference	Explanation
PROCESS USED TO DETERMINE COMPENSATION	FORM 990, PART VI, LINES 15A & 15B	THE ORGANIZATION'S CHIEF EXECUTIVE OFFICER IS PAID BY ITS TAX EXEMPT PARENT, ST JOSEPH HEALTH SYSTEM, AND IS DISCLOSED AS A PERSON PAID BY A RELATED ORGANIZATION THE EXECUTIVE COMPENSATION PROCESS AT ST JOSEPH HEALTH SYSTEM IS ADMINISTERED BY A COMMITTEE OF INDEPENDENT TRUSTEES THEY FOLLOW A BOARD-APPROVED CHARTER AND OVERALL EXECUTIVE COMPENSATION PHILOSOPHY THE CHARTER EMPOWERS THE SJHS BOARD WORKLIFE COMMITTEE TO ADMINISTER THE EXECUTIVE COMPENSATION PROGRAM AND PROCESS ON BEHALF OF THE FULL BOARD OF TRUSTEES OF SJHS OVERALL, THE PHILOSOPHY IS INTENDED TO REWARD A BROAD SPECTRUM OF HIGH ORGANIZATIONAL AND INDIVIDUAL PERFORMANCE EXPECTATIONS, AS WELL AS THE RETENTION OF KEY MANAGEMENT TALENT THE SJHS EXECUTIVE COMPENSATION PHILOSOPHY DEFINES THE MARKET FOR ADMINISTERING COMPENSATION AS A COMPARABLE SET OF NOT-FOR-PROFIT HEALTH CARE DELIVERY SYSTEMS SJHS PROVIDES COMPENSATION TO ITS SENIOR EXECUTIVES IN THE FORM OF BASE SALARY, AN ANNUAL INCENTIVE PROGRAM, AND BENEFITS TO FULFILL THEIR RESPONSIBILITY, THE COMMITTEE REGULARLY REVIEWS INFORMATION FROM MULTIPLE SOURCES OF MARKET DATA THEY USE THIS INFORMATION TO SUPPORT THEIR DECISIONS REGARDING ONGOING EFFECTIVENESS AND ADMINISTRATION OF THE PROGRAM THE WORKLIFE COMMITTEE IS COMPRISED OF SEVERAL INDEPENDENT MEMBERS OF THE BOARD THEY MEET AT LEAST 3 TIMES A YEAR AND MAKE ALL CRITICAL DECISIONS IN EXECUTIVE SESSION THESE DECISIONS ARE DOCUMENTED IN DETAILED MINUTES AND APPROVED IN SUBSEQUENT MEETINGS THE COMMITTEE IS EMPOWERED TO ENGAGE OUTSIDE COUNSEL AND CONSULTING SUPPORT AS NEEDED THE WORKLIFE COMMITTEE PERFORMED ITS LAST COMPENSATION REVIEW FOR ASSISTANT VICE PRESIDENTS, VICE PRESIDENTS, SENIOR VICE PRESIDENTS, EXECUTIVE VICE PRESIDENTS, AND THE CHIEF EXECUTIVE OFFICER IN JUNE 2013

Identifier	Return Reference	Explanation
AVAIL OF GOV DOCS, CONFLICT OF INTEREST POLICY, & FIN STMTS TO GEN PUBLIC	FORM 990, PART VI, QUESTION 19	THE ORGANIZATION MAKES ITS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS AVAILABLE TO THE PUBLIC UPON REQUEST THE SJHS COMMUNITY BENEFIT REPORTS, FINANCIAL REPORTS, AND PHILANTHROPY REPORTS ARE ALSO AVAILABLE ON THE SJHS INTERNET SITE AUDITED FINANCIAL STATEMENTS ARE ATTACHED TO FORM 990

Identifier	Return Reference	Explanation
OTHER FEES EXCEEDING 10%	FORM 990, PART IX, LINE 11G	PURCHASED SERVICES $56,732,042 PROFESSIONAL FEES 37,993,827 ---------- TOTAL $94,725,869

Identifier	Return Reference	Explanation
OTHER CHANGES IN NET ASSETS	FORM 990, PART XI, LINE 9	CONTRIBUTED CAPITAL $ 1,483,945 ROUNDING (1) ---------- TOTAL $ 1,483,944

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
COVENANT HEALTH SYSTEM

Employer identification number
75-2765566

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

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) COVENANT LTC-GP LLC 4000 24TH STREET LUBBOCK, TX 79410 20-5477333	HEALTHCARE	TX	0	0	CHS
(2) CHS HOLDING GP LLC 4000 24TH STREET LUBBOCK, TX 79410 20-5477307	HEALTHCARE	TX	0	0	CHS

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	(g) No
See Additional Data Table							

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

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

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

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

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

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

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

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

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

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

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

Software ID:
Software Version:
EIN: 75-2765566
Name: COVENANT HEALTH SYSTEM

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation
IDENTIFICATION OF RELATED ORGANIZATIONS TAXABLE AS A PARTNERSHIP	SCHEDULE R, PART III	ST JOSEPH HEALTH SYSTEM HOME HEALTH AGENCY EIN 33-0282945 ADDRESS 1845 W ORANGEWOOD AVENUE, STE 200 ORANGE, CA 92868-2012 ST JOSEPH HEALTH SYSTEM HOME CARE SERVICES EIN 33-0307672 ADDRESS 1845 W ORANGEWOOD AVENUE, STE 100 ORANGE, CA 92868-2012 METHODIST DIAGNOSTIC IMAGING EIN 75-2343261 ADDRESS 4005 24TH STREET LUBBOCK, TX 79410 SHA, LLC EIN 75-2569094 ADDRESS 12940 NORTH HIGHWAY 183 AUSTIN, TX 78750 LUBBOCK SURGERY CENTER, LTD EIN 75-2177401 ADDRESS 2301 QUAKER LUBBOCK, TX 79410 COVENANT LONG-TERM CARE, LP EIN 20-5033419 ADDRESS 4000 24TH STREET LUBBOCK, TX 79410 HERITAGE INVESTMENT GROUP I, LLC EIN 27-1000061 ADDRESS 3345 MICHELSON DRIVE, STE 100 IRVINE, CA 92612 MISSION AMBULATORY SURGICENTER, LTD EIN 33-0355575 ADDRESS 27800 MEDICAL CENTER ROAD, STE 362 MISSION VIEJO, CA 92691 COMPREHENSIVE IMAGING PARTNERS OF ORANGE COUNTY, LLC EIN 26-4591502 ADDRESS ONE CITY BOULEVARD WEST, SUITE 1100 ORANGE, CA 92868 ST JOSEPH PHYSICIAN VENTURES I, LLC EIN 45-4521884 ADDRESS 1100 WEST STEWART DRIVE ORANGE, CA 92868 NEWPORT IMAGING CENTER EIN 33-0191776 ADDRESS 360 SAN MIGUEL, NEWPORT BEACH, CA 92660 HOAG ORTHOPEDIC INSTITUTE EIN 61-1588294 ADDRESS 1 HOAG DRIVE, BOX 6100, NEWPORT BEACH, CA 92658 MAIN ST SPECIALTY SURGERY CENTER EIN 95-4813223 ADDRESS 280 MAIN STREET, ST 100, ORANGE, CA 92868 ORTHOPEDIC SURGERY CENTER OF OC, LLC EIN 33-0841806 ADDRESS 22 CORPORATE PLAZA, NEWPORT BEACH, CA 92660 ADVANCED SURGERY INSTITUTE, LLC EIN 26-2299255 ADDRESS 1739 4TH STREET, SANTA ROSA, CA 95404

Form 990, Schedule R, Part III - Identification of Related Organizations Taxable as a Partnership

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations? Yes	(h) Disproprtionate allocations? No	(i) Code V-UBI amount on Box 20 of K-1	(j) General or Managing Partner? Yes	(j) General or Managing Partner? No	(k) Percentage ownership
ST JOSEPH HLTH SYS HOME HLTH SEE PART VII ORANGE, CA 928682012 33-0282945	HOME HEALTH	CA	NA	N/A								
ST JOSEPH HLTH SYS HOME CARE SEE PART VII ORANGE, CA 928682012 33-0307672	HOME HEALTH	CA	NA	N/A								
METHODIST DIAGNOSTIC IMAGING SEE PART VII LUBBOCK, TX 79410 75-2343261	HEALTHCARE SVCS	TX	NA	N/A								
SHA LLC SEE PART VII AUSTIN, TX 78750 75-2569094	HEALTHCARE SVCS	TX	NA	N/A								
LUBBOCK SURGERY CENTER LTD SEE PART VII LUBBOCK, TX 79410 75-2177401	HEALTHCARE SVCS	TX	CHS	N/A	1,778,037	2,369,875		No	0	Yes		59 000 %
COVENANT LONG-TERM CARE LP SEE PART VII LUBBOCK, TX 79410 20-5033419	HEALTHCARE SVCS	TX	NA	N/A								
HERITAGE INVESTMENT GROUP SEE PART VII IRVINE, CA 92612 27-1000061	INVESTMENT	CA	NA	N/A								
MISSION AMBULATORY SURGICENTER SEE PART VII MISSION VIEJO, CA 92691 33-0355575	HEALTHCARE SVCS	CA	NA	N/A								
COMPREHENSIVE IMAGING PARTNERS SEE PART VII ORANGE, CA 92868 26-4591502	HEALTHCARE SVCS	CA	NA	N/A								
ST JOSEPH PHYSICIAN VENTURES SEE PART VII ORANGE, CA 92868 45-4521884	REAL ESTATE	CA	NA	N/A								
NEWPORT IMAGING CENTER	HEALTHCARE SVCS	CA	NA	N/A								
HOAG ORTHOPEDIC INSTITUTE	HEALTHCARE	CA	NA	N/A								
MAIN ST SPECIALTY SURGERY CNTR	HEALTHCARE SVCS	CA	NA	N/A								
ORTHOPEDIC SURGERY CNTR OF OC	HEALTHCARE SVCS	CA	NA	N/A								
ADVANCED SURGERY INSTITUTE LLC	HEALTHCARE SVCS	CA	NA	N/A								

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
ST JOSEPH PROF SVCS ENTERPRISES INC 3345 MICHELSON DR STE 100 IRVINE, CA 92612 33-0155323	HEALTHCARE SVCS	CA	NA	C CORP					No
AMERICAN UNITY GROUP LTD 58 PAR-LA-VILLE ROAD HAMILTON HM HX, BD	CAPTIVE INSURANCE	BD	NA	C CORP					No
ALLIANCE PHYSICIAN SERVICES	INACTIVE	CA	NA	C CORP					No
MISSION VIEJO MEDICAL VENTURES 27800 MEDICAL CENTER RD 354 MISSION VIEJO, CA 92691 33-0212905	HEALTHCARE SVCS	CA	NA	C CORP					No
MISSION MEDICAL CENTER ASSOCIATION 27800 MEDICAL CENTER RD 354 MISSION VIEJO, CA 92691 33-0201044	HEALTHCARE SVCS	CA	NA	C CORP					No
ST JOSEPH YORBA PARK	INACTIVE	CA	NA	C CORP					No
LUBBOCK METHODIST HOSP SVCS PO BOX 1201 LUBBOCK, TX 79410 75-2118585	HEALTHCARE SVCS	TX	CHS	C CORP	4,572,776	32,677,876	100 000 %	Yes	
LUBBOCK METHODIST HOSP PRACTICE MGMT 2107 OXFORD STREET SUITE 300 LUBBOCK, TX 79410 75-2578995	INACTIVE	TX	CHS	C CORP	0	474,513	100 000 %	Yes	
ST JOSEPH HEALTH SOURCE INC 3345 MICHELSON DR STE 100 IRVINE, CA 92612 46-1900168	HEALTHCARE SVCS	CA	NA	C CORP					No
HOAG MANAGEMENT SERVICES INC 1 HOAG DR BOX 6100 NEWPORT BEACH, CA 92658 33-0731587	HEALTHCARE SVCS	CA	NA	C CORP					No
COASTAL MANAGEMENT SERVICES ORG 1 HOAG DR BOX 6100 NEWPORT BEACH, CA 92658 33-0676831	HEALTHCARE SVCS	CA	NA	C CORP					No
DATU HEALTH INC 16150 MAIN CIRCLE DR STE 250 CHESTERFIELD, MO 63017 46-3070062	IT SVCS	MO	NA	C CORP					No
HOAG MEDICAL FOUNDATION 1 HOAG DR BOX 6100 NEWPORT BEACH, CA 92663 45-3583707	HEALTHCARE SVCS	CA	NA	C CORP					No

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

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
ST JOSEPH HEALTH SYSTEM FOUNDATION	B	676,400	ACCRUAL
ST JOSEPH HEALTH SYSTEM FOUNDATION	C	2,247,373	ACCRUAL
COVENANT HOSPITAL LEVELLAND	S	7,239,693	ACCRUAL
COVENANT HOSPITAL LEVELLAND	R	7,998,676	ACCRUAL
COVENANT HOSPITAL PLAINVIEW	S	6,067,793	ACCRUAL
COVENANT HOSPITAL PLAINVIEW	R	7,131,901	ACCRUAL
COVENANT HOSPITAL PLAINVIEW	O	59,883	ACCRUAL
COVENANT HEALTH PARTNERS	S	339,691	ACCRUAL
COVENANT HEALTH PARTNERS	M	5,921,365	ACCRUAL
COVENANT HEALTH PARTNERS	P	206,707	ACCRUAL
COVENANT HEALTH PARTNERS	R	4,408,113	ACCRUAL
COVENANT HEALTH PARTNERS	K	87,612	ACCRUAL
COVENANT CHILDREN'S HOSPITAL	S	49,618,027	ACCRUAL
COVENANT CHILDREN'S HOSPITAL	M	59,342	ACCRUAL
COVENANT CHILDREN'S HOSPITAL	O	743,397	ACCRUAL
COVENANT CHILDREN'S HOSPITAL	R	56,387,181	ACCRUAL
COVENANT MEDICAL GROUP	S	41,906,885	ACCRUAL
COVENANT MEDICAL GROUP	K	4,704,518	ACCRUAL
COVENANT MEDICAL GROUP	O	335,822	ACCRUAL
COVENANT MEDICAL GROUP	R	8,496,256	ACCRUAL
COVENANT MEDICAL GROUP	M	13,324,263	ACCRUAL
HOSPICE OF LUBBOCK	S	1,098,980	ACCRUAL
HOSPICE OF LUBBOCK	O	198,999	ACCRUAL
HOSPICE OF LUBBOCK	R	1,322,160	ACCRUAL
COVENANT HEALTH SYSTEM FOUNDATION	S	1,401,977	ACCRUAL

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

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
COVENANT HEALTH SYSTEM FOUNDATION	R	904,960	ACCRUAL
COVENANT HEALTH SYSTEM FOUNDATION	O	54,000	ACCRUAL
COVENANT HEALTH SYSTEM FOUNDATION	C	1,841,135	ACCRUAL

AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

St Joseph Health System and Affiliates,
A St Joseph Health Ministry Corporation
Years Ended June 30, 2013 and 2012
With Report of Independent Auditors

Ernst & Young LLP

ERNST & YOUNG

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Audited Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2013 and 2012

Contents

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Report of Independent Auditors

Board of Trustees
St Joseph Health System and Affiliates

We have audited the accompanying consolidated financial statements of St Joseph Health System and Affiliates, 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 St Joseph Health System and Affiliates 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

Supplementary Information

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

Ernst & Young LLP

September 27, 2013

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidated Balance Sheets
(In Thousands)

	June 30 2013	2012
Assets		
Current assets		
Cash and equivalents	$ **329,513**	$ 199,940
Short-term marketable securities	**782,752**	784,811
Patient accounts receivable, less allowance for doubtful accounts ($262,282 and $179,588 as of June 30, 2013 and 2012, respectively)	**607,548**	485,499
Other assets	**294,900**	174,030
Total current assets	**2,014,713**	1,644,280
Long-term marketable securities	**990,317**	936,487
Assets limited as to use		
Board designated	**1,350,270**	188,267
Held in trust	**127,810**	196,066
Total assets limited as to use	**1,478,080**	384,333
Property and equipment, net	**3,641,852**	2,388,782
Investments and other	**115,250**	55,042
Collateral held for swap counterparty	**8,926**	40,402
Notes receivable	**23,152**	4,711
Deferred financing costs, net	**23,247**	20,781
Goodwill and other intangibles, net	**255,935**	42,280
	426,510	163,216
Total assets	$ **8,551,472**	$ 5,517,098
Liabilities and net assets		
Current liabilities		
Accounts payable	$ **176,866**	$ 121,428
Accrued compensation and related liabilities	**309,424**	234,086
Accrued liabilities	**366,648**	292,230
Payable to third-party payors	**75,873**	64,045
Current maturities of long-term debt	**202,453**	39,238
Total current liabilities	**1,131,264**	751,027
Interest rate swaps	**85,983**	72,629
Other liabilities	**252,227**	178,597
Long-term debt, less current maturities	**2,118,137**	1,633,784
Total liabilities	**3,587,611**	2,636,037
Net assets		
Unrestricted		
Controlling interest	**4,598,399**	2,709,675
Noncontrolling interests in subsidiaries	**76,418**	35,920
Temporarily restricted	**223,370**	125,865
Permanently restricted	**65,674**	9,601
	4,963,861	2,881,061
Total liabilities and net assets	$ **8,551,472**	$ 5,517,098

See accompanying notes

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

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

	Year Ended June 30	
	2013	**2012**
Revenues		
Patient service, net of contractual allowances and discounts	**$ 4,088,718**	$ 3,729,930
Provision for doubtful accounts	**236,897**	221,400
Net patient service, net of provision for doubtful accounts	**3,851,821**	3,508,530
Premium	**943,634**	740,468
Other	**160,245**	133,809
Total revenues	**4,955,700**	4,382,807
Expenses		
Compensation and benefits	**2,179,898**	1,974,224
Supplies and other	**1,048,765**	897,381
Professional fees and purchased services	**1,369,459**	1,087,812
Depreciation and amortization	**235,496**	189,468
Interest	**72,346**	64,197
Total expenses	**4,905,964**	4,213,082
Operating income	**49,736**	169,725
Nonoperating gains (losses), net	**159,584**	(47,995)
Contribution from affiliation	**1,712,981**	–
Excess of revenues over expenses	**1,922,301**	121,730
Less Excess of revenues over expenses attributable to noncontrolling interests	**41,314**	4,324
Excess of revenues over expenses attributable to controlling interests	**$ 1,880,987**	$ 117,406
Unrestricted net assets		
Excess of revenues over expenses attributable to controlling interests	**$ 1,880,987**	$ 117,406
Net assets released from restrictions and other attributable to controlling interests	**7,737**	6,485
Excess of revenues over expenses attributable to noncontrolling interests	**41,314**	4,324
Net assets released from restrictions and other attributable to noncontrolling interests	**(816)**	1,841
Increase in unrestricted net assets	**1,929,222**	130,056
Temporarily and permanently restricted net assets		
Restricted net assets released from restrictions, restricted contributions and other, net, attributable to controlling interests	**16,597**	25,244
Restricted net assets contribution from affiliation	**136,981**	–
Increase in net assets	**2,082,800**	155,300
Net assets at beginning of year	**2,881,061**	2,725,761
Net assets at end of year	**$ 4,963,861**	$ 2,881,061

See accompanying notes

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidated Statements of Cash Flows
(In Thousands)

	Year Ended June 30	
	2013	**2012**
Cash flows from operating activities and nonoperating gains		
Increase in net assets	**$ 2,082,800**	$ 155,300
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities and nonoperating gains		
Contribution from Hoag affiliation	**(1,849,962)**	–
Provision for doubtful accounts	**236,897**	221,400
Depreciation and amortization	**235,496**	189,468
Amortization of deferred financing costs	**891**	894
Change in fair value of investments designated as trading	**2,976**	36,002
Restricted contributions and other, net	**(16,597)**	(25,244)
Change in fair value of interest rate swap agreements	**(34,720)**	36,717
Swap agreement cancellations	**–**	(9,052)
Changes in operating assets and liabilities		
Patient accounts receivable	**(263,340)**	(251,626)
Investments designated as trading	**69,795**	(346,257)
Other assets	**(73,502)**	(35,331)
Accounts payable	**32,453**	(6,080)
Accrued compensation and related liabilities	**22,239**	(23,869)
Accrued liabilities	**56,199**	63,203
Payable to third-party payors	**11,085**	(12,074)
Other liabilities	**12,770**	(706)
Net cash provided by (used in) operating activities and nonoperating gains	**525,480**	(7,255)
Investing activities		
Purchase of property and equipment	**(472,060)**	(336,351)
Increase in investments and other	**1,883**	12,127
Decrease (increase) in collateral held for swap counterparty	**31,476**	(30,063)
(Increase) decrease in notes receivable	**(18,441)**	682
Cash contribution from Hoag affiliation	**147,078**	–
Acquisitions, net of cash acquired	**(145,210)**	–
Net cash used in investing activities	**(455,274)**	(353,605)
Financing activities		
Restricted contributions and other	**16,597**	25,244
Proceeds from line of credit	**121,000**	67,152
Repayment of line of credit	**(40,000)**	–
Proceeds from long-term debt	**2,646**	303,144
Repayment of long-term debt	**(41,115)**	(84,134)
Decrease (increase) in deferred financing costs	**239**	(1,318)
Net cash provided by financing activities	**59,367**	310,088
Increase (decrease) in cash and equivalents	**129,573**	(50,772)
Cash and equivalents at beginning of year	**199,940**	250,712
Cash and equivalents at end of year	**$ 329,513**	$ 199,940
Supplemental disclosure of non-cash information		
Construction obligation	**$ 36,474**	$ –
Capital lease obligation	**$ 13,835**	$ –

See accompanying notes

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Notes to Consolidated Financial Statements

June, 30, 2013

1. Summary of Significant Accounting Policies

Organization

St Joseph Health System and Affiliates (the Health System) is a nonprofit organization previously sponsored by the Sisters of St Joseph of Orange, a religious order of the Roman Catholic Church, with its Motherhouse in Orange, California The sponsorship of the Heath System was expanded to include the laity in a new nonprofit organization, St Joseph Health Ministry (SJHM) SJHM is a public juridic person, a pontifical structure that allows laypeople to assume sponsorship responsibilities of "temporal goods" of the Catholic church such as the Health System SJHM formally assumed sponsorship responsibilities previously exercised by the General Council of the Sisters of St Joseph of Orange There was no direct impact on the operations of the Health System and its affiliates as a result of the expanded sponsorship

Hoag Memorial Hospital Presbyterian and Affiliates

The Health System's affiliation with Hoag Memorial Hospital Presbyterian and Affiliates (Hoag) became effective on March 1, 2013 The affiliation did not require a transfer of assets and was accomplished through the creation of a new entity, Covenant Health Network (CHN), a California nonprofit public benefit corporation CHN became the third member of Hoag along with the then current members comprising of the Hoag Family Foundation and the Association of Presbyterian Ministers (APM) CHN also became a member, joining the Health System, of the four Southern California hospital ministries, St Joseph Hospital of Orange, St Jude Medical Center, Mission Hospital, and St Mary Medical Center A majority of CHN's board of directors are designated by the Health System and the balance of directors are appointed by the Hoag Family Foundation and the APM

Hoag is a nonprofit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the IRC) Hoag Orthopedic Institute (HOI), an orthopedic specialty hospital is 51% owned by Hoag and is consolidated with Hoag's financial statements Hoag Hospital Foundation (Hoag Foundation) is a wholly-owned nonprofit corporation which raises funds to support Hoag Hospital Hoag's consolidated financial statements have been consolidated with those of the Health System The results of operations of Hoag have been included in the consolidated statements of operations and changes in net assets of the Health System as of the March 1, 2013 effective date of the affiliation

1. Summary of Significant Accounting Policies (continued)

Lubbock Methodist Hospital System and Affiliates

In 1998, the Health System entered into an affiliation agreement with Lubbock Methodist Hospital System and Affiliates (LMHS) The agreement provided for the formation of Covenant Health System (Covenant) (1,047 licensed beds) with contributions by the Health System and LMHS of substantially all of the assets, liabilities and operations of St Mary of the Plains Hospital and Rehabilitation Center and Foundation, Lubbock, Texas, and LMHS to Covenant

Under the terms of the affiliation agreement, net asset transfers from Covenant to the Health System are limited to $5,000,000 in the aggregate over the life of the affiliation Exceptions to this limitation include (i) payments made to the Health System for management, administration, and other services provided by it, (ii) debt service, repayments of loans and similar financing costs, (iii) payment under the joint and several obligation of the Health System Master Indenture, (iv) return of capital contributed or other advances from the Health System, (v) payments consented to by the corporate members, (vi) payment for services such as insurance, self-insurance, benefit and retirement plans and similar programs administered by the Health System, provided such payments are substantially comparable to charges made to other Health System affiliates, and, (vii) payment for property or services provided by third parties through the Health System

The Members Agreement restricts the ability of the Health System to exit its relationship with Covenant and also precludes the Health System and Covenant from entering into a wide variety of transactions which could result in Covenant assets or affiliates being conveyed to a third party, except conveyances in the ordinary course of business These precluded transactions are referred to as Covered Transactions Should Covenant or the Health System undertake a Covered Transaction, they are obligated to provide notice and information to LMHS and to make a "reciprocal offer" to LMHS, including an offer to purchase LMHS's membership rights in Covenant and a simultaneous obligation to offer to sell the Health System's membership rights in Covenant to LMHS at the same purchase price, adjusted upward by a formula that reflects the dissolution percentages (57% Health System, 43% LMHS) Covenant's net assets totaled $513,160,000 and $494,424,000 at June 30, 2013 and 2012, respectively

1. Summary of Significant Accounting Policies (continued)

Covenant is a nonprofit corporation that is exempt from income taxes under Section 501(c)(3) of the IRC Firstcare, a licensed Texas Health Maintenance Organization, is 67% owned by Covenant Covenant's financial results have been combined with those of the Health System, as the two entities are operated under common management and control and certain Covenant hospitals are members of the Health System Obligated Group (as defined below)

Subsequent to the above affiliations, the Health System is the sole or joint corporate member of 14 acute care hospital affiliates (4,023 licensed beds), which also offer associated ancillary, skilled nursing, psychiatric, substance abuse, rehabilitation, outpatient surgery, home health, and hospice services Outpatient services and physician practice management are also provided through affiliated nonprofit subsidiaries and controlling interests in various partnerships The hospital affiliates are

- St Joseph Hospital of Orange, Orange, California
- St Jude Hospital, Inc (dba St Jude Medical Center), Fullerton, California
- Mission Hospital Regional Medical Center (dba Mission Hospital), Mission Viejo, California and Laguna Beach, California
- St Mary Medical Center, Apple Valley, California
- Hoag Memorial Hospital Presbyterian, Newport Beach, California and Irvine, California
- Queen of the Valley Medical Center, Napa, California
- Santa Rosa Memorial Hospital, Santa Rosa, California
- SRM Alliance Hospital Services (dba Petaluma Valley Hospital), Petaluma, California
- St Joseph Hospital of Eureka, Eureka, California
- Redwood Memorial Hospital, Fortuna, California
- Covenant Health System (dba Covenant Medical Center – Lakeside and Covenant Medical Center), Lubbock, Texas
- Methodist Children's Hospital (dba Covenant Children's Hospital), Lubbock, Texas
- Methodist Hospital Levelland (dba Covenant Levelland), Levelland, Texas
- Methodist Hospital Plainview (dba Covenant Hospital Plainview), Plainview, Texas

1. Summary of Significant Accounting Policies (continued)

The Health System owns a captive insurance company, American Unity Group, Ltd (the Captive) The Health System's hospital affiliates are also the corporate members of St Jude Hospital Yorba Linda dba St Joseph Heritage Healthcare (Heritage), a nonprofit corporation providing physician practice management services The Health System is also the sole corporate member of St Joseph Professional Services Enterprises, Inc (PSE), a company formed to participate in health care-related ventures, Revenue Cycle Services, LLC, a company formed to provide collection services from health plan payors on behalf of the hospital affiliates, and St Joseph Health System Foundation, a company formed to administer funds for charitable purposes The Health System is the sole corporate member of Innovation Institute, a company formed to engage in health care-related activities with other health systems, technology companies and private investors Through PSE, the Health System owns a controlling interest in Heritage Investment Group I, LLC, a real estate company formed to construct, own and manage a medical office building

The Health System office and its hospital affiliates, with the exclusion of Hoag, along with the northern division of the Health System's home health operations, are members of the Obligated Group, as defined under trust indentures, for purposes of entering into long-term debt arrangements (see Note 5)

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the affiliated members of St Joseph Health System and entities controlled by its affiliates, Hoag, and Covenant Significant intercompany accounts and transactions have been eliminated in the consolidated financial statements

Use of Estimates

The preparation of the Health System's consolidated financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements Estimates also affect the reported amounts of revenues and expenses during the reporting period Actual results could differ from those estimates

1. Summary of Significant Accounting Policies (continued)

Cash and Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents The carrying amount approximates fair value because of the short maturity of the investments

Marketable Securities

Marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value based on quoted market prices or similar instruments in markets that are not active Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses, unless the income or loss is restricted by donor or law

The Health System has designated its investment portfolio as "trading " Unrealized gains and losses on marketable securities that have been designated as trading securities are included within excess of revenues over expenses In addition, cash flows from the purchases and sales of its investment portfolio designated as trading are reported as a component of operating activities in the accompanying consolidated statements of cash flows

Direct investments in equity securities with readily determinable fair values and all direct investments in debt securities have been measured at fair value in the accompanying consolidated balance sheets based upon quoted market prices Investments that are not anticipated to be utilized in the current period are classified as noncurrent

Investments in partnerships and limited liability companies with underlying interest in equity and debt securities are recorded using the equity method of accounting with the related changes in value in earnings reported as nonoperating gains, net in the accompanying consolidated financial statements

1. Summary of Significant Accounting Policies (continued)

Patient Accounts Receivable

The Health System receives payment for services rendered to patients from the federal and state governments under the Medicare and Medicaid programs, privately sponsored managed care programs for which payment is made based on terms defined under formal contracts, and other payors The following table summarizes the percentages of gross accounts receivable from all payors as of June 30

	2013	2012
Government	**38%**	40%
Contracted	**45**	40
Self-pay and others	**17**	20
	100%	100%

The Health System believes there are no significant credit risks associated with receivables from government programs Receivables from contracted and others are from various payors who are subject to differing economic conditions, and do not represent any concentrated risks to the Health System Accounts receivables are reduced by an allowance for doubtful accounts In evaluating the collectibility of accounts receivable, the Health System analyzes its historical experience and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for doubtful accounts The Health System regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts For receivables associated with services provided to patients who have third-party coverage, the Health System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for doubtful accounts, if necessary For receivables associated with self-pay patients, which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Health System records a significant provision for doubtful accounts in the period of service on the basis of its past experience The difference between the standard rates, or the discounted rates if negotiated, and the amounts actually expected to be collected after all reasonable collection efforts have been exhausted are recorded as allowance for doubtful accounts

1. Summary of Significant Accounting Policies (continued)

The Health System's allowance for doubtful accounts as a percentage of self-pay and others accounts receivable increased from 65% as of June 30, 2012, to 87% as of June 30, 2013, due to a decline in collections in this payor category The Health System also experienced a 3% decline in gross accounts receivable related to self-pay and others from June 30, 2012 to June 30, 2013 The Health System had no significant changes in its charity care or uninsured discount policies during its fiscal years 2013 and 2012 The Health System does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors in the year ended June 30, 2013

Other Assets

Other assets primarily consist of inventories, prepaid expenses, and other current assets expected to be utilized within a year Inventories, consisting principally of supplies, are stated at the lower of cost (first-in, first-out basis) or market value

Other assets consist of the following as of June 30

	2013	2012
	(In Thousands)	
Inventories	**$ 58,053**	$ 52,632
California Hospital Fee receivable	**95,461**	72,398
Other current assets	**141,386**	49,000
	$ 294,900	$ 174,030

Assets Limited as to Use

Assets limited as to use primarily include assets held by trustees under indenture agreements and designated assets set aside by the Health System's Board of Trustees (the Board) for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes

1. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment acquisitions are recorded at cost Expenditures which materially increase values, change capacities or extend useful lives are capitalized Depreciation is recorded over the estimated useful life of each class of depreciable asset, ranging from 3 to 40 years, and is computed using the straight-line method Leases which have been capitalized are amortized over the life of the lease which approximates the useful life of the assets Lease amortization is included within depreciation Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets

Deferred Financing Costs

Costs incurred in obtaining long-term financing are deferred and amortized over the terms of the related obligations using the effective-interest method

Goodwill and Other Intangibles

Goodwill and other intangible assets consist primarily of costs in excess of the fair value of tangible assets of acquired entities The Health System assesses goodwill for impairment by testing the carrying value of goodwill for impairment at the reporting unit level on an annual basis, or more frequently if significant indicators of impairment exist The Health System primarily utilizes the income and market approaches to valuation that include the discounted cash flow method, the guideline company method, as well as other generally accepted valuation methodologies to determine the fair value of its reporting units Indefinite-lived intangibles are assessed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable Definite-lived intangible assets are amortized using the straight-line method over the estimated useful lives of the assets Customer and contract intangibles are amortized over 20 years Covenants not-to-compete are amortized over a period of five to eight years Certain tradenames are amortized over a useful life ranging from two to five years To the extent that operating results indicate the probability that the carrying values of such assets have been impaired, provisions for losses are recorded based upon the discounted cash flows of the acquired entities over the remaining amortization period

1. Summary of Significant Accounting Policies (continued)

As of July 1, 2011, the Health System adopted the accounting standard allowing organizations to perform an initial qualitative assessment to test goodwill for impairment at a reporting unit level Upon completion of the qualitative assessment as of April 1, 2013, the Health System determined that it is not more likely than not that the fair value of its reporting units is less than the carrying value As a result, the Health System determined that no significant indicators of impairment exist for its goodwill that would require additional analysis before its next annual evaluation

At June 30, 2013, the Health System's goodwill balance of $173,919,000 includes $88,558,000 recognized in conjunction with acquisitions completed during the year and $43,889,000 relating to HOI Goodwill of $41,472,000 was recorded as of June 30, 2012

Prior to June 30, 2012, cumulatively, the Health System has recognized goodwill impairment of $17,901,000

The Health System's other intangibles balances as of June 30, are as follows (see Acquisitions and Affiliations)

	2013	2012	Average Useful Life (Years)
	(In Thousands)		
Customer and contract	**$ 34,500**	$ –	20
Covenant not-to-compete	**24,601**	3,772	7
Tradename – Hoag	**16,000**	–	Indefinite
Tradename – Other	**3,400**	–	4
Other	**11,322**	–	7
	89,823	3,772	
Accumulated amortization	**(7,807)**	(2,964)	
Other intangibles, net	**$ 82,016**	$ 808	

1. Summary of Significant Accounting Policies (continued)

Self-Insurance

The Health System is self-insured, through the Captive, for professional and general liability risks for its affiliates, except Hoag, subject to certain limitations Risks in excess of $5,000,000 per occurrence are reinsured with major independent insurance companies Hoag is self-insured for professional and general liability risks, with risks in excess of $2,000,000 re-insured with major independent insurance companies Based on actuarially determined estimates, provisions have been made in the accompanying consolidated financial statements, with the current portion included within accrued liabilities and the noncurrent portion within other liabilities, for all known claims and incurred but not reported claims as of June 30, 2013 and 2012 The accruals for professional and general liability claims totaled $44,902,000 at June 30, 2013, and $29,702,000 at June 30, 2012, and are not discounted Estimation differences between actual payments and amounts recorded in previous years are recognized as expense in the year such amounts become determinable

Workers' Compensation Insurance

The Health System's affiliates in California, except Hoag, are insured for workers' compensation claims with major independent insurance companies, subject to certain deductibles of $1,000,000 per occurrence as of June 30, 2013 and 2012 Hoag is self-insured for workers' compensation claims, with risks in excess of $1,000,000 re-insured with major independent insurance companies In connection with the workers' compensation plan, the Health System has filed bank letters of credit with the insurance companies Based on actuarially determined estimates, provisions have been made in the accompanying consolidated financial statements, with the current portion included within accrued compensation and the noncurrent portion within other liabilities, for all known claims and incurred but not reported claims as of June 30, 2013 and 2012 The accruals for workers' compensation claims totaled $112,006,000 at June 30, 2013, and $77,256,000 at June 30, 2012, and are not discounted Receivables for insurance recoveries for Hoag were $11,433,000 at June 30, 2013, and are primarily included in investments and other assets Estimation differences between actual payments and amounts recorded in previous years are recognized as expense in the year such amounts become determinable

1. Summary of Significant Accounting Policies (continued)

Other Liabilities

Other liabilities consist of the following as of June 30

	2013	2012
	(In Thousands)	
Workers' compensation	**$ 83,909**	$ 56,070
Professional and general liability	**19,967**	11,535
Other liabilities	**148,351**	110,992
	$ 252,227	$ 178,597

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those assets whose use by the Health System has been limited by donors to a specific time period or purpose Permanently restricted net assets have been restricted by donors to be maintained by the Health System in perpetuity (see Note 11)

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Health System are reported at fair value at the date the promise is received Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose for restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the consolidated financial statements

Net Patient Service Revenues

The Health System has agreements with third-party payors that provide for payments at amounts different from its established rates Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments

1. Summary of Significant Accounting Policies (continued)

Patient service revenues are reported at net realizable amounts from patients, third-party payors, and others for services rendered, including estimated settlements under reimbursement agreements with third-party payors Settlements are accrued on an estimated basis in the period the related services are rendered, and adjusted in future periods as final settlements are determined Favorable differences between final settlements and amounts accrued in previous years of approximately $24,331,000 and $27,401,000 are reflected in net patient service revenue for the years ended June 30, 2013 and 2012, respectively

The Health System recognizes significant amounts of patient service revenue at the time the services are rendered even though a patient's ability to pay is not assessed The Health System records its provision for doubtful accounts based upon historical experience, as well as collections trends for major payor types

Patient service revenues, net of contractual allowances and discounts, recognized for the year ended June 30 are as follows

	2013	2012
	(In Thousands)	
Government	**$ 1,519,596**	$ 1,468,779
Contracted	**2,066,329**	1,901,663
Self-pay and others	**502,793**	359,488
	$ 4,088,718	$ 3,729,930

The Health System is reimbursed for services provided to patients under certain programs administered by governmental agencies Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation The Health System believes that they are in compliance with all applicable laws and regulations, and they are not aware of any pending or threatened investigations involving allegations of potential wrongdoing Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs (see Note 12)

1. Summary of Significant Accounting Policies (continued)

Premium Revenues

Firstcare contracts with various employers to provide medical services to subscribing participants Firstcare receives monthly premium payments from employers and contracts with various medical providers to provide medical care Firstcare's premium revenue for the year ended June 30 was $484,312,000 in 2013 and $351,324,000 in 2012

In addition to the Firstcare contracts, the Health System has contracts with various health plans to provide medical services to subscribing participants Under these agreements, the Health System's hospital affiliates and Heritage receive monthly capitation payments based on the number of each health plan's participants enrolled with participating affiliated or local physician groups that have designated the hospital affiliates as their provider Under these arrangements, the hospital affiliates are responsible for hospital contracted services provided to plan participants including services received at other health care facilities The Health System's premium revenue for the contracts for the year ended June 30 was $459,322,000 in 2013 and $389,144,000 in 2012 Firstcare and the hospital affiliates have accrued for estimated claims for professional services and services from other providers (included in accrued liabilities) Claims accruals related to these services are generally based on claims lag analyses and are continually monitored and reviewed

Charity Care

The Health System provides care to patients who meet certain criteria under its charity care policies without charge or at amounts less than its established rates Because the Health System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue

Operating Income

The Health System's primary purpose is to provide diversified health care services to the community served by its affiliates Activities directly associated with the furtherance of this purpose are considered operating activities and classified as unrestricted operating revenues and expenses Operating revenues include those generated from direct patient care, related support services, and other revenues related to the operation of the Health System, including gifts and bequests not restricted by donors

1. Summary of Significant Accounting Policies (continued)

Other activities that result in gains or losses unrelated to the Health System's primary purpose are considered to be nonoperating Nonoperating gains and losses include investment income, realized and unrealized gains and losses on trading securities, gains and losses from the sale of property and equipment, and gains and losses on extinguishment of debt

The Health System considers the performance indicator to be the excess of revenues over expenses

Income Taxes

The principal operations of the Health System are exempt from taxation pursuant to IRC Section 501(c)(3) and the related state provisions

Accounting Standards Codification (ASC) 740, *Income Taxes*, clarifies the accounting for income taxes by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements ASC 740 also provides guidance on derecognition, measurement, classification, interest and penalties, disclosure, and transition The guidance is applicable to pass-through entities and tax-exempt organizations No significant tax liability for tax benefits, interest or penalties was accrued at June 30, 2013 or 2012

The Health System currently files Form 990 (informational return of organizations exempt from income taxes) and Form 990-T (business income tax return for an exempt organization) in the U S federal jurisdiction and the states of California and Texas for each tax-exempt organization as appropriate The Health System is not subject to income tax examinations prior to 2009 in major tax jurisdictions

Acquisitions and Affiliations

The accounting for acquisitions requires extensive use of estimates and judgments to measure the fair value of the identifiable tangible and intangible assets acquired The fair value of acquired tangible and identifiable intangible assets and liabilities assumed are based on their estimated fair values at the acquisition date and are measured using an income and market approach with significant unobservable inputs For significant acquisitions, the Health System engages an independent third-party valuation firm to assist in determining the fair value of identifiable intangible assets The Health System believes that the fair values assigned to the assets acquired and liabilities assumed are based on reasonable assumptions However, actual values may differ and unanticipated events and circumstances may occur

1. Summary of Significant Accounting Policies (continued)

The Health System accounts for acquisitions and affiliations in accordance with the business combinations accounting standard for not-for-profit entities

Hoag Memorial Hospital Presbyterian and Affiliates

The affiliation with Hoag did not involve consideration and resulted in an excess of assets acquired over liabilities assumed under the business combination accounting guidance which has been recorded as a contribution to the Health System of $1,849,962,000 The unrestricted portion of the contribution of $1,712,981,000 is classified as a nonoperating gain and the remaining $136,981,000 of the contribution was restricted and is recorded in restricted net assets in the consolidated statements of operations and changes in net assets The Health System recognized tangible and intangible assets acquired and liabilities assumed in connection with the affiliation based upon their estimated fair values at the transaction date The Health System recognized the following fair value estimates of Hoag assets acquired and liabilities assumed as of March 1, 2013 (in thousands)

Cash and equivalents	$ 147,078
Patient accounts receivable, net	95,607
Marketable securities and board designated assets	1,081,034
Other assets	46,672
Property and equipment, net	1,009,314
Goodwill – historical HOI	43,889
Covenant not-to-compete – historical HOI	11,629
Tradename	16,000
Lease intangible	11,322
Restricted assets	136,981
Other noncurrent assets	65,961
Current liabilities	(94,591)
Long-term debt	(591,202)
Other noncurrent liabilities	(129,732)
Total identifiable net assets assumed	$ 1,849,962

1. Summary of Significant Accounting Policies (continued)

Hoag's financial results for the four months ending June 30, 2013, included in the Health System's results (in thousands) from the date of the affiliation closing on March 1, 2013, are as follows

Total revenues	$ 313,863
Operating income	5,651
Excess of revenues over expenses	22,938

The following pro forma (unaudited) consolidated financial information presents the Health System's results assuming the affiliation occurred on July 1, 2011

	2013		2012	
	Actual	Pro forma (Unaudited)	Actual	Pro forma (Unaudited)
Total revenues	**$4,955,700**	**$5,610,129**	$4,382,807	$5,314,681
Operating income	**49,736**	**104,637**	169,725	218,291
Excess of revenues over expenses	**1,922,301**	**335,792**	121,730	1,970,844

Pro forma results for the year ending June 30, 2013, include historical Hoag results for the eight-month period ended February 28, 2013, prior to the affiliation Pro forma results for the year ending June 30, 2012, include historical Hoag results for the year ended September 30, 2012 Purchase accounting adjustments are included within pro forma results A nonrecurring contribution of $1,712,981,000 is included within pro forma results

As part of the business combination accounting policy conformity between the Health System and Hoag, the Health System reclassified approximately $36,717,000 from interest expense to nonoperating gains (losses), net for the change in fair value related to the interest rate swaps Additionally, the Health System reclassified approximately $9,282,000 from nonoperating gains (losses), net to operating income related to charitable foundation activities

Mission Internal Medical Group

Effective November 2012, Heritage acquired tangible and intangible assets as well as a management company from Mission Internal Medical Group, Inc (MIMG), a Southern California physician medical group, for $110,223,000 MIMG is located in the south Orange

1. Summary of Significant Accounting Policies (continued)

County market, providing physician services and unique ancillary services, including cardiac diagnostic services, an infusion center, medical travel clinic and sleep center Upon the effective date of the transaction, MIMG became the exclusive medical group partner in south Orange County providing professional services to patients whose contractual relationship is owned and managed by Heritage The transaction was accounted for as an acquisition under ASC 958-805 and resulted in goodwill and intangible assets of $105,016,000 Intangible assets primarily related to covenants not-to-compete and customer contracts

High Desert Primary Care

Effective December 2012, Heritage acquired tangible and intangible assets as well as a management company from High Desert Primary Care for $34,987,000 The transaction was accounted for as an acquisition under ASC 958-805 and resulted in goodwill and intangible assets of $30,642,000 Intangible assets primarily related to covenants not-to-compete and customer contracts

California Hospital Quality Assurance Program

California legislation established a program that imposes a Quality Assurance Fee (QA Fee) on certain general acute care hospitals in order to make supplemental and grant payments and increased capitation payments (Supplemental Payments) to hospitals up to the aggregate upper payment limit for various periods There have been three such programs since inception The first two programs were the 21-month program (21-Month Program) covering the period April 1, 2009 to December 31, 2010, and the 6-month program (6-Month Program) covering the period January 1, 2011 to June 30, 2011 (the Original Programs), and the third, a 30-month program covering the period from July 1, 2011 to December 31, 2013 (30-Month Program, collectively, the Programs) The 30-Month Program was signed into law by the Governor of California in September 2011 The Programs are designed to make supplemental inpatient and outpatient Medi-Cal payments to private hospitals, including additional payments for certain facilities that provide high-acuity care and trauma services to the Medi-Cal population This hospital QA Fee program provides a mechanism for increasing payments to hospitals that serve Medi-Cal patients, with no impact on the state's General Fund (GF) Payments are made directly by the state or Medi-Cal managed care plans, which will receive increased capitation rates from the state in amounts equal to the Supplemental Payments Outside of the legislation, the California Hospital Association (CHA) has created a private program, operated by the California Health Foundation and Trust (CHFT), which was established to alleviate disparities potentially resulting from the implementation of the Programs

1. Summary of Significant Accounting Policies (continued)

The Original Programs required full federal approval (i e by the Centers for Medicare and Medicaid Services (CMS)) in order for them to be fully enacted If final federal approval was not ultimately obtained, provisions in the underlying legislation allowed for the QA Fee, previously assessed, and Supplemental Payments, previously received, to be returned and recouped, respectively As such, revenue and expense recognition was not allowed until full CMS approval was obtained Full CMS approvals for the 21-Month Program and 6-Month Program were obtained in December 2010 and December 2011, respectively For the year ended June 30, 2012, the Health System recognized payments to the California Department of Health Care Services (DHCS) for the QA Fee in the amount of $34,375,000 and pledge payments to the CHFT of approximately $876,000 within supplies and other expenses The Health System recognized Supplemental Payment revenue for the year ended June 30, 2012, in the amount of $52,917,000 pertaining to the 6-Month Program within net patient service revenues

In June 2012, the legislation governing the Program was amended to allow for the fee-for-service portion of the 30-Month Program to be administered separately from the managed care portion Accordingly, upon CMS approval of the fee-for-service portion of the 30-Month Program in June 2012, for the year ended June 30, 2012, the Health System recognized $54,268,000 in accrued liabilities for the 30-Month Program QA Fee payments, which was expensed within supplies and other expenses Additionally, Supplemental Payment revenue in the amount of $72,398,000 was recognized within net patient service revenue and as the payments were not yet received, a receivable was recorded in inventories and other current assets

In May and June 2013, CMS approved the managed care portion of the 30-Month Program covering the period from July 1, 2011 to June 30, 2013 Accordingly, the Health System recognized the impact of the managed care portion for the approved period and continued to recognize the fee-for-service portion of the 30-Month Program The Health System recognized payments to DHCS for the QA Fee in the amount of $138,530,000 and pledge payments to CHFT of $6,269,000 within supplies and other expenses During the year ended June 30, 2013, the Health System also recognized Supplemental Payment revenue in the amount of $210,922,000 pertaining to the 30-Month Program within net patient service revenues

Electronic Health Records Incentive Payments

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH) The provisions were designed to increase the use of electronic

1. Summary of Significant Accounting Policies (continued)

health record (EHR) technology and establish the requirements for a Medicaid and Medicare incentive payment program beginning in 2011 for eligible providers that adopt and demonstrate meaningful use of certified EHR technology Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period Initial Medicaid incentive payments are available to providers that adopt, implement or upgrade certified EHR technology Providers must continue to demonstrate meaningful use of such technology in subsequent years to qualify for additional Medicaid and Medicare incentive payments and to avoid potential penalties

The Health System accounts for Medicaid and Medicare EHR incentive payments as a gain contingency For the years ended June 30, 2013 and 2012, Medicare incentives of $5,997,000 and $8,157,000 were recognized in other revenues upon demonstration of compliance with the meaningful use criteria over the entire applicable compliance period and the end of the 12-month cost report period that will be used to determine the final incentive payment The Health System also recognized Medicaid incentives of $1,954,000 in 2013 and $13,122,000 in 2012, in other revenues, upon demonstration of compliance with the criteria Income from incentive payments is subject to retrospective adjustment as the incentive payments are calculated using Medicare cost report data that is subject to audit Additionally, the Health System's compliance with meaningful use criteria is subject to audit by the federal government

Adoption of New Accounting Pronouncements

Effective July 1, 2012, the Health System adopted a new accounting standard modifying the wording used to describe many of the requirements in GAAP for measuring fair value and disclosing information about fair value measurements under ASC 820, *Fair Value Measurements and Disclosures* Adoption of the new standard did not have a significant impact on the Health System's consolidated financial statements (see Note 2)

Recent Accounting Pronouncements

In December 2011, an accounting standard was released and effective for the Health System beginning July 1, 2013, relating to the offsetting of financial instruments The Health System is currently evaluating the impact of this standard to the consolidated financial statements

1. Summary of Significant Accounting Policies (continued)

In October 2012, an accounting standard was released and effective for the Health System beginning July 1, 2013, requiring classification of cash receipts from the sale of donated financial assets consistently with cash donations received within the statement of cash flows The Health System is currently evaluating the impact of this standard to the consolidated financial statements

Subsequent Events

The Health System has evaluated subsequent events occurring between the end of the most recent fiscal year ended June 30, 2013 and September 27, 2013, the date the financial statements were issued In July 2013, the Health System issued fixed rate revenue bonds to refund Hoag's outstanding obligations and to finance prospective projects (see Note 5)

2. Fair Value Measurements

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability As a basis for considering such assumptions, the Health System utilizes a three-tier fair value hierarchy, as determined at the end of the reporting period, which prioritizes the inputs used in measuring fair value as follows

- Level 1 – Pricing is based on observable inputs such as quoted prices in active markets Financial assets in Level 1 include certain cash and cash equivalents, money market funds, U S treasury securities, corporate debt and equity securities, including mutual funds and commingled funds

- Level 2 – Pricing inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities Financial assets and liabilities in this category include certain money market funds, commercial paper, U S Treasury securities, corporate debt and equity securities, municipal bonds, and interest rate swap obligations

2. Fair Value Measurements (continued)

- Level 3 – Pricing inputs are generally unobservable and include situations where there is little, if any, market activity for the investment The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities The fair values are therefore determined using factors that involve considerable judgment and interpretations, including, but not limited to, private and public comparables, and discounted cash flow models This category primarily includes certain corporate debt and equity securities and commingled funds

Assets and liabilities measured at fair value are based on one or more of three valuation techniques as follows

(a) Market approach Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities

(b) Cost approach Amount that would be required to replace the service capacity of an asset (replacement cost)

(c) Income approach Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing, and excess earnings models)

The Health System has invested in funds which are included in long-term marketable securities and assets limited as to use in the accompanying consolidated balance sheets Specifically, the Health System has invested in hedge funds, private equity funds and real return asset funds The funds use various strategies including but not limited to long/short equities, arbitrage, and event driven strategies to seek positive returns, regardless of market direction The terms and conditions upon which the Health System may redeem investments in hedge funds range from monthly with 60 days' notice to rolling three years with 45 days' notice These investments are primarily made through limited partnerships and offshore corporations where liquidity may be limited on new contributions for up to three years Private equity investments can be accessed on the partnership termination date Certain of the Health System's investments in real return asset funds are subject to redemption limitations ranging from daily liquidity with ten days' notice to quarterly liquidity with 60 days' notice The remaining real return positions can be accessed on the partnership termination date Certain funds reserve the right to reduce or suspend

2. Fair Value Measurements (continued)

redemptions and to satisfy redemptions by making distributions in-kind, under certain circumstances The Health System may not withdraw or sell, assign, or transfer its interests in certain limited partnerships except in certain circumstances, subject to consent by the general partners of the funds

Total unfunded commitments were $58,993,000 and $56,454,000 as of June 30, 2013 and 2012, respectively The value for these funds recorded under the equity method of accounting and included within the tables below was $771,333,000 at June 30, 2013, and $240,042,000 at June 30, 2012

2. Fair Value Measurements (continued)

The following tables provide the composition of certain assets and liabilities as of June 30, 2013 and 2012

	June 30, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Method Investments	Equity Method Investments	Valuation Technique (a,b,c)
			(In Thousands)				
Current assets							
Cash and equivalents	$ 329,513	$ 300,792	$ 28,721	$ –	$ 329,513	$ –	a
Short-term marketable securities							
Money market funds	$ –	$ –	$ –	$ –	$ –	$ –	a
U S Treasury securities	285,681	–	285,681	–	285,681	–	a
Corporate debt securities	276,226	74,305	201,921	–	276,226	–	a,c
Corporate equity securities	218,972	218,972	–	–	218,972	–	a
Other	1,873	1,306	567	–	1,873	–	a
	$ 782,752	$ 294,583	$ 488,169	$ –	$ 782,752	$ –	
Long-term marketable securities						–	
Money market funds	$ 1,557	$ 1,557	$ –	$ –	$ 1,557	$ –	a
U S Treasury securities	60,229	–	60,229	–	60,229	–	a
Corporate debt securities	152,201	104,581	45,631	1,989	152,201	–	a
Corporate equity securities	460,206	460,101	105	–	460,206	–	a
Other	316,124	–	–	–	–	316,124	
	$ 990,317	$ 566,239	$ 105,965	$ 1,989	$ 674,193	$ 316,124	
Assets limited as to use							
Board designated							
Money market funds	$ 318,197	$ 318,197	$ –	$ –	$ 318,197	$ –	a
U S Treasury securities	128,698	–	128,698	–	128,698	–	a
Corporate debt securities	286,108	129,621	156,487	–	286,108	–	a
Corporate equity securities	210,571	209,207	–	1,364	210,571	–	a
Other	406,696	20,040	–	–	20,040	386,656	
	$ 1,350,270	$ 677,065	$ 285,185	1,364	$ 963,614	$ 386,656	
Held in trust							
Money market funds	$ 1,147	$ 1,147	$ –	$ –	$ 1,147	$ –	a
U S Treasury securities	3,053	–	3,053	–	3,053	–	a
Corporate debt securities	18,137	13,276	4,861	–	18,137	–	a
Corporate equity securities	26,652	26,652	–	–	26,652	–	a
Other	78,821	855	9,412	1	10,268	68,553	
	$ 127,810	$ 41,930	$ 17,326	$ 1	$ 59,257	$ 68,553	
Cash collateral held by swap counterparty							
U S Treasury securities	$ 8,926	$ –	$ 8,926	$ –	$ 8,926	$ –	a
Liabilities							
Interest rate swaps	$ 85,983	$ –	$ 85,983	$ –	$ 85,983	$ –	c

2. Fair Value Measurements (continued)

	June 30, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Method Investments	Equity Method Investments	Valuation Technique (a,b,c)
			(In Thousands)				
Current assets							
Cash and equivalents	$ 199,940	$ 199,940	$ –	$ –	$ 199,940	$ –	a
Short-term marketable securities							
Money market funds	$ 12,813	$ 6,499	$ 6,314	$ –	$ 12,813	$ –	a
U.S. Treasury securities	318,948	7,912	311,036	–	318,948	–	a
Corporate debt securities	212,446	20,184	192,262	–	212,446	–	a,c
Corporate equity securities	240,604	240,604	–	–	240,604	–	a
	$ 784,811	$ 275,199	$ 509,612	$ –	$ 784,811	$ –	
Long-term marketable securities							
Money market funds	$ 53,984	$ 14,541	$ 39,443	$ –	$ 53,984	$ –	a
U.S. Treasury securities	142,388	342	142,046	–	142,388	–	a
Corporate debt securities	79,863	–	77,888	1,975	79,863	–	a
Corporate equity securities	421,568	417,402	4,166	–	421,568	–	a
Other	238,684	–	–	–	–	238,684	
	$ 936,487	$ 432,285	$ 263,543	$ 1,975	$ 697,803	$ 238,684	
Assets limited as to use							
Board designated							
Money market funds	$ 93,749	$ 93,749	$ –	$ –	$ 93,749	$ –	a
U.S. Treasury securities	8,932	–	8,932	–	8,932	–	a
Corporate debt securities	51,242	–	51,242	–	51,242	–	a
Corporate equity securities	32,986	32,986	–	–	32,986	–	a
Other	1,358	–	–	–	–	1,358	
	$ 188,267	$ 126,735	$ 60,174	–	$ 186,909	$ 1,358	
Held in trust							
Money market funds	$ 194,505	$ 183,583	$ 10,922	$ –	$ 194,505	$ –	a
Corporate debt securities	254	254	–	–	254	–	a
Corporate equity securities	1,307	1,307	–	–	1,307	–	a
	$ 196,066	$ 185,144	$ 10,922	$ –	$ 196,066	$ –	
Cash collateral held by swap counterparty							
U.S. Treasury securities	$ 40,402	$ –	$ 40,402	$ –	$ 40,402	$ –	a
Liabilities							
Interest rate swaps	$ 72,629	$ –	$ 72,629	$ –	$ 72,629	$ –	c

2. Fair Value Measurements (continued)

Activity for the year ended June 30, 2013, for investments with significant unobservable inputs (Level 3) consists of the following (in thousands)

Balance at June 30, 2012	$	1,975
Transfers in from Hoag affiliation		1,379
Purchases		151
Net unrealized losses, included in nonoperating gains		(151)
Balance at June 30, 2013	$	3,354

The Health System received restricted and unrestricted pledges and contributions totaling approximately $44,650,000 and $31,643,000 for the years ended June 30, 2013 and 2012, respectively Contributions and pledges were measured based on actual cash and pledges received Long-term irrevocable planned gifts were measured based on discounted cash flow projections

In addition to amounts included in the previous table, the Health System's investments in partnerships, limited liability companies, and similarly structured entities of approximately $15,596,000 and $10,520,000 as of June 30, 2013 and 2012, respectively, are included in investments and other in the accompanying consolidated balance sheets and accounted for using the equity method of accounting, which is not a fair value measurement

The Health System sponsors certain deferred compensation plans for which plan assets of $41,782,000 and $34,963,000 comprised of certain mutual funds (Level 1) were maintained as of June 30, 2013 and 2012

Investment Gains and Losses

Interest, dividends, and realized gains on sales of marketable securities of $159,455,000 and $53,308,000, net of related fees, are included in nonoperating gains (losses), net for the years ended June 30, 2013 and 2012, respectively

Also included in nonoperating gains (losses), net are net unrealized gains of $2,976,000 and net unrealized losses of $36,002,000 for the years ended June 30, 2013 and 2012, respectively

3. Property and Equipment

Property and equipment consists of the following at June 30

	2013	2012
	(In Thousands)	
Land	**$ 296,524**	$ 147,659
Buildings and improvements	**3,445,550**	2,209,537
Equipment	**2,201,129**	1,556,843
Construction in progress	**635,080**	584,199
	6,578,283	4,498,238
Less accumulated depreciation	**(2,936,431)**	(2,109,456)
	$ 3,641,852	$ 2,388,782

The Health System is required to recognize a liability for the fair value of conditional asset retirement obligations if the fair value of the liability can be reasonably estimated The fair value of a liability for conditional asset retirement obligations must be recognized when incurred, generally upon acquisition, construction or development and/or through the normal operation of the asset The Health System estimated the fair value of known conditional asset retirement obligations relating to the costs of asbestos abatement that will result from the Health System's current plans to renovate and/or demolish certain of its facilities This computation is based on a number of assumptions which may change in the future based on the availability of new information, technology changes, changes in costs of remediation, and other factors The conditional asset obligation at June 30, 2013 and 2012, was $11,959,000 and $11,917,000, respectively, and is included in other liabilities in the accompanying consolidated balance sheets

Lease Financing Obligations

In June 2006, St Joseph Hospital of Orange (SJO) executed a 55-year lease arrangement with a developer, whereby the developer agreed to construct a 130,000 square foot medical office building and a parking structure on SJO's land Under the ground lease, SJO received nominal base rent until construction was completed in August 2008, at which time SJO took occupancy SJO guaranteed to lease 64,000 square feet of the medical office building for ten years and is required to pay lease payments for the parking structure for five years At the end of the lease term, SJO will have title to both the parking structure and the medical office building The aggregate cost of the project was approximately $43,527,000 and is included in buildings and improvements All construction costs were substantially financed by the developer

3. Property and Equipment (continued)

In May 2005, SJO executed a 22-year lease arrangement, including two five-year lease term extensions, with a joint venture partnership in which SJO has a 35% ownership interest The joint venture partnership owned and constructed a 56,000 square foot medical office building and parking structure on its land SJO committed to leasing the whole building, but subleased approximately 43,000 square feet to Heritage for physician offices The aggregate cost of the project was approximately $28,158,000 and is included in building and improvements Substantially all construction costs were financed by the joint venture partnership

SJO is considered the owner of both the medical office buildings and parking structures for financial reporting purposes due to certain financial arrangements that effectively fund a portion of the construction costs Heritage is also considered a separate owner of the medical office building since it is affiliated with SJO which has a 35% ownership interest in the joint venture partnership Accordingly, the assets and long-term debt of the medical office buildings and parking structures are recorded in the accompanying consolidated financial statements at June 30, 2013 and 2012 (see Note 5) The medical office buildings and parking structures are included in buildings and improvements as of June 30, 2013 and 2012 SJO and Heritage did not meet the criteria necessary to derecognize the asset and related long-term debt when construction was complete in 2009 and the lease terms began

The cost of the medical office buildings and parking structures are amortized over the economic life Rent payments paid by SJO and Heritage are recorded as debt service payments on the debt obligation with the portion not relating to interest reducing the principal balance Minimum estimated payments under lease financing obligations, excluding the effect of Consumer Price Index adjustments, are estimated to be as follows (in thousands)

Year	
2014	$ 323
2015	341
2016	459
2017	587
2018	726
Thereafter	64,133
Total	$ 66,569

4. Credit Facilities

In July 2011, the Health System entered into a syndicated credit arrangement (the Credit Agreement) for $350,000,000 in revolving credit lines expiring on July 18, 2016 The Health System had $131,000,000 and $50,000,000 in outstanding borrowings under this credit facility at June 30, 2013 and 2012, respectively (see Note 5)

The Health System has a credit facility with a bank to cumulatively borrow up to $80,000,000 Borrowings under this credit facility bear interest at rates based on specified margins from published indices The Health System had $39,000,000 and $47,000,000 in outstanding borrowings as of June 30, 2013 and 2012, respectively (see Note 5) The credit facility expires in March 2014 and the Health System intends to renew the facility and has the option to transfer the obligation to the Credit Agreement

St Joseph Health has a bank credit facility that provides for the issuance of up to an aggregate of $50,000,000 under letters of credit Such letters of credit are collateralized under trust indentures (see Note 5) At June 30, 2013, St Joseph Health had provided an aggregate of $41,650,000 of these letters of credit for its workers' compensation and other insurance plans At June 30, 2013 and 2012, none of these letters have been drawn upon

5. Long-Term Debt

At June 30, 2013, the Health System Obligated Group is jointly and severally liable for certificates of participation and tax-exempt revenue bonds issued on its behalf by the California Statewide Communities Development Authority (CSCDA), California Health Facilities Financing Authority (CHFFA), and the Lubbock Health Facilities Development Corporation (LHFDC) Hoag is liable for outstanding tax-exempt revenue bonds issued on its behalf by the City of Newport Beach (CNB) prior to the affiliation with the Health System

5. Long-Term Debt (continued)

Long-term debt consists of the following at June 30

	2013	2012
	(In Thousands)	
CSCDA Series 1999, 2000, and 2007A-F fixed rate tax-exempt bonds, net of unamortized premium of $2,232, due in varying amounts through 2047, coupon rates of 4 50% to 5 75%	**$ 606,342**	$ 619,290
LHFDC Series 2008A multi-annual three-year put bonds due in 2030, coupon rate of 3 05%	**45,375**	46,750
LHFDC Series 2008B fixed rate tax-exempt bonds, due in varying amounts through 2023, coupon rates of 4 00% to 5 00%	**94,425**	105,385
CHFFA Series 2009A fixed rate tax-exempt bonds, net of unamortized discount of $2,626, due in varying amounts through 2039, coupon rates of 5 50% and 5 75%	**182,469**	182,368
CHFFA Series 2009BCD fixed rate multi-annual three-, five- and seven-year put bonds, net of unamortized premium of $7,154, due in varying amounts through 2034, coupon rates of 4 00% to 5 25%	**237,429**	243,260
CHFFA Series 2011ABCD variable rate tax-exempt bonds with credit facility liquidity, due in varying amounts through 2041, interest rates varying from 0 01% to 0 24%	**302,110**	302,110
CNB Series 2008C variable rate tax-exempt bonds with self-liquidity, due in varying amounts through 2040, interest rates varying from 0 06% to 0 15%	**70,095**	–
CNB Series 2008DEF variable rate tax-exempt bonds with credit facility liquidity, due in varying amounts through 2040, interest rates varying from 0 07% to 0 20%	**244,890**	–
CNB Series 2009A fixed rate tax-exempt term bonds, due in varying amounts through 2024, interest rate of 4 22%	**62,384**	–
CNB Series 2009DE fixed rate private placement tax-exempt bonds, due in varying amounts through 2038, interest rate of 0 61%	**70,980**	–

5. Long-Term Debt (continued)

	2013	2012
	(In Thousands)	
CNB Series 2011A fixed rate tax-exempt bonds, due in varying amounts through 2040, interest rate of 6 00%	**$ 104,495**	$ –
Bank line of credit, balloon payment due July 2016, interest rates of 0 93% to 1 01%	**131,000**	50,000
Bank line of credit, balloon payment due March 2014, interest rate of 0 75%	**39,000**	47,000
Lease financing obligation *(see Note 3)*	**66,569**	66,981
Fair value adjustment from Hoag affiliation	**29,534**	–
Capitalized leases	**17,746**	4,134
Other	**15,747**	5,744
	2,320,590	1,673,022
Less current portion of long-term debt	**(202,453)**	(39,238)
	$ 2,118,137	$ 1,633,784

The effective interest rate on tax-exempt debt was 4 72% and 5 02% at June 30, 2013 and 2012, respectively

The aggregate amount of principal maturities and sinking fund requirements related to long-term debt at June 30, 2013, is as follows (in thousands)

Year	
2014	$ 132,358
2015	88,437
2016	58,360
2017	199,175
2018	52,325
Thereafter	1,789,935
	$ 2,320,590

5. Long-Term Debt (continued)

In July 2011, the Health System issued $302,110,000 of CHFFA variable rate tax-exempt demand bonds with interest rates reset daily or weekly and liquidity supported by irrevocable credit facilities that extend through July 13, 2016, unless renewed or extended Proceeds of this issuance are being used to finance prospective projects and reimburse prior capital spending at various hospitals In addition, the Health System converted $105,385,000 of LHFDC variable rate demand bonds with liquidity supported by an irrevocable credit facility into fixed rate revenue bonds at interest rates varying from 4 00% to 5 00%

In conjunction with the issuance of the CHFFA variable rate tax-exempt demand bonds in July 2011, the Health System secured $306,878,000 of credit facilities to provide liquidity for the outstanding bonds

The fair value of the fixed rate tax-exempt bonds approximated $1,456,462,000 and $1,296,041,000 at June 30, 2013 and 2012, respectively Fair value is estimated using a discounted cash flow analysis, based on current market interest rates for similar types of borrowing arrangements (Level 2 within the fair value hierarchy) The carrying amount of the Health System's variable rate tax-exempt bonds approximates its fair value as the interest rates change with the market

At June 30, 2013, the Health System, excluding Hoag, was party to six interest rate swap agreements with a current notional amount totaling $284,582,000 and with varying expirations In addition, Hoag was a party to three interest rate swap agreements with a current notional amount totaling $244,915,000 with varying expiration dates The swap agreements require fixed rate payment in exchange for a variable rate The market risk exposure of these agreements occur when the fixed rate paid is greater than the variable rate received At June 30, 2013 and 2012, the total fair value of the combined interest rate swaps of $85,983,000 and $72,629,000, respectively, represent the estimated amount the Health System would have paid upon termination of these agreements as of these dates Fair values are based on independent valuations obtained and are determined by calculating the value of the discounted cash flows of the differences between the fixed interest rate of the interest rate swaps and the counterparty's forward LIBOR curve, which is the input used in the valuation, taking also into account any nonperformance risk Changes in the fair value of the interest rate swaps are included within nonoperating gains and losses The Health System restricted $8,926,000 and $40,402,000 in collateral held for the swap counterparty at June 30, 2013 and 2012, respectively, as required by its swap agreements

5. Long-Term Debt (continued)

At June 30, 2013, Hoag's variable rate tax-exempt bonds of $70,095,000 were supported by self-liquidity and, accordingly, sufficient assets were maintained to be used to repurchase the bonds in the event that tendered bonds are not resold in the market Due to the holders' right to tender on a daily basis, outstanding amounts are classified as current maturities Hoag's variable rate tax-exempt bonds of $244,890,000 were supported by credit facilities of varying expiration dates

In July 2013, the Health System issued $654,840,000 of CHFFA fixed rate revenue bonds, of which $324,840,000, net of unamortized premium of $4,624,000, is due in varying amounts through 2037 at coupon rates of 4 00% to 5 00% and $330,000,000 of multi-annual four-, six-, and seven-year put bonds, net of unamortized premium of $42,255,000, is due in varying amounts through 2043 at coupon rates of 4 15% to 4 26% The proceeds of the issuance were used to refund Hoag's outstanding obligations of $552,844,000, to reimburse certain prior expenditures and to prospectively finance projects at various hospitals Effective with the issuance of the CHFFA fixed rate revenue bonds, Hoag Hospital Newport Beach and Irvine entered the Health System's Obligated Group and St Joseph Home Health North exited the group

Debt Covenants

As of June 30, 2013, the Health System continued to be subject to its existing Master Trust Indentures The Health System's financing agreements contain restrictive covenants and limitations on certain working capital and liquidity ratios, amount of combined debt of the corporations comprising the Obligated Group, and amount of transfer of assets to Non-Obligated Group members Additionally, the trust indentures require that funds are established with, and controlled by, a trustee during the period the bonds remain outstanding

If the Health System does not have a maximum annual debt service coverage ratio at the end of any fiscal year, including June 30, 2013, ranging from at least 2 0 to 1 0, pursuant to its trust indentures for the tax-exempt bonds issued through CSCDA, CHFFA, and LHFDC, the Health System is required to fund the applicable debt service reserve fund seven days after the required reporting date

5. Long-Term Debt (continued)

Until its entry into the Health System's Obligated Group in July 2013, Hoag continued to be subject to a separate Master Trust Indenture under which essentially all of the cash, investments, receivables, and income of Hoag Hospital and Newport Healthcare Center are pledged as collateral

Interest Cost

Interest cost incurred for the year ended June 30 is summarized as follows

	2013	2012
	(In Thousands)	
Interest paid	**$ 71,455**	$ 63,303
Amortization of deferred financing costs	**891**	894
Total interest expense	**$ 72,346**	$ 64,197

6. Children's Hospital of Orange County

SJO provides Children's Hospital of Orange County (CHOC) with specified facilities and ancillary services and other operating services under an agreement that requires CHOC to reimburse SJO for the costs of providing such services Net patient service revenues include $55,509,000 and $74,936,000 for the years ended June 30, 2013 and 2012, respectively, relating to these services The agreement terminated on March 31, 2013

In January 1993, Mission Hospital Regional Medical Center (MHRMC) and CHOC entered into an asset purchase agreement, a long-term lease, and an operating agreement forming Children's Hospital at Mission (CHM), a wholly owned subsidiary of CHOC Pursuant to the asset purchase agreement, CHM purchased substantially all of the pediatric services and operations of MHRMC and certain tangible and intangible assets related to those activities and operations for $10,200,000

6. Children's Hospital of Orange County (continued)

CHM has agreed to rent space from MHRMC through December 2022 with a ten-year renewal option available under the long-term lease MHRMC provides CHM and its patients certain hospital services and facilities at an agreed-upon cost plus a percentage mark-up under the operating agreement Net patient service revenues include $13,250,000 and $13,687,000 for the years ended June 30, 2013 and 2012, respectively, for these services Other revenue includes $6,280,000 and $5,993,000 for the years ended June 30, 2013 and 2012, respectively, for other services provided to CHM

7. Employee Benefit Plans

Retirement Plan

The Health System sponsors defined contribution retirement plans that covers substantially all employees The plans provide for employer matching contributions in an amount equal to a percentage of employee pre-tax contributions, up to a maximum amount In addition, the Health System makes contributions to all eligible employees based on years of service The Health System contributed $83,857,000 and $79,072,000 in 2013 and 2012 to the plan

Postretirement Health

The Health System offers a retiree health reimbursement plan to provide employees who have satisfied the conditions of eligibility, with certain retiree medical expense reimbursement benefits Eligibility for plan benefits is based on age and years of service

7. Employee Benefit Plans (continued)

The following table sets forth the change in benefit obligations and components of net periodic benefit cost for the postretirement health plan As of June 30, 2013 and 2012, there were no plan assets

	2013	2012
	(In Thousands)	
Change in benefit obligations		
Accumulated postretirement benefit obligation at beginning of year	$ **39,510**	$ 35,688
Service cost	**2,639**	2,164
Interest cost	**1,501**	1,779
Actuarial (gain) loss	**(1,405)**	674
Benefits paid	**(1,270)**	(825)
Change in plan provision	**–**	30
Accumulated postretirement benefit obligation at end of year recognized in the consolidated balance sheet	$ **40,975**	$ 39,510
Amounts recognized in the consolidated balance sheet		
Funded status at end of year	$ **(40,975)**	$ (39,510)
Unrecognized prior service cost	**–**	–
Unrecognized net (gain) or loss	**–**	–
Amounts recognized in the consolidated balance sheet	$ **(40,975)**	$ (39,510)
Amounts recognized in changes to unrestricted net assets		
Prior service cost	$ **(15,541)**	$ (18,709)
Net actuarial gain	**13,379**	12,620
Total	$ **(2,162)**	$ (6,089)
Components of net periodic benefit costs		
Service cost	$ **2,639**	$ 2,164
Interest cost	**1,501**	1,779
Amortization of net loss	**(646)**	(785)
Amortization of prior service cost	**3,169**	3,166
Net periodic benefit cost	$ **6,663**	$ 6,324

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

	2013	2012
Weighted-average discount rate for benefit obligation	**4.05%**	3 65%
Weighted-average discount rate for net periodic benefit cost	**3.65%**	4 85%

7. Employee Benefit Plans (continued)

The assumed annual health care cost trend rate for the retiree health plan is 8 00% for 2013, gradually decreasing to 5 00% in 2019 and remaining at that level thereafter

Information about the expected cash flows for the retiree health reimbursement plan follows (in thousands)

Expected employer contributions 2014	$	2,707
Expected benefit payments		
2014	$	2,707
2015		3,969
2016		4,572
2017		4,697
2018		4,523
2019–2023		22,069

8. Functional Expenses

The Health System provides general health care services to residents within the geographic locations served by its affiliates Expenses related to providing these services for the year ended June 30 are as follows

	2013	2012
	(In Thousands)	
Health care services	**$ 4,020,490**	$ 3,494,233
General and administrative	**885,474**	718,849
	$ 4,905,964	$ 4,213,082

9. Charity Care

The Health System's policy is to accept all patients regardless of their ability to pay In assessing a patient's ability to pay, the Health System's policy uses generally recognized income levels, but also considers cases where incurred charges are significant when compared to income Health care services rendered to patients who are unable to pay according to these criteria are classified as traditional charity care

9. Charity Care (continued)

The Health System's policy is to report charity care and community benefits disclosures on a cost basis and to report any offsetting funds separately Charity care amounts are determined using both a ratio of cost to gross charges as well as cost accounting systems Effective July 1, 2011, the Health System adopted the new accounting standard requiring health care entities to present charity care disclosures at cost and provide additional disclosures relating to the measurement of charity cost In addition, the standard requires that funds received from sources such as government programs or private grants, which offset or subsidize charity services, be separately disclosed

The Health System incurred charity care costs for the year ended June 30 of $92,735,000 and $83,526,000 in 2013 and 2012, respectively

10. Community Benefits (Unaudited)

The Health System's policy is also to sponsor numerous health care-related programs for the general community and the medically underserved population in the area it serves Some of these programs include mobile medical vans, health and dental clinics, prenatal programs, AIDS residences, health referral services, and bilingual health education and are referred to as community services

In addition to traditional charity care and other direct community services, the Health System incurred a shortfall from services rendered to patients covered by certain public programs This shortfall is defined as the cost of providing services to state Medicaid and local indigent program beneficiaries in excess of government payments The Health System's QA Fee payments and Supplemental Payment revenues from the California Hospital Quality Assurance Program are included within unpaid cost of state and local programs

10. Community Benefits (Unaudited) (continued)

The cost of the aforementioned programs for the Health System is summarized for the year ended June 30, 2013 and 2012, as follows

2013	Total Community Benefit Expense, at Cost			Unsponsored Community Benefit Expense, at Cost	
	Amount	% of Total Expenses	Direct Offsetting Revenue	Amount	% of Total Expenses
			(In Thousands)		
Benefits for the poor					
Traditional charity care (audited)	$ 92,735	1.9%	$ –	$ 92,735	1.9%
Community services for the poor	42,547	0.9%	4,349	38,198	0.8%
Unpaid cost of state and local programs	657,805	13.4%	492,333	165,472	3.4%
Total quantifiable benefits for the poor	793,087	16.2%	496,682	296,405	6.1%
Benefits for the broader community					
Community services for the broader community	42,237	0.9%	812	41,425	0.8%
Total quantifiable benefits for the broader community	42,237	0.9%	812	41,425	0.8%
Total community benefits	$ 835,324	17.1%	$ 497,494	$ 337,830	6.9%

2012 (Audited)	Total Community Benefit Expense, at Cost			Unsponsored Community Benefit Expense, at Cost	
	Amount	% of Total Expenses	Direct Offsetting Revenue	Amount	% of Total Expenses
			(In Thousands)		
Benefits for the poor					
Traditional charity care	$ 92,936	2.2%	$ 9,410	$ 83,526	2.0%
Community services for the poor	47,009	1.1%	4,230	42,779	1.0%
Unpaid cost of state and local programs	589,726	14.0%	429,149	160,577	3.8%
Total quantifiable benefits for the poor	729,671	17.3%	442,789	286,882	6.8%
Benefits for the broader community					
Community services for the broader community	34,820	0.8%	543	34,277	0.8%
Total quantifiable benefits for the broader community	34,820	0.8%	543	34,277	0.8%
Total community benefits	$ 764,491	18.1%	$ 443,332	$ 321,159	7.6%

In addition, the Health System incurred $371,326,000 and $302,817,000 in costs in excess of reimbursement from the Medicare program for the year ended June 30, 2013 and 2012, respectively

10. Community Benefits (Unaudited) (continued)

The Health System's affiliated hospitals, excluding Hoag, dedicate approximately 10% of revenues in excess of expenses attributable to controlling interests each year to the St Joseph Health System Foundation (Foundation) The Foundation administers various programs for the poor and underserved in local and other communities Such programs are reflected in community services for the poor

11. Temporarily and Permanently Restricted Net Assets

A summary of net assets at June 30 follows

	2013	2012
	(In Thousands)	
Unrestricted	**$ 4,674,817**	$ 2,745,595
Temporarily restricted	**223,370**	125,865
Permanently restricted	**65,674**	9,601
Total net assets	**$ 4,963,861**	$ 2,881,061

Temporarily and permanently restricted net assets are donor-restricted assets appropriated for facility expansion, capital acquisition, health services, and other specific purposes

Endowments

The Health System's endowment consists of approximately 151 separate endowment funds included in assets limited as to use established for a variety of purposes The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees of the hospital foundations to function as endowments Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions

The Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor restrictions to the contrary As a result of this interpretation, the Health System classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of applicable donor gift instrument at the time

11. Temporarily and Permanently Restricted Net Assets (continued)

the accumulation is added to the fund The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily net assets until those amounts are appropriated for expenditure by the Health System in a manner consistent with the standard of prudence prescribed by UPMIFA In accordance with UPMIFA, the Health System considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds

a The duration and preservation of the fund
b The purposes of the hospital and the donor-restricted endowment fund
c General economic conditions
d The possible effect of inflation and deflation
e The expected total return from income and the appreciation of investments
f Other resources of the hospital
g The investment policies of the hospital

The endowment net asset composition as of June 30, by fund type, was as follows (in thousands)

	2013			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Board-designated endowment funds	**$ 56,425**	**$ 13,819**	**$ –**	**$ 70,244**
Donor-restricted endowment funds	**–**	**29,873**	**65,674**	**95,547**
Total funds	**$ 56,425**	**$ 43,692**	**$ 65,674**	**$ 165,791**

	2012			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Board-designated endowment funds	$ 19,074	$ 4,897	$ –	$ 23,971
Donor-restricted endowment funds	–	717	9,601	10,318
Total funds	$ 19,074	$ 5,614	$ 9,601	$ 34,289

11. Temporarily and Permanently Restricted Net Assets (continued)

Changes in endowment net assets during the years ended June 30 were as follows (in thousands)

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2012	$ 19,074	$ 5,614	$ 9,601	$ 34,289
Contributions from Hoag	33,457	36,972	53,818	124,247
Realized investment gains	1,737	1,467	539	3,743
Unrealized gains	2,104	1,090	2	3,196
Contributions, net	967	(421)	1,715	2,261
Appropriation of endowment assets for expenditure	(914)	(1,030)	(1)	(1,945)
Endowment net assets, June 30, 2013	$ 56,425	$ 43,692	$ 65,674	$ 165,791

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2011	$ 19,595	$ 4,203	$ 7,483	$ 31,281
Realized investment gains	882	157	467	1,506
Unrealized losses	(1,179)	(327)	–	(1,506)
Contributions, net	571	1,850	1,661	4,082
Appropriation of endowment assets for expenditure	(795)	(269)	(10)	(1,074)
Endowment net assets, June 30, 2012	$ 19,074	$ 5,614	$ 9,601	$ 34,289

The Health System has investment and spending policies for endowment assets that attempt to provide a stream of funding to programs supported by its endowment while balancing the risk of investment loss with the long-term preservation of purchasing power Endowment assets include those assets of donor-restricted funds that the Health System must hold in perpetuity or for a donor-specified period as well as board-designated funds The Health System seeks to maintain

11. Temporarily and Permanently Restricted Net Assets (continued)

the purchasing power of the endowment assets portfolio and to achieve rates of returns which over time exceed inflation by a specified margin To achieve its long-term investment objectives within prudent risk constraints, the Health System develops strategic asset allocation ranges and targets for the endowment portfolio and considers factors including, but not limited to, time horizon, liquidity, and risk tolerance The current asset allocation targets emphasize diversification across asset classes to manage risk and enhance returns Actual allocations may differ from target allocations in the short term or during periods of significant market fluctuations In addition, the Health System confirms the asset allocation ranges on an annual basis and updates the investment policy and/or target allocations, as needed, if there is a significant change in capital market expectations and/or investment objectives, including spending requirements

The Health System expects that the returns achieved for the endowment portfolio will be accompanied by capital market risk, but the Health System seeks to achieve returns, adjusted for this risk, which will compare favorably to the returns of the applicable markets and representative peers

The Health System's policy allows the individual hospital Board of Trustees to determine a spending rate from endowment investments In establishing this policy, the Health System considers the fair market value and long-term expected return on its endowment and the factors described above

12. Commitments and Contingencies

Operating Leases

The Health System leases land, buildings and equipment under various noncancelable operating leases excluding lease financing obligations (see Note 3) for terms up to 33 years Lease expense for the year ended June 30 was approximately $70,574,000 in 2013 and $59,298,000 in 2012 Sublease revenues relating to building space under various noncancelable leases were $16,997,000 in 2013 and $18,347,000 in 2012 The leases provide that the minimum monthly lease payments may be adjusted for inflation Minimum lease commitments at June 30, 2013, are as follows (in thousands)

Year	
2014	$ 81,759
2015	80,528
2016	73,377
2017	65,955
2018	61,450
Thereafter	291,821
	654,890
Less sublease revenue	(58,126)
	$ 596,764

Litigation

In February 2012, the Health System became aware of and notified 31,800 patients that personal health information records residing on its internal computer networks had been accessible through external search engines All affected patients and regulatory agencies have been notified and corrective actions have been in progress As of June 30, 2013, the outstanding class action suits filed against the Health System have been coordinated into a single proceeding Due to the recent timing of the discovery and the ongoing investigation, the likelihood of an unfavorable outcome and potential financial impact is currently unknown

The Health System has been named in complaints alleging various wage and hour violations in California Similar actions have been filed against other California employers including other hospitals and health systems The Health System is vigorously defending the action All such current cases are in the preliminary stages and as a result, the likelihood of an unfavorable outcome in any such case and the potential financial impact are unknown

12. Commitments and Contingencies (continued)

St Joseph Hospital of Eureka has been named in a complaint alleging the existence of toxic mold at its facility and damages resulting therefrom The case has been filed but not served, and as a result, the likelihood of an unfavorable outcome and the potential financial impact are unknown

The Civil Division of the Department of Justice (DOJ) has contacted the Health System in connection with its nationwide review of whether, in certain cases, hospital charges to the federal government relating to implantable cardio-defibrillators (ICDs) met the Centers for Medicare and Medicaid Services criteria In connection with this nationwide review, the DOJ has indicated that it will be reviewing certain ICD billing and medical records at certain of the Health System's hospitals for the period from October 2003 to the present The review could potentially give rise to claims against the Health System under the federal false claims act or other statutes, regulations or laws At this time, management cannot predict what effect, if any, this review or any resulting claims could have on the Health System

Certain claims, suits, and complaints arising in the ordinary course of business have also been filed or are pending against the Health System In the opinion of management, such claims, if disposed of unfavorably, would not have a material adverse effect on the Health System's consolidated financial position, results of operations or cash flows

Seismic Compliance (Unaudited)

The Health System has completed facility master plans for each of its California hospitals, including an assessment of earthquake retrofit requirements The Health System has received an extension for compliance with seismic standards for all of its California hospitals through January 1, 2015, for some hospitals for factors beyond the hospital's control Excluding Hoag, the Health System projects total costs of $1,083,473,000 to meet these seismic standards, and in some cases these projects will meet enhanced standards for 2030 Of the total projected costs, $889,817,000 has been spent through June 30, 2013, with additional commitments of $186,130,000 The Health System plans to fund these projects through operations, debt issuance and philanthropy Through June 30, 2013, the Health System has received $355,679,000 in philanthropic support for all construction projects

Supplementary Information

St Joseph Health System and Affiliates
A St Joseph Health Ministry Corporation

Consolidating Balance Sheet
(In Thousands)

June 30, 2013

	Consolidated	Eliminations	Total Regional Entities	American Unity Group	Professional Services Enterprises	Heritage Investment Group I	Revenue Cycle Services	Innovation Institute	St Joseph Health System Foundation	Obligated Group	Non-Obligated Group
Assets											
Current assets											
Cash and equivalents	$ 329 513	$ (14 956)	$ 299 774	$ 11 789	$ 2 755	$ 1 556	$ 507	$ 20 469	$ 7 619	$ 73 780	$ 255 733
Short-term marketable securities	782 752	–	715 344	–	–	–	–	–	67 408	605 291	177 461
Patient accounts receivable less allowance for doubtful accounts	607 548	–	607 548	–	–	–	–	–	–	451 452	156 096
Other assets	294 900	–	294 156	1 117	1	61	21	(458)	2	215 354	79 546
Total current assets	2 014 713	(14 956)	1 916 822	12 906	2 756	1 617	528	20 011	75 029	1 345 877	668 836
Long-term marketable securities	990 317	–	925 621	64 696	–	–	–	–	–	870 179	120 138
Assets limited as to use											
Board designated	1 350 270	–	1 319 971	–	–	–	–	–	30 299	158 330	1 191 940
Held in trust	127 810	–	127 810	–	–	–	–	–	–	118 282	9 528
Total assets limited as to use	1 478 080	–	1 447 781	–	–	–	–	–	30 299	276 612	1 201 468
Property and equipment net	3 641 852	(26 781)	3 643 334	–	11 608	12 362	63	1 266	–	2 677 248	964 604
Investments and other	115 250	(45 143)	140 941	269	11 042	7 724	–	417	–	96 933	18 317
Collateral held for swap counterparty	8 926	–	8 926	–	–	–	–	–	–	8 926	–
Notes receivable	23 152	–	23 152	–	–	–	–	–	–	22 222	930
Deferred financing costs net	23 247	–	23 247	–	–	–	–	–	–	19 521	3 726
Goodwill and other intangibles net	255 935	(6 594)	261 460	–	–	–	–	1 069	–	41 770	214 165
	426 510	(51 737)	457 726	269	11 042	7 724	–	1 486	–	189 372	237 138
Total assets	$ 8 551 472	$ (93 474)	$ 8 391 284	$ 77 871	$ 25 406	$ 21 703	$ 591	$ 22 763	$ 105 328	$ 5 359 288	$ 3 192 184
Liabilities and net assets (deficit)											
Current liabilities											
Accounts payable	$ 176 866	$ (196)	$ 174 180	$ 608	$ –	$ –	$ –	$ 2 201	$ 73	$ 126 095	$ 50 771
Accrued compensation and related liabilities	309 424	–	303 921	–	–	–	2 919	2 584	–	223 820	85 604
Accrued liabilities	366 648	(1 461)	342 844	21 655	–	2 253	1 357	–	–	201 732	164 916
Payable to third-party payors	75 873	–	75 873	–	–	–	–	–	–	73 800	2 073
Current maturities of long-term debt	202 453	–	202 453	–	–	–	–	–	–	41 340	161 113
Total current liabilities	1 131 264	(1 657)	1 099 271	22 263	–	2 253	4 276	4 785	73	666 787	464 477
Interest rate swaps	85 983	–	85 983	–	–	–	–	–	–	48 655	37 328
Other liabilities	252 227	–	241 511	10 716	–	–	–	–	–	151 130	101 097
Notes payable and interest due (from) to affiliates	–	(14 757)	(3 824)	113	–	12 757	6 527	(1 361)	545	(148 416)	148 416
Long-term debt less current maturities	2 118 137	(38 330)	2 136 101	–	20 366	–	–	–	–	1 712 710	405 427
Total liabilities	3 587 611	(54 744)	3 559 042	33 092	20 366	15 010	10 803	3 424	618	2 430 866	1 156 745
Net assets (deficit)											
Controlling interest	4 887 443	(42 062)	4 759 156	44 779	5 040	6 693	(10 212)	19 339	104 710	2 928 422	1 959 021
Noncontrolling interests in subsidiaries	76 418	3 332	73 086	–	–	–	–	–	–	–	76 418
	4 963 861	(38 730)	4 832 242	44 779	5 040	6 693	(10 212)	19 339	104 710	2 928 422	2 035 439
Total liabilities and net assets	$ 8 551 472	$ (93 474)	$ 8 391 284	$ 77 871	$ 25 406	$ 21 703	$ 591	$ 22 763	$ 105 328	$ 5 359 288	$ 3 192 184

St Joseph Health System and Affiliates
A St Joseph Health Ministry Corporation

Consolidating Balance Sheet of Regional Entities

(In Thousands)

June 30, 2013

	Total Regional Entities	Eliminations	Southern California Region	Northern California Region	Texas Region	System Office
Assets						
Current assets						
Cash and equivalents	$ 299 774	$ (23 352)	$ 215 042	$ 41 382	$ 66 702	$ –
Short-term marketable securities	715 344	–	372 270	154 923	87 870	100 281
Patient accounts receivable less allowance for doubtful accounts	607 548	–	370 454	119 394	117 700	–
Other assets	294 156	–	180 909	56 129	39 131	17 987
Total current assets	1 916 822	(23 352)	1 138 675	371 828	311 403	118 268
Long-term marketable securities	925 621	2 365	449 284	165 623	178 111	130 238
Assets limited as to use						
Board designated	1 319 971	–	1 298 382	6 941	14 648	–
Held in trust	127 810	–	3 050	28 572	13 188	83 000
Total assets limited as to use	1 447 781	–	1 301 432	35 513	27 836	83 000
Property and equipment net	3 643 334	122 716	2 457 893	631 651	287 035	144 039
Investments and other	140 941	–	78 762	5 144	23 793	33 242
Collateral held for swap counterparty	8 926	–	–	–	–	8 926
Notes receivable	23 152	–	2 832	–	21	20 299
Deferred financing costs net	23 247	–	16 099	5 111	1 186	851
Goodwill and other intangibles net	261 460	26 782	234 409	269	–	–
	457 726	26 782	332 102	10 524	25 000	63 318
Total assets	$ 8 391 284	$ 128 511	$ 5 679 386	$ 1 215 139	$ 829 385	$ 538 863
Liabilities and net assets						
Current liabilities						
Accounts payable	$ 174 180	$ (1)	$ 97 328	$ 27 829	$ 20 360	$ 28 664
Accrued compensation and related liabilities	303 921	–	146 983	57 740	43 103	56 095
Accrued liabilities	342 844	–	142 540	32 416	68 817	99 071
Payable to third-party payors	75 873	–	43 412	22 809	9 652	–
Current maturities of long-term debt	202 453	(30 969)	174 202	4 631	13 582	41 007
Total current liabilities	1 099 271	(30 970)	604 465	145 425	155 514	224 837
Interest rate swaps	85 983	–	37 328	–	–	48 655
Other liabilities	241 511	–	82 277	1 939	31 831	125 464
Notes payable and interest due (from) to affiliates	(3 824)	1 342 264	101 865	38 493	(18 603)	(1 467 843)
Long-term debt less current maturities	2 136 101	(1 305 112)	1 348 153	334 598	147 483	1 610 979
Total liabilities	3 559 042	6 182	2 174 088	520 455	316 225	542 092
Net assets (deficit)						
Controlling interest	4 759 156	122 329	3 450 598	694 656	494 802	(3 229)
Noncontrolling interests in subsidiaries	73 086	–	54 700	28	18 358	–
	4 832 242	122 329	3 505 298	694 684	513 160	(3 229)
Total liabilities and net assets	$ 8 391 284	$ 128 511	$ 5 679 386	$ 1 215 139	$ 829 385	$ 538 863

St Joseph Health System and Affiliates
A St Joseph Health Ministry Corporation

Consolidating Balance Sheet of Southern California Region

(In Thousands)

June 30, 2013

	Southern California Region	Eliminations	St Joseph Orange	St Jude Medical Center	Mission Hospital	St Mary Medical Center	Hoag Hospital	Hoag Orthopedic Institute	Hoag Foundation	Newport Healthcare Center	St Joseph Home Health South	Heritage Foundation Southern California	Other
Assets													
Current assets													
Cash and equivalents	$ 215,042	$ –	$ –	$ –	$ 9,405	$ 14,063	$ 121,332	$ 20,744	$ 15,305	$ 7,310	$ –	$ 8,700	$ 15,108
Short-term marketable securities	372,270	–	45,014	127,925	81,982	31,153	68,269	–	2,864	–	–	15,063	–
Patient accounts receivable, less allowance for doubtful accounts	370,454	–	70,104	49,902	81,258	47,737	80,490	10,244	–	–	9,710	18,618	5,382
Other assets	180,900	(9,970)	45,257	21,511	29,601	18,510	31,504	357	9,300	14,981	324	11,555	7,580
Total current assets	1,138,675	(9,970)	160,375	199,338	199,246	111,403	301,595	37,345	27,550	22,300	7,043	54,002	28,070
Long-term marketable securities	449,284	–	181,171	249,290	–	21,823	–	–	–	–	–	–	–
Assets limited as to use													
Board designated	1,298,382	–	55,249	19,014	70,039	681	1,027,900	–	118,902	–	–	1,101	–
Held in trust	3,050	–	3,050	–	–	–	–	–	–	–	–	–	–
Total assets limited as to use	1,301,432	–	58,299	19,014	70,039	681	1,027,900	–	118,902	–	–	1,101	–
Property and equipment, net	2,457,893	(50,480)	502,444	548,338	329,567	135,577	742,550	9,234	–	128,943	2,939	75,960	35,821
Investments and other	78,702	(285,021)	15,089	4,051	29,122	1,101	230,194	55,847	25,954	19	–	2,232	120
Collateral held for swap counterparty	–	–	–	–	–	–	–	–	–	–	–	–	–
Notes receivable	2,832	–	1,902	–	–	–	–	–	–	–	–	39	891
Deferred financing costs, net	19,099	–	4,829	4,395	2,739	419	3,729	–	–	–	–	–	–
Goodwill and other intangibles, net	234,499	30,227	–	1,002	13,717	–	–	529	–	–	–	132,935	56,308
	332,102	(254,794)	21,814	9,448	45,575	1,577	233,929	56,367	25,954	19	–	134,996	57,319
Total assets	$ 5,679,386	$ (314,950)	$ 924,199	$ 1,022,428	$ 950,427	$ 271,127	$ 2,305,773	$ 99,946	$ 172,115	$ 151,259	$ 9,943	$ 265,969	$ 121,219
Liabilities and net assets (deficit)													
Current liabilities													
Accounts payable	$ 97,328	$ (31)	$ 22,504	$ 8,509	$ 14,528	$ 9,252	$ 29,969	$ 3,915	$ 142	$ 132	$ 339	$ 8,891	$ 2,481
Accrued compensation and related liabilities	149,983	(2,509)	29,807	20,778	20,295	11,582	59,389	2,182	225	–	1,303	7,975	2,022
Accrued liabilities	142,549	(4,128)	15,928	12,918	22,993	8,269	54,169	7,975	81	457	433	24,485	772
Payable to third-party payors	43,412	–	508	9,503	18,001	19,929	399	–	–	–	–	1,408	–
Current maturities of long-term debt	174,202	(299)	9,145	3,975	3,970	944	157,971	1,533	–	–	–	299	564
Total current liabilities	904,405	(7,024)	79,992	52,989	78,887	49,979	295,846	14,405	448	589	2,075	43,058	5,839
Interest rate swaps	37,328	–	–	–	–	–	37,328	–	–	–	–	–	–
Other liabilities	82,277	(2,959)	9,379	4,599	3,564	5	55,487	3,229	2,137	–	39	7,401	2,195
Notes payable and interest due (from) to affiliates	101,865	–	(3,213)	(1,399)	84,979	7,999	(22,033)	149	1,839	–	8,854	4,304	20,902
Long-term debt, less current maturities	1,348,153	(29,720)	358,551	354,150	180,959	34,375	304,873	5,710	–	–	–	45,362	893
Total liabilities	2,174,088	(39,403)	432,709	410,099	348,089	88,749	781,501	23,481	4,424	589	10,968	100,185	29,739
Net assets (deficit)													
Controlling interest	3,450,598	(333,247)	491,391	612,368	302,338	182,381	1,544,272	76,465	167,691	150,670	(995)	165,784	91,480
Noncontrolling interests in subsidiaries	54,700	54,700	–	–	–	–	–	–	–	–	–	–	–
	3,505,298	(278,547)	491,391	612,368	302,338	182,381	1,544,272	76,465	167,691	150,670	(995)	165,784	91,480
Total liabilities and net assets	$ 5,679,386	$ (314,950)	$ 924,199	$ 1,022,428	$ 950,427	$ 271,127	$ 2,305,773	$ 99,946	$ 172,115	$ 151,259	$ 9,943	$ 265,969	$ 121,219

St Joseph Health System and Affiliates
A St Joseph Health Ministry Corporation

Consolidating Balance Sheet of Northern California Region

(In Thousands)

June 30, 2013

	Northern California Region	Eliminations	Queen of the Valley	Santa Rosa Memorial	Petaluma Valley	St Joseph Eureka	Redwood Memorial	Heritage Foundation Northern California	St Joseph Home Health North	Redwood Memorial Foundation	Advanced Surgery Institute	Queen of the Valley Foundation
Assets												
Current assets												
Cash and equivalents	$ 41 382	$ –	$ 18 308	$ 3 31[illegible]	$ [illegible] 12[illegible]	$ –	$ 5 8[illegible]5	$ 1 2[illegible]0	$ –	$ [illegible]5	$ 144	$ 3 2[illegible]4
Short-term marketable securities	154 923	–	[illegible]0 [illegible]1[illegible]	[illegible]3 [illegible]04	–	150	18 020	–	–	2 530	–	–
Patient accounts receivable less allowance for doubtful accounts	11[illegible] 304	–	30 942	45 30[illegible]	[illegible] [illegible]0[illegible]	23 [illegible]50	5 345	3 358	[illegible]7[illegible]	–	414	–
Other assets	5[illegible] 12[illegible]	–	1[illegible] [illegible]01	1[illegible] 41[illegible]	3 1[illegible]0	14 323	2 5[illegible]0	1 452	30	–	12[illegible]	1 401
Total current assets	3[illegible]1 828	–	13[illegible] 530	128 [illegible]48	21 384	38 432	31 800	[illegible] 080	1 000	2 5[illegible]5	[illegible]84	4 [illegible]7[illegible]5
Long-term marketable securities	1[illegible]5 [illegible]23	–	80 124	58 430	131	523	23 5[illegible]5	–	–	–	–	2 8[illegible]70
Assets limited as to use												
Board designated	[illegible] [illegible]41	–	–	3 [illegible]50	1 [illegible]05	1 1[illegible]6	–	–	–	–	–	–
Held in trust	28 5[illegible]2	–	22 [illegible]7[illegible]0	–	–	–	–	–	–	–	–	[illegible] 4[illegible]6
Total assets limited as to use	35 513	–	22 [illegible]7[illegible]0	3 [illegible]50	1 [illegible]05	1 1[illegible]6	–	–	–	–	–	[illegible] 4[illegible]6
Property and equipment net	[illegible]31 [illegible]51	–	204 31[illegible]	1[illegible]8 88[illegible]	1[illegible] [illegible]985	212 513	10 30[illegible]	4 1[illegible]5	1 [illegible]01	22[illegible]	2 04[illegible]	113
Investments and other	5 144	(2[illegible])	81[illegible]	1 081	–	2 [illegible]7[illegible]4	–	–	–	4[illegible]8	23	–
Notes receivable	–	–	–	–	–	–	–	–	–	–	–	–
Deferred financing costs net	5 111	–	1 403	2 [illegible]1[illegible]	1 [illegible]6[illegible]	[illegible]05	23	–	–	–	–	–
Goodwill and other intangibles net	2[illegible]6[illegible]	–	–	–	–	2[illegible]6[illegible]	–	–	–	–	–	–
	10 524	(2[illegible])	2 220	3 100	1 [illegible]6[illegible]	3 [illegible]48	23	–	–	4[illegible]8	23	–
Total assets	$ 1 215 13[illegible]	$ (2[illegible])	$ 445 2[illegible]6[illegible]	$ 3[illegible]3 015	$ 42 35[illegible]	$ 25[illegible] 312	$ [illegible]5 [illegible]7[illegible]4	$ 10 245	$ 2 [illegible]91	$ 3 300	$ 2 [illegible]54	$ 14 154
Liabilities and net assets (deficit)												
Current liabilities												
Accounts payable	$ 2[illegible] 82[illegible]	$ (1)	$ [illegible] [illegible]01	$ [illegible] 53[illegible]	$ 1 [illegible]04	$ 5 48[illegible]	$ [illegible]52	$ [illegible]7[illegible]4	$ 2[illegible]	$ –	$ [illegible]34	$ 14
Accrued compensation and related liabilities	5[illegible] [illegible]40	–	1[illegible] [illegible]72	21 181	5 114	11 31[illegible]	2 5[illegible]8	31[illegible]	411	–	30	–
Accrued liabilities	32 41[illegible]	–	[illegible] [illegible]04	13 85[illegible]	2 420	[illegible] [illegible]02	5[illegible]6	352	131	–	101	81
Payable to third-party payors	22 80[illegible]	–	(283)	[illegible] 3[illegible]2	[illegible]0	12 [illegible]7[illegible]	3 5[illegible]3	2[illegible]8	–	–	–	–
Current maturities of long-term debt	4 [illegible]31	–	1 303	2 255	[illegible]0	–	[illegible]0	–	–	–	[illegible]05	–
Total current liabilities	145 425	(1)	33 38[illegible]	53 1[illegible]6	[illegible] 32[illegible]	3[illegible] 484	[illegible] [illegible]58	1 [illegible]41	5[illegible]8	–	1 [illegible]7[illegible]0	[illegible]5
Other liabilities	1 [illegible]30	–	–	–	–	355	–	180	–	–	–	1 404
Notes payable and interest due (from) to affiliates	38 [illegible]03	–	(5 [illegible]38)	(34 [illegible]02)	22 322	34 [illegible]7[illegible]8	322	1[illegible] [illegible]01[illegible]	5 [illegible]00	4	–	(1[illegible]0)
Long-term debt less current maturities	334 5[illegible]8	–	152 4[illegible]4	118 [illegible]7[illegible]4	342	[illegible]0 823	1 838	–	–	–	1 [illegible]02[illegible]	–
Total liabilities	520 455	(1)	180 143	13[illegible] 8[illegible]8	31 [illegible]01	132 [illegible]40	[illegible] [illegible]18	1[illegible] [illegible]03[illegible]	[illegible] 4[illegible]8	4	2 [illegible]0[illegible]	580
Net assets (deficit)												
Controlling interest	[illegible]94 [illegible]5[illegible]	(5[illegible])	2[illegible]5 124	23[illegible] 13[illegible]	10 3[illegible]5	123 5[illegible]2	55 [illegible]5[illegible]	(8 [illegible]02)	(4 3[illegible]7)	3 2[illegible]6	5[illegible]	13 5[illegible]4
Noncontrolling interests in subsidiaries	28	28	–	–	–	–	–	–	–	–	–	–
	[illegible]94 [illegible]84	(28)	2[illegible]5 124	23[illegible] 13[illegible]	10 3[illegible]5	123 5[illegible]2	55 [illegible]5[illegible]	(8 [illegible]02)	(4 3[illegible]7)	3 2[illegible]6	5[illegible]	13 5[illegible]4
Total liabilities and net assets	$ 1 215 13[illegible]	$ (2[illegible])	$ 445 2[illegible]6[illegible]	$ 3[illegible]3 015	$ 42 35[illegible]	$ 25[illegible] 312	$ [illegible]5 [illegible]7[illegible]4	$ 10 245	$ 2 [illegible]91	$ 3 300	$ 2 [illegible]54	$ 14 154

St Joseph Health System and Affiliates
A St Joseph Health Ministry Corporation

Consolidating Balance Sheet of Texas Region

(In Thousands)

June 30, 2013

	Texas Region	Eliminations	Covenant Lubbock	Covenant Levelland	Covenant Plainview	Covenant LTAC	Covenant Medical Group	Methodist Medical Group	Covenant Surgicenter	Covenant Diagnostic Imaging	Hospice of Lubbock	Covenant Health Partners	First Care	Methodist Service Provider Organization	Covenant Foundation
Assets															
Current assets															
Cash and equivalents	$ 00 702	$ –	$ 25 503	$ 1 700	$ 12 083	$ 2 320	$ 1 530	$ –	$ 705	$ 200	$ 3 008	$ 2 047	$ 10 500	$ 301	$ 4 201
Short-term marketable securities	87 870	–	02 813	3 710	15	–	02	–	1 002	–	–	–	20 142	–	–
Patient accounts receivable less allowance for doubtful accounts	117 700	–	80 005	1 901	4 024	2 812	7 331	–	1 890	752	000	–	17 410	–	–
Other assets	30 131	–	28 034	333	270	172	2 318	–	023	140	184	280	1 777	2 000	1 080
Total current assets	311 403	–	197 045	7 710	17 001	5 313	11 277	–	4 310	1 158	4 701	2 027	40 034	3 000	5 077
Long-term marketable securities	178 111	–	125 530	–	–	–	–	–	–	–	–	–	42 011	–	9 001
Assets limited as to use															
Board designated	14 048	–	371	30	–	–	–	–	–	–	–	–	–	–	14 238
Held in trust	13 188	–	10 156	–	–	–	–	–	–	–	–	–	–	–	3 032
Total assets limited as to use	27 836	–	10 527	30	–	–	–	–	–	–	–	–	–	–	17 270
Property and equipment net	287 035	–	200 551	1 800	7 056	995	932	–	1 920	038	330	–	10 087	2 040	8
Investments and other	23 703	(34 003)	9 004	–	(0)	–	20 502	475	103	–	110	–	–	27 530	–
Notes receivable	21	–	–	21	–	–	–	–	–	–	–	–	–	–	–
Deferred financing costs net	1 186	–	1 186	–	–	–	–	–	–	–	–	–	–	–	–
Goodwill and other intangibles net	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	25 000	(34 003)	10 700	21	(0)	–	20 502	475	103	–	110	–	–	27 530	–
Total assets	$ 820 385	$ (34 003)	$ 004 452	$ 9 030	$ 24 051	$ 9 308	$ 32 801	$ 475	$ 9 303	$ 1 706	$ 5 210	$ 2 027	$ 103 532	$ 32 078	$ 32 910
Liabilities and net assets (deficit)															
Current liabilities															
Accounts payable	$ 20 300	$ –	$ 15 415	$ 208	$ 752	$ 142	$ 123	$ –	$ 200	$ 30	$ 284	$ 10	$ 414	$ 7	$ 2 001
Accrued compensation and related liabilities	43 103	–	20 553	032	3 085	490	9 007	–	180	170	123	2 806	1 747	–	35
Accrued liabilities	08 817	–	8 535	–	–	117	1 705	–	–	34	–	–	58 152	–	184
Payable to third-party payors	9 052	–	7 245	752	1 055	–	–	–	–	–	–	–	–	–	–
Current maturities of long-term debt	13 582	–	13 442	–	–	–	–	–	–	–	–	–	140	–	–
Total current liabilities	155 514	–	71 190	1 052	9 092	755	8 585	–	386	252	407	2 825	60 453	7	2 910
Other liabilities	31 831	–	10 764	–	–	–	20 502	475	–	–	–	–	–	–	–
Notes payable and interest due (from) to affiliates	(18 003)	–	(141 509)	(511)	8 808	218	7 8 450	–	307	–	05	(3 450)	–	38 187	745
Long-term debt less current maturities	147 483	–	145 237	–	–	–	–	–	–	–	–	–	2 246	–	–
Total liabilities	316 225	–	85 082	1 141	14 900	973	107 033	475	093	252	472	(034)	62 699	38 194	3 655
Net assets (deficit)															
Controlling interest	404 802	(53 051)	518 770	8 480	9 901	5 335	(74 832)	–	5 700	1 544	4 747	3 501	40 833	(5 510)	29 201
Noncontrolling interests in subsidiaries	18 358	18 358	–	–	–	–	–	–	–	–	–	–	–	–	–
	513 160	(34 693)	518 770	8 480	9 901	5 335	(74 832)	–	5 700	1 544	4 747	3 501	40 833	(5 510)	29 201
Total liabilities and net assets	$ 820 385	$ (34 003)	$ 004 452	$ 9 030	$ 24 051	$ 9 308	$ 32 801	$ 475	$ 9 303	$ 1 706	$ 5 210	$ 2 027	$ 103 532	$ 32 078	$ 32 910

St Joseph Health System and Affiliates
A St Joseph Health Ministry Corporation

Consolidating Statements of Operations
(In Thousands)

For the Year Ended June 30, 2013

	Consolidated	Eliminations	Total Regional Entities	American Unity Group	Professional Services Enterprises	Heritage Investment Group I	Revenue Cycle Services	Innovation Institute	St Joseph Health System Foundation	Obligated Group	Non-Obligated Group
Revenues											
Patient service net of contractual allowances and discounts	$ 4 088 718	$ –	$ 4 088 718	$ –	$ –	$ –	$ –	$ –	$ –	$ 3 494 088	$ 594 630
Provision for doubtful accounts	236 897	–	236 897	–	–	–	–	–	–	211 144	25 753
Net patient service net of provision for doubtful accounts	3 851 821	–	3 851 821	–	–	–	–	–	–	3 282 944	568 877
Premium	943 634	–	943 634	–	–	–	–	–	–	154 241	789 393
Other	160 245	(69 956)	83 497	15 741	3 348	3 360	78 976	45 279	–	88 325	71 920
Total revenues	4 955 700	(69 956)	4 878 952	15 741	3 348	3 360	78 976	45 279	–	3 525 510	1 430 190
Expenses											
Compensation and benefits	2 179 898	(16 906)	2 131 904	–	–	–	48 617	16 283	–	1 694 796	485 102
Supplies and other	1 048 765	(19 216)	1 048 433	9 604	357	1 092	2 704	5 791	–	827 593	221 172
Professional fees and purchased services	1 369 459	(32 057)	1 340 191	151	–	38	33 347	27 789	–	620 547	748 912
Depreciation and amortization	235 496	(1 185)	235 211	–	648	340	278	204	–	193 018	42 478
Interest	72 346	(6 304)	75 144	–	2 753	753	–	–	–	65 781	6 565
Total expenses	4 905 964	(75 668)	4 830 883	9 755	3 758	2 223	84 946	50 067	–	3 401 735	1 504 229
Operating income (loss)	49 736	5 712	48 069	5 986	(410)	1 137	(5 970)	(4 788)	–	123 775	(74 039)
Nonoperating gains (losses) net	159 584	(20 299)	171 426	–	570	8	21	42	7 816	158 824	760
Contribution from affiliation	1 712 981	–	1 712 981	–	–	–	–	–	–	1 712 981	–
Excess (deficiency) of revenues over expenses	1 922 301	(14 587)	1 932 476	5 986	160	1 145	(5 949)	(4 746)	7 816	1 995 580	(73 279)
Less Excess of revenues over expenses attributable to noncontrolling interests	41 314	570	40 744	–	–	–	–	–	–	43 128	(1 814)
Excess (deficiency) of revenues over expenses attributable to controlling interests	$ 1 880 987	$ (15 157)	$ 1 891 732	$ 5 986	$ 160	$ 1 145	$ (5 949)	$ (4 746)	$ 7 816	$ 1 952 452	$ (71 465)

St Joseph Health System and Affiliates
A St Joseph Health Ministry Corporation

Consolidating Statements of Operations of Regional Entities

(In Thousands)

For the Year Ended June 30, 2013

	Total Regional Entities	Eliminations	Southern California Region	Northern California Region	Texas Region	System Office
Revenues						
Patient service, net of contractual allowances and discounts	$ 4,088,718	$ –	$ 2,298,585	$ 1,026,997	$ 763,136	$ –
Provision for doubtful accounts	236,897	–	97,942	61,534	77,421	–
Net patient service, net of provision for doubtful accounts	3,851,821	–	2,200,643	965,463	685,715	–
Premium	943,634	–	451,717	9,452	482,465	–
Other	83,497	(255,874)	9,532	28,865	39,518	261,456
Total revenues	4,878,952	(255,874)	2,661,892	1,003,780	1,207,698	261,456
Expenses						
Compensation and benefits	2,131,904	(29,325)	1,101,022	483,227	426,565	150,415
Supplies and other	1,048,433	(17,219)	601,660	213,904	212,228	37,860
Professional fees and purchased services	1,340,191	(209,330)	690,870	221,335	540,629	96,687
Depreciation and amortization	235,211	2,445	134,658	55,179	34,619	8,310
Interest	75,144	–	49,120	12,815	8,611	4,598
Total expenses	4,830,883	(253,429)	2,577,330	986,460	1,222,652	297,870
Operating income (loss)	48,069	(2,445)	84,562	17,320	(14,954)	(36,414)
Nonoperating gains, net	171,426	–	83,372	25,181	20,620	42,253
Contribution from affiliation	1,712,981	1,712,981	–	–	–	–
Excess of revenues over expenses	1,932,476	1,710,536	167,934	42,501	5,666	5,839
Less: Excess (deficiency) of revenues over expenses attributable to noncontrolling interests	40,744	43,128	716	(34)	(3,066)	–
Excess of revenues over expenses attributable to controlling interests	$ 1,891,732	$ 1,667,408	$ 167,218	$ 42,535	$ 8,732	$ 5,839

St Joseph Health System and Affiliates
A St Joseph Health Ministry Corporation

Consolidating Statements of Operations of Southern California Region

(In Thousands)

For the Year Ended June 30, 2013

	Southern California Region	Eliminations	St Joseph Orange	St Jude Medical Center	Mission Hospital	St Mary Medical Center	Hoag Hospital	Hoag Orthopedic Institute	Hoag Foundation	Newport Healthcare Center	St Joseph Home Health South	Heritage Foundation Southern California	Other
Revenues													
Patient service net of contractual allowances and discounts	$ 2 298 585	$ 15 398	$ 601 059	$ 422 586	$ 484 291	$ 288 327	$ 238 815	$ 26 562	$ –	$ –	$ 40 952	$ 160 306	$ 20 289
Provision for doubtful accounts	97 942	–	21 243	18 194	12 244	32 290	9 213	–	–	–	1 413	3 007	338
Net patient service net of provision for doubtful accounts	2 200 643	15 398	579 816	404 392	472 047	256 037	229 602	26 562	–	–	39 539	157 299	19 951
Premium	451 717	–	60 004	64 628	3 143	17 535	31 158	–	–	–	–	275 249	–
Other	9 532	(83 684)	12 657	7 444	10 780	5 344	19 188	777	4 068	3 789	–	10 106	19 063
Total revenues	2 661 892	(68 286)	652 477	476 464	485 970	278 916	279 948	27 339	4 068	3 789	39 539	442 654	39 014
Expenses													
Compensation and benefits	1 101 022	(1 038)	280 708	208 919	196 482	134 482	125 502	6 912	–	–	26 326	104 344	18 385
Supplies and other	601 660	(1 234)	154 843	99 556	115 788	56 996	68 932	13 329	8 292	1 109	8 688	63 742	11 619
Professional fees and purchased services	690 870	(63 112)	141 939	102 577	88 947	62 061	45 161	5 155	–	644	4 721	297 924	4 853
Depreciation and amortization	134 658	(1 621)	38 181	25 718	22 507	10 401	24 882	357	–	916	759	9 725	2 833
Interest	49 120	(986)	15 331	13 480	9 401	1 778	6 170	69	–	–	12	3 806	59
Total expenses	2 577 330	(67 991)	631 002	450 250	433 125	265 718	270 647	25 822	8 292	2 669	40 506	479 541	37 749
Operating income (loss)	84 562	(295)	21 475	26 214	52 845	13 198	9 301	1 517	(4 224)	1 120	(967)	(36 887)	1 265
Nonoperating gains (losses) net	83 372	(7 692)	21 839	36 562	6 089	4 643	20 139	652	528	45	23	490	54
Excess (deficiency) of revenues over expenses	167 934	(7 987)	43 314	62 776	58 934	17 841	29 440	2 169	(3 696)	1 165	(944)	(36 397)	1 319
Less Excess of revenues over expenses attributable to noncontrolling interests	716	716	–	–	–	–	–	–	–	–	–	–	–
Excess (deficiency) of revenues over expenses attributable to controlling interests	$ 167 218	$ (8 703)	$ 43 314	$ 62 776	$ 58 934	$ 17 841	$ 29 440	$ 2 169	$ (3 696)	$ 1 165	$ (944)	$ (36 397)	$ 1 319

St Joseph Health System and Affiliates
A St Joseph Health Ministry Corporation

Consolidating Statements of Operations of Northern California Region

(In Thousands)

For the Year Ended June 30, 2013

	Northern California Region	Eliminations	Queen of the Valley	Santa Rosa Memorial	Petaluma Valley	St Joseph Eureka	Redwood Memorial	Heritage Foundation Northern California	St Joseph Home Health North	Redwood Memorial Foundation	Advanced Surgery Institute	Queen of the Valley Foundation
Revenues												
Patient service net of contractual allowances and discounts	$ 1,026,997	$ (558)	$ 260,854	$ 379,041	$ 87,307	$ 208,702	$ 47,906	$ 31,341	$ 9,968	$ –	$ 2,436	$ –
Provision for doubtful accounts	61,534	–	11,997	22,265	8,055	12,222	5,641	965	389	–	–	–
Net patient service net of provision for doubtful accounts	965,463	(558)	248,857	356,776	79,252	196,480	42,265	30,376	9,579	–	2,436	–
Premium	9,452	–	7,993	938	–	–	–	521	–	–	–	–
Other	28,865	5,047	8,218	3,181	2,443	2,205	958	6,813	–	–	–	–
Total revenues	1,003,780	4,489	265,068	360,895	81,695	198,685	43,223	37,710	9,579	–	2,436	–
Expenses												
Compensation and benefits	483,227	2,663	136,159	174,761	47,579	82,714	19,740	10,958	8,031	–	622	–
Supplies and other	213,904	6,433	55,304	74,379	14,550	48,268	6,007	6,175	1,531	–	1,257	–
Professional fees and purchased services	221,335	(1,459)	44,531	72,699	16,921	41,101	9,630	36,520	1,131	–	261	–
Depreciation and amortization	55,179	58	17,502	19,145	4,085	11,308	1,615	867	295	–	304	–
Interest	12,815	33	3,901	6,091	26	2,398	96	–	209	–	61	–
Total expenses	986,460	7,728	257,397	347,075	83,161	185,789	37,088	54,520	11,197	–	2,505	–
Operating income (loss)	17,320	(3,239)	7,671	13,820	(1,466)	12,896	6,135	(16,810)	(1,618)	–	(69)	–
Nonoperating gains (losses) net	25,181	2,949	10,712	8,904	143	(281)	2,739	4	–	140	–	(129)
Excess (deficiency) of revenues over expenses	42,501	(290)	18,383	22,724	(1,323)	12,615	8,874	(16,806)	(1,618)	140	(69)	(129)
Less Deficiency of revenues over expenses attributable to noncontrolling interests	(34)	(34)	–	–	–	–	–	–	–	–	–	–
Excess (deficiency) of revenues over expenses attributable to controlling interests	$ 42,535	$ (256)	$ 18,383	$ 22,724	$ (1,323)	$ 12,615	$ 8,874	$ (16,806)	$ (1,618)	$ 140	$ (69)	$ (129)

St Joseph Health System and Affiliates
A St Joseph Health Ministry Corporation

Consolidating Statements of Operations of Texas Region

(In Thousands)

For the Year Ended June 30, 2013

	Texas Region	Eliminations	Covenant Lubbock	Covenant Levelland	Covenant Plainview	Covenant LTAC	Covenant Medical Group	Covenant Surgicenter	Covenant Diagnostic Imaging	Hospice of Lubbock	Covenant Health Partners	First Care	Methodist Service Provider Organization	Covenant Foundation
Revenues														
Patient service net of contractual allowances and discounts	$ 703 130	$ (57 983)	$ 629 072	$ 20 278	$ 39 056	$ 18 851	$ 88 378	$ 12 430	$ 5 911	$ 7 143	$ –	$ –	$ –	$ –
Provision for doubtful accounts	17 421	–	57 027	2 100	7 467	(203)	9 908	440	517	66				
Net patient service net of provision for doubtful accounts	685 715	(57 983)	572 045	18 169	31 589	19 054	78 380	11 990	5 394	7 077	–	–	–	–
Premium	482 465	(1 847)								–	–	484 312	–	–
Other	39 518	(30 375)	24 337	340	3 556	1	26 810	–	49	184	4 522	10 094		
Total revenues	1 207 698	(90 205)	596 382	18 509	35 145	19 055	105 190	11 990	5 443	7 261	4 522	494 406	–	–
Expenses														
Compensation and benefits	426 565	693	246 828	11 567	16 952	8 602	100 379	3 650	2 277	2 839	1 336	31 442		
Supplies and other	212 228	1 996	150 284	3 613	9 406	4 828	16 801	4 015	869	1 384	216	17 944	872	–
Professional fees and purchased services	540 629	(96 050)	139 224	5 061	7 197	2 915	11 785	1 940	577	2 153	3 198	462 629	–	–
Depreciation and amortization	34 619	–	29 937	437	1 097	249	249	524	147	181	–	1 726	72	–
Interest	8 611	–	8 408	3	–	–	–	–	–			140		
Total expenses	1 222 652	(93 361)	574 741	20 681	34 652	16 594	129 214	10 129	3 870	6 557	4 750	513 881	944	–
Operating (loss) income	(14 954)	3 156	21 641	(2 172)	493	2 461	(24 024)	1 861	1 573	704	(228)	(19 475)	(944)	–
Nonoperating gains (losses) net	20 620	3 664	19 028	571	81	6	29	486		27	51	3 203	(10 902)	4 376
Excess (deficiency) of revenues over expenses	5 666	6 820	40 669	(1 601)	574	2 467	(23 995)	2 347	1 573	731	(177)	(16 272)	(11 846)	4 376
Less Deficiency of revenues over expenses attributable to noncontrolling interests	(3 066)	(3 066)								–	–	–	–	–
Excess (deficiency) of revenues over expenses attributable to controlling interests	$ 8 732	$ 9 886	$ 40 669	$ (1 601)	$ 574	$ 2 467	$ (23 995)	$ 2 347	$ 1 573	$ 731	$ (177)	$ (16 272)	$ (11 846)	$ 4 376

St Joseph Health System and Affiliates
A St Joseph Health Ministry Corporation

Consolidating Balance Sheet

(In Thousands)

June 30, 2012

	Consolidated	Eliminations	Total Regional Entities	American Unity Group	Professional Services Enterprises	Heritage Investment Group I	Revenue Cycle Services	Innovation Institute	St Joseph Health System Foundation	Obligated Group	Non-Obligated Group
Assets											
Current assets											
Cash and equivalents	$ 100 940	$ (22 368)	$ 184 772	$ 5 060	$ –	$ 2 080	$ 1 767	$ 21 500	$ 5 311	$ 90 350	$ 100 590
Short-term marketable securities	784 811	–	725 322	–	–	–	–	–	59 489	686 296	98 515
Patient accounts receivable less allowance for doubtful accounts	485 400	–	485 400	–	–	–	–	–	–	437 211	48 288
Other assets	174 030	–	172 097	1 117	–	61	–	154	1	158 720	15 310
Total current assets	1 044 280	(22 368)	1 568 290	7 086	–	3 050	1 767	21 654	64 801	1 381 577	262 703
Long-term marketable securities	936 487	–	874 484	62 003	–	–	–	–	–	824 984	111 503
Assets limited as to use											
Board designated	188 267	–	161 038	–	–	–	–	–	27 229	147 106	41 161
Held in trust	196 000	–	196 000	–	–	–	–	–	–	189 907	6 093
Total assets limited as to use	384 333	–	357 104	–	–	–	–	–	27 229	337 073	47 260
Property and equipment net	2 388 782	(24 982)	2 388 768	–	12 257	12 614	60	65	–	2 319 903	68 819
Investments and other	55 042	(37 872)	74 735	322	10 513	7 344	–	–	–	92 324	(37 282)
Collateral held for swap counterparty	40 402	–	40 402	–	–	–	–	–	–	40 402	
Notes receivable	4 711	–	4 711	–	–	–	–	–	–	4 711	
Deferred financing costs net	20 781	–	20 781	–	–	–	–	–	–	20 781	
Goodwill and other intangibles net	42 280	(5 524)	47 804	–	–	–	–	–	–	15 527	26 753
	163 216	(43 396)	188 433	322	10 513	7 344	–	–	–	173 745	(10 529)
Total assets	$ 5 517 098	$ (90 746)	$ 5 377 070	$ 60 411	$ 22 770	$ 23 008	$ 1 827	$ 21 719	$ 92 030	$ 5 037 342	$ 479 756
Liabilities and net assets (deficit)											
Current liabilities											
Accounts payable	$ 121 428	$ (193)	$ 119 950	$ 801	$ –	$ –	$ –	$ 870	$ –	$ 107 395	$ 14 033
Accrued compensation and related liabilities	234 086	–	227 258	–	–	–	6 334	494	–	211 376	22 710
Accrued liabilities	292 230	(1 502)	273 540	18 167	–	1 914	101	1	–	194 066	98 164
Payable to third-party payors	64 045	–	64 045	–	–	–	–	–	–	62 005	2 040
Current maturities of long-term debt	30 238	–	30 238	–	–	–	–	–	–	30 098	140
Total current liabilities	751 027	(1 695)	724 040	18 968	–	1 914	6 435	1 365	–	613 940	137 087
Interest rate swaps	72 629	–	72 629	–	–	–	–	–	–	72 629	
Other liabilities	178 597	–	167 056	11 535	6	–	–	–	–	144 710	33 887
Notes payable and interest due (from) to affiliates	–	(22 503)	14 767	113	(2 228)	14 725	(344)	333	(4 803)	(116 969)	116 969
Long-term debt less current maturities	1 033 784	(37 873)	1 051 535	–	20 122	–	–	–	–	1 030 227	3 557
Total liabilities	2 036 037	(62 071)	2 030 027	30 616	17 900	16 639	6 091	1 698	(4 803)	2 344 537	291 500
Net assets (deficit)											
Controlling interest	2 845 141	(31 846)	2 714 303	38 795	4 870	6 369	(4 264)	20 021	96 893	2 692 805	152 336
Noncontrolling interests in subsidiaries	35 920	3 171	32 740	–	–	–	–	–	–	–	35 920
	2 881 061	(28 675)	2 747 052	38 795	4 870	6 369	(4 264)	20 021	96 893	2 692 805	188 256
Total liabilities and net assets	$ 5 517 098	$ (90 746)	$ 5 377 070	$ 60 411	$ 22 770	$ 23 008	$ 1 827	$ 21 719	$ 92 030	$ 5 037 342	$ 479 756

St Joseph Health System and Affiliates
A St Joseph Health Ministry Corporation

Consolidating Balance Sheet of Regional Entities

(In Thousands)

June 30, 2012

	Total Regional Entities	Eliminations	Southern California Region	Northern California Region	Texas Region	System Office
Assets						
Current assets						
Cash and equivalents	$ 184 772	$ (31 344)	$ 58 785	$ 29 274	$ 102 225	$ 25 832
Short-term marketable securities	725 322	–	350 725	189 617	104 601	80 379
Patient accounts receivable less allowance for doubtful accounts	485 499	–	249 976	128 041	107 482	–
Other assets	172 697	–	86 898	57 918	20 154	7 727
Total current assets	1 568 290	(31 344)	746 384	404 850	334 462	113 938
Long-term marketable securities	874 484	2 365	454 459	108 900	177 296	131 464
Assets limited as to use						
Board designated	161 038	–	142 081	6 586	12 371	–
Held in trust	196 066	–	65 023	54 716	13 584	62 743
Total assets limited as to use	357 104	–	207 104	61 302	25 955	62 743
Property and equipment net	2 388 768	–	1 441 863	578 097	258 027	110 781
Investments and other	74 735	–	24 639	2 872	20 115	27 109
Collateral held for swap counterparty	40 402	–	–	–	–	40 402
Notes receivable	4 711	–	4 485	77	149	–
Deferred financing costs net	20 781	–	12 938	5 581	1 368	894
Goodwill and other intangibles net	47 804	–	46 996	808	–	–
	188 433	–	89 058	9 338	21 632	68 405
Total assets	$ 5 377 079	$ (28 979)	$ 2 938 868	$ 1 162 487	$ 817 372	$ 487 331
Liabilities and net assets (deficit)						
Current liabilities						
Accounts payable	$ 119 950	$ (2)	$ 69 022	$ 24 858	$ 18 127	$ 7 945
Accrued compensation and related liabilities	227 258	–	90 644	55 459	34 530	46 625
Accrued liabilities	273 549	–	76 635	29 076	70 695	97 143
Payable to third-party payors	64 045	–	34 094	20 395	9 556	–
Current maturities of long-term debt	39 238	(29 865)	13 849	3 604	13 070	38 580
Total current liabilities	724 040	(29 867)	284 244	133 392	145 978	190 293
Interest rate swaps	72 629	–	–	–	–	72 629
Other liabilities	167 056	–	14 661	1 787	29 788	120 820
Notes payable and interest due (from) to affiliates	14 767	1 364 566	56 719	44 282	(13 948)	(1 436 852)
Long-term debt less current maturities	1 651 535	(1 366 043)	961 454	337 412	161 130	1 557 582
Total liabilities	2 630 027	(31 344)	1 317 078	516 873	322 948	504 472
Net assets (deficit)						
Controlling interest	2 714 303	2 365	1 609 340	645 614	474 125	(17 141)
Noncontrolling interests in subsidiaries	32 749	–	12 450	–	20 299	–
	2 747 052	2 365	1 621 790	645 614	494 424	(17 141)
Total liabilities and net assets	$ 5 377 079	$ (28 979)	$ 2 938 868	$ 1 162 487	$ 817 372	$ 487 331

St Joseph Health System and Affiliates
A St Joseph Health Ministry Corporation

Consolidating Balance Sheet of Southern California Region

(In Thousands)

June 30, 2012

	Southern California Region	Eliminations	St Joseph Orange	St Jude Medical Center	Mission Hospital	St Mary Medical Center	Heritage Foundation Southern California	St. Joseph Imaging	St Joseph Physician Ventures	Mission Ambulatory Services	Mission Viejo Medical Ventures	Mission Education Conference Center	St Joseph Home Health South
Assets													
Current assets													
Cash and equivalents	$ 58 785	$ –	$ –	$ 13 916	$ 16 634	$ 7 624	$ 11 106	$ 5	$ 6 805	$ 2 264	$ 251	$ 180	$ –
Short-term marketable securities	350 725	–	73 552	131 793	101 614	29 501	14 265	–	–	–	–	–	–
Patient accounts receivable less allowance for doubtful accounts	249 976	–	53 648	48 750	73 475	52 304	12 546	–	1	2 183	–	–	7 069
Other assets	86 898	–	26 900	9 190	16 422	27 760	5 663	243	–	508	–	29	183
Total current assets	746 384	–	154 100	203 649	208 145	117 189	43 580	248	6 806	4 955	251	209	7 252
Long-term marketable securities	454 459	–	184 315	222 229	–	47 915	–	–	–	–	–	–	–
Assets limited as to use													
Board designated	142 081	–	53 194	16 991	69 390	650	1 856	–	–	–	–	–	–
Held in trust	65 023	–	2 873	62 150	–	–	–	–	–	–	–	–	–
Total assets limited as to use	207 104	–	56 067	79 141	69 390	650	1 856	–	–	–	–	–	–
Property and equipment net	1 441 863	(49 341)	492 064	458 821	319 993	120 318	67 222	1 295	20 456	880	–	5 960	4 195
Investments and other	24 639	(30 693)	15 122	6 409	29 885	1 659	1 448	758	–	–	51	–	–
Notes receivable	4 485	–	4 485	–	–	–	–	–	–	–	–	–	–
Deferred financing costs net	12 938	–	5 038	4 598	2 860	442	–	–	–	–	–	–	–
Goodwill and other intangibles net	46 996	29 969	–	1 002	13 717	–	–	–	2 308	–	–	–	–
	89 058	(724)	24 645	12 009	46 462	2 101	1 448	758	2 308	–	51	–	–
Total assets	$ 2 938 868	$ (50 065)	$ 911 191	$ 975 849	$ 643 990	$ 288 173	$ 114 106	$ 2 301	$ 29 570	$ 5 835	$ 302	$ 6 169	$ 11 447
Liabilities and net assets (deficit)													
Current liabilities													
Accounts payable	$ 69 022	$ (4)	$ 26 423	$ 9 288	$ 13 899	$ 9 865	$ 8 415	$ 644	$ –	$ 492	$ –	$ –	$ –
Accrued compensation and related liabilities	90 644	–	31 268	20 838	20 634	10 659	6 048	–	–	232	–	–	965
Accrued liabilities	76 635	–	18 976	13 483	21 640	6 265	15 231	–	68	447	–	110	415
Payable to third-party payors	34 094	–	635	12 187	10 093	9 738	1 441	–	–	–	–	–	–
Current maturities of long-term debt	13 849	(244)	6 168	3 801	2 969	911	244	–	–	–	–	–	–
Total current liabilities	284 244	(248)	83 470	59 597	69 235	37 438	31 379	644	68	1 171	–	110	1 380
Other liabilities	14 661	–	3 141	4 531	3 638	3	1 752	1 385	136	–	–	–	75
Notes payable and interest due (from) to affiliates	56 719	1	2 277	(5 608)	31 514	12 809	(1 682)	900	6 510	165	7	(216)	10 042
Long-term debt less current maturities	961 454	(27 262)	364 787	358 151	184 097	35 367	45 450	864	–	–	–	–	–
Total liabilities	1 317 078	(27 509)	453 675	416 671	288 484	85 617	76 899	3 793	6 714	1 336	7	(106)	11 497
Net assets (deficit)													
Controlling interest	1 609 340	(35 006)	457 516	559 178	355 506	202 556	37 207	(1 492)	22 856	4 499	295	6 275	(50)
Noncontrolling interests in subsidiaries	12 450	12 450	–	–	–	–	–	–	–	–	–	–	–
	1 621 790	(22 556)	457 516	559 178	355 506	202 556	37 207	(1 492)	22 856	4 499	295	6 275	(50)
Total liabilities and net assets	$ 2 938 868	$ (50 065)	$ 911 191	$ 975 849	$ 643 990	$ 288 173	$ 114 106	$ 2 301	$ 29 570	$ 5 835	$ 302	$ 6 169	$ 11 447

St Joseph Health System and Affiliates
A St Joseph Health Ministry Corporation

Consolidating Balance Sheet of Northern California Region

(In Thousands)

June 30, 2012

	Northern California Region	Eliminations	Queen of the Valley	Santa Rosa Memorial	Petaluma Valley	St Joseph Eureka	Redwood Memorial	Heritage Foundation Northern California	St Joseph Home Health North	Redwood Memorial Foundation	Queen of the Valley Foundation
Assets											
Current assets											
Cash and equivalents	$ 29,274	$ –	$ 14,937	$ 909	$ 2,642	$ –	$ 3,309	$ 597	$ –	$ 161	$ 6,719
Short-term marketable securities	189,617	–	86,306	87,411	–	142	13,177	–	–	2,091	490
Patient accounts receivable, less allowance for doubtful accounts	128,041	–	32,615	53,270	9,127	21,978	6,636	3,592	823	–	–
Other assets	57,918	–	5,797	22,297	3,598	20,306	4,034	809	69	–	1,008
Total current assets	404,850	–	139,655	163,887	15,367	42,426	27,156	4,998	892	2,252	8,217
Long-term marketable securities	108,900	–	62,187	26,446	75	471	17,446	–	–	–	2,275
Assets limited as to use											
Board designated	6,586	–	–	3,617	1,930	925	–	–	–	–	114
Held in trust	54,716	–	50,503	–	–	–	–	–	–	–	4,213
Total assets limited as to use	61,302	–	50,503	3,617	1,930	925	–	–	–	–	4,327
Property and equipment, net	578,097	–	175,234	168,202	16,175	205,123	9,985	2,764	229	227	158
Investments and other	2,872	–	702	145	–	2,025	–	–	–	–	–
Notes receivable	22	–	–	–	22	–	–	–	–	–	–
Deferred financing costs, net	5,581	–	1,467	2,101	1,360	628	25	–	–	–	–
Goodwill and other intangibles, net	808	–	–	–	–	808	–	–	–	–	–
	9,338	–	2,169	2,246	1,437	3,461	25	–	–	–	–
Total assets	$ 1,162,487	$ –	$ 429,748	$ 364,398	$ 34,984	$ 252,406	$ 54,612	$ 7,762	$ 1,121	$ 2,479	$ 14,977
Liabilities and net assets											
Current liabilities											
Accounts payable	$ 24,858	$ (2)	$ 6,850	$ 9,807	$ 1,772	$ 4,609	$ 850	$ 963	$ –	$ –	$ 9
Accrued compensation and related liabilities	55,459	–	17,998	19,447	4,382	10,135	2,562	248	687	–	–
Accrued liabilities	29,076	–	7,452	12,230	2,166	6,443	274	435	43	–	33
Payable to third-party payors	20,395	–	1,329	8,731	(17)	9,435	318	599	–	–	–
Current maturities of long-term debt	3,604	–	1,261	2,181	95	–	67	–	–	–	–
Total current liabilities	133,392	(2)	34,890	52,396	8,398	30,622	4,071	2,245	730	–	42
Other liabilities	1,787	–	–	–	–	366	–	111	–	–	1,310
Notes payable and interest due (from) to affiliates	44,282	1	(5,800)	(29,850)	14,572	39,436	(853)	24,253	3,141	3	(621)
Long-term debt, less current maturities	337,412	1	153,839	120,394	446	60,789	1,909	–	–	–	34
Total liabilities	516,873	–	182,929	142,940	23,416	131,213	5,127	26,609	3,871	3	765
Net assets (deficit)											
Controlling interest	645,614	–	246,819	221,458	11,568	121,193	49,485	(18,847)	(2,750)	2,476	14,212
Noncontrolling interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	–
	645,614	–	246,819	221,458	11,568	121,193	49,485	(18,847)	(2,750)	2,476	14,212
Total liabilities and net assets	$ 1,162,487	$ –	$ 429,748	$ 364,398	$ 34,984	$ 252,406	$ 54,612	$ 7,762	$ 1,121	$ 2,479	$ 14,977

St Joseph Health System and Affiliates
A St Joseph Health Ministry Corporation

Consolidating Balance Sheet of Texas Region

(In Thousands)

June 30, 2012

	Texas Region	Eliminations	Covenant Lubbock	Covenant Levelland	Covenant Plainview	Covenant LTAC	Covenant Medical Group	Methodist Medical Group	Covenant Surgicenter	Covenant Diagnostic Imaging	Hospice of Lubbock	Covenant Health Partners	First Care	Methodist Service Provider Organization	Covenant Foundation
Assets															
Current assets															
Cash and equivalents	$ 102 225	$ –	$ 32 844	$ 3 007	$ 8 381	$ 1 134	$ 1 881	$ –	$ 553	$ 000	$ 1 788	$ 1 304	$ 35 873	$ 9 803	$ 4 271
Short-term marketable securities	104 601	–	78 225	4 181	15	–	84	–	1 087	–	004	–	20 015	–	–
Patient accounts receivable less allowance for doubtful accounts	107 482	–	77 716	1 953	4 916	3 177	7 777	–	2 020	483	715	–	8 725	–	–
Other assets	20 154	–	13 075	328	318	177	1 447	–	620	180	255	322	1 635	58	830
Total current assets	334 462	–	202 760	10 129	13 630	4 488	11 189	–	4 280	1 338	3 752	1 626	66 248	9 921	5 101
Long-term marketable securities	177 296	–	130 071	–	–	–	–	–	–	–	–	–	37 956	–	9 269
Assets limited as to use															
Board designated	12 371	–	370	30	–	–	–	–	–	–	–	–	–	–	11 962
Held in trust	13 584	–	11 698	–	–	–	–	–	–	–	–	–	–	–	1 886
Total assets limited as to use	25 955	–	12 068	30	–	–	–	–	–	–	–	–	–	–	13 848
Property and equipment net	258 027	–	233 870	1 744	7 415	1 241	833	–	2 304	234	524	–	7 718	2 125	10
Investments and other	20 115	(30 582)	8 857	–	411	–	17 143	434	180	–	118	–	–	32 554	–
Notes receivable	140	–	–	140	–	–	–	–	–	–	–	–	–	–	–
Deferred financing costs net	1 368	–	1 368	–	–	–	–	–	–	–	–	–	–	–	–
Goodwill and other intangibles net	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	21 632	(30 582)	10 225	140	411	–	17 143	434	180	–	118	–	–	32 554	–
Total assets	$ 817 372	$ (30 582)	$ 580 003	$ 12 061	$ 21 456	$ 5 729	$ 29 165	$ 434	$ 6 764	$ 1 572	$ 4 394	$ 1 626	$ 111 922	$ 44 600	$ 28 228
Liabilities and net assets (deficit)															
Current liabilities															
Accounts payable	$ 18 127	$ –	$ 14 307	$ 527	$ 1 257	$ 92	$ 303	$ –	$ 107	$ 50	$ 140	$ 3	$ 104	$ –	$ 1 000
Accrued compensation and related liabilities	34 530	–	24 619	629	804	531	4 701	–	101	100	120	835	1 803	–	17
Accrued liabilities	70 695	–	7 951	–	–	109	1 056	–	–	30	–	–	60 403	797	280
Payable to third-party payors	9 556	–	8 941	501	24	–	–	–	–	–	–	–	–	–	–
Current maturities of long-term debt	13 070	–	12 930	–	–	–	–	–	–	–	–	–	140	–	–
Total current liabilities	145 978	–	68 748	1 747	2 175	732	6 060	–	328	258	260	838	62 630	797	1 306
Other liabilities	29 788	–	12 211	–	–	–	17 143	434	–	–	–	–	–	–	–
Notes payable and interest due (from) to affiliates	(13 948)	–	(110 437)	220	9 893	474	56 798	–	203	–	108	(2 946)	–	37 473	200
Long-term debt less current maturities	161 130	–	158 910	–	–	–	–	–	–	–	–	–	2 220	–	–
Total liabilities	322 948	–	123 432	1 967	12 068	1 206	80 001	434	531	258	377	(2 108)	64 850	38 270	1 662
Net assets (deficit)															
Controlling interest	474 125	(50 881)	465 571	10 094	9 388	4 523	(50 836)	–	6 233	1 314	4 017	3 734	47 072	6 330	26 566
Noncontrolling interests in subsidiaries	20 299	20 299	–	–	–	–	–	–	–	–	–	–	–	–	–
	494 424	(30 582)	465 571	10 094	9 388	4 523	(50 836)	–	6 233	1 314	4 017	3 734	47 072	6 330	26 566
Total liabilities and net assets	$ 817 372	$ (30 582)	$ 589 003	$ 12 061	$ 21 456	$ 5 729	$ 29 165	$ 434	$ 6 764	$ 1 572	$ 4 394	$ 1 626	$ 111 922	$ 44 600	$ 28 228

St Joseph Health System and Affiliates
A St Joseph Health Ministry Corporation

Consolidating Statements of Operations
(In Thousands)

For the Year Ended June 30, 2012

	Consolidated	Eliminations	Total Regional Entities	American Unity Group	Professional Services Enterprises	Heritage Investment Group I	Revenue Cycle Services	Innovation Institute	St. Joseph Health System Foundation	Obligated Group	Non-Obligated Group
Revenues											
Patient service net of contractual allowances and discounts	$ 3 729 930	$ –	$ 3 729 930	$ –	$ –	$ –	$ –	$ –	$ –	$ 3 486 124	$ 243 806
Provision for doubtful accounts	221 400	–	221 400	–	–	–	–	–	–	207 004	14 396
Net patient service net of provision for doubtful accounts	3 508 530	–	3 508 530	–	–	–	–	–	–	3 279 120	229 410
Premium	740 468	–	740 468	–	–	–	–	–	–	141 604	598 864
Other	133 809	(29 944)	129 548	9 496	4 646	3 360	4 124	12 579	–	92 841	40 968
Total revenues	4 382 807	(29 944)	4 378 546	9 496	4 646	3 360	4 124	12 579	–	3 513 565	869 242
Expenses											
Compensation and benefits	1 974 224	(5 359)	1 964 908	–	–	–	9 316	5 359	–	1 707 320	266 904
Supplies and other	897 381	(9 786)	899 219	3 985	1 762	1 097	309	795	–	796 994	100 387
Professional fees and purchased services	1 087 812	(8 407)	1 089 201	184	23	32	375	6 404	–	556 487	531 325
Depreciation and amortization	189 468	(1 185)	189 633	–	648	336	36	–	–	179 882	9 586
Interest	64 197	(6 150)	67 064	–	2 431	852	–	–	–	63 936	261
Total expenses	4 213 082	(30 887)	4 210 025	4 169	4 864	2 317	10 036	12 558	–	3 304 619	908 463
Operating income (loss)	169 725	943	168 521	5 327	(218)	1 043	(5 912)	21	–	208 946	(39 221)
Nonoperating (losses) gains net	(47 995)	(19 523)	(55 178)	–	21 019	7	1	–	5 679	(21 757)	(26 238)
Excess (deficiency) of revenues over expenses	121 730	(18 580)	113 343	5 327	20 801	1 050	(5 911)	21	5 679	187 189	(65 459)
Less Excess of revenues over expenses attributable to noncontrolling interests	4 324	523	3 801	–	–	–	–	–	–	–	4 324
Excess (deficiency) of revenues over expenses attributable to controlling interests	$ 117 406	$ (19 103)	$ 109 542	$ 5 327	$ 20 801	$ 1 050	$ (5 911)	$ 21	$ 5 679	$ 187 189	$ (69 783)

St Joseph Health System and Affiliates
A St Joseph Health Ministry Corporation

Consolidating Statements of Operations of Regional Entities
(In Thousands)

For the Year Ended June 30, 2012

	Total Regional Entities	Eliminations	Southern California Region	Northern California Region	Texas Region	System Office
Revenues						
Patient service, net of contractual allowances and discounts	$ 3,729,930	$ –	$ 1,970,680	$ 995,927	$ 763,323	$ –
Provision for doubtful accounts	221,400	–	101,996	49,970	69,434	–
Net patient service, net of provision for doubtful accounts	3,508,530	–	1,868,684	945,957	693,889	–
Premium	740,468	–	382,894	8,050	349,524	–
Other	129,548	(239,084)	48,223	19,320	57,492	243,597
Total revenues	4,378,546	(239,084)	2,299,801	973,327	1,100,905	243,597
Expenses						
Compensation and benefits	1,964,908	(30,774)	984,330	486,944	402,286	122,122
Supplies and other	899,219	(16,371)	487,979	194,931	205,175	27,505
Professional fees and purchased services	1,089,201	(191,939)	575,028	199,342	401,931	104,839
Depreciation and amortization	189,633	–	93,194	47,657	42,705	6,077
Interest	67,064	–	42,268	11,563	9,151	4,082
Total expenses	4,210,025	(239,084)	2,182,799	940,437	1,061,248	264,625
Operating income (loss)	168,521	–	117,002	32,890	39,657	(21,028)
Nonoperating (losses) gains, net	(55,178)	–	(25,663)	5,357	(8,746)	(26,126)
Excess (deficiency) of revenues over expenses	113,343	–	91,339	38,247	30,911	(47,154)
Less: Excess of revenues over expenses attributable to noncontrolling interests	3,801	–	2,511	–	1,290	–
Excess (deficiency) of revenues over expenses attributable to controlling interests	$ 109,542	$ –	$ 88,828	$ 38,247	$ 29,621	$ (47,154)

St Joseph Health System and Affiliates
A St Joseph Health Ministry Corporation

Consolidating Statements of Operations of Southern California Region

(In Thousands)

For the Year Ended June 30, 2012

	Southern California Region	Eliminations	St Joseph Orange	St Jude Medical Center	Mission Hospital	St Mary Medical Center	Heritage Foundation Southern California	St Joseph Imaging	St Joseph Physician Ventures	Mission Ambulatory Services	Mission Viejo Medical Ventures	Mission Education Conference Center	St Joseph Home Health South
Revenues													
Patient service net of contractual allowances and discounts	$ 1 970 680	$ –	$ 581 593	$ 428 912	$ 481 308	$ 312 794	$ 118 616	$ –	$ –	$ 12 054	$ –	$ –	$ 35 403
Provision for doubtful accounts	101 996	–	11 354	26 768	25 966	33 957	2 868	–	–	436	–	–	647
Net patient service net of provision for doubtful accounts	1 868 684	–	570 239	402 144	455 342	278 837	115 748	–	–	11 618	–	–	34 756
Premium	382 894	–	56 729	56 298	1 590	19 302	248 975	–	–	–	–	–	–
Other	48 223	(2 558)	11 412	6 212	14 708	4 033	8 394	4 079	301	–	–	1 642	–
Total revenues	2 299 801	(2 558)	638 380	464 654	471 640	302 172	373 117	4 079	301	11 618	–	1 642	34 756
Expenses													
Compensation and benefits	984 330	6 955	301 220	217 420	212 657	133 435	83 023	1 112	–	3 152	–	–	25 356
Supplies and other	487 979	(5 026)	160 972	93 168	112 210	59 196	55 272	1 902	73	3 485	1	367	6 359
Professional fees and purchased services	575 028	(1 748)	107 916	86 159	77 287	56 890	242 726	508	137	1 289	45	55	3 764
Depreciation and amortization	93 194	(887)	30 757	25 896	21 391	9 094	5 836	324	65	319	–	183	216
Interest	42 268	(993)	14 798	13 026	9 586	1 958	3 808	68	–	–	–	–	17
Total expenses	2 182 799	(1 699)	615 663	435 669	433 131	260 573	390 665	3 914	275	8 245	46	605	35 712
Operating income (loss)	117 002	(859)	22 717	28 985	38 509	41 599	(17 548)	165	26	3 373	(46)	1 037	(956)
Nonoperating (losses) gains net	(25 663)	(20 071)	(8 316)	3 675	(711)	(406)	104	–	–	10	35	1	16
Excess (deficiency) of revenues over expenses	91 339	(20 930)	14 401	32 660	37 798	41 193	(17 444)	165	26	3 383	(11)	1 038	(940)
Less Excess of revenues over expenses attributable to noncontrolling interests	2 511	2 511	–	–	–	–	–	–	–	–	–	–	–
Excess (deficiency) of revenues over expenses attributable to controlling interests	$ 88 828	$ (23 441)	$ 14 401	$ 32 660	$ 37 798	$ 41 193	$ (17 444)	$ 165	$ 26	$ 3 383	$ (11)	$ 1 038	$ (940)

St Joseph Health System and Affiliates
A St Joseph Health Ministry Corporation

Consolidating Statements of Operations of Northern California Region
(In Thousands)

For the Year Ended June 30, 2012

	Northern California Region	Eliminations	Queen of the Valley	Santa Rosa Memorial	Petaluma Valley	St Joseph Eureka	Redwood Memorial	Heritage Foundation Northern California	St Joseph Home Health North	Redwood Memorial Foundation	Queen of the Valley Foundation
Revenues											
Patient service net of contractual allowances and discounts	$ 995 927	$ (655)	$ 240 626	$ 378 036	$ 87 763	$ 206 119	$ 50 821	$ 23 050	$ 10 167	$ –	$ –
Provision for doubtful accounts	49 970	–	10 590	18 936	6 345	9 340	3 742	539	478	–	–
Net patient service net of provision for doubtful accounts	945 957	(655)	230 036	359 100	81 418	196 779	47 079	22 511	9 689	–	–
Premium	8 050	–	7 686	–	–	–	–	364	–	–	–
Other	19 320	(1 585)	5 889	6 982	1 538	1 626	742	4 128	–	–	–
Total revenues	973 327	(2 240)	243 611	366 082	82 956	198 405	47 821	27 003	9 689	–	–
Expenses											
Compensation and benefits	486 944	1 432	137 304	173 683	47 789	86 232	22 079	9 355	9 070	–	–
Supplies and other	194 931	243	51 827	70 528	14 687	45 494	5 576	5 133	1 443	–	–
Professional fees and purchased services	199 342	(1 527)	41 420	59 683	17 750	43 247	10 165	27 188	1 416	–	–
Depreciation and amortization	47 657	9	16 359	18 094	3 651	7 405	1 533	545	61	–	–
Interest	11 563	–	4 024	6 288	43	1 041	92	–	75	–	–
Total expenses	940 437	157	250 934	328 276	83 920	183 419	39 445	42 221	12 065	–	–
Operating income (loss)	32 890	(2 397)	(7 323)	37 806	(964)	14 986	8 376	(15 218)	(2 376)	–	–
Nonoperating gains (losses) net	5 357	2 397	375	2 933	41	(800)	39	2	16	70	284
Excess (deficiency) of revenues over expenses	38 247	–	(6 948)	40 739	(923)	14 186	8 415	(15 216)	(2 360)	70	284
Excess (deficiency) of revenues over expenses attributable to controlling interests	$ 38 247	$ –	$ (6 948)	$ 40 739	$ (923)	$ 14 186	$ 8 415	$ (15 216)	$ (2 360)	$ 70	$ 284

St Joseph Health System and Affiliates
A St Joseph Health Ministry Corporation

Consolidating Statements of Operations of Texas Region

(In Thousands)

For the Year Ended June 30, 2012

	Texas Region	Eliminations	Covenant Lubbock	Covenant Levelland	Covenant Plainview	Covenant LTAC	Covenant Medical Group	Covenant Surgicenter	Covenant Diagnostic Imaging	Hospice of Lubbock	Covenant Health Partners	First Care	Methodist Service Provider Organization	Covenant Foundation
Revenues														
Patient service net of contractual allowances and discounts	$ 703 323	$ (08 123)	$ 053 133	$ 21 850	$ 33 057	$ 10 880	$ 80 350	$ 12 507	$ 0 787	$ 0 213	$ –	$ –	$ –	$ –
Provision for doubtful accounts	09 434	–	52 508	2 170	4 842	426	8 500	294	510	100				
Net patient service net of provision for doubtful accounts	093 889	(08 123)	000 025	19 071	28 815	10 454	71 703	12 273	0 208	0 113	–	–	–	–
Premium	349 524	(1 800)								–	–	351 324	–	–
Other	57 402	(11 548)	28 184	908	3 870	–	22 920	–	56	255	1 721	11 048		
Total revenues	1 100 905	(81 471)	028 809	20 030	32 094	10 454	94 722	12 273	0 324	0 368	1 721	362 372	–	–
Expenses														
Compensation and benefits	402 280	(1 248)	240 543	11 305	15 021	0 003	02 906	3 751	2 143	2 842	080	25 180		
Supplies and other	205 175	(888)	157 024	3 024	7 553	5 103	15 475	3 074	057	1 265	71	0 507	730	–
Professional fees and purchased services	401 031	(84 835)	129 087	4 870	7 091	3 701	11 080	1 023	048	1 894	1 208	324 706	–	–
Depreciation and amortization	42 705	–	38 027	530	053	306	407	507	102	52	–	1 740	72	–
Interest	0 151	–	8 023	–	–	102	–	–	–			126		
Total expenses	1 061 248	(86 071)	574 504	20 437	31 218	18 305	110 038	0 555	3 850	0 053	2 028	361 430	802	–
Operating income (loss)	39 657	5 500	54 305	202	1 476	(1 041)	(25 216)	2 718	2 474	315	(307)	933	(802)	–
Nonoperating (losses) gains net	(8 746)	(0 078)	(1 030)	184	42	8	0	433	1	2	0	(2 151)	102	200
Excess (deficiency) of revenues over expenses	30 911	(1 178)	53 275	386	1 518	(1 033)	(25 207)	3 151	2 475	317	(301)	(1 218)	(040)	200
Less Excess of revenues over expenses attributable to noncontrolling interests	1 290	1 290								–	–	–	–	–
Excess (deficiency) of revenues over expenses attributable to controlling interests	$ 29 621	$ (2 468)	$ 53 275	$ 386	$ 1 518	$ (1 033)	$ (25 207)	$ 3 151	$ 2 475	$ 317	$ (301)	$ (1 218)	$ (040)	$ 200

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