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, and ending** 06/30, **20** 13

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

C Name of organization: ST. MARY'S HOSPITAL, INC.

Doing Business As

Number and street (or P O box if mail is not delivered to street address): PO BOX 137 | Room/suite

City, town or post office, state, and ZIP code: COTTONWOOD, ID 83522

D Employer identification number: 82-0226453

E Telephone number: (208) 962-3251

G Gross receipts $ 19,865,920.

F Name and address of principal officer: PATRICK BRANCO
PO BOX 137 COTTONWOOD, ID 83522

H(a) Is this a group return for affiliates? Yes [ ] No [X]

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

I Tax-exempt status: [X] 501(c)(3) [ ] 501(c) ( ) ◀ (insert no) [ ] 4947(a)(1) or [ ] 527

J Website ▶ WWW.ESSENTIAHEALTH.ORG

H(c) Group exemption number ▶ 0928

K Form of organization: [X] Corporation [ ] Trust [ ] Association [ ] Other ▶

L Year of formation 1958 **M** State of legal domicile ID

Part I Summary

Activities & Governance

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

3	Number of voting members of the governing body (Part VI, line 1a)	3	12.
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	9.
5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	249.
6	Total number of volunteers (estimate if necessary)	6	51.
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	0
b	Net unrelated business taxable income from Form 990-T, line 34	7b	0

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		Prior Year	Current Year
Revenue			
8	Contributions and grants (Part VIII, line 1h)	191,627.	257,826.
9	Program service revenue (Part VIII, line 2g)	18,530,282.	19,190,354.
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	133,992.	345,564.
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	51,937.	66,353.
12	Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	18,907,838.	19,860,097.
Expenses			
13	Grants and similar amounts paid (Part IX, column (A), lines 1-3)	1,250.	40,464.
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)	11,952,984.	12,122,473.
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶ 47,916.		
17	Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	6,284,057.	6,909,162.
18	Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	18,238,291.	19,072,099.
19	Revenue less expenses Subtract line 18 from line 12	669,547.	787,998.
Net Assets or Fund Balances		**Beginning of Current Year**	**End of Year**
20	Total assets (Part X, line 16)	17,301,674.	18,927,112.
21	Total liabilities (Part X, line 26)	2,313,464.	3,010,028.
22	Net assets or fund balances Subtract line 21 from line 20	14,988,210.	15,917,084.

Part II Signature Block

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

Sign Here

▶ Signature of officer: Lenne J Bonner — Date: 5/2/14

▶ LENNE BONNER CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check [ ] if self-employed	PTIN

Firm's name ▶ | Firm's EIN ▶

Firm's address ▶ | Phone no

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

For Paperwork Reduction Act Notice, see the separate instructions. Form **990** (2012)

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Part III Statement of Program Service Accomplishments

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

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 [X] No

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

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

If "Yes," describe these changes on Schedule O

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

4a (Code ______) (Expenses $ 15,981,177 including grants of $ 40,464) (Revenue $ 19,190,354)

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 ▶ 15,981,177.

Part IV Checklist of Required Schedules

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

Part IV Checklist of Required Schedules *(continued)*

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

Part V Statements Regarding Other IRS Filings and Tax Compliance
Check if Schedule O contains a response to any question in this Part V . . . ☐

					Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	1a	31			
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	X	
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	249			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			2b	X	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to *e-file* (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			3a		X
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			3b		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			4a		X
b	If "Yes," enter the name of the foreign country ▶ ______ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?			5a		X
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			5b		X
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?			6a		X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			6b		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			7a		X
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			7c		X
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			7e		X
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?			7f		X
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			8		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			9b		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state?			13a		
	Note. See the instructions for additional information the organization must report on Schedule O					
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b				
c	Enter the amount of reserves on hand	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			14a		X
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O*			14b		

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

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

Section A. Governing Body and Management

			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year . . . 1a 12 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 9			
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	X	
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, or trustees, or key employees to a management company or other person?	3		X
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4		X
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5		X
6	Did the organization have members or stockholders?	6	X	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	X	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	X	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	8a	X	
b	Each committee with authority to act on behalf of the governing body?	8b	X	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	9		X

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

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

Section C. Disclosure

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

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

[ ] Own website [ ] Another's website [X] 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 ▶ LENNE BONNER 301 CEDAR ST OROFINO, ID 83544 208-476-4555

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position: Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former	(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
(1) MARJORIE KUCHYNKA BOARD SECRET/TREASUR THRU 9/12	1.00 1.00	X		X				0	0	0
(2) LARRY COONTS BOARD VICE CHAIR	1.00 1.00	X		X				0	0	0
(3) MAURICE MASAR, MD BOARD DIRECTOR	1.00 1.00	X						0	0	0
(4) GARY REHDER BOARD DIRECTOR	1.00 1.00	X						0	0	0
(5) DAN DAVIS BOARD CHAIR	1.00 6.00	X		X				0	0	0
(6) SISTER MARY ROCHEFORT BOARD DIRECTOR	1.00 1.00	X						0	0	0
(7) SISTER BARBARA JEAN GLODOWSKI BOARD DIRECTOR THRU 9/12	1.00 1.00	X						0	0	0
(8) BRYAN HIGGINS BOARD DIRECTOR THRU 9/12	1.00 1.00	X						0	0	0
(9) LEE PIPPENGER BOARD SECRETARY/TREASURER	1.00 1.00	X		X				0	0	0
(10) MICHAEL HEDRIX BOARD DIRECTOR THRU 1/13	1.00 59.00	X						0	330,038.	63,788.
(11) KELLY MCGRATH, MD BOARD DIRECTOR	1.00 39.00	X						0	225,911.	30,254.
(12) ALVIN SECREST III, MD BOARD DIRECTOR	39.00 1.00	X						252,202.	0	34,395.
(13) LONNIE SIMPSON BOARD DIRECTOR	1.00 1.00	X						0	0	0
(14) LENNY HILL BOARD DIRECTOR	1.00 1.00	X						0	0	0

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: Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former	(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
(15) SISTER MARJORIE SCHMIDT BOARD DIRECTOR	1.00 1.00	X						0	0	0
(16) PAUL NUSSER BOARD DIRECTOR	1.00 1.00	X						0	0	0
(17) LENNE BONNER INTERIM PRESIDENT/CFO	25.00 25.00			X				0	176,640.	31,028.
(18) ANDREW JONES, MD SURGEON	40.00 0					X		423,908.	0	23,155.
(19) RONALD SIGLER, MD PHYSICIAN	40.00 0					X		306,262.	0	29,798.
(20) JACK CASTELL BRUNER II, MD PHYSICIAN	40.00 0					X		251,420.	0	29,424.
(21) DENNIS TRACY CRNA	40.00 0					X		153,533.	0	27,372.
(22) MARC FARNWORTH, MD PHYSICIAN	40.00 0					X		251,775.	0	22,409.
(23) COLLEEN MEZA PRESIDENT	0 0						X	0	229,210.	1,894.
1b Sub-total ▶								252,202.	555,949.	128,437.
c Total from continuation sheets to Part VII, Section A ▶								1,386,898.	405,850.	165,080.
d Total (add lines 1b and 1c) ▶								1,639,100.	961,799.	293,517.

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 ▶ 19

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
ATTACHMENT 1		

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 in compensation from the organization ▶ 3

Part VIII Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, Gifts, Grants and Other Similar Amounts						
1a	Federated campaigns	1a				
b	Membership dues	1b				
c	Fundraising events	1c				
d	Related organizations	1d				
e	Government grants (contributions)	1e 247,815				
f	All other contributions, gifts, grants, and similar amounts not included above	1f 10,011				
g	Noncash contributions included in lines 1a-1f $					
h	**Total.** Add lines 1a-1f ▶		257,826			
Program Service Revenue		Business Code				
2a	HOSPITAL & CLINIC SERVICES	621110	19,190,354	19,190,354		
b						
c						
d						
e						
f	All other program service revenue					
g	**Total.** Add lines 2a-2f ▶		19,190,354			
Other Revenue						
3	Investment income (including dividends, interest, and other similar amounts) ▶		117,577			117,577
4	Income from investment of tax-exempt bond proceeds ▶		0			
5	Royalties ▶		0			
		(i) Real / (ii) Personal				
6a	Gross rents	(i) 21,377				
b	Less rental expenses					
c	Rental income or (loss)	(i) 21,377				
d	Net rental income or (loss) ▶		21,377			21,377
		(i) Securities / (ii) Other				
7a	Gross amount from sales of assets other than inventory	(i) 233,810				
b	Less cost or other basis and sales expenses	(ii) 5,823				
c	Gain or (loss)	(i) 233,810 / (ii) -5,823				
d	Net gain or (loss) ▶		227,987			227,987
8a	Gross income from fundraising events (not including $ ____ of contributions reported on line 1c) See Part IV, line 18	a				
b	Less direct expenses	b				
c	Net income or (loss) from fundraising events ▶		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	CAFETERIA SALES	722514	26,922			26,922
b	FITNESS DUES & WEIGHT LOSS PROGRAM	713940	11,268			11,268
c	MEDICAL RECORD COPIES	561439	5,114			5,114
d	All other revenue	900099	1,672			1,672
e	**Total.** Add lines 11a-11d ▶		44,976			
12	**Total revenue.** See instructions ▶		19,860,097	19,190,354		411,917

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	40,464.	40,464.		
2 Grants and other assistance to individuals in the United States See Part IV, line 22	0			
3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4 Benefits paid to or for members	0			
5 Compensation of current officers, directors, trustees, and key employees	458,082.	231,012.	227,070.	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	124,698.	124,698.		
7 Other salaries and wages	9,723,117.	8,560,711.	1,125,659.	36,747.
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	302,579.	266,604.	34,149.	1,826.
9 Other employee benefits	840,303.	738,873.	100,459.	971.
10 Payroll taxes	673,694.	585,564.	84,302.	3,828.
11 Fees for services (non-employees)				
a Management	0			
b Legal	2,661.		2,661.	
c Accounting	39,184.		39,184.	
d Lobbying	1,096.		1,096.	
e Professional fundraising services See Part IV, line 17	0			
f Investment management fees	34,553.		34,553.	
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	1,698,038.	1,459,287.	238,751.	
12 Advertising and promotion	30,117.	2,302.	27,815.	
13 Office expenses	1,599,807.	1,366,193.	232,427.	1,187.
14 Information technology	181,503.	122,186.	58,838.	479.
15 Royalties	0			
16 Occupancy	268,329.	182,193.	85,672.	464.
17 Travel	129,619.	96,622.	32,952.	45.
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19 Conferences, conventions, and meetings	83,613.	66,122.	17,491.	
20 Interest	18,519.	14,367.	4,152.	
21 Payments to affiliates	0			
22 Depreciation, depletion, and amortization	860,545.	579,312.	278,964.	2,269.
23 Insurance	289,697.	275,625.	14,072.	
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24e If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O)				
a BAD DEBT EXPENSE	504,757.	504,757.		
b MEDICAL SUPPLIES	473,589.	473,589.		
c AFFILIATE SUPPORT FEE	400,585.	248,363.	152,222.	
d DUES & SUBSCRIPTIONS	292,950.	42,333.	250,517.	100.
e All other expenses				
25 **Total functional expenses** Add lines 1 through 24e	19,072,099.	15,981,177.	3,043,006.	47,916.
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)	0			

Part X Balance Sheet

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

			(A) Beginning of year		(B) End of year
Assets	1	Cash - non-interest-bearing	940.	1	1,115.
	2	Savings and temporary cash investments	2,677,085.	2	2,139,308.
	3	Pledges and grants receivable, net	59,756.	3	97,685.
	4	Accounts receivable, net	3,398,791.	4	3,336,183.
	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	466,707.	8	383,673.
	9	Prepaid expenses and deferred charges	86,697.	9	136,466.
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D — 10a: 12,995,053.			
	b	Less accumulated depreciation — 10b: 6,854,541.	5,736,217.	10c	6,140,512.
	11	Investments - publicly traded securities	0	11	0
	12	Investments - other securities See Part IV, line 11	4,533,356.	12	6,473,113.
	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	342,125.	15	219,057.
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)	17,301,674.	16	18,927,112.
Liabilities	17	Accounts payable and accrued expenses	2,049,012.	17	2,000,878.
	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	249,075.	23	990,455.
	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	15,377.	25	18,695.
	26	**Total liabilities.** Add lines 17 through 25	2,313,464.	26	3,010,028.
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ [X] and complete lines 27 through 29, and lines 33 and 34.**			
	27	Unrestricted net assets	14,988,210.	27	15,917,084.
	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	14,988,210.	33	15,917,084.
	34	Total liabilities and net assets/fund balances	17,301,674.	34	18,927,112.

Part XI **Reconciliation of Net Assets**

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	19,860,097.
2	Total expenses (must equal Part IX, column (A), line 25)	2	19,072,099.
3	Revenue less expenses Subtract line 2 from line 1	3	787,998.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	14,988,210.
5	Net unrealized gains (losses) on investments	5	140,876.
6	Donated services and use of facilities	6	0
7	Investment expenses	7	0
8	Prior period adjustments	8	0
9	Other changes in net assets or fund balances (explain in Schedule O)	9	0
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	15,917,084.

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		X
	If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both ☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis			
b	Were the organization's financial statements audited by an independent accountant?	2b	X	
	If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both ☐ Separate basis ☒ Consolidated basis ☐ Both consolidated and separate basis			
c	If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?	2c	X	
	If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a	X	
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b	X	

SCHEDULE A (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization	Employer identification number
ST. MARY'S HOSPITAL, INC.	82-0226453

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section A. Public Support

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

Section B. Total Support

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

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

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

Section C. Computation of Public Support Percentage

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

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

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

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

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

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

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

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

Section A. Public Support

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

Section B. Total Support

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

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

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

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

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

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

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

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).

SCHEDULE C (Form 990 or 990-EZ)

Department of the Treasury Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

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

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

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

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

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

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

Name of organization	Employer identification number
ST. MARY'S HOSPITAL, INC.	82-0226453

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-
(1)					
(2)					
(3)					
(4)					
(5)					
(6)					

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		

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

		(a)	(b)
g	Grassroots nontaxable amount (enter 25% of line 1f)		
h	Subtract line 1g from line 1a If zero or less, enter -0-		
i	Subtract line 1f from line 1c If zero or less, enter -0-		

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

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

Lobbying Expenditures During 4-Year Averaging Period

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

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

For each "Yes," response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity	(a) Yes	(a) No	(b) Amount
1 During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a Volunteers?		X	
b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		X	
c Media advertisements?		X	
d Mailings to members, legislators, or the public?		X	
e Publications, or published or broadcast statements?		X	
f Grants to other organizations for lobbying purposes?		X	
g Direct contact with legislators, their staffs, government officials, or a legislative body?		X	
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		X	
i Other activities?	X		1,096.
j Total Add lines 1c through 1i			1,096.
2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		X	
b If "Yes," enter the amount of any tax incurred under section 4912			
c If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

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

SCHEDULE C, PART II-B

LOBBYING ACTIVITY EXPLANATION:

ST. MARY'S HOSPITAL, INC. PAYS DUES TO CERTAIN ORGANIZATIONS RELATED TO THE INDUSTRY WHICH HAVE LOBBYING EXPENSES. THE AMOUNT LISTED IS THE PERCENTAGE OF THE DUES PAID THAT WERE USED FOR LOBBYING.

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

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: ST. MARY'S HOSPITAL, INC.

Employer identification number: 82-0226453

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)
☐ Protection of natural habitat
☐ Preservation of open space
☐ Preservation of an historically important land area
☐ Preservation of a certified historic structure

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b Assets included in Form 990, Part X ▶ $

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

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

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

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

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

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

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

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

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

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

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

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

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

2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as
a Board designated or quasi-endowment ▶ _________ %
b Permanent endowment ▶ _________ %
c Temporarily restricted endowment ▶ _________ %
The percentages in lines 2a, 2b, and 2c should equal 100%

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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		512,773.		512,773.
b Buildings		4,090,966.	1,872,431.	2,218,535.
c Leasehold improvements				
d Equipment		8,018,223.	4,979,262.	3,038,961.
e Other		373,091.	2,848.	370,243.
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				6,140,512.

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

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A) POOLED INVESTMENT FUND	6,473,113.	FMV
(B)		
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
(I)		
Total (Column (b) must equal Form 990, Part X, col (B) line 12) ▶	6,473,113.	

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

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		
Total (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)	
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
Total. (Column (b) must equal Form 990, Part X, col (B) line 15) ▶	

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

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	
(2) FIN 47 ASSET RETIREMENT OBLIGATION	18,695.
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
(11)	
Total. (Column (b) must equal Form 990, Part X, col (B) line 25) ▶	18,695.

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.

Part XIII Supplemental Information *(continued)*

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: ST. MARY'S HOSPITAL, INC.
Employer identification number: 82-0226453

Part I Financial Assistance and Certain Other Community Benefits at Cost

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

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

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)		186	216,311.		216,311.	1.17
b Medicaid (from Worksheet 3, column a)		4021	2,307,368.	1,717,773.	589,595.	3.18
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs		4207	2,523,679.	1,717,773.	805,906.	4.35
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	13	11615	87,452.		87,452.	.47
f Health professions education (from Worksheet 5)	1	16	23,683.		23,683.	.13
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)	1		1,386.		1,386.	.01
i Cash and in-kind contributions for community benefit (from Worksheet 8)	5	2321	31,453.		31,453.	.17
j Total Other Benefits	20	13952	143,974.		143,974.	.78
k Total Add lines 7d and 7j	20	18159	2,667,653.	1,717,773.	949,880.	5.13

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						
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 Total						

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 Healthcare Financial Management Association Statement No 15?		1	X	
2 Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount	2 504,757.			
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 6,000.			
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 8,238,775.			
6 Enter Medicare allowable costs of care relating to payments on line 5	6 8,157,203.			
7 Subtract line 6 from line 5 This is the surplus (or shortfall)	7 81,572.			
8 Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used ☐ Cost accounting system ☐ Cost to charge ratio ☒ Other				
Section C. Collection Practices				
9a Did the organization have a written debt collection policy during the tax year?		9a	X	
b If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI		9b	X	

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

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

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

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

Name, address, and primary website address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (describe)	Facility reporting group
1 ST. MARY'S HOSPITAL, INC. 701 LEWISTON STREET COTTONWOOD ID 83522 WWW.ESSENTIAHEALTH.ORG	X	X			X		X			
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										

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 ST. MARY'S HOSPITAL, INC.

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

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

Part V Facility Information *(continued)*

Financial Assistance Policy ST. MARY'S HOSPITAL, INC.		Yes	No
Did the hospital facility have in place during the tax year a written financial assistance policy that			
9 Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9	X	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	10	X	
If "Yes," indicate the FPG family income limit for eligibility for free care 1 0 0 %			
If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	11	X	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 2 0 0 %			
If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	12	X	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a [X] Income level			
b [X] Asset level			
c [X] Medical indigency			
d [X] Insurance status			
e [ ] Uninsured discount			
f [X] Medicaid/Medicare			
g [ ] State regulation			
h [ ] Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?	13	X	
14 Included measures to publicize the policy within the community served by the hospital facility?	14		X
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a [ ] 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 on request			
g [ ] Other (describe in Part VI)			
Billing and Collections			
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	15	X	
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine 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		X
If "Yes," check all actions in which the hospital facility or a third party engaged			
a [ ] Reporting to credit agency			
b [ ] Lawsuits			
c [ ] Liens on residences			
d [ ] Body attachments			
e [ ] Other similar actions (describe in Part VI)			

Part V Facility Information *(continued)* ST. MARY'S HOSPITAL, INC.

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

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

Policy Relating to Emergency Medical Care

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

If "No," indicate why

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

Changes 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 [X] 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)

		Yes	No
21 During the tax year, did the hospital facility charge any of its FAP- eligible individuals, to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	20		X
If "Yes," explain in Part VI			
22 During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual?	21		X
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? 7

	Name and address	Type of Facility (describe)
1	ST. MARY'S COTTONWOOD MEDICAL CLINIC PO BOX 137, 701 LEWISTON STREET COTTONWOOD ID 83522	MULTI-SPECIALTY CLINIC
2	ST. MARY'S KAMIAH MEDICAL CLINIC 518 OAK STREET KAMIAH ID 83536	MULTI-SPECIALTY CLINIC
3	ST. MARY'S NEZ PIERCE MEDICAL CLINIC 501 OAK STREET NEZ PIERCE ID 83543	MULTI-SPECIALTY CLINIC
4	ST. MARY'S CRAIGMONT MEDICAL CLINIC 320 NORTH DIVISION CRAIGMONT ID 83523	PRIMARY CARE CLINIC
5	ST. MARY'S GRANGEVILLE MEDICAL CLINIC 617 WEST NORTH 2ND, STE 2 GRANGEVILLE ID 83530	PHYSICAL THERAPY CLINIC
6	ST. MARY'S KAMIAH PHYSICAL THERAPY CLINI 619 4TH STREET KAMIAH ID 83536	PHYSICAL THERAPY CLINIC
7	ST. MARY'S GRANGEVILLE PHYSICAL THERAPY 617 WEST NORTH 2ND, SUITE 1 GRANGEVILLE ID 83530	PHYSICAL THERAPY CLINIC
8		
9		
10		

Part VI Supplemental Information

Complete this part to provide the following information

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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, 20d, 21, and 22

SCHEDULE H, PART VI, LINE 1

PROVIDE THE DESCRIPTION REQUIRED FOR PART I, LINES 3C, 6A, 7G, 7, COLUMN (F), 7; PART II; PART III, LINES 2, 3, 4, 8, 9B; PART V, LINES 1J, 3, 4, 5A, 5C, 6I, 7, 10, 11, 12H, 14G, 16E, 17E, 18E, 19C, 19D, 20D, 21, 22:

PART I, LINE 3C

IF ASSET LEVELS ARE DEEMED TO BE SIGNIFICANT, NO DISCOUNTED OR FREE CARE WILL BE OFFERED, EVEN IF THEY MEET THE INCOME THRESHOLDS.

PART I, LINE 6A

ST. MARY'S HOSPITAL, INC.'S COMMUNITY BENEFIT INFORMATION IS CONSOLIDATED INTO THE ESSENTIA HEALTH COMMUNITY BENEFIT INFORMATION WHICH IS INCLUDED IN THE ESSENTIA HEALTH ANNUAL REPORT. THE ANNUAL REPORT IS MADE AVAILABLE TO THE PUBLIC AT WWW.ESSENTIAHEALTH.ORG. ESSENTIA HEALTH, HEADQUARTERED IN DULUTH, MINN., IS AN INTEGRATED HEALTH SYSTEM SERVING PATIENTS IN MINNESOTA, WISCONSIN, NORTH DAKOTA AND IDAHO AND IS ST. MARY'S HOSPITAL'S PARENT CORPORATION.

Part VI Supplemental Information

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PART 1, LINE 7G

NOT APPLICABLE.

PART I, LINE 7, COLUMN (F)

BAD DEBT EXPENSE THAT WAS SUBTRACTED FROM TOTAL EXPENSE TO OBTAIN THE %

OF COMMUNITY BENEFIT TO TOTAL EXPENSE AMOUNTED TO $504,757

PART I, LINE 7

THE COST TO CHARGE RATIO DERIVED FROM WORKSHEET 2, RATIO OF PATIENT CARE

COST-TO-CHARGES WAS USED TO CALCULATE THE COSTS FOR THE FOLLOWING

COMMUNITY BENEFITS: CHARITY CARE AND UNREIMBURSED MEDICAID. ACTUAL COSTS

WERE USED FOR THE REMAINDER OF THE COMMUNITY BENEFITS REPORTED.

PART II

NOT APPLICABLE, NO COMMUNITY BUILDING ACTIVITIES.

Part VI Supplemental Information

Complete this part to provide the following information

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PART III, LINE 2

DISCOUNTS, CHARITY CARE, AND BAD DEBT EXPENSE ARE ACCOUNTED FOR AS REDUCTIONS TO REVENUE. BAD DEBT EXPENSE ON PATIENT ACCOUNTS WOULD BE IDENTIFIED AS ANY BALANCE ON THE ACCOUNT, LESS ANY PREVIOUS PAYMENTS AND DISCOUNTS, THAT HAS AGED AND IS ABSENT OF ANY PAYMENTS. IF, DURING THE COLLECTION PROCESS, IT BECOMES KNOWN THAT THE PATIENT QUALIFIES FOR CHARITY CARE, THE AMOUNTS INCLUDED WITHIN BAD DEBT EXPENSE WOULD BE RECLASSIFIED TO CHARITY CARE.

PART III, LINE 3

ST. MARY'S HOSPITAL, INC. APPLIED A HIGH-LEVEL, CONSERVATIVE ANALYTIC REVIEW BY TAKING THE RATIO OF CHARITABLE ALLOWANCES TO GROSS PATIENT REVENUE AND MULTIPLYING AGAINST BAD DEBT EXPENSE TO ARRIVE AT AN APPROXIMATION OF CHARITY CARE THAT RESIDES IN BAD DEBT.

PART III, LINE 3

ST. MARY'S HOSPITAL, INC. IS A PART OF A LARGER ORGANIZATION, ESSENTIA

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

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HEALTH. ESSENTIA HEALTH AND ITS MEMBER ORGANIZATIONS INCORPORATE THE COST OF BAD DEBT AS A COMMUNITY BENEFIT. AS A TAX EXEMPT HOSPITAL, WE MUST PROVIDE THE NECESSARY SERVICES REGARDLESS OF THE PATIENT'S ABILITY TO PAY FOR THAT CARE. IN DOING SO, ESSENTIA HEALTH MAKES QUALITY PATIENT CARE AVAILABLE TO ALL IN OUR COMMUNITY, REGARDLESS OF THEIR ECONOMIC MEANS.

PART III, LINE 4

THE PAGE NUMBER OF THE AUDIT THAT CONTAINS THE FOOTNOTE DESCRIBING THE ORGANIZATION'S BAD DEBT EXPENSE IS PAGE 12.

PART III, LINE 8

THE METHODOLOGY USED IN DETERMINING THE REPORTED MEDICARE ALLOWABLE COSTS BEGINS WITH THE HOSPITAL'S GENERAL LEDGER SYSTEM. THE COSTS ARE OBTAINED FROM THE GENERAL LEDGER AND THEN ADJUSTED AND REPORTED IN ACCORDANCE WITH CENTERS FOR MEDICARE SERVICES (CMS) "COST FINDING" GUIDELINES AS PUBLISHED IN THEIR PROVIDER REIMBURSEMENT MANUAL. ONCE THE MEDICARE

Part VI Supplemental Information

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ALLOWABLE COSTS ARE DETERMINED FROM THE HOSPITAL'S COST REPORT, ANY COSTS ATTRIBUTED TO SUBSIDIZED HEALTH SERVICES, AND MEDICAL EDUCATION, ARE REMOVED.

PART III, LINE 8

ST. MARY'S HOSPITAL, INC. IS A PART OF A LARGER ORGANIZATION, ESSENTIA HEALTH. ESSENTIA HEALTH AND ITS MEMBER ORGANIZATIONS INCORPORATE THE FULL VALUE OF THE MEDICARE SHORTFALL AS A COMMUNITY BENEFIT. THE RATIONALE FOR THE ORGANIZATION'S OPINION IS PROVIDING CARE FOR THE ELDERLY AND SERVING MEDICARE PATIENTS IS AN ESSENTIAL PART OF THE COMMUNITY BENEFIT STANDARD. MEDICARE, LIKE MEDICAID, DOES NOT PAY THE FULL COST OF CARE AND IT IS LIKELY TO GET WORSE. MANY MEDICARE BENEFICIARIES ARE POOR AND ARE ELIGIBLE FOR MEDICAID IN ADDITION TO MEDICARE. MEDICARE UNDERPAYMENT MUST BE SHOULDERED BY THE HOSPITAL IN ORDER TO CONTINUE TREATING THE COMMUNITY'S ELDERLY AND POOR. THESE UNDERPAYMENTS REPRESENT A REAL COST OF SERVING THE COMMUNITY.

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

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PART III, LINE 8

EACH ESSENTIA HEALTH HOSPITAL IS REQUIRED TO FILE A MEDICARE COST REPORT 5 MONTHS AFTER THE CLOSE OF THEIR FISCAL YEAR. THE COST REPORT PROVIDES MEDICARE WITH INFORMATION THAT IS USED TO DETERMINE UTILIZATION AND SPENDING TRENDS BUT ALSO IS USED TO SET FUTURE PAYMENT RATES FOR MOST MEDICARE SERVICES. IF THE INTERIM PAYMENTS PAID TO A HOSPITAL ARE HIGHER OR LOWER THAN THE FILED COST REPORT ALLOWABLE REIMBURSEMENT THERE WILL BE A SETTLEMENT FOR THAT FISCAL YEAR. THIS CAN BE DUE TO CHANGES IN UTILIZATION OR COST OF PROVIDING SERVICES FOR CRITICAL ACCESS HOSPITALS (CAH) OR DIFFERENCES BETWEEN INTERIM AND FINAL PAYMENT FACTORS FOR DISPROPORTIONATE SHARE, BAD DEBTS, OR INDIRECT MEDICAL EDUCATION FOR NON-CAH HOSPITALS. AN ESTIMATE FOR THESE SETTLEMENTS IS RECORDED AT THE CLOSE OF THE FISCAL YEAR. IF THE ESTIMATE VARIES FROM THE FINAL SETTLEMENT RECEIVED 6-7 MONTHS AFTER THE FISCAL YEAR ENDS THEN THESE AMOUNTS ARE RECORDED AS PRIOR YEAR MEDICARE REVENUE.

PART III, LINE 9B

Part VI Supplemental Information

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AT ANY STAGE OF THE PATIENT EXPERIENCE, INCLUDING COLLECTIONS, A DETERMINATION MAY BE MADE THAT THE PATIENT QUALIFIES FOR FINANCIAL ASSISTANCE. ALL COLLECTION EFFORTS MUST BE SUSPENDED WHILE A PATIENT'S FINANCIAL ASSISTANCE APPLICATION IS BEING CONSIDERED AND UNTIL THE PATIENT IS NOTIFIED REGARDING THE DETERMINATION OF ELIGIBILITY. ONCE ELIGIBILITY (OR LACK OF ELIGIBILITY) IS DETERMINED, AMOUNTS STILL OWED BY PATIENTS WILL BE COLLECTED IN THE SAME MANNER AS ALL OTHER PATIENT BILLS.

PART V, LINE 1J

THE COMMUNITY HEALTH NEEDS ASSESSMENT ALSO INCLUDES A COMMUNITY HEALTH PROFILE. THE PROFILE IS BASED ON DATA FROM THE BEHAVIORAL RISK FACTORS SURVEILLANCE SYSTEM AND THE UNIVERSITY OF WISCONSIN POPULATION HEALTH INSTITUTE COUNTY HEALTH RANKINGS.

Part VI Supplemental Information

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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, 20d, 21, and 22

SCHEDULE H, PART VI, LINE 1 CONT.

PART V, LINE 3

A COMMUNITY/PATIENT FOCUS GROUP WAS HELD FOR COMMUNITY MEMBERS TO IDENTIFY AND PRIORITIZE THEIR COMMUNITY HEALTH NEEDS. IN ADDITION, PERSONS WERE CONSULTED AT TOWN HALL MEETINGS, WHICH IS THE FIRST STEP IN ADDRESSING EACH PRIORITIZED HEALTH NEED. DURING THE TOWN HALL MEETING, INTERVENTION OPTIONS FOR MEETING THE HEALTH NEED WERE PRESENTED, AND PARTICIPANTS SELECTED THE OPTION BEST SUITED TO THEIR COMMUNITY. INDIVIDUALS FROM THE FOLLOWING ORGANIZATIONS ATTENDED THE TOWN HALL MEETING (NAMES AND TITLES AVAILABLE UPON REQUEST): COMMUNITY/PATIENT FOCUS GROUP, PUBLIC HEALTH - IDAHO NORTH CENTRAL DISTRICT, BUSINESS PSYCHOLOGY ASSOCIATES, ALLEN COUNSELING SERVICES, REGION II MENTAL HEALTH BOARD, AND NIMIIPUU HEALTH. SEE THE CHNA POSTED ON THE WEBSITE LISTED IN PART V, LINE 5A FOR A LIST OF ORGANIZATIONS THAT WERE INVITED TO, BUT DID NOT ATTEND THE TOWN HALL MEETINGS. AN EMPLOYEE OF PUBLIC HEALTH - IDAHO NORTH CENTRAL DISTRICT (NAME AND TITLE AVAILABLE UPON REQUEST) ATTENDED THE COMMUNITY/PATIENT FOCUS GROUP AND THE TOWN HALL MEETING AND PROVIDED

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

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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 hospitals 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)

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INPUT ON THE COMMUNITY HEALTH NEEDS AND INTERVENTION OPTIONS FOR ADDRESSING THE HIGHEST PRIORITY HEALTH NEED. TWO INDIVIDUALS FROM NIMIIPUU HEALTH ATTENDED BOTH THE COMMUNITY/PATIENT FOCUS GROUP AND THE TOWN HALL MEETING AND PROVIDED INPUT ON THE COMMUNITY HEALTH NEEDS AND INTERVENTION OPTIONS FOR ADDRESSING THE HIGHEST PRIORITY HEALTH NEED.

THE MAJORITY OF CLEARWATER, IDAHO, AND LEWIS COUNTIES ARE RURAL ACCORDING TO THE 2012 UWPHI COUNTY HEALTH RANKINGS DATA: 57.3% (CLEARWATER), 79.1% (IDAHO), AND 100% (LEWIS). GIVEN THE KNOWN HEALTH DISPARITIES OF RURAL POPULATIONS, ALL ATTENDEES OF THE COMMUNITY/PATIENT FOCUS GROUP AND TOWN HALL MEETINGS ARE REPRESENTATIVES AND/OR MEMBERS OF MEDICALLY-UNDERSERVED AND LOW INCOME POPULATIONS, AS WELL AS POPULATIONS WITH CHRONIC DISEASE NEEDS. COMMUNITY/PATIENT FOCUS GROUP PARTICIPANTS WERE SPECIFICALLY INSTRUCTED TO CONSIDER THEMSELVES REPRESENTATIVES OF THE COMMUNITY-AT-LARGE. PARTICIPANTS AT THE TOWN HALL MEETINGS SERVED MORE FORMAL LEADERSHIP OR REPRESENTATIVE ROLES. THE CURRENT AND FORMER CHAIRS OF REGIONAL MENTAL HEALTH BOARDS ATTENDED BOTH THE COMMUNITY/PATIENT FOCUS GROUP AND THE TOWN HALL MEETING. ELECTED OFFICIALS FROM CLEARWATER

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

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COUNTY AND COTTONWOOD CITY COUNCIL (NAMES AND TITLES AVAILABLE UPON REQUEST) ATTENDED THE COMMUNITY/PATIENT FOCUS GROUP.

IN CLEARWATER, IDAHO, AND LEWIS COUNTIES, OVER 88% OF INDIVIDUALS ARE CAUCASIAN. HOWEVER, AS ATTENDEES AT THE COMMUNITY/PATIENT FOCUS GROUP WERE INSTRUCTED TO ACT AS REPRESENTATIVES OF THE ENTIRE COMMUNITY, AND DATA STRATIFIED BY RACE/ETHNICITY WERE PRESENTED, HEALTH NEEDS OF MINORITY POPULATIONS WERE CONSIDERED. ADDITIONALLY, TWO INDIVIDUALS FROM NIMIIPUU HEALTH ATTENDED BOTH THE COMMUNITY/PATIENT FOCUS GROUP AND THE TOWN HALL MEETING AND PROVIDED INPUT ON THE COMMUNITY HEALTH NEEDS AND INTERVENTION OPTIONS FOR ADDRESSING THE HIGHEST PRIORITY HEALTH NEED. THESE INDIVIDUALS PROVIDE HEALTH EDUCATION AND HOME VISITS TO THE TRIBAL COMMUNITY.

PART V, LINE 4

IN THE INTEREST OF EFFICIENCY, COST EFFECTIVENESS, AND ALIGNMENT WITH ESSENTIA HEALTH POPULATION HEALTH STRATEGIES, THE HOSPITAL FACILITY'S CHNA WAS CONDUCTED IN A COORDINATED PROCESS WITH FOURTEEN OTHER ESSENTIA

Part VI Supplemental Information

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HEALTH HOSPITAL FACILITIES. WHILE STILL ALLOWING FOR TAILORING TO EACH PARTICULAR HOSPITAL FACILITY, PROCEDURES WERE STANDARDIZED ACROSS HOSPITAL FACILITIES. THE HOSPITAL FACILITIES INCLUDED IN THIS COORDINATED PROCESS ARE: ESSENTIA HEALTH ADA IN ADA, MN; CLEARWATER VALLEY HOSPITAL AND CLINICS, INC. IN OROFINO, ID; ESSENTIA HEALTH DEER RIVER IN DEER RIVER, MN; ESSENTIA HEALTH VIRGINIA IN VIRGINIA, MN; ESSENTIA HEALTH HOLY TRINITY HOSPITAL IN GRACEVILLE, MN; ESSENTIA HEALTH WEST IN FARGO, ND; MINNESOTA VALLEY HEALTH CENTER, INC. IN LE SUEUR, MN; ESSENTIA HEALTH NORTHERN PINES IN AURORA, MN; ESSENTIA HEALTH SANDSTONE IN SANDSTONE, MN; ESSENTIA HEALTH DULUTH IN DULUTH, MN; ESSENTIA HEALTH ST. JOSEPH'S MEDICAL CENTER IN BRAINERD, MN; ESSENTIA HEALTH ST. MARY'S HOSPITAL-SUPERIOR IN SUPERIOR, WI; ST. MARY'S HOSPITAL, INC. IN COTTONWOOD, ID; ESSENTIA HEALTH ST. MARY'S MEDICAL CENTER IN DULUTH, MN; AND ESSENTIA HEALTH ST. MARY'S-DETROIT LAKES IN DETROIT LAKES, MN. SINCE ESSENTIA HEALTH WEST JOINED THE COLLABORATIVE EFFORT ON FEBRUARY 1, 2013, NOT ALL ASPECTS OF THE ESSENTIA HEALTH WEST CHNA ARE COORDINATED WITH THOSE OF THE OTHER HOSPITAL FACILITIES. ST. MARY'S HOSPITAL, INC. DID AND

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

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WILL COLLABORATE MORE CLOSELY WITH ONE OF THE ESSENTIA HEALTH HOSPITALS IN PARTICULAR - CLEARWATER VALLEY HOSPITAL AND CLINICS, INC. IN OROFINO, ID - BY HOLDING JOINT COMMUNITY/PATIENT FOCUS GROUPS, TOWN HALL MEETINGS, AND INTERVENTION PLANNING MEETINGS. ADDITIONAL COLLABORATION BETWEEN THE TWO HOSPITALS WILL OCCUR AS THE INTERVENTIONS PROGRESS.

PART V, LINE 5A

THE CHNA IS POSTED UNDER THE "COMMUNITY HEALTH" TAB ON THE HOSPITAL FACILITY'S HOMEPAGE AT HTTP://WWW.SMH-CVHC.ORG

PART V, LINE 5C

THIS BOX WAS NOT CHECKED, SO NOT APPLICABLE.

PART V, LINE 6I

THIS BOX WAS NOT CHECKED, SO NOT APPLICABLE.

PART V, LINE 7

Part VI Supplemental Information

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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

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SEVEN HEALTH NEEDS WERE IDENTIFIED THROUGH THE CHNA. OF THOSE HEALTH NEEDS, THREE WERE SELECTED AS THE HIGHEST PRIORITY HEALTH NEEDS THAT HAVE/WILL BE ADDRESSED OVER THE NEXT THREE YEARS AS A PART OF THE HOSPITAL FACILITY'S IMPLEMENTATION STRATEGIES. THE HOSPITAL FACILITY WILL NOT DIRECTLY MEET THE FOUR UNPRIORITIZED HEALTH NEEDS DUE TO RESOURCE CONSTRAINTS. RATHER THAN INADEQUATELY ADDRESSING ALL HEALTH NEEDS, THE HOSPITAL FACILITY WILL FOCUS RESOURCES, FINANCIAL AND OTHERWISE, ON THEIR COMMUNITY'S THREE PRIORITIZED HEALTH NEEDS IN ORDER TO FOSTER SUCCESS IN MEETING THOSE HEALTH NEEDS. DESPITE NOT DIRECTLY MEETING THE UNPRIORITIZED NEEDS, INTERVENTIONS ADDRESSING THE THREE PRIORITIZED HEALTH NEEDS MAY PARTIALLY ADDRESS THE UNPRIORITIZED HEALTH NEEDS THAT OVERLAP WITH THE PRIORITIZED HEALTH NEEDS. IF THE UNPRIORITIZED HEALTH NEEDS REMAIN IN THE NEXT CHNA CYCLE, THEY MAY BE DIRECTLY ADDRESSED AT THAT TIME. THE FOUR UNPRIORITIZED HEALTH NEEDS ARE AS FOLLOWS:

REDUCTION OF EXCESSIVE/BINGE DRINKING

IMMUNIZATIONS

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

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PREVENTATIVE CARE

SECONDARY PREVENTION/SCREENING

PART V, LINE 10

CHECKED "YES", SO NOT APPLICABLE.

PART V, LINE 11

CHECKED "YES", SO NOT APPLICABLE.

PART V, LINE 12H

THIS BOX WAS NOT CHECKED, SO NOT APPLICABLE.

PART V, LINE 14

ST. MARY'S HOSPITAL, INC. DID NOT HAVE LANGUAGE IN THEIR FINANCIAL ASSISTANCE POLICY STATING HOW THE POLICY WAS TO BE PUBLICIZED AS OF YEAR-END. SINCE YEAR-END, THE POLICY HAS BEEN REVISED TO ADD LANGUAGE STATING HOW THE POLICY WAS TO BE PUBLICIZED. DESPITE NOT HAVING LANGUAGE

Part VI Supplemental Information

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IN THEIR POLICY, THE ORGANIZATION DID PUBLICIZE THEIR FINANCIAL

ASSISTANCE POLICY THROUGHOUT THE YEAR. PART VI, LINE 3 DESCRIBES HOW ST.

MARY'S INFORMED PATIENTS OF THE FINANCIAL ASSISTANCE POLICY.

PART V, LINE 14G

THIS BOX WAS NOT CHECKED, SO NOT APPLICABLE.

PART V, LINE 16E

THIS BOX WAS NOT CHECKED, SO NOT APPLICABLE.

PART V, LINE 17E

THIS BOX WAS NOT CHECKED, SO NOT APPLICABLE

PART V, LINE 18E

THIS BOX WAS NOT CHECKED, SO NOT APPLICABLE

PART V, LINE 19C

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THIS BOX WAS NOT CHECKED, SO NOT APPLICABLE.

PART V, LINE 19D

THIS BOX WAS NOT CHECKED, SO NOT APPLICABLE.

PART V, LINE 20D

THIS BOX WAS NOT CHECKED, SO NOT APPLICABLE.

PART V, LINE 21

ANSWERED "NO" SO NOT APPLICABLE.

PART V, LINE 22

ANSWERED "NO" SO NOT APPLICABLE.

PART VI, LINE 2

NEEDS ASSESSMENT. DESCRIBE HOW THE ORGANIZATION ASSESSES THE HEALTH CARE

NEEDS OF THE COMMUNITIES IT SERVES, IN ADDITION TO ANY NEEDS ASSESSMENTS

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REPORTED IN PART V, SECTION B:

ST. MARY'S HOSPITAL, INC. IS OVERSEEN BY A VOLUNTEER BOARD OF DIRECTORS CONSISTING OF REPRESENTATIVES OF ITS SERVICE AREA. THESE DIRECTORS BRING COMMUNITY HEALTH NEEDS TO THE TABLE. IN ADDITION, SERVICE USAGE PATTERNS ARE MONITORED BY ADMINISTRATORS, DOCTORS ARE CONSULTED FOR NEEDED CARE IMPROVEMENTS IN REGULAR MEDICAL STAFF MEETINGS, AND AN ORGANIZATION-WIDE QUALITY COUNCIL MONITORS QUALITY IMPROVEMENT DATA REGULARLY. WE ALSO HAVE REGULAR MEETINGS WITH COMMUNITY PARTNERS TO ASSESS SPECIFIC POPULATION HEALTH INDICATORS. THE HOSPITAL PARTICIPATED IN A 10-COUNTY ASSESSMENT OF HEALTH NEEDS IN CONJUNCTION WITH PUBLIC HEALTH. EMPLOYEES OF THE HOSPITAL REGULARLY ATTEND REGIONAL MEETINGS TO ASSESS COMMUNITY HEALTH NEEDS. THE HOSPITAL PARTICIPATED WITH PUBLIC HEALTH IN A REGIONAL COMMUNITY HEALTH NEEDS SURVEY IN 2013. THE RESULTS OF THAT SURVEY ARE BEING ANALYZED FOR POTENTIAL IMPROVEMENTS TO PATIENT CARE.

Part VI Supplemental Information

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PART VI, LINE 3

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 CHARITY CARE POLICY:

NOTIFICATION OF FINANCIAL INFORMATION INCLUDING CHARITY CARE IS MADE WIDELY AVAILABLE TO THE PUBLIC IN THE ADMITTING, BILLING AND PATIENT/FAMILY RECEPTION AREAS. REFERENCE TO THE PROGRAM IS ALSO CONTAINED IN THE HOSPITAL ADMISSIONS PACKET. THE FINANCIAL COUNSELOR VISITS UNINSURED OR UNDERINSURED PATIENTS OR THEIR FAMILY DURING THEIR STAY, WHENEVER POSSIBLE, TO DISCUSS FINANCIAL ARRANGEMENTS. CHARITY CARE APPLICATIONS, MEDICAID APPLICATIONS, AND COUNTY FORMS ARE DISTRIBUTED AT THAT TIME. FOLLOW UP CALLS ARE MADE AFTER DISCHARGE TO FINALIZE ARRANGEMENTS. THIS INFORMATION IS PROVIDED TO ANYONE REQUESTING IT, WHETHER THEY REQUEST IT IN PERSON, BY MAIL, OR BY PHONE. SIGNS INDICATING THE AVAILABILITY OF CHARITY CARE ARE POSTED IN THE ER AREA, THE INPATIENT FAMILY WAITING ROOM, BUSINESS OFFICE AND ADMITTING AREA.

Part VI Supplemental Information

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5 **Promotion of community health.** Provide any other information important to describing how the organization's hospitals 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

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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, 20d, 21, and 22

THE SIGNS PROVIDE A PHONE NUMBER AND CONTACT INFORMATION. ALL STAFF WITH PUBLIC AND PATIENT CONTACT, INCLUDING BUT NOT RESTRICTED TO BILLING AND EMERGENCY STAFF WILL REFER PATIENTS TO THE FINANCIAL COUNSELOR FOR DETAILED EXPLANATIONS OF THE CHARITY CARE PROGRAM AND APPLICATION FORMS. THE FINANCIAL COUNSELOR WILL DO THE APPROPRIATE FOLLOW UP. BASED ON THE INFORMATION GATHERED BY THE FINANCIAL ARRANGEMENT WORKSHEET, THE FINANCIAL COUNSELOR WILL DETERMINE WHETHER THE ACCOUNT SHOULD BE DIRECTED TO A BANK LOAN, MEDICAID, COUNTY SOCIAL SERVICES, OR CHARITY CARE. THE PATIENT WILL THEN COMPLETE THE DETERMINATION FORM AND FORWARD TO THE BUSINESS OFFICE MANAGER FOR APPROVAL.

PART VI, LINE 4

COMMUNITY INFORMATION. DESCRIBE THE COMMUNITY THE ORGANIZATION SERVES, TAKING INTO ACCOUNT THE GEOGRAPHIC AREA AND DEMOGRAPHIC CONSTITUENTS IT SERVES:

ST. MARY'S HOSPITAL, INC. IS LOCATED IN COTTONWOOD, ID. ST. MARY'S HOSPITAL, INC. IS A PART OF THE LARGER ESSENTIA HEALTH SYSTEM, WHICH IS

Part VI Supplemental Information

Complete this part to provide the following information

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DEFINED IN PART VI, LINE 6. ST. MARY'S HOSPITAL, INC. OPERATES 1 HOSPITAL AND 7 CLINICS THAT SERVE THE COMMUNITIES OF IDAHO, LEWIS AND CLEARWATER COUNTIES COVERING 2,400 SQUARE MILES. THE OVERALL COMMUNITY IS CLASSIFIED AS RURAL.

ST. MARY'S HOSPITAL, INC. AND ITS RELATED CLINICS COVER A SERVICE REGION OF APPROXIMATELY 10,000 PEOPLE. THE SERVICE REGION AGE DISTRIBUTION IS 22.0% UNDER THE AGE OF 18; 58.5% BETWEEN THE AGES OF 18 AND 65; AND 19.5% OVER THE AGE OF 65. THE RACIAL MAKEUP OF THE SERVICE REGION IS 99.1% CAUCASIAN; 0.3% BLACK OR AFRICAN AMERICAN; AND 0.6% ASIAN. THE GENDER SPLIT RATIO IS 48.5% WOMEN AND 51.5% MEN. THE AVERAGE INCOME FOR THE SERVICE AREA IS APPROXIMATELY $48,000. APPROXIMATELY 11.8% OF THE POPULATION FALLS BELOW THE FEDERAL POVERTY GUIDELINES.

ST. MARY'S HOSPITAL, INC., ALONG WITH ESSENTIA HEALTH IS COMMITTED TO SERVE PATIENTS REGARDLESS OF THEIR ABILITY TO PAY. 2.7% NET REVENUE DOLLARS WERE FROM SELF PAY PATIENTS. IN ADDITION, APPROXIMATELY 9.2% OF THEIR NET REVENUE DOLLARS WERE MEDICAID RECIPIENTS. A LARGE PORTION OF THE POPULATION LACKS MEDICAL INSURANCE.

Part VI Supplemental Information

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AS MENTIONED ABOVE, ST. MARY'S HOSPITAL, INC. IS PART OF A LARGER SYSTEM, ESSENTIA HEALTH. ESSENTIA HEALTH STAFFS HOSPITALS AND CLINICS IN FEDERALLY-RECOGNIZED UNDERSERVED AREAS AND SUPPORTS THE HEALTH OF ITS COMMUNITIES THROUGH AN ACTIVE OUTREACH PROGRAM THAT BRINGS SPECIALISTS LIKE ONCOLOGISTS, CARDIOLOGISTS, NEUROLOGISTS AND OTHERS INTO ITS SMALLER COMMUNITIES. THIS ELIMINATES BARRIERS TO CARE FOR MANY PATIENTS, PARTICULARLY THOSE WHO ARE ELDERLY, LIVING ON LOW INCOMES, OR ARE FACED WITH OTHER CHALLENGES THAT MAKE IT DIFFICULT TO TRAVEL LONG DISTANCES FOR CARE.

THERE ARE NO OTHER HOSPITALS OUTSIDE OF THE ESSENTIA HEALTH UMBRELLA THAT SERVICE THE COMMUNITY.

PART VI, LINE 5

PROVIDE ANY OTHER INFORMATION IMPORTANT TO DESCRIBING HOW THE ORGANIZATION'S HOSPITALS OR OTHER HEALTH CARE FACILITIES FURTHER ITS EXEMPT PURPOSE BY PROMOTING THE HEALTH OF THE COMMUNITY:

ST. MARY'S HOSPITAL, INC.'S BOARD OF DIRECTORS IS COMPOSED OF VOLUNTEER

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

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REPRESENTATIVES FROM THE COMMUNITIES IT SERVES. THE HOSPITAL EXTENDS MEDICAL STAFF PRIVILEGES TO ALL QUALIFIED PHYSICIANS IN THE COMMUNITY WHO ARE PROPERLY SCREENED. IN ADDITION, THE HOSPITAL SERVES AS A CLINICAL PRACTICE SITE FOR MANY STUDENTS IN X-RAY TECHNOLOGY, NURSING, PHYSICIAN ASSISTANT, NURSE PRACTITIONER, AND MEDICAL RESIDENCY PROGRAMS. THIS IS ESPECIALLY IMPORTANT BECAUSE IDAHO HAS ONE OF THE LOWEST PHYSICIAN PER CAPITA RATES IN THE NATION.

RECENTLY ST. MARY'S HOSPITAL, INC. HAS EXPANDED ITS USE OF TELEHEALTH SERVICES TO IMPROVE PATIENT CARE. THESE TYPES OF SERVICES ARE EXTREMELY IMPORTANT FOR EXPANDING ACCESS TO HEALTH CARE IN RURAL AMERICA. IT TAKES CLOSE TO 12 HOURS TO DRIVE FROM THE NORTHERN PART OF OUR STATE TO THE SOUTHERN BORDER. ADD TO THAT RIVER CANYONS, MOUNTAINS AND TREACHEROUS ROADS AND YOU'LL HAVE A BETTER UNDERSTANDING OF THE CHALLENGE OF COMMUTING TO RECEIVE HEALTH CARE SPECIALTY SERVICES. THE CLOSEST LARGE URBAN CENTERS ARE EITHER THREE OR FIVE HOURS AWAY. HAVING SPECIALISTS 'SEE' OUR PATIENTS AND CONSULT WITH OUR PHYSICIANS USING TELECONFERENCING AND OTHER TELEMEDICINE EQUIPMENT ALLOWS US TO ACCESS CARDIOLOGISTS,

Part VI Supplemental Information

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HOSPITALISTS, ADULT AND CHILD PSYCHIATRISTS, SURGICAL SPECIALISTS, EMERGENCY DEPARTMENT SPECIALISTS AND SOON, A DERMATOLOGIST. IN OUR RURAL AREA WE DON'T HAVE THE PATIENT BASE NECESSARY TO ESTABLISH FULL TIME SPECIALTY CARE. HOWEVER, WE HAVE THE SAME TYPES OF ILLNESSES AND INJURIES THAT PEOPLE HAVE IN LARGER CITIES. USING TECHNOLOGY TO BRING THOSE SPECIALISTS TO OUR AREA SO PEOPLE CAN RECEIVE THEIR HEALTHCARE LOCALLY IS VITAL TO PROVIDING A FULLER RANGE OF MEDICAL CARE TO OUR PATIENTS.

ST. MARY'S HOSPITAL, INC. REGULARLY REVIEWS FACILITIES AND EQUIPMENT AND DEVELOPS AN ATTRITION PROCESS TO REPLACE AGING PLANT OPERATIONS & EQUIPMENT. THEY ALSO LOOK FOR OPPORTUNITIES TO BRING NEW SERVICES TO THE COMMUNITIES VIA INVESTING IN NEW SKILLS AND TECHNOLOGY WHERE APPROPRIATE.

PART VI, LINE 6

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:

ST. MARY'S HOSPITAL, INC. IS PART OF ESSENTIA HEALTH, AN INTEGRATED

Part VI Supplemental Information

Complete this part to provide the following information

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HEALTH SYSTEM OF 16 HOSPITALS, 65 CLINICS, EIGHT LONG-TERM CARE FACILITIES, TWO ASSISTED LIVING FACILITIES, FOUR INDEPENDENT LIVING FACILITIES IN FOUR STATES: MINNESOTA, WISCONSIN, NORTH DAKOTA AND IDAHO.

THE HEALTH SYSTEM SERVES A PREDOMINANTLY RURAL POPULATION WHOSE MEDIAN INCOMES GENERALLY FALL BELOW AVERAGES OF THE STATES WHERE THEY LIVE. THE PRESENCE OF OUR CLINICS AND HOSPITALS ENSURES THAT PEOPLE WITH FEW ECONOMIC RESOURCES DON'T HAVE TO DRIVE AN HOUR OR MORE TO RECEIVE BASIC (AND IN SOME CASES LIFE-SAVING) MEDICAL CARE.

IN ADDITION TO STAFFING HOSPITALS AND CLINICS IN FEDERALLY-RECOGNIZED UNDERSERVED AREAS, WE SUPPORT THE HEALTH OF OUR COMMUNITIES THROUGH AN ACTIVE OUTREACH PROGRAM THAT BRINGS SPECIALISTS LIKE ONCOLOGISTS, CARDIOLOGISTS, NEUROLOGISTS AND OTHERS INTO OUR SMALLER COMMUNITIES. THIS ELIMINATES BARRIERS TO CARE FOR MANY PATIENTS, PARTICULARLY THOSE WHO ARE ELDERLY, LIVING ON LOW INCOMES, OR ARE FACED WITH OTHER CHALLENGES THAT MAKE IT DIFFICULT TO TRAVEL LONG DISTANCES FOR CARE.

OUR SIZE AND INTEGRATED STRUCTURE ALLOW US TO OFFER PATIENTS SERVICES OFTEN FOUND ONLY IN LARGER URBAN SETTINGS. SERVICES RANGING FROM

Part VI Supplemental Information

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CHEMOTHERAPY TO CONGESTIVE HEART FAILURE MANAGEMENT AND HOSPICE ARE AVAILABLE TO PATIENTS IN MANY OF THE RURAL COMMUNITIES WE SERVE.

ESSENTIA HEALTH ALSO SUPPORTS THE HEALTH OF OUR RURAL COMMUNITIES THROUGH ACTIVE RESEARCH AND CLINICAL TRIALS BY THE ESSENTIA INSTITUTE OF RURAL HEALTH. THE INSTITUTE CONDUCTS CLINICAL, TRANSLATIONAL AND HEALTH SERVICES RESEARCH WITH A PRIMARY FOCUS ON THE NEEDS OF RURAL AMERICANS.

ESSENTIA HEALTH IS ALSO SERVING PATIENTS THROUGH THE USE OF THE EPIC ELECTRONIC HEALTH RECORD (EHR). THE VAST MAJORITY OF ESSENTIA'S HOSPITALS AND CLINICS ARE USING A FULLY-INTEGRATED EHR FOR PATIENT CARE.

TECHNOLOGY LIKE THE ELECTRONIC HEALTH RECORD AND ESSENTIA'S TELEHEALTH PROGRAM ALLOWS HEALTH CLINICIANS TO SHARE TEST RESULTS AND CONSULT WITH COLLEAGUES IN REAL TIME ACROSS GREAT DISTANCES. MEDICAL INFORMATION IS NO LONGER LOST IN THE SHUFFLE OF PAPER RECORDS - AN IMPORTANT CONSIDERATION IN A REGION WHERE PATIENTS MUST OFTEN BE TRANSFERRED TO A LARGER ESSENTIA FACILITY FOR COMPLEX SURGERIES OR MEDICAL CARE.

ESSENTIA IS ALSO ACTIVELY WORKING WITH GOVERNMENT AGENCIES AND INSURERS TO DEVELOP INNOVATIVE, COST-EFFECTIVE APPROACHES TO CARE THAT WILL

Part VI Supplemental Information

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IMPROVE HEALTH OUTCOMES WHILE REDUCING OVERALL COSTS TO PATIENTS AND INSURERS. THIS INNOVATION CAN BE FOUND IN OUR USE OF REMOTE HOME MONITORS FOR PATIENTS WITH CONGESTIVE HEART FAILURE TO A FOCUS ON USING A TEAM-BASED APPROACH TO HELPING PATIENTS MANAGE CHRONIC DISEASES.

ESSENTIA HEALTH IS COMMITTED TO HELPING PATIENTS AND THEIR FAMILIES LEAD ACTIVE AND FULFILLING LIVES IN THE SMALL AND LARGE COMMUNITIES WHERE THEY LIVE. WE HOPE TO BECOME A MODEL OF HEALTH CARE DELIVERY, PARTICULARLY IN RURAL AREAS, IN THE YEARS TO COME.

PART VI, LINE 7

IF APPLICABLE, IDENTIFY ALL STATES WITH WHICH THE ORGANIZATION, OR A RELATED ORGANIZATION, FILES A COMMUNITY BENEFIT REPORT:

ST. MARY'S HOSPITAL, INC. FILES A COMMUNITY BENEFIT REPORT IN IDAHO.

PART VI, LINE 8

IF APPLICABLE, FOR EACH HOSPITAL FACILITY IN A FACILITY REPORTING GROUP PROVIDE THE DESCRIPTION REQUIRED FOR PART V, SECTION B, LINES 1J, 3, 4,

Part VI Supplemental Information

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5C, 6I, 7, 10, 11, 12H, 14G, 16E, 17E, 19C, 20D, 21, AND 22:

NOT APPLICABLE.

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: ST. MARY'S HOSPITAL, INC.
Employer identification number: 82-0226453

Part I General Information on Grants and Assistance

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

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

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

1 (a) Name and address of organization or government	(b) EIN	(c) IRC section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) ESSENTIA HEALTH FOUNDATION 502 E. 2ND ST DULUTH, MN 55805	27-1984704	501(C)(3)	33,198				PROGRAM SUPPORT
(2)							
(3)							
(4)							
(5)							
(6)							
(7)							
(8)							
(9)							
(10)							
(11)							
(12)							

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

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

Part III Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" on 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
1						
2						
3						
4						
5						
6						
7						

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.

SCHEDULE I, PART I, LINE 2

PROCEDURES FOR MONITORING USE OF GRANT FUNDS:

ST. MARY'S HOSPITAL, INC'S MANAGEMENT REVIEWS THE GRANT ACTIVITY BY REVIEWING AND DOCUMENTING EACH EXPENDITURE REQUEST AND APPROVING THE EXPENSE.

SCHEDULE J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees
▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 23.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization: ST. MARY'S HOSPITAL, INC.

Employer identification number: 82-0226453

Part I Questions Regarding Compensation

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

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

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

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

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation (i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable 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
1 MICHAEL HEDRIX	(i)	0	0	0	0	0	0	0
BOARD DIRECTOR THRU 1/13	(ii)	259,344.	30,536.	40,158.	32,333.	31,455.	393,826.	35,375.
2 COLLEEN MEZA	(i)	0	0	0	0	0	0	0
PRESIDENT	(ii)	157,754.	22,395.	49,061.	0	1,894.	231,104.	48,225.
3 LENNE BONNER	(i)	0	0	0	0	0	0	0
INTERIM PRESIDENT/CFO	(ii)	154,857.	21,783.	0	7,594.	23,434.	207,668.	0
4 ANDREW JONES, MD	(i)	275,511.	148,397.	0	10,000.	13,155.	447,063.	0
SURGEON	(ii)	0	0	0	0	0	0	0
5 RONALD SIGLER, MD	(i)	235,048.	71,214.	0	10,000.	19,798.	336,060.	0
PHYSICIAN	(ii)	0	0	0	0	0	0	0
6 JACK CASTELL BRUNER II,	(i)	201,694.	49,726.	0	10,000.	19,424.	280,844.	0
PHYSICIAN	(ii)	0	0	0	0	0	0	0
7 DENNIS TRACY	(i)	153,533.	0	0	6,561.	20,811.	180,905.	0
CRNA	(ii)	0	0	0	0	0	0	0
8 KELLY MCGRATH, MD	(i)	0	0	0	0	0	0	0
BOARD DIRECTOR	(ii)	214,845.	11,066.	0	9,339.	20,915.	256,165.	0
9 ALVIN SECREST III, MD	(i)	238,506.	13,696.	0	10,000.	24,395.	286,597.	0
BOARD DIRECTOR	(ii)	0	0	0	0	0	0	0
10 MARC FARNWORTH, MD	(i)	205,617.	46,158.	0	3,974.	18,435.	274,184.	0
PHYSICIAN	(ii)	0	0	0	0	0	0	0
11	(i)							
	(ii)							
12	(i)							
	(ii)							
13	(i)							
	(ii)							
14	(i)							
	(ii)							
15	(i)							
	(ii)							
16	(i)							
	(ii)							

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.

SCHEDULE J, PART I, LINE 3

ESTABLISHING CEO'S COMPENSATION:

ST. MARY'S HOSPITAL, INC. RELIED ON ESSENTIA HEALTH'S, RELATED ORGANIZATION OF ST. MARY'S HOSPITAL, INC. METHODS FOR ESTABLISHING ST. MARY'S HOSPITAL, INC. PRESIDENT'S COMPENSATION: A COMPENSATION COMMITTEE, INDEPENDENT COMPENSATION CONSULTANT, COMPENSATION SURVEY OR STUDY, AND APPROVAL BY THE BOARD OR COMPENSATION COMMITTEE.

SCHEDULE J, PART I LINE 4A

SEVERANCE PAYMENT:

THE INDIVIDUAL LISTED AS FORMER IN FORM 990, PART VII, SECTION A, LINE 1A IS NOT RECEIVING A TERMINATION PAYMENT.

SCHEDULE J, PART I, LINE 4B

SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN:

ESSENTIA HEALTH'S NONQUALIFIED RETIREMENT PLAN IS OFFERED TO DESIGNATED ESSENTIA HEALTH EXECUTIVES. THERE IS A MINIMUM TWO YEAR VESTING DATE OR AUTOMATICALLY UPON REACHING RETIREMENT AGE, DEATH, DISABILITY OR INVOLUNTARY TERMINATION WITHOUT CAUSE. BENEFITS ARE SUBJECT TO INCOME

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

TAXES UPON VESTING AND PAYABLE FROM ESSENTIA HEALTH'S GENERAL ASSETS.

REPORTED AS OTHER REPORTABLE COMPENSATION IN SCHEDULE J, PART II, COLUMN B (III), THE FOLLOWING INDIVIDUALS LISTED IN FORM 990, PART VII, SECTION A, LINE 1A RECEIVED PAYMENT OF THE VESTED BENEFIT FROM THE SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN DURING THE YEAR:

COLLEEN MEZA $48,225

MICHAEL HEDRIX $35,375

REPORTED AS RETIREMENT AND OTHER DEFERRED COMPENSATION IN SCHEDULE J, PART II, COLUMN C, ESSENTIA HEALTH MADE CONTRIBUTIONS, SUBJECT TO THE VESTING TERMS, DURING THE YEAR INTO THE SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN ON BEHALF OF THE FOLLOWING INDIVIDUAL LISTED IN FORM 990, PART VII, SECTION A, LINE 1A:

MICHAEL HEDRIX $7,333

SCHEDULE L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions With Interested Persons

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

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2012
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Employer identification number: 82-0226453

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
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				

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

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

Part II Loans to and/or From Interested Persons.

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

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization?		(e) Original principal amount	(f) Balance due	(g) In default?		(h) Approved by board or committee?		(i) Written agreement?	
			To	From			Yes	No	Yes	No	Yes	No
(1)												
(2)												
(3)												
(4)												
(5)												
(6)												
(7)												
(8)												
(9)												
(10)												
Total . . . ▶ $												

Part III Grants or Assistance Benefiting Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				
(7)				
(8)				
(9)				
(10)				

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

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)	KIMBERLY HARMAN	RELATED TO GARY REHDER	52,527	SEE PART V		X
(2)	HALEY MINNEHAN	SEE PART V	72,711	SEE PART V		X
(3)						
(4)						
(5)						
(6)						
(7)						
(8)						
(9)						
(10)						

Part V **Supplemental Information**
Complete this part to provide additional information for responses to questions on Schedule L (see instructions)

SCHEDULE L, PART VI, COLUMN B, LINE 2

RELATIONSHIP BETWEEN INTERESTED PERSONS AND THE ORGANIZATION:

RELATED TO ALVIN SECREST III, MD

SCHEDULE L, PART VI, COLUMN D, LINES 1 & 2

DESCRIPTION OF TRANSACTION:

COMPENSATION OF FAMILY MEMBERS OF BOARD MEMBERS

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

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ST. MARY'S HOSPITAL, INC.	82-0226453

FORM 990, PART I, LINE 1

ORGANIZATION'S MISSION OR MOST SIGNIFICANT ACTIVITIES:

THROUGHOUT ESSENTIA HEALTH, WE ARE CALLED TO MAKE A HEALTHY DIFFERENCE IN PEOPLE'S LIVES. AS A MEMBER OF THE ESSENTIA HEALTH FAMILY, ST. MARY'S HOSPITAL, INC.'S MISSION AS A CATHOLIC, BENEDICTINE SPONSORED FACILITY IS TO PROMOTE CHRIST'S MINISTRY OF HOLISTIC HEALING FOR ALL HUMAN LIFE WITH SPECIAL CONCERN FOR THE POOR AND POWERLESS.

FORM 990, PART III, LINE 1

ORGANIZATION'S MISSION:

THROUGHOUT ESSENTIA HEALTH, WE ARE CALLED TO MAKE A HEALTHY DIFFERENCE IN PEOPLE'S LIVES. AS A MEMBER OF THE ESSENTIA HEALTH FAMILY, ST. MARY'S HOSPITAL, INC.'S MISSION AS A CATHOLIC, BENEDICTINE SPONSORED FACILITY IS TO PROMOTE CHRIST'S MINISTRY OF HOLISTIC HEALING FOR ALL HUMAN LIFE WITH SPECIAL CONCERN FOR THE POOR AND POWERLESS.

FORM 990, PART III, LINE 4

PROGRAM SERVICE ACCOMPLISHMENTS:

ST. MARY'S HOSPITAL, INC. IS CREATED & ORGANIZED EXCLUSIVELY FOR CHARITABLE, RELIGIOUS, EDUCATIONAL & SCIENTIFIC PURPOSES. ST. MARY'S HOSPITAL, INC. IS CREATED & ORGANIZED TO OWN, MAINTAIN, OPERATE & CONDUCT, DIRECTLY OR INDIRECTLY, & TO ASSIST & COORDINATE ACTIVITIES OF FACILITIES FOR HEALTH CARE, EDUCATION, CARE FOR THE AGED & SOCIAL SERVICES IN ACCORDANCE WITH THE CHARITABLE WORKS TRADITION OF THE ROMAN

Name of the organization	Employer identification number
ST. MARY'S HOSPITAL, INC.	82-0226453

CATHOLIC CHURCH. IN KEEPING WITH THIS SPECIFIC PURPOSE, ALL WORKS SHALL BE CARRIED OUT IN ACCORDANCE WITH THE CHARISM OF THE BENEDICTINE SISTERS BENEVOLENT ASSOCIATION, A MINNESOTA NONPROFIT CORPORATION.

IN KEEPING WITH ITS MISSION, ST. MARY'S IS COMMITTED TO SERVE ALL MEMBERS OF ITS COMMUNITIES BY PROVIDING FREE CARE AND/OR SUBSIDIZED CARE, CARE FOR THE PERSONS COVERED BY GOVERNMENTAL PROGRAMS AT BELOW COST, & PROVIDING HEALTH ACTIVITIES & PROGRAMS TO SUPPORT THE COMMUNITY. DURING FISCAL YEAR 2013, ST. MARY'S HAD 784 ADMISSIONS INVOLVING 3,068 HOSPITAL PATIENT DAYS AND 41,436 OUTPATIENT VISITS IN THE HOSPITAL, EMERGENCY ROOM, & CLINICS.

CHARITY CARE IS PROVIDED THROUGH MANY REDUCED PRICE SERVICES & FREE PROGRAMS OFFERED THROUGHOUT THE YEAR BASED UPON ACTIVITIES & SERVICES WHICH ST. MARY'S BELIEVES WILL SERVE A BONA FIDE NEED. THESE INCLUDE HEALTH FAIRS, IMMUNIZATIONS CLINICS, HEALTH EDUCATION CLASSES, RURAL EDUCATION TRAINING, & WELLNESS PROGRAMS. ST. MARY'S PROVIDED OVER $216,000 IN CHARITY CARE AS WELL AS AN ADDITIONAL $589,000 OF COSTS INCURRED IN EXCESS OF MEDICAID PAYMENTS RECEIVED DURING THE FISCAL YEAR ENDED JUNE 30, 2013. FURTHER COMMUNITY BENEFITS PROVIDED DURING THE FISCAL YEAR INCLUDE EDUCATION AND WORKFORCE DEVELOPMENT OF OVER $23,000, COMMUNITY SERVICES OF OVER $87,000, AND CASH & IN-KIND DONATIONS OF OVER $31,000.

FORM 990, PART VI, LINE 2

FAMILY RELATIONSHIP:

LENNE BONNER, CURRENT OFFICER, AND BRYAN HIGGINS, BOARD DIRECTOR THRU 9/12, HAVE A FAMILY RELATIONSHIP.

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FORM 990, PART VI, LINE 6

MEMBERS OF ORGANIZATION:

CRITICAL ACCESS GROUP IS THE SOLE MEMBER OF ST. MARY'S HOSPITAL, INC. AND MAY ELECT ONE OR MORE MEMBERS OF THE GOVERNING BODY AS DESCRIBED IN SCHEDULE O PART VI LINE 7A. MEMBERS, ESSENTIA HEALTH AND BENEDICTINE SISTERS BENEVOLENT ASSOCIATION, HAVE RESERVED POWERS WITH RESPECT TO ST. MARY'S HOSPITAL, INC. AS DESDRIBED IN SCHEDULE O PART VI LINE 7B.

FORM 990, PART VI, LINE 7A

MEMBERS WITH RIGHT TO ELECT GOVERNING BODY:

CRITICAL ACCESS GROUP APPOINTS AND REMOVES ST. MARY'S HOSPITAL, INC.'S GOVERNING BODY.

FORM 990, PART VI, LINE 7B

GOVERNANCE, MANAGEMENT, AND DISCLOSURES:

ST, MARY'S HOSPITAL, INC. IS A SUBSIDIARY OF ESSENTIA HEALTH, WHOSE BOARD OF DIRECTORS HAS RESERVED POWERS WITH RESPECT TO THIS CORPORATION AND ITS SUBSIDIARIES, AND ALL OF THE OTHER DIRECT AND INDIRECT SUBSIDIARIES OF ESSENTIA HEALTH (COLLECTIVELY, THE "SYSTEM").

ESSENTIA HEALTH'S RESERVED POWERS ARE AS FOLLOWS:

STRATEGIC AND BUSINESS PLANS. AUTHORITY TO CREATE, AND TO APPROVE, THE SYSTEM'S STRATEGIC AND BUSINESS PLANS.

MISSION. AUTHORITY TO CREATE, AND TO APPROVE, THE MISSION, PURPOSE AND VISION STATEMENTS FOR ALL ENTITIES IN THE SYSTEM BY THE AFFIRMATIVE VOTE OF AT LEAST 67% OF THE ESSENTIA HEALTH BOARD OF DIRECTORS.

DEBT. APPROVAL OF THE INCURRENCE OF DEBT BY, AND THE CREATION OF ALL

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ST. MARY'S HOSPITAL, INC.	82-0226453

MORTGAGES, LIENS, SECURITY INTERESTS, OR OTHER ENCUMBRANCES ON THE ASSETS OF, ALL ENTITIES IN THE SYSTEM IN EXCESS OF THE SINGLE OR ANNUAL AGGREGATE DOLLAR LIMITS PRESCRIBED IN WRITING BY THE ESSENTIA HEALTH BOARD OF DIRECTORS, AND THE AUTHORITY TO CAUSE ALL ENTITIES IN THE SYSTEM TO PARTICIPATE IN SYSTEM BORROWING.

GOVERNING INSTRUMENTS. AUTHORITY TO CAUSE, AND TO APPROVE, AMENDMENTS OF THE ARTICLES OF INCORPORATION AND BYLAWS OF ALL ENTITIES IN THE SYSTEM.

MERGERS AND ACQUISITIONS. AUTHORITY TO CAUSE, AND TO APPROVE, ALL MERGERS, CONSOLIDATIONS, AND DISSOLUTIONS OF ALL ENTITIES IN THE SYSTEM.

AFFILIATIONS AND JOINT VENTURES. AUTHORITY TO CAUSE, AND TO APPROVE, ALL AFFILIATIONS, JOINT VENTURES AND OTHER ALLIANCES WITH THIRD PARTIES OF ALL ENTITIES IN THE SYSTEM.

TRANSFER OF ASSETS WITHIN THE SYSTEM. AUTHORITY TO TRANSFER ASSETS, INCLUDING CASH, BETWEEN AND AMONG ENTITIES WITHIN THE SYSTEM; PROVIDED, HOWEVER, THAT ESSENTIA HEALTH SHALL NOT HAVE AUTHORITY TO REQUIRE ANY ENTITY IN THE SYSTEM TO TRANSFER ASSETS (A) THAT WOULD CAUSE SUCH ENTITY TO BE IN DEFAULT OF ITS COVENANTS OR OBLIGATIONS UNDER ANY BOND OR OTHER FINANCING DOCUMENTS; (B) FROM THE CATHOLIC ENTITIES TO THE SECULAR ENTITIES OR FROM THE SECULAR ENTITIES TO THE CATHOLIC ENTITIES IN A MANNER OR TO AN EXTENT THAT WOULD CAUSE THE CATHOLIC ENTITIES TO BE IN VIOLATION OF THE ETHICAL AND RELIGIOUS DIRECTIVES FOR CATHOLIC HEALTH CARE SERVICES (ERDS) IN THE JUDGMENT OF THE LOCAL ORDINARY; OR (C) SUCH THAT MONEY GENERATED BY SERVICES AT SECULAR FACILITIES WITHIN THE SYSTEM BY PROCEDURES THAT ARE CONTRARY TO THE ERDS WOULD BE USED AT THE CATHOLIC ENTITIES OR MONEY GENERATED BY CATHOLIC ENTITIES WOULD BE USED IN THE

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PROVIDING OF SERVICES CONTRARY TO THE ERDS AT SECULAR FACILITIES WITHIN THE SYSTEM.

TRANSFER OF ASSETS OUTSIDE THE SYSTEM. AUTHORITY TO CAUSE, AND TO APPROVE, THE SALE, LEASE OR OTHER TRANSFER OF ASSETS OF ALL ENTITIES IN THE SYSTEM TO PARTIES OUTSIDE OF THE SYSTEM WHEN THE ASSET'S VALUE EXCEEDS THE SINGLE OR ANNUAL AGGREGATE DOLLAR LIMITS PRESCRIBED IN WRITING BY THE ESSENTIA HEALTH BOARD OF DIRECTORS.

SERVICES. AUTHORITY TO CAUSE, AND TO APPROVE, THE ADDITION OF NEW SERVICES AND SERVICE LOCATIONS AND THE DISCONTINUANCE OF SERVICES AND SERVICE LOCATIONS WITHIN ALL ENTITIES IN THE SYSTEM.

BUDGETS. APPROVAL OF CAPITAL AND OPERATING BUDGETS OF ALL ENTITIES IN THE SYSTEM.

PROFESSIONAL SERVICES. SELECTION OF THE GENERAL LEGAL COUNSEL AND EXTERNAL AUDITORS OF ALL ENTITIES IN THE SYSTEM.

ACQUISITIONS. AUTHORITY TO CAUSE, AND TO APPROVE, ALL ACQUISITIONS BY AND FORMATIONS OF ENTITIES IN THE SYSTEM.

MARKETING. AUTHORITY TO IMPLEMENT SYSTEM-WIDE MARKETING AND PROMOTIONAL ACTIVITIES.

COMPLIANCE PLANS. AUTHORITY TO CREATE, AND TO APPROVE, CORPORATE COMPLIANCE, SAFETY AND RISK MANAGEMENT PLANS FOR ENTITIES WITHIN THE SYSTEM.

QUALITY PLAN. AUTHORITY TO CREATE, AND TO APPROVE, THE SYSTEM'S QUALITY PLAN.

NON-BUDGETED PURCHASES. APPROVAL OF NON-BUDGETED CAPITAL PURCHASES AND LEASES IN EXCESS OF THE SINGLE OR ANNUAL AGGREGATE DOLLAR LIMITS

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PRESCRIBED IN WRITING BY ESSENTIA HEALTH FOR ENTITIES WITHIN THE SYSTEM.

HUMAN RESOURCES. AUTHORITY TO CREATE HUMAN RESOURCE POLICIES AND PROCEDURES WITHIN THE SYSTEM.

RESERVED POWERS. AUTHORITY TO CREATE ADDITIONAL ESSENTIA HEALTH RESERVED POWERS BY THE AFFIRMATIVE VOTE OF AT LEAST 80% OF THE ESSENTIA HEALTH BOARD OF DIRECTORS (EXCLUDING THE ESSENTIA HEALTH CEO); PROVIDED, HOWEVER, THAT ANY ADDITIONAL ESSENTIA HEALTH RESERVED POWERS SHALL NOT CONTRAVENE OR HINDER THE RESERVED POWERS OF BENEDICTINE SISTERS BENEVOLENT ASSOCIATION.

THE BENEDICTINE SISTERS BENEVOLENT ASSOCIATION ("BSBA") ALSO HAS CERTAIN RESERVED POWERS OVER ESSENTIA HEALTH'S CATHOLIC FACILITIES.

BSBA'S RESERVED POWERS ARE AS FOLLOWS:

MISSION. AUTHORITY TO APPROVE THE MISSION, PURPOSE AND VISION STATEMENTS FOR CATHOLIC FACILITIES AND ENTITIES WITHIN THE SYSTEM.

ADHERENCE TO ETHICAL AND RELIGIOUS DIRECTIVES FOR CATHOLIC HEALTH CARE SERVICES (ERDS). AUTHORITY TO APPROVE THE METHODS, POLICIES AND PROCEDURES PERTAINING TO THE ADHERENCE OF CATHOLIC FACILITIES AND ENTITIES WITHIN THE SYSTEM TO THE ERDS, AND TO REQUIRE THE USE OF RELIGIOUS SYMBOLS, DISTINGUISHING ELEMENTS AND PRAYERS.

OFFICIAL CATHOLIC DIRECTORY. AUTHORITY TO REQUEST THE LISTING OF QUALIFIED ENTITIES AND FACILITIES WITHIN THE SYSTEM IN THE OFFICIAL CATHOLIC DIRECTORY, SUBJECT TO THE APPROVAL OF APPLICABLE CATHOLIC AUTHORITIES.

CATHOLIC HEALTH ASSOCIATION. AUTHORITY TO REQUIRE CATHOLIC FACILITIES AND

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ENTITIES WITHIN THE SYSTEM TO JOIN THE MEMBERSHIP OF THE CATHOLIC HEALTH ASSOCIATION OF THE UNITED STATES.

ALIENATION OF STABLE PATRIMONY OR ECCLESIASTICAL GOODS. AUTHORITY TO APPROVE ALIENATION OF EITHER STABLE PATRIMONY OR OTHER ECCLESIASTICAL GOODS IN THE SYSTEM IF SUCH GOODS INVOLVED IN A SPECIFIC TRANSACTION APPROVED BY ESSENTIA HEALTH PURSUANT TO SECTION 2.8(G) OR 2.8(H) OF THE AFFILIATION AGREEMENT HAVE A DOLLAR VALUE EQUAL TO OR GREATER THAN 70% OF THE AMOUNT ESTABLISHED FROM TIME TO TIME THAT REQUIRES APPROVAL FROM THE HOLY SEE; PROVIDED, HOWEVER, THAT IT IS THE INTENT OF THE PARTIES THAT THIS PROVISION NOT BE APPLIED TO RESTRICT OR TO IMPEDE ESSENTIA FROM ACTING AND MAKING DECISIONS ON BEHALF OF THE SYSTEM IN THE ORDINARY COURSE OF BUSINESS BUT BE APPLIED TO PREVENT THE TRANSFER OF SUBSTANTIAL ASSETS OF CATHOLIC ENTITIES WITHIN THE SYSTEM TO SUPPORT THE SECULAR ENTITIES WITHIN THE SYSTEM WITHOUT THE PRIOR APPROVAL OF BSBA.

AMENDMENTS. AUTHORITY TO APPROVE ANY AMENDMENTS TO THE ARTICLES OF INCORPORATION OR BYLAWS OF THIS CORPORATION THAT WOULD ALTER THE NUMBER OF BENEDICTINE SISTERS OF ST. SCHOLASTICA MONASTERY OF DULUTH BOARD OR BSBA BOARD OF DIRECTOR MEMBERS SERVING AS MEMBERS OF SUCH ENTITY'S BOARD OF DIRECTORS; AUTHORITY TO APPROVE ANY AMENDMENTS TO THE ARTICLES OF INCORPORATION OR BYLAWS OF ESSENTIA'S CATHOLIC SUBSIDIARIES WHICH COULD MATERIALLY AFFECT SUCH ENTITY'S IDENTITY AS A CATHOLIC INSTITUTION, INCLUDING WITHOUT LIMITATION ANY AMENDMENT THAT WOULD ALTER THE NUMBER OF BENEDICTINE SISTERS OF ST. SCHOLASTICA MONASTERY OF DULUTH OR BSBA BOARD OF DIRECTOR MEMBERS SERVING AS MEMBERS OF SUCH ENTITY'S BOARD OF DIRECTORS; AND AUTHORITY TO CAUSE ESSENTIA HEALTH TO MAKE AMENDMENTS TO

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THE ARTICLES OF INCORPORATION OR BYLAWS OF ESSENTIA'S CATHOLIC SUBSIDIARIES, WHICH AMENDMENTS BSBA IN GOOD FAITH ARE NECESSARY TO PRESERVE SUCH ENTITY'S IDENTITY AS A CATHOLIC INSTITUTION.

MISSION EFFECTIVENESS. AUTHORITY TO APPROVE ANNUAL PLANS AND EVALUATIONS RELATING TO MISSION EFFECTIVENESS AND CHAPLAINCY FOR THE CATHOLIC FACILITIES AND ENTITIES WITHIN THE SYSTEM.

MERGERS AND DISSOLUTION. SUBJECT TO THE APPROVAL OF THE BENEDICTINE SISTERS OF ST. SCHOLASTICA MONASTERY OF DULUTH, AUTHORITY TO APPROVE A PROPOSED MERGER, CONSOLIDATION, LIQUIDATION, DISSOLUTION, OR THE DISPOSITION OF ALL OR SUBSTANTIALLY ALL THE ASSETS. SISTERS OF ST. SCHOLASTICA MONASTERY OF DULUTH BSBA BOARD OF DIRECTOR MEMBERS SERVING AS MEMBERS OF SUCH ENTITY'S BOARD OF DIRECTORS; AND AUTHORITY TO CAUSE ESSENTIA HEALTH TO MAKE AMENDMENTS TO THE ARTICLES OF INCORPORATION OR BYLAWS OF ESSENTIA'S CATHOLIC SUBSIDIARIES, WHICH AMENDMENTS BSBA IN GOOD FAITH ARE NECESSARY TO PRESERVE SUCH ENTITY'S IDENTITY AS A CATHOLIC INSTITUTION.

MISSION EFFECTIVENESS. AUTHORITY TO APPROVE ANNUAL PLANS AND EVALUATIONS RELATING TO MISSION EFFECTIVENESS AND CHAPLAINCY FOR THE CATHOLIC FACILITIES AND ENTITIES WITHIN THE SYSTEM.

MERGERS AND DISSOLUTION. SUBJECT TO THE APPROVAL OF THE BENEDICTINE SISTERS OF ST. SCHOLASTICA MONASTERY OF DULUTH, AUTHORITY TO APPROVE A PROPOSED MERGER, CONSOLIDATION, LIQUIDATION, DISSOLUTION, OR THE DISPOSITION OF ALL OR SUBSTANTIALLY ALL THE ASSETS.

FORM 990, PART VI, LINE 11A

FORM 990 REVIEW PROCESS:

Name of the organization	Employer identification number
ST. MARY'S HOSPITAL, INC.	82-0226453

THE 2012 FORM 990 INCLUDING ALL SCHEDULES WAS REVIEWED BY ST. MARY'S HOSPITAL, INC.'S MANAGEMENT AND STEWARDSHIP COMMITTEE ON APRIL 15TH, 2014 PRIOR TO FILING WITH THE INTERNAL REVENUE SERVICE. ST. MARY'S HOSPITAL, INC.'S CHIEF FINANCIAL OFFICER LED THE REVIEW OF THE FORM AND SCHEDULES AND ANY QUESTIONS WERE DISCUSSED. EACH CURRENT DIRECTOR OF THE GOVERNING BODY RECEIVED A FINAL COPY OF THE 2012 FORM 990.

FORM 990, PART VI, LINE 12C

MONITORING AND ENFORCING CONFLICT OF INTEREST POLICY:

ESSENTIA HEALTH'S COMPREHENSIVE CONFLICT OF INTEREST PROGRAM PREVENTS, DETECTS AND RESOLVES ACTUAL CONFLICTS OF INTERESTS OR THE ACTUAL OR POTENTIAL APPEARANCE OF SUCH. FIDUCIARIES, DEFINED AS AN ESSENTIA HEALTH BOARD MEMBER/TRUSTEE, OFFICER, BOARD COMMITTEE MEMBER, SENIOR MANAGEMENT EMPLOYEE, OR ANY OTHERS CONSIDERED TO BE IN A POSITION OF INFLUENCE, ARE COVERED UNDER ESSENTIA'S CONFLICT OF INTEREST PROGRAM.

UPON INITIAL APPOINTMENT, EACH FIDUCIARY MUST COMPLETE AN INITIAL CONFLICT OF INTEREST STATEMENT AND DISCLOSURE QUESTIONNAIRE. AT THE CONCLUSION OF EACH FISCAL YEAR, EACH FIDUCIARY MUST COMPLETE AN ANNUAL CONFLICT OF INTEREST STATEMENT AND DISCLOSURE QUESTIONNAIRE. AS NEEDED, A FIDUCIARY WILL UPDATE HIS/HER MOST RECENTLY COMPLETED QUESTIONNAIRE EACH TIME THE FIDUCIARY BECOMES AWARE OF A FINANCIAL INTEREST, A POTENTIAL CONFLICT, OR CHANGE TO ANY INFORMATION THAT THE FIDUCIARY PREVIOUSLY REPORTED.

ESSENTIA HEALTH'S CHIEF COMPLIANCE OFFICER WILL COLLECT THE QUESTIONNAIRES AND EVALUATE THE DISCLOSURES.

IF A FIDUCIARY HAS A POTENTIAL CONFLICT OF INTEREST, THE CHIEF COMPLIANCE

Name of the organization	Employer identification number
ST. MARY'S HOSPITAL, INC.	82-0226453

OFFICER OR DESIGNEE MAY REQUEST ADDITIONAL INFORMATION FROM THE FIDUCIARY, THE MANAGEMENT TEAM, AND OTHERS. DURING THE EVALUATION PROCESS, THE CHIEF COMPLIANCE OFFICER MAY ALSO CONSULT WITH ESSENTIA HEALTH'S BOARD AND AUDIT COMMITTEE CHAIRS, SENIOR MANAGEMENT, LEGAL DEPARTMENT, OR APPROPRIATE REPRESENTATIVES FROM ESSENTIA HEALTH.

THE CHIEF COMPLIANCE OFFICER REPORTS TO THE ESSENTIA HEALTH AUDIT COMMITTEE AND THE ESSENTIA HEALTH BOARD OF DIRECTORS ANY ACTUAL OR POTENTIAL CONFLICTS OF INTEREST DISCLOSED BY THE FIDUCIARY, ALONG WITH RECOMMENDED ACTIONS. THE ESSENTIA HEALTH BOARD OF DIRECTORS (OR DESIGNEE) WILL THEN DETERMINE WHETHER TO APPROVE THE SITUATION OR TO IMPLEMENT SPECIAL CONTROLS TO MANAGE THE POTENTIAL CONFLICT OF INTEREST. THE CHIEF COMPLIANCE OFFICER WILL THEN OFFICIALLY NOTIFY THE FIDUCIARY IN WRITING OF THE BOARD'S DECISION.

THE DECISION OF WHETHER OR NOT THE DISCLOSURE CONSTITUTES A CONFLICT OR NOT WILL BE AT THE ESSENTIA HEALTH BOARD OF DIRECTOR'S (OR DESIGNEE) SOLE DISCRETION, AND ITS CONCERN MUST BE THE WELFARE OF ESSENTIA HEALTH AND ITS AFFILIATE(S) AND THE ADVANCEMENT OF ITS PURPOSES.

WHEN THE ESSENTIA HEALTH BOARD OF DIRECTORS (OR DESIGNEE) CONSIDERS A FIDUCIARY'S DISCLOSURE AS A CONFLICT OF INTEREST, SPECIAL CONTROLS WILL BE IDENTIFIED TO MANAGE, ELIMINATE OR REDUCE THE LIKELIHOOD AND/OR APPEARANCE OF A CONFLICT ARISING. CONTROLS MAY INCLUDE BUT ARE NOT LIMITED TO:

A. IF THE CONFLICT INVOLVES AN ON-GOING MATTER OR RELATIONSHIP, THE FIDUCIARY MUST NOT PARTICIPATE IN BOARD, BOARD COMMITTEE OR MANAGEMENT DISCUSSIONS RELATED TO THE CONFLICT AND MUST RECUSE THEMSELVES AND IF

Name of the organization	Employer identification number
ST. MARY'S HOSPITAL, INC.	82-0226453

APPROPRIATE, WITHDRAW, FROM ANY BOARD MEETING OR PORTION THEREOF WHERE THE MATTER IS BEING DISCUSSED AND DURING THE VOTE ON THE POTENTIAL CONFLICT OF INTEREST. THE FIDUCIARY MAY ANSWER QUESTIONS AT THE BOARD'S OR THE BOARD COMMITTEE'S REQUEST.

B. IF THE CONFLICT INVOLVES A SPECIFIC TRANSACTION OR DECISION, THE FIDUCIARY WILL FULLY DISCLOSE THEIR INTEREST AND ALL RELATED MATERIAL FACTS. THE BOARD OR COMMITTEE OF THE BOARD WILL DETERMINE WHETHER THE CONTEMPLATED TRANSACTION MAY BE AUTHORIZED AS JUST, FAIR, AND REASONABLE TO ESSENTIA HEALTH OR ITS AFFILIATE(S). IF THE BOARD DETERMINES A CONFLICT DOES NOT EXIST, THE FIDUCIARY MAY PROCEED WITH THE TRANSACTION; HOWEVER, HE OR SHE WILL NOT BE ELIGIBLE TO VOTE ON RELATED ISSUES SHOULD THEY ARISE. IF THE BOARD DETERMINES A CONFLICT DOES EXIST, THE FIDUCIARY WILL BE NOTIFIED OF THE DECISION REGARDING WHETHER THE CONTEMPLATED TRANSACTION WILL BE AUTHORIZED AS JUST, FAIR, AND REASONABLE.

FORM 990, PART VI, LINE 15 A & B

PROCESS FOR DETERMINING COMPENSATION:

ST. MARY'S HOSPITAL, INC.'S INTERIM PRESIDENT/CHIEF FINANCIAL OFFICER'S COMPENSATION WAS SUBSEQUENTLY REVIEWED AFTER JUNE 30, 2013. THERE WERE NO OTHER OFFICERS OR KEY EMPLOYEES LISTED IN PART VII, SECTION A, LINE 1A.

FORM 990, PART VI, LINE 19

AVAILABILITY OF GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, & FINANCIAL STATEMENTS TO THE PUBLIC:

ST. MARY'S HOSPITAL, INC. MAKES ITS GOVERNING DOCUMENTS, CONFLICT OF

Name of the organization	Employer identification number
ST. MARY'S HOSPITAL, INC.	82-0226453

INTEREST POLICY, AND FINANCIAL STATEMENTS AVAILABLE TO THE PUBLIC UPON REQUEST. ST. MARY'S HOSPITAL, INC. IS PART OF ESSENTIA HEALTH'S CONSOLIDATED FINANCIAL STATEMENTS WHICH ARE INCLUDED IN ESSENTIA HEALTH'S ANNUAL REPORT POSTED ON ESSENTIA HEALTH'S WEB SITE

FORM 990 PART XII, LINE 3

CONSOLIDATED A-133:

ST. MARY'S HOSPITAL, INC., AS PART OF ESSENTIA HEALTH'S CONSOLIDATED FINANCIAL STATEMENTS, WAS REQUIRED AND UNDERWENT A CONSOLIDATED AUDIT SET FORTH IN THE SINGLE AUDIT ACT AND OMB CIRCULAR A-133. THE CONSOLIDATED AUDIT IS REVIEWED BY THE ESSENTIA HEALTH AUDIT COMMITTEE.

ATTACHMENT 1

990, PART VII- COMPENSATION OF THE FIVE HIGHEST PAID IND. CONTRACTORS

NAME AND ADDRESS	DESCRIPTION OF SERVICES	COMPENSATION
PALOUSE IMAGING CONSULTANTS PO BOX 9583 MOSCOW, ID 83843	RADIOLOGY SERVICES	192,689.
GRITMAN MEDICAL CENTER 700 S MAIN ST MOSCOW, ID 83843	RADIOLOGY SERVICES	188,530.
ADVANCED TRANSCRIPTION, INC. 13794 W WADDELL RD SUITE 203 PMB#400 SURPRISE, AZ 85379	TRANSCRIPTION SRVCS	164,367.

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: ST. MARY'S HOSPITAL, INC.
Employer identification number: 82-0226453

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)					
(2)					
(3)					
(4)					
(5)					
(6)					

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	No
(1) BRAINERD LAKES INTEGRATED HEALTH SYSTEM 37-1532145 2024 S 6TH ST BRAINERD, MN 56401	SUPPORT ORG	MN	501(C)(3)	11 TYPE II	ESSENTIA	X	
(2) BRAINERD MEDICAL CENTER, INC 37-1532148 2024 S 6TH ST BRAINERD, MN 56401	CLINIC	MN	501(C)(3)	3	BLIHS	X	
(3) BRIDGES MEDICAL CENTER 20-0479568 201 9TH ST W ADA, MN 56510	CLINIC/HOSP	MN	501(C)(3)	3	INNOVIS	X	
(4) CLEARWATER VALLEY HOSPITAL & CLINICS INC 82-0497771 301 CEDAR OROFINO, ID 83544	CLINIC/HOSP	ID	501(C)(3)	3	CAG	X	
(5) DL SURGERY CENTER (THRU 7/31/12) 26-3837203 1027 WASHINGTON AVE DETROIT LAKES, MN 56501	ASC	MN	501(C)(3)	3	CAG	X	
(6) CRITICAL ACCESS GROUP 26-1219624 503 E 3RD ST, STE 400 DULUTH, MN 55805	SUPPORT ORG	MN	501(C)(3)	11 TYPE II	ESSENTIA	X	
(7) ST JOSEPH'S MEDICAL CENTER 41-0695602 523 N 3RD ST BRAINERD, MN 56401	CLINIC/HOSP	MN	501(C)(3)	3	BLIHS	X	

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

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
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(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)					
(2)					
(3)					
(4)					
(5)					
(6)					

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	No
(1) ST MARY'S EMS 41-1805811 1027 WASHINGTON AVE DETROIT LAKES, MN 56501	EMERG SRVCS	MN	501(C)(3)	9	SMRHC	X	
(2) ST MARY'S INNOVIS HEALTH 26-2861321 1027 WASHINGTON AVE DETROIT LAKES, MN 56501	CLINIC	MN	501(C)(3)	3	INNOVIS	X	
(3) ST MARY'S REGIONAL HEALTH CENTER 41-1620386 1027 WASHINGTON AVE DETROIT LAKES, MN 56501	CLINIC/HOSP	MN	501(C)(3)	3	INNOVIS	X	
(4) ESSENTIA HEALTH 20-0360007 502 E 2ND ST DULUTH, MN 55805	SUPPORT ORG	MN	501(C)(3)	11TYPEIIIFI	N/A		X
(5) INNOVIS HEALTH, LLC 26-1175213 3000 32ND AVE FARGO, ND 58103	CLINIC/HOSP	DE	501(C)(3)	3	ESSENTIA	X	
(6) MIDWEST MEDICAL EQUIPMENT & SUPPLY INC 41-1674021 4418 HAINES RD DULUTH, MN 55811	MEDICAL EQUIP	MN	501(C)(3)	9	SMMC	X	
(7) SMDC MEDICAL CENTER 41-1878730 502 E 2ND ST DULUTH, MN 55811	CLINIC/HOSP	MN	501(C)(3)	3	SMDCHS	X	

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

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
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Name of the organization: ST. MARY'S HOSPITAL, INC.
Employer identification number: 82-0226453

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)					
(2)					
(3)					
(4)					
(5)					
(6)					

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	No
(1) PINE MEDICAL CENTER 41-1884597 109 COURT AVE S SANDSTONE, MN 55072	HOSPITAL/NURS	MN	501(C)(3)	3	SMDCHS	X	
(2) POLINSKY MEDICAL REHABILITATION CENTER 41-0691275 530 E 2ND ST DULUTH, MN 55805	CLINIC	MN	501(C)(3)	3	SMMC	X	
(3) ST MARY'S DULUTH CLINIC HEALTH SYSTEM 41-1836633 407 E 3RD ST DULUTH, MN 55805	SUPPORT ORG	MN	501(C)(3)	11 TYPE II	ESSENTIA	X	
(4) ST MARY'S HOSPITAL OF SUPERIOR 41-1811073 3500 TOWER AVE SUPERIOR, WI 54880	CLINIC/HOSP	WI	501(C)(3)	3	SMMC	X	
(5) ST MARY'S MEDICAL CENTER 41-0695604 407 E 3RD ST DULUTH, MN 55805	HOSPITAL	MN	501(C)(3)	3	SMDCHS	X	
(6) THE DULUTH CLINIC, LTD 41-0883623 400 E 3RD ST DULUTH, MN 55805	CLINIC	MN	501(C)(3)	3	SMDCHS	X	
(7) FIRST CARE MEDICAL SERVICES 41-0706143 900 HILLIGOSS BLVD SE FOSSTON, MN 56542	CLINIC/HOSP	MN	501(C)(3)	3	INNOVIS	X	

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: ST. MARY'S HOSPITAL, INC.
Employer identification number: 82-0226453

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)					
(2)					
(3)					
(4)					
(5)					
(6)					

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	No
(1) MINNESOTA VALLEY HEALTH CENTER 41-0837659 621 S 4TH ST LE SUEUR, MN 56058	HOSPITAL/NURS	MN	501(C)(3)	3	CAG	X	
(2) ESSENTIA INSTITUTE OF RURAL HEALTH 27-1291124 502 E 2ND ST DULUTH, MN 55805	RESEARCH	MN	501(C)(3)	4	ESSENTIA	X	
(3) ESSENTIA HEALTH FOUNDATION 27-1984704 502 E 2ND ST DULUTH, MN 55805	FOUNDATION	MN	501(C)(3)	7	ESSENTIA	X	
(4) NORTHERN PINES MEDICAL CENTER 41-0841441 5211 HWY 110 AURORA, MN 55705	HOSPITAL/NURS	MN	501(C)(3)	3	SMDCHS	X	
(5) GRACEVILLE HEALTH CENTER 41-0726173 115 WEST SECOND STREET GRACEVILLE, MN 56240	CLINIC/HOSP	MN	501(C)(3)	3	INNOVIS	X	
(6) DEER RIVER HEALTHCARE CENTER, INC 41-0844574 115 10TH AVE NE DEER RIVER, MN 56636	HOSPITAL/NURS	MN	501(C)(3)	3	SMDCHS	X	
(7)							

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) PMC-GATEWAY IMAGING 26-1634764 109 COURT AVE S, SANDSTONE, MN	IMAGING SERVI	MN	N/A	N/A	0	0			0			
(2)												
(3)												
(4)												
(5)												
(6)												
(7)												

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity? Yes	(i) No
(1) ESSENTIA HEALTH INSURANCE SERVICES SPC 00-0000000 94 SOLARIS AVE PO BOX 69 KY1-1102 GRAND CAYMAN, CAYMAN IS	INSURANCE	CJ	N/A	FOREIGN CORP	0	0		X	
(2) EAST RANGE CLINICS LTD 41-0909915 910 6TH AVE N VIRGINIA, MN 55792	CLINICS	MN	N/A	C CORP	0	0		X	
(3)									
(4)									
(5)									
(6)									
(7)									

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 organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a	Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity	1a		X
b	Gift, grant, or capital contribution to related organization(s)	1b	X	
c	Gift, grant, or capital contribution from related organization(s)	1c		X
d	Loans or loan guarantees to or for related organization(s)	1d		X
e	Loans or loan guarantees by related organization(s)	1e		X
f	Dividends from related organization(s)	1f		
g	Sale of assets to related organization(s)	1g		X
h	Purchase of assets from related organization(s)	1h		X
i	Exchange of assets with related organization(s)	1i		X
j	Lease of facilities, equipment, or other assets to related organization(s)	1j		X
k	Lease of facilities, equipment, or other assets from related organization(s)	1k		X
l	Performance of services or membership or fundraising solicitations for related organization(s)	1l		X
m	Performance of services or membership or fundraising solicitations by related organization(s)	1m	X	
n	Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n		X
o	Sharing of paid employees with related organization(s)	1o	X	
p	Reimbursement paid to related organization(s) for expenses	1p	X	
q	Reimbursement paid by related organization(s) for expenses	1q	X	
r	Other transfer of cash or property to related organization(s)	1r		X
s	Other transfer of cash or property from related organization(s)	1s	X	

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

	(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1)	CRITICAL ACCESS GROUP	M	400,500.	ACTUAL COSTS
(2)	CRITICAL ACCESS GROUP	P	555,510.	ACTUAL COSTS
(3)	CLEARWATER VALLEY HOSPITAL AND CLINICS, INC.	O	1,655,286.	ACTUAL COSTS
(4)	CLEARWATER VALLEY HOSPITAL AND CLINICS, INC.	P	934,264.	ACTUAL COSTS
(5)	CLEARWATER VALLEY HOSPITAL AND CLINICS, INC.	Q	862,781.	ACTUAL COSTS
(6)	ESSENTIA HEALTH	P	382,139.	ACTUAL COSTS

Part VI **Unrelated Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" on 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) Disproportionate 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	
(1)													
(2)													
(3)													
(4)													
(5)													
(6)													
(7)													
(8)													
(9)													
(10)													
(11)													
(12)													
(13)													
(14)													
(15)													
(16)													

Part VII Supplemental Information

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

SCHEDULE R, PART II, COLUMN (A)

NAME:

THE FOLLOWING ESSENTIA HEALTH ENTITIES HAVE A DOING BUSINESS AS NAME.

LEGAL NAME; DOING BUSINESS AS NAME

BRAINERD LAKES INTEGRATED HEALTH SYSTEM; ESSENTIA HEALTH CENTRAL

BRAINERD MEDICAL CENTER, INC.; ESSENTIA HEALTH BRAINERD SPECIALTY CLINIC

BRIDGES MEDICAL CENTER; ESSENTIA HEALTH ADA

DEER RIVER HEALTHCARE CENTER, INC.; ESSENTIA HEALTH DEER RIVER

FIRST CARE MEDICAL SERVICES; ESSENTIA HEALTH FOSSTON

GRACEVILLE HEALTH CENTER; ESSENTIA HEALTH HOLY TRINITY HOSPITAL

INNOVIS HEALTH, LLC; ESSENTIA HEALTH WEST

MIDWEST MEDICAL EQUIPMENT & SUPPLY INC.; ESSENTIA HEALTH MEDICAL EQUIPMENT AND SUPPLIES

NORTHERN PINES MEDICAL CENTER; ESSENTIA HEALTH NORTHERN PINES

PINE MEDICAL CENTER; ESSENTIA HEALTH SANDSTONE

POLINSKY MEDICAL REHABILITATION CENTER; ESSENTIA HEALTH POLINSKY MEDICAL REHABILITATION CENTER

SMDC MEDICAL CENTER; ESSENTIA HEALTH DULUTH

ST. JOSEPH'S MEDICAL CENTER; ESSENTIA HEALTH ST. JOSEPH'S MEDICAL CENTER

ST. MARY'S DULUTH CLINIC HEALTH SYSTEM; ESSENTIA HEALTH EAST

ST. MARY'S HOSPITAL OF SUPERIOR; ESSENTIA HEALTH ST. MARY'S HOSPITAL-SUPERIOR

ST. MARY'S MEDICAL CENTER; ESSENTIA HEALTH ST. MARY'S MEDICAL CENTER

ST. MARY'S REGIONAL HEALTH CENTER; ESSENTIA HEALTH ST. MARY'S-DETROIT LAKES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

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

Ernst & Young LLP

ERNST & YOUNG

Essentia Health

Consolidated Financial Statements
and Supplementary Information

Years Ended June 30, 2013 and 2012

Contents

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Report of Independent Auditors

The Board of Directors
Essentia Health

We have audited the accompanying consolidated financial statements of Essentia Health, 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 Essentia Health at June 30, 2013 and 2012, and the consolidated results of its operations and changes in net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

October 2, 2013

Essentia Health

Consolidated Balance Sheets
(Dollars in Thousands)

	June 30	
	2013	**2012**
Assets		
Current assets:		
Cash and cash equivalents	**$ 99,387**	$ 75,696
Short-term investments	**17,821**	11,231
Current portion of assets whose use is limited	**16,249**	26,142
Patient accounts receivable, less allowances for uncollectible accounts of $62,026 and $50,702 at June 30, 2013 and 2012, respectively *(Note 4)*	**216,140**	225,979
Prepaid expenses and other receivables	**34,523**	30,262
Inventories	**34,825**	28,354
Total current assets	**418,945**	397,664
Assets whose use is limited, less current portion *(Note 5)*:		
Funds designated by Board	**550,880**	422,695
Funds held by trustee	**3,951**	3,566
Funds held under self-insurance program	**35,655**	36,508
Other	**64,119**	51,523
	654,605	514,292
Property and equipment, net *(Note 7)*	**619,867**	591,094
Investments and other non-current assets, net *(Note 8)*	**121,942**	126,735
Total assets	**$ 1,815,359**	$ 1,629,785

	June 30	
	2013	**2012**
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 39,466**	$ 39,559
Payable to third-party payors	**12,823**	12,822
Accrued liabilities:		
Salaries, wages, and benefits	**143,721**	123,336
Interest	**9,118**	7,265
Current portion of long-term debt *(Note 9)*	**16,410**	17,052
Other	**13,654**	14,424
Total current liabilities	**235,192**	214,458
Long-term debt *(Note 9)*	**562,535**	502,072
Professional, pension, and other non-current liabilities *(Notes 11 and 12)*	**216,290**	215,056
Total liabilities	**1,014,017**	931,586
Net assets:		
Unrestricted	**788,171**	681,818
Temporarily restricted	**11,694**	15,505
Permanently restricted	**1,477**	876
Total net assets	**801,342**	698,199
Total liabilities and net assets	**$ 1,815,359**	$ 1,629,785

See accompanying notes.

Essentia Health

Consolidated Statements of Operations and Changes in Net Assets

(Dollars in Thousands)

	Year Ended June 30 2013	2012
Unrestricted revenue:		
Patient service revenue *(Note 4)*	**$ 1,658,319**	$ 1,543,349
Provision for bad debts *(Note 4)*	**(81,546)**	(72,192)
Net patient service revenue	**1,576,773**	1,471,157
Other operating revenue	**71,678**	75,082
Total unrestricted revenue	**1,648,451**	1,546,239
Expenses *(Note 14)*:		
Salaries, wages, and related benefits	**1,015,296**	952,962
Professional fees	**31,580**	25,504
Supplies	**244,086**	235,273
Purchased services	**63,067**	64,927
Professional liability and general insurance	**16,656**	8,545
Utilities	**19,304**	17,518
Repairs and maintenance	**35,070**	30,057
Depreciation and amortization	**75,520**	67,571
Interest	**22,731**	21,341
Other	**94,393**	89,662
Total expenses	**1,617,703**	1,513,360
Income from operations before nonrecurring costs	**30,748**	32,879
Nonrecurring costs	**1,338**	–
Income from operations	**29,410**	32,879
Non-operating gains (losses), net:		
Investment income on funds designated by Board	**6,962**	5,931
Net realized gains	**23,436**	8
Net change in unrealized gains and losses on trading securities	**14,114**	(18,534)
Gain (loss) on disposal of property, net	**133**	(520)
Gain (loss) on swap agreements	**3,949**	(11,770)
Gain on affiliation	**10,767**	–
Other, net	**4,510**	6,272
Total non-operating gains (losses), net	**63,871**	(18,613)
Excess of revenue and gains over expenses and losses	**93,281**	14,266

	Year Ended June 30 2013	2012
Unrestricted net assets:		
Excess of revenue and gains over expenses and losses	$ 93,281	$ 14,266
Net change in unrealized gains and losses on other-than-trading securities	(1)	(46)
Pension and other postretirement liability adjustments	9,167	(46,350)
Other, net	3,906	2,068
	106,353	(30,062)
Discontinued operations:		
Decrease in net assets of discontinued operations	–	(1,400)
Loss on disposal of discontinued operations	–	(4,439)
	–	(5,839)
Increase (decrease) in unrestricted net assets	106,353	(35,901)
Temporarily restricted net assets:		
Contributions	1,892	2,515
Net assets released from restrictions and other changes, net	(5,703)	(2,846)
Decrease in temporarily restricted net assets	(3,811)	(331)
Permanently restricted net assets:		
Contributions and other changes, net	601	167
Total increase (decrease) in net assets	103,143	(36,065)
Net assets at beginning of year	698,199	734,264
Net assets at end of year	$ 801,342	$ 698,199

See accompanying notes.

Essentia Health

Consolidated Statements of Cash Flows
(Dollars in Thousands)

	Year Ended June 30 2013	2012
Operating activities		
Increase (decrease) in net assets	$ 103,143	$ (36,065)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	75,520	67,571
Provision for uncollectible accounts	81,546	72,192
(Gain) loss on swap agreements	(3,949)	11,770
Share of joint ventures and related organizations' net income, net	(5,674)	(5,501)
Net change in unrealized gains and losses on other-than-trading securities	1	46
Net change in unrealized gains and losses on trading securities	(14,114)	18,534
Pension and other postretirement liability adjustments	(9,167)	46,350
Restricted contributions and investment income	(1,892)	(2,515)
Gain on affiliation	(5,144)	–
Loss on disposal of discontinued operations	–	4,478
Changes in assets and liabilities:		
Patient accounts receivable	(62,202)	(61,056)
Accounts payable and accrued liabilities	13,975	(12,336)
Professional, pension, and other non-current liabilities	10,175	5,882
Other	(10,618)	(8,391)
Net cash provided by operating activities	171,600	100,959
Investing activities		
Purchase of property and equipment, net	(86,987)	(77,291)
Change in investments in joint ventures and related organizations, net	4,461	4,417
Purchase of trading securities, net	(117,253)	(12,159)
Purchase of securities and assets whose use is limited classified as other-than-trading, net	(480)	(5,242)
Net cash used in investing activities	(200,259)	(90,275)
Financing activities		
Proceeds from issuance and borrowings of long-term debt	173,265	10,010
Principal payments on long-term debt	(122,422)	(22,179)
(Decrease) increase in funds held by trustee	(385)	188
Restricted contributions and investment income	1,892	2,515
Net cash provided by (used in) financing activities	52,350	(9,466)
Net increase in cash and cash equivalents	23,691	1,218
Cash and cash equivalents at beginning of year	75,696	74,478
Cash and cash equivalents at end of year	$ 99,387	$ 75,696
Supplemental disclosure of cash flow information		
Interest paid, net of capitalized interest	$ 21,298	$ 22,523

See accompanying notes

1. Organization

Essentia Health (Essentia), a Minnesota nonprofit corporation headquartered in Duluth, Minnesota, is an integrated health system serving patients in Minnesota, Wisconsin, North Dakota, and Idaho.

Essentia is the parent company of the following tax-exempt entities:

- St. Mary's Duluth Clinic Health System (operating as Essentia Health East (EH East)) in Duluth, Minnesota
- Brainerd Lakes Integrated Health System (operating as Essentia Health Central (EH Central)) in Brainerd, Minnesota
- Innovis Health LLC (operating as Essentia Health West (EH West)) in Fargo, North Dakota
- Critical Access Group (CAG), formerly known as Essentia Community Hospitals & Clinics (ECHC)
- Essentia Institute of Rural Health (EIRH)
- Essentia Health Insurance Services (EHIS), a Cayman-based captive insurance company
- Essentia Health Foundation (EHF), a merger of Innovis Health Foundation, SMDC Foundation, and ECHC Foundation, effective July 1, 2011

Many Essentia entities have adopted an operating name as part of a system-wide rebranding strategy using the Essentia brand.

Essentia is a regional leader in the development and advancement of business, clinical, and financial models for the delivery of high-quality and cost-effective health care. Essentia provides integrated health care delivery through its physician group practices, ambulatory and out-patient centers, acute care hospitals (including tertiary referral centers), and community, rural, and critical access hospitals.

Essentia has been determined to qualify as a tax-exempt charitable, educational, and scientific organization under Section 501(c)(3) of the Internal Revenue Code (the Code) and also has been determined to be exempt from state income tax under Minnesota Statute 290.05, Subdivision 2.

1. Organization (continued)

EH East directly or indirectly controls the following tax-exempt entities:

Legal Entity	Operating Name, If Applicable	Location
St. Mary's Medical Center	Essentia Health St. Mary's Medical Center	Duluth, Minnesota
The Duluth Clinic, Ltd.	N/A	Duluth, Minnesota
SMDC Medical Center	Essentia Health Duluth	Duluth, Minnesota
Nat G. Polinsky Memorial Rehabilitation Center, Inc.	Essentia Health Polinsky Medical Rehabilitation Center	Duluth, Minnesota
Midwest Medical Equipment and Supplies, Inc.	Essentia Health Medical Equipment & Supplies	Duluth, Minnesota
Northern Pines Medical Center	Essentia Health Northern Pines	Aurora, Minnesota
Pine Medical Center	Essentia Health Sandstone	Sandstone, Minnesota
St. Mary's Hospital of Superior	Essentia Health St. Mary's Hospital – Superior	Superior, Wisconsin
Deer River Healthcare Center, Inc. (since September 2012)	Essentia Health – Deer River	Deer River, Minnesota
Essentia Health Virginia, LLC (since January 2013)	Essentia Health – Virginia	Virginia, Minnesota

EH Central is the sole corporate member of the following tax-exempt entities:

Legal Entity	Operating Name	Location
St. Joseph's Medical Center	Essentia Health St. Joseph's Medical Center	Brainerd, Minnesota
Brainerd Medical Center, Inc.	Essentia Health Brainerd Specialty Clinic	Brainerd, Minnesota

EH West is the sole member of the following tax-exempt entities:

Legal Entity	Operating Name, If Applicable	Location
St. Mary's Regional Health Center	Essentia Health St. Mary's – Detroit Lakes	Detroit Lakes, Minnesota
St. Mary's Innovis Health	N/A	Detroit Lakes, Minnesota
Bridges Medical Center	Essentia Health Ada	Ada, Minnesota
First Care Medical Services	Essentia Health Fosston	Fosston, Minnesota
Graceville Health Center	Essentia Health Holy Trinity Hospital	Graceville, Minnesota

(Dollars in Thousands)

1. Organization (continued)

CAG is the sole corporate member of the following tax-exempt entities:

Operating Name	Location
Minnesota Valley Health Center	Le Sueur, Minnesota
Clearwater Valley Hospital and Clinics	Orofino, Idaho
St. Mary's Hospital	Cottonwood, Idaho
St. Benedict's Family Medical Center (through October 1, 2011)	Jerome, Idaho

In September 2012, Essentia affiliated with Deer River Healthcare Center, Inc. (Deer River), a nonprofit health care system located in Deer River, Minnesota. Included in Essentia's 2013 consolidated statement of operations and changes in net assets is the gain on affiliation (reported as a non-operating gain) and Deer River's results of operations subsequent to the date of affiliation. Deer River's assets and liabilities are included at fair value as of the date of affiliation in Essentia's consolidated balance sheet.

Effective October 1, 2011, Essentia Health agreed to transfer ownership of St. Benedict's Family Medical Center (SBFMC) to St. Luke's Health System, an unrelated entity. For the year ended June 30, 2012, the loss on disposal of SBFMC of $4,439 and SBFMC's loss prior to its transfer of $1,400 are included in discontinued operations.

In addition to their membership rights, Essentia and Benedictine Sisters Benevolent Association (BSBA), a sponsor of Essentia's Catholic hospitals, have retained various reserved powers over Essentia's hospitals.

Essentia's investments in joint ventures and related organizations are accounted for under the equity method and recorded in investments and other non-current assets in the consolidated balance sheets as follows:

	June 30	
	2013	2012
Benedictine Health System	$ 58,533	$ 58,533
St. Francis Regional Medical Center	32,044	30,203
Rainy Lake Medical Center	832	1,166
Brainerd Lakes Surgery Center	1,225	1,143
Other joint ventures	893	905
	$ 93,527	$ 91,950

(Dollars in Thousands)

1. Organization (continued)

Essentia's share of net income (loss) on its investments in joint ventures and related organizations is included in excess of revenue and gains over expenses and losses in the accompanying consolidated statements of operations and changes in net assets as follows:

	Year Ended June 30 2013	2012
Other operating revenue	$ **1,084**	$ 1,153
Non-operating gains, net	**4,590**	4,348
	$ **5,674**	$ 5,501

In accordance with a reorganization agreement between Benedictine Health System (BHS) and Essentia effective December 31, 2007, upon any subsequent dissolution or sale of BHS or any of BHS' subsidiaries, Essentia would be entitled to receive the net proceeds of the dissolved or sold entity up to BHS' net asset value as of December 31, 2007. As a result, Essentia has recorded a $58,533 investment in BHS at June 30, 2013 and 2012.

The following is a summary of the combined operating results and balance sheet information of the joint ventures and related organizations as of and for the years ended June 30:

	2013	2012
Total revenue	$ **420,554**	$ 403,209
Excess of revenue and gains over expenses	**18,081**	16,010
Total assets	**547,945**	516,517
Net assets	**214,110**	205,632

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements represent the consolidated financial position, results of operations, and cash flows of Essentia. All significant interaffiliate accounts and transactions have been eliminated in consolidation.

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in these consolidated financial statements and accompanying notes. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Although estimates are considered to be fairly stated at the time that the estimates were made, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include currency on hand, demand deposits with banks or other financial institutions, and short-term investments with maturities of 90 days or less from the date of purchase. Cash deposits are federally insured in limited amounts.

Short-Term Investments

Short-term investments are stated at fair value and include corporate bonds and notes with maturities of one year or less from the date of purchase, certificates of deposit, and certain mutual funds. Short-term investments are available to meet Essentia's operating cash requirements.

Accounts Receivable

Accounts receivable are stated at net realizable value. The allowance for uncollectible accounts is based upon management's ongoing assessment of historical and expected net collections for each major payor source considering historical business and economic conditions; trends in health care coverage, and other collection indicators. For receivables associated with services provided to patients who have third-party insurance coverage (including copayment and deductible amounts from patients), Essentia analyzes contractually due amounts and provides an allowance for contractual adjustments and a provision for uncollectible accounts. For receivables associated with private-pay patients, Essentia records a significant provision for uncollectible accounts in the period of service on the basis of its historical experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible.

2. Summary of Significant Accounting Policies (continued)

Essentia follows established guidelines for placing certain past-due patient balances with collection agencies, subject to certain restrictions on collection efforts as determined by Essentia. Accounts are written off when all reasonable internal and external collection efforts have been performed. These adjustments are accrued on an estimated basis and are revised as needed in future periods. The allowance for uncollectible accounts as a percentage of accounts receivable has increased from 22% for the year ended June 30, 2012 to 29% for the year ended June 30, 2013, consistent with industry trends.

Inventories

Inventories, including drugs and supplies, are stated at the lower of cost (principally on the first-in, first-out basis) or market.

Assets Whose Use Is Limited

Assets whose use is limited are composed primarily of investments held for trading, which are stated at fair value, and include assets designated by the Board of Directors (over which the Board retains control and may, at its discretion, subsequently use for other purposes) for future capital improvements and retirement of debt; investments of EHIS, which was formed as a professional liability funding arrangement; assets held by trustees under indenture agreements for construction and debt service payments; and other assets, which consist of donor-restricted assets provided on behalf of certain members of Essentia.

Investment income earned on funds held by the bond trustee is reported as other operating revenue since the interest expense on the related bonds is reported as an operating expense. All other investment income (including realized gains and losses on investments, interest, dividends, declines in value determined to be other than temporary, and net change in unrealized gains and losses on trading securities) is reported as non-operating income, other than changes in unrealized gains and losses on other-than-trading securities that are determined to be temporary, which are reported as other changes in unrestricted net assets. Realized gains and losses are determined using the specific identification method.

2. Summary of Significant Accounting Policies (continued)

Essentia reviews its other-than-trading securities for impairment conditions, which could indicate that an other-than-temporary decline in market value has occurred. In conducting this review, management considers numerous factors, which include specific information pertaining to an individual company or a particular industry, general market conditions that reflect prospects for the economy as a whole, and the ability and intent to hold the securities until recovery. The carrying value of investments is reduced to its estimated realizable value if a decline in fair value is considered to be other than temporary. The gross unrealized gains from other-than-trading securities at June 30, 2013, were $122. There were no unrealized losses. At June 30, 2012, gross unrealized gains and losses from other-than-trading securities were $4 and $71, respectively. Based on management's analysis, no other-than-temporary loss was recognized during the years ended June 30, 2013 and 2012.

Net unrealized gains on trading securities held at June 30, 2013 and 2012, were $31,829 and $17,715, respectively.

Derivative Financial Instruments

Essentia uses interest-rate, constant-maturity, fixed-payer, and basis-swap instruments (see Note 9) as part of a risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its debt. Derivatives are used to hedge identified and approved exposures and are not used for speculative purposes.

All derivatives are recognized as either assets or liabilities and are measured at fair value. Essentia uses pricing models for various types of derivative instruments that take into account the present value of estimated future cash flows. None of the swaps has been designated as a hedge. Accordingly, all changes in the fair values of the swaps and the net difference between interest received and paid are reported as non-operating gains or losses in the consolidated statements of operations and changes in net assets.

Property and Equipment

Property and equipment are stated at cost, if purchased, or at fair market value on the date received, if donated, less accumulated depreciation and amortization. Depreciation is provided on a straight-line basis over estimated useful lives but not for a term in excess of the associated ground leases, if any.

2. Summary of Significant Accounting Policies (continued)

Maintenance and repairs are charged to expense as incurred. Major improvements that extend the useful life of the related item are capitalized and depreciated. The cost and accumulated depreciation of property and equipment retired or disposed of are removed from the related accounts, and any residual value after considering proceeds is charged or credited to income.

Intangible Assets

Identifiable intangible assets are amortized on a straight-line basis over a range of 15 to 40 years based on the expected useful lives. Deferred financing costs, consisting primarily of underwriting fees and discounts, credit enhancement fees, and legal fees, are amortized using the interest method over the period that the obligation is outstanding.

Asset Impairment

Essentia periodically evaluates whether events and circumstances have occurred that may affect the estimated useful life or recoverability of the net book value of property and equipment and the unamortized excess cost over net assets acquired. If such events or circumstances indicate that the carrying amounts may not be recoverable, an impairment loss is recorded based on an undiscounted cash flow analysis.

Insurance

The provision for estimated self-insured general and professional liability claims includes estimates of the undiscounted ultimate costs for both reported claims and claims incurred but not reported (IBNR). Most of Essentia's members are self-insured for workers' compensation claims, and the estimated liability is discounted.

Costs of Borrowing

Interest incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. For the years ended June 30, 2013 and 2012, capitalized interest totaled $224 and $1,060, respectively.

2. Summary of Significant Accounting Policies (continued)

Charity and Uncompensated Care

Essentia provides health care services to patients who meet certain criteria under its charity care policies without charge or at amounts less than established rates. Since Essentia does not pursue collection of these amounts, they are not reported as revenue.

EHR Incentive Payments

The American Recovery and Reinvestment Act of 2009 provides for Medicare and Medicaid incentive payments beginning in calendar year 2011 for eligible hospitals and professionals that implement and achieve meaningful use of certified electronic health record (EHR) technology. Essentia adopted the gain contingency model to recognize Medicare and Medicaid EHR incentive payments as revenue. EHR incentive payments are recognized as other operating revenue when attestation that the EHR meaningful use criteria for the required period of time has been completed and fully demonstrated.

Essentia recognized EHR revenue of $14,337 (consisting of Medicare revenue of $10,036 and Medicaid revenue of $4,301) and $19,917 (consisting of Medicare revenue of $15,466 and Medicaid revenue of $4,451) during the years ended June 30, 2013 and 2012, respectively, of which $1,076 and $7,591 was receivable at June 30, 2013 and 2012, respectively.

Essentia's attestation of compliance with the meaningful use criteria is subject to audit by the federal government or its designee. In addition, Medicare EHR incentive payments received are subject to retrospective adjustment upon final settlement of the applicable cost report from which payment amounts were determined.

Excess of Revenue and Gains Over Expenses and Losses

The consolidated statements of operations and changes in net assets include excess of revenue and gains over expenses and losses. Changes in unrestricted net assets, which are excluded from excess of revenue and gains over expenses and losses, include unrealized gains and losses on other-than-trading securities that are determined to be temporary, and pension and other postretirement liability adjustments.

2. Summary of Significant Accounting Policies (continued)

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to Essentia are reported at fair value at the date the promise is received. Conditional promises and indications of intentions to give are reported at fair value at the date the conditions are met.

Gifts are reported as temporarily restricted net assets if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is fulfilled, temporarily restricted net assets are reclassified to other operating income or to an increase in unrestricted net assets in the consolidated statements of operations and changes in net assets depending on whether the donor's restriction was for the purchase of property and equipment or for research and education, respectively. Donor-restricted contributions whose restrictions are met within the same year as received are included directly in operating income or in increase in unrestricted net assets in the accompanying consolidated financial statements.

Permanently restricted net assets are held in perpetuity.

Deferred Taxes

Essentia records a valuation allowance for deferred tax assets when it is more likely than not that some portion of the deferred tax assets will not be realized. The ultimate realization of these deferred tax assets depends on the ability of the taxable affiliates to generate sufficient taxable income in the future.

Reclassifications

Certain prior year amounts in the consolidated financial statements have been reclassified to conform to the 2013 presentation. These reclassifications had no effect on the change in net assets or net assets as previously reported.

2. Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Standard

Effective July 1, 2012, Essentia adopted Accounting Standards Updated (ASU) 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, which was issued by the Financial Accounting Standards Board in May 2011. The amendments in ASU 2011-04 result in common fair value measurement and disclosure requirements in GAAP and International Financial Reporting Standards (IFRSs). The guidance also changes the wording used to describe many of the requirements in GAAP for measuring fair value and for disclosing information about fair value measurements. The adoption of this guidance did not have a material impact on the consolidated financial statements.

3. Service to the Community

In the furtherance of its charitable purpose, Essentia provides a wide variety of benefits to the communities it serves, including offering various community-based social service programs, such as free clinics, health screenings, in-home caregiver services, social service and support counseling for patients and families, pastoral care, crisis intervention, transportation to and from the health care campuses, and the donation of space for use by community groups.

In addition, a large number of health-related educational programs are provided for the benefit of the community, including health enhancements and wellness, classes on specific medical conditions, unreimbursed costs of medical education, telephone information services, and costs related to programs designed to improve the general health status of the community.

Essentia also provides medical care without charge or at a reduced cost primarily through (a) services provided at no charge to the uninsured and (b) services provided to patients expressing a willingness to pay but who are determined to be unable to pay because of socioeconomic factors. The cost of providing charity care is measured by applying an overall cost to charge ratio to the charges incurred. Total cost includes salaries, wages and related benefits, professional fees, supplies, purchased services, repairs and maintenance, and general and administrative expenses. Charity care provided was approximately \$13,400 and \$10,600 for the years ended June 30, 2013 and 2012, respectively.

4. Net Patient Revenue

Patient service revenue, net of contractual allowances and discounts (but before bad debt), is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Differences between amounts originally recorded and finally settled are included in operations in the year in which the differences become known. Certain reimbursement arrangements are subject to retroactive audits and adjustments.

Essentia derives patient revenue primarily from patients covered under the Medicare and Medicaid programs and agreements with commercial insurers and managed care organizations as well as from private-pay patients. The basis for payment under agreements with commercial insurers and managed care organizations includes prospectively determined rates, discounts from established charges, and allowable cost.

Essentia provides care to patients under the Medicare and Medicaid programs and contractual arrangements with other third-party payors. The Medicare and Medicaid programs pay for inpatient and most outpatient services at predetermined rates under a prospective payment system.

Essentia has contracted with Blue Cross and Blue Shield of Minnesota, Wisconsin, and North Dakota (collectively, BCBS) to provide patient care to its members and is reimbursed based on negotiated rates.

Essentia has negotiated "total cost-of-care" payor contracts with various health plan payors. Under these agreements, Essentia receives a portion of the savings achieved in providing care to enrollees who are attributed to Essentia. Attribution to Essentia is based on receiving the majority of care from Essentia providers. Some of the contracts also have incentives related to the quality of care delivered.

Essentia utilizes a process to identify and appeal settlements by Medicare and other payors. Additional reimbursement is recorded in the year the appeal is successful. During the years ended June 30, 2013 and 2012, additional revenue due to successful appeals and cost report settlements amounted to approximately $10,100 and $8,300, respectively.

(Dollars in Thousands)

4. Net Patient Revenue (continued)

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. While management believes that Essentia is in material compliance with fraud and abuse laws and regulations, as well as other applicable government laws and regulations, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Changes in reimbursement from the Medicare program, including reduction of funding levels, could have an adverse effect on Essentia.

The mix of patient revenue from patients and third-party payors, net of contractual expense (but before bad debt), for the years ended June 30 is summarized below:

	2013	%	2012	%
Medicare	$ 572,180	34%	$ 493,562	32%
Medicaid	194,016	12	162,371	11
BCBS	411,433	25	403,341	26
Private-pay, managed care, commercial insurance, and other payors	480,690	29	484,075	31
	$ 1,658,319	100%	$ 1,543,349	100%

Net patient revenue is presented net of Medicare, Medicaid, managed care, and other third-party contractual adjustments of $1,542,294 and $1,457,687 for the years ended June 30, 2013 and 2012, respectively.

Essentia grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30 consists of the following:

	2013	2012
Medicare	$ 59,744	$ 63,347
Medicaid	22,778	24,168
BCBS	42,277	49,171
Private-pay, managed care, commercial insurance, and other payors	91,341	89,293
	$ 216,140	$ 225,979

(Dollars in Thousands)

5. Investments and Assets Whose Use Is Limited

At June 30, assets whose use is limited consisted of and were limited for the following purposes:

	2013	2012
Cash and cash equivalents	$ 34,550	$ 65,062
Domestic equity securities	131,772	105,421
International equity securities	32,609	41,676
Equity mutual funds	91,718	36,437
Debt security mutual funds	131,214	79,680
Corporate debt securities	15,352	19,726
Hedged funds	219,979	178,981
Other	13,660	13,451
	$ 670,854	$ 540,434
Funds designated by Board	$ 551,253	$ 423,141
Funds held by trustee	7,010	9,630
Funds held under self-insurance program	42,918	42,207
Other	69,673	65,456
	670,854	540,434
Less current portion	16,249	26,142
Total non-current assets whose use is limited	$ 654,605	$ 514,292

Essentia invests in certain alternative investments, principally hedge funds and funds of hedge funds. These investments are accounted for using the equity method. At June 30, 2013 and 2012, Essentia's ownership percentage of alternative investments ranged from 0.03% to 9% and from 0.03% to 11%, respectively. Through these investments, Essentia may be indirectly involved in investment activities such as securities lending, short sales of securities, options, warrants, trading in futures and forward contracts, swap contracts, and other derivative products. Derivatives are used to maintain asset mix or adjust portfolio risk exposure. While these financial instruments may contain varying degrees of risk and have varying degrees of liquidity, mostly ranging from 60 days to 365 days, Essentia's risk is limited to its capital balance in each investment.

(Dollars in Thousands)

5. Investments and Assets Whose Use Is Limited (continued)

Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements subsequent to year-end.

Investment return for the years ended June 30 consists of and was reported in the consolidated statements of operations and changes in net assets as follows:

	2013	2012
Dividends and interest	$ 10,450	$ 9,778
Net realized gains	23,454	8
Net change in unrealized gains and losses on trading investments	14,114	(18,534)
Net change in unrealized gains and losses on other-than-trading investments	(1)	(46)
	48,017	(8,794)
Less investment expenses related to investment return	3,292	3,677
	$ 44,725	$ (12,471)
Other operating revenue	$ 196	$ 170
Non-operating gains (losses)	44,512	(12,595)
Other changes in unrestricted net assets	(1)	(46)
Other changes in temporarily restricted net assets	18	–
	$ 44,725	$ (12,471)

(Dollars in Thousands)

6. Fair Value of Financial Instruments

Financial instruments carried at fair value as of June 30, 2013, for each caption on the consolidated balance sheet, are analyzed by the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Cash and cash equivalents	$ 99,387	$ –	$ –	$ 99,387
Short-term investments:				
Cash and cash equivalents	17,103	–	–	17,103
Other	610	108	–	718
Current assets whose use is limited, excluding alternative investments (hedged funds), which are accounted for on the equity method:				
Cash and cash equivalents	10,642	–	–	10,642
Other	1,511	–	–	1,511
Assets whose use is limited, excluding alternative investments (hedged funds), which are accounted for on the equity method:				
Cash and cash equivalents	23,907	–	–	23,907
Domestic equity securities	130,945	–	–	130,945
International equity securities	32,194	–	–	32,194
Equity mutual funds	91,564	–	–	91,564
Debt security mutual funds	131,100	–	–	131,100
Corporate debt securities	–	15,352	–	15,352
Other	7,304	6,356	–	13,660
Total assets valued at fair value	$ 546,267	$ 21,816	$ –	$ 568,083
Liabilities				
Swap liabilities	$ –	$ –	$ 15,828	$ 15,828

(Dollars in Thousands)

6. Fair Value of Financial Instruments (continued)

Financial instruments carried at fair value as of June 30, 2012, for each caption on the consolidated balance sheet, are analyzed by the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Cash and cash equivalents	$ 75,696	$ –	$ –	$ 75,696
Short-term investments:				
Cash and cash equivalents	10,501	–	–	10,501
Other	520	210	–	730
Current assets whose use is limited, excluding alternative investments (hedged funds), which are accounted for on the equity method:				
Cash and cash equivalents	21,194	–	–	21,194
Other	1,300	422	–	1,722
Assets whose use is limited, excluding alternative investments (hedged funds), which are accounted for on the equity method:				
Cash and cash equivalents	43,868	–	–	43,868
Domestic equity securities	104,652	–	–	104,652
International equity securities	41,256	–	–	41,256
Equity mutual funds	36,437	–	–	36,437
Debt security mutual funds	79,569	–	–	79,569
Corporate debt securities	–	19,562	–	19,562
Other	5,638	7,555	–	13,193
Swap assets	–	–	3,278	3,278
Total assets valued at fair value	$ 420.631	$ 27,749	$ 3,278	$ 451,658
Liabilities				
Swap liabilities	$ –	$ –	$ 27,154	$ 27,154

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The disclosure framework consists of a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

6. Fair Value of Financial Instruments (continued)

Essentia's valuation methodologies for assets and liabilities measured at fair value is as follows:

- Fair value for Level 1 is based upon quoted market prices.

- Fair value for Level 2 is 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. Inputs are obtained from various sources, including market participants, dealers, and brokers.

- Fair value for Level 3 is based on unobservable market data, primarily credit valuation adjustments (CVAs) for derivative financial instruments. The fair value is determined by an independent third party utilizing a discounted cash flow methodology for valuing derivative financial instruments. The valuations reflect a credit spread adjustment to the London Interbank Offered Rate (LIBOR) swap curve in order to reflect CVAs for non-performance risk. The credit spread adjustment is derived from other comparably rated entities' bonds priced in the market. As of June 30, 2013 and 2012, Essentia's fair value of swaps included a CVA of $1,703 and $3,338, respectively.

The methods described above may produce a fair value calculation that is not indicative of net realizable value or reflective of future fair values. Furthermore, while Essentia believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

(Dollars in Thousands)

6. Fair Value of Financial Instruments (continued)

The following table is a rollforward of the consolidated balance sheet amounts for financial instruments classified by Essentia in Level 3 of the valuation hierarchy:

	Swap Assets and Liabilities, Net
Fair value at June 30, 2011	$ (13,083)
Realized and unrealized losses, net on swap agreements included in excess of revenue and gains over expenses and losses	(11,770)
Settlements	977
Fair value at June 30, 2012	(23,876)
Realized and unrealized losses, net on swap agreements included in excess of revenue and gains over expenses and losses	**3,949**
Settlements	**4,099**
Fair value at June 30, 2013	**$ (15,828)**

Carrying amounts of cash and cash equivalents, patient accounts receivable, accounts payable, payable to third-party payors and accrued liabilities are reasonable estimates of fair value due to the short-term nature of these financial instruments.

Fair value of fixed rate long-term debt (Level 2) is completed by a third party and based on quoted market prices for these issues or, where such prices are not available, the estimated present value of future cash flows, discounted at interest rates available at the reporting date to Essentia for new debt of similar type and remaining maturity. At June 30, 2013 and 2012, the fair value of Essentia's long-term debt was approximately $605,800 and $551,300, respectively, compared with its carrying value of $578,945 and $519,123. Fair value of variable rate long-term debt (Level 2) approximated its carrying value at both June 30, 2013 and 2012.

(Dollars in Thousands)

7. Property and Equipment

Property and equipment at June 30 are summarized as follows:

	2013	2012
Land and land improvements	$ 38,384	$ 35,388
Buildings and building improvements	724,444	694,309
Furniture and equipment	537,486	546,392
	1,300,314	1,276,089
Accumulated depreciation and amortization	(701,043)	(704,640)
	599,271	571,449
Construction-in-progress	20,596	19,645
	$ 619,867	$ 591,094

In January 2009, Essentia incurred a financing obligation relating to a building completed and placed into service, resulting from agreements to lease a portion of a medical office building. Since the transaction did not qualify for sale-leaseback treatment, the building is treated as a financing transaction. The completed building cost of $10,272 at June 30, 2013 and 2012, and the related other long-term liability of $8,432 and $8,849 at June 30, 2013 and 2012, respectively, are included in the accompanying consolidated balance sheets.

8. Investments and Other Non-Current Assets

Investments and other non-current assets at June 30 are summarized as follows:

	2013	2012
Notes receivable	$ 6,454	$ 8,672
Investment in joint ventures and related organizations	93,527	93,120
Deferred financing costs, less accumulated amortization of $5,072 in 2013 and $4,362 in 2012	10,274	10,787
Intangible assets, less accumulated amortization of $654 in 2013 and $550 in 2012	1,606	1,710
Fair value of swap asset *(Note 9)*	–	3,278
Other	10,081	9,168
	$ 121,942	$ 126,735

(Dollars in Thousands)

9. Long-Term Debt

Long-term debt at June 30 consists of the following:

	Annual Interest Rate	2013	2012
Essentia Obligated Group Revenue Bonds:			
Senior Secured Notes, due through 2035	3.99%	$ **159,525**	$ –
Series 2011, due through 2015	4.75%	**25,296**	25,383
Series 2010, due through 2035	Variable rate	**–**	103,855
Series 2008, due through 2037	3.00% to 5.50%	**231,211**	231,457
Series 2008, due through 2040	4.90% to 5.10%	**105,605**	105,559
Other revenue bonds	2.00% to 5.57%	**7,410**	19,632
Other, primarily mortgages payable with annual principal payments through 2051	Various	**49,898**	33,238
Total debt		**578,945**	519,124
Less current portion		**16,410**	17,052
		$ **562,535**	$ 502,072

Essentia's Obligated Group consists of Essentia, CAG, EH East, Essentia Health St. Mary's Medical Center, Essentia Health Duluth, The Duluth Clinic, Ltd., Essentia Health Polinsky Medical Rehabilitation Center, Essentia Health St. Mary's Hospital – Superior, EH Central, Essentia Health St. Joseph's Medical Center, Essentia Health Brainerd Specialty Clinic, Essentia Health St. Mary's – Detroit Lakes, St. Mary's Innovis Health, and EH West.

Certain indebtedness of members of the Obligated Group and related entities is secured by notes issued under the Amended and Restated Master Trust Indenture, dated as of April 1, 1999 (the Master Trust Indenture (MTI)), and related documents, which require Obligated Group members to be jointly and severally obligated for the debt service on all obligations issued thereunder.

9. Long-Term Debt (continued)

All Obligated Group members have pledged certain unrestricted receivables and certain pass-through obligations for payment of long-term indebtedness issued under the MTI. No pass-through obligations were subject to the pledge as of June 30, 2013. Most of the non-Obligated Group's debt is secured by certain assets of the entity that have borrowed the proceeds from the debt issue.

In February 2013, Essentia issued non-rated, taxable Senior Secured Notes in the amount of $159,525. The outstanding Variable Rate Revenue Bonds, Series 2010, in the amount of $101,305 and certain other revenue bonds totaling $7,087 were refinanced. As a result of the refinancing, Essentia recorded a non-operating loss of $454.

In March 2011, Essentia issued Revenue Bonds, Series 2011, in the amount of $25,155. The bonds are subject to semiannual interest-only payments until February 2015, at which time the outstanding principal balance becomes due.

In February 2010, Essentia restructured a portion of the outstanding Variable Rate Demand Revenue Bonds, Series 2008, which included converting $234,195 of Series 2008A, Series 2008B, and Series 2008C-1 Variable Rate Demand Bonds to fixed rate bonds with annual interest rates ranging from 3.00% to 5.50%.

A portion of the proceeds of various bond issuances and funds available under prior bond indentures that are deemed to be legally defeased have been deposited into escrow accounts and invested in certain U.S. government obligations, which will be sufficient to pay the principal and interest on refunded bonds.

In June 2011, Essentia entered into a long-term master revolving line of credit with a bank under which it may borrow up to an aggregate of $60,000. The annual interest rate is based on LIBOR plus an applicable margin (1.15% at June 30, 2013). The line of credit terminates in June 2014, at the option of the bank. The line of credit is secured by a note issued under the MTI and is an obligation of the Essentia Obligated Group. As of June 30, 2013 and 2012, there were no amounts outstanding under the line of credit.

Essentia has a revolving line of credit with a bank under which it may borrow up to an aggregate of $30,000. There were no outstanding borrowings at June 30, 2013 and 2012.

(Dollars in Thousands)

9. Long-Term Debt (continued)

The aggregate annual maturities of long-term debt, excluding the line of credit, for each of the five years subsequent to June 30, 2013, are as follows:

2014	$ 16,410
2015	41,810
2016	8,800
2017	26,279
2018	15,016

The MTI contains various covenants, including the requirement for the Essentia Obligated Group to maintain certain financial ratios, limit the incurrence of significant additional indebtedness, and limit transfers to non-Obligated Group members.

The proceeds of bonds, which were placed in various trust funds to be used in accordance with the applicable indenture provisions, are as follows at June 30:

	2013	2012
Bond interest, principal, and construction funds	$ 3,108	$ 6,426
Debt service reserve funds	3,902	3,204
	7,010	9,630
Less current portion	3,059	6,064
Total long-term portion	$ 3,951	$ 3,566

At June 30, 2013, the following is a summary of the outstanding positions under swap arrangements:

Instrument Type	Notional Amount	Maturity Date	Rate Paid	Rate Received
Fixed-payer swaps	$ 50,875	2032 to 2037	3.30% to 3.373%	68% of 1-month LIBOR
Basis swaps	$ 217,495	2030 to 2040	SIFMA	68% of 1-month or 3-month LIBOR plus 0.105% to 0.605%

(Dollars in Thousands)

9. Long-Term Debt (continued)

Interest paid and received is based on swap rates, which are derived from LIBOR, the Securities Industry and Financial Markets Association (SIFMA), and the International Swaps and Derivatives Association (ISDA).

Swap assets are reported in investments and other non-current assets and swap liabilities in professional, pension, and other non-current liabilities in the consolidated financial statements, as follows:

	Notional Amount	Assets 2013	Assets 2012	Liabilities 2013	Liabilities 2012	Non-Operating Gain (Loss) 2013	Non-Operating Gain (Loss) 2012
Interest rate swaps	$ –	$ –	$ –	$ –	$ 3,283	$ (322)	$ (1,317)
Constant maturity swap	–	–	3,278	–	–	721	(811)
Fixed-payer swaps	50,875	–	–	8,647	16,910	3,152	(11,113)
Basis swaps	217,495	–	–	7,181	6,961	398	1,471
Total swaps	$ 268,370	$ –	$ 3,278	$ 15,828	$ 27,154	$ 3,949	$ (11,770)

Certain of Essentia's derivative instruments contain provisions that require Essentia to post collateral when the net liability of the derivative instruments is greater than predetermined thresholds ranging from $10,000 to $20,000. No collateral was required at June 30, 2013 or 2012.

Derivative transactions contain credit risk in the event the parties are unable to meet the terms of the contract, which is generally limited to the fair value due from counterparties on outstanding contracts. At June 30, 2013 and 2012, the counterparty with fair values due to Essentia had a Standard & Poor's credit quality rating of A-.

10. Income Taxes

Deferred tax assets at June 30, 2013 and 2012, relate primarily to depreciation along with federal and state net operating loss (NOL) carryovers. As of June 30, 2013, Essentia had federal NOLs of $4,332 and state NOLs of $4,296, expiring in varying amounts through 2033. Due to the operating performance of Essentia's taxable subsidiaries, a full valuation allowance of $1,894 and $1,853 has been established at June 30, 2013 and 2012, respectively, since it is more likely than not that none of the deferred tax asset will be realized.

(Dollars in Thousands)

10. Income Taxes (continued)

The statute of limitations for tax years ended June 30, 2010 through June 30, 2013, remains open to examination by the major U.S. taxing jurisdictions to which Essentia is subject. In addition, for all tax years prior to June 30, 2010, generating an NOL, tax authorities have the right to adjust the amount of the NOL.

11. Employee Benefit Plans

Essentia sponsors two defined benefit retirement plans (Defined Benefit Plans), which cover certain groups of Essentia's employees. Although the Defined Benefit Plans are closed to new participants, certain plan participants continue to accrue benefits. Essentia also provides other postemployment benefits to certain eligiblė participants, including a partial subsidy for health insurance coverage.

A summary of the change in the benefit obligation, the change in plan assets and the resulting funded status, the amounts recognized in the consolidated balance sheets, and the components of net periodic benefit of the Defined Benefit Plans as of June 30 (measurement date) are as follows:

	Year Ended June 30	
	2013	**2012**
Change in benefit obligation		
Benefit obligation at beginning of year	**$ 223,819**	$ 186,234
Service cost	**2,770**	2,358
Interest cost	**10,323**	10,529
Actuarial (gain) loss	**(160)**	30,587
Benefits paid	**(6,747)**	(5,889)
Benefit obligation at end of year	**230,005**	223,819
Change in plan assets		
Fair value of plan assets at beginning of year	**123,066**	129,391
Actual return (loss) on plan assets	**15,336**	(8,614)
Contributions	**8,346**	8,478
Benefits paid	**(6,747)**	(5,889)
Expenses paid	**(300)**	(300)
Fair value of plan assets at end of year	**139,701**	123,066
Net liability recognized (underfunded plan)	**$ (90,304)**	$ (100,753)

(Dollars in Thousands)

11. Employee Benefit Plans (continued)

Accumulated benefit obligation was $193,825 and $195,326 at June 30, 2013 and 2012, respectively.

Effective July 1, 2012, Essentia elected to change the amortization period for unrecognized actuarial gains and losses from the average remaining working period to the average future lifetime of plan participants. Since over 90% of plan participants are inactive, Essentia believes that the average future lifetime of plan participants provides a better estimate of the amortization expense. The change in amortization period, which is considered to be a change in accounting method, has no impact on Essentia's consolidated balance sheet but results in a decrease in future pension expense ($1,909 for the year ended June 30, 2013).

Changes in plan assets and benefit obligations recognized in unrestricted net assets during the years ended June 30 consist of:

	2013	2012
Current year actuarial (gain) loss	$ (5,954)	$ 49,237
Amortization of actuarial loss	(3,981)	(2,887)
Total	$ (9,935)	$ 46,350

Actuarial losses included in unrestricted net assets that have not been recognized in net periodic pension cost at June 30, 2013 and 2012, were $83,493 and $93,428, respectively. It is expected that actuarial losses recognized in net periodic pension cost during the year ending June 30, 2014, will be $3,300. Unrecognized actuarial losses are amortized on a straight-line basis.

Components of net periodic pension cost for the years ended June 30 are as follows:

	2013	2012
Service cost	$ 2,770	$ 2,358
Interest cost	10,323	10,529
Expected return on plan assets	(9,542)	(10,036)
Amortization of unrecognized net actuarial loss	3,981	2,887
Expenses paid	300	300
Benefit cost	$ 7,832	$ 6,038

(Dollars in Thousands)

11. Employee Benefit Plans (continued)

	2013	2012
Weighted average assumptions		
Discount rate at end of year (used to determine benefit obligation)	**4.54% to 4.76%**	4.20% to 4.64%
Discount rate at beginning of year (used to determine net periodic benefit cost)	**4.20% to 4.64%**	5.29% to 5.80%
Expected annual return on plan assets	**7.75%**	7.75%
Rate of annual compensation increase	**1.60% to 2.40%**	2.00% to 2.60%
Health care cost annual trend rate	**8.50%**	8.50%

The overall weighted average return on plan assets is determined by applying management's judgment to the results of computer modeling, historical trends, and benchmarking data.

The Investment Committee of the Defined Benefit Plans, which consists of at least two members of the Board of Directors and a minimum of four staff members, annually reviews and approves the investment policy and asset allocation targets. The Investment Committee activities are supported by an independent investment consulting firm. The investment policy covers responsibilities of the investment managers, investment objectives, asset allocation targets and ranges, asset guidelines, and manager review criteria. The Investment Committee reviews asset allocation quarterly to determine if the current structure is appropriate and whether any changes are necessary. All assets are invested with outside managers.

The current target allocation and the actual asset allocation as of June 30 are as follows:

	Asset Allocation Target	2013	2012
Equity securities	30%–90%	**40%**	38%
Debt securities	15%–50%	**11**	18
Cash and cash equivalents	0%–55%	**8**	7
Other (primarily alternative investments)	0%–40%	**41**	37
Total		**100%**	100%

(Dollars in Thousands)

11. Employee Benefit Plans (continued)

The fair value of the Defined Benefit Plans' pension plan assets was determined using the fair value hierarchy, as defined in Note 6, at June 30, 2013:

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 11,647	$ –	$ –	$ 11,647
Domestic equity securities	32,566	–	–	32,566
International equity securities	9,061	–	–	9,061
Equity mutual funds	14,461	–	–	14,461
Debt security mutual funds	13,843	–	–	13,843
Alternative investments	–	–	48,406	48,406
Immediate Participation Guarantee Contracts	–	–	8,464	8,464
Other	1,253	–	–	1,253
	$ 82,831	$ –	$ 56,870	$ 139,701

The fair value of the Defined Benefit Plans' pension plan assets was determined using the fair value hierarchy, as defined in Note 6, at June 30, 2012:

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 8,728	$ –	$ –	$ 8,728
Domestic equity securities	28,473	–	–	28,473
International equity securities	9,280	–	–	9,280
Equity mutual funds	8,586	–	–	8,586
Debt security mutual funds	13,472	–	–	13,472
Alternative investments	–	–	45,812	45,812
Immediate Participation Guarantee Contracts	–	–	8,715	8,715
	$ 68,539	$ –	$ 54,527	$ 123,066

Fair value methodologies for Level 1 and Level 2 investments are consistent with the inputs described in Note 6. Fair value for Level 3 alternative investments is based on the fair value of the underlying assets as estimated in an unquoted market, which approximates the equity method of accounting. Fair values of alternative investments are determined by the investment managers or general partners. Fair values may be based on estimates that require varying degrees of judgment. The fair value reflects net contributions to the investee and an ownership share of realized and unrealized investment income and expenses. The financial statements of the investees are audited annually by independent auditors.

(Dollars in Thousands)

11. Employee Benefit Plans (continued)

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

	Alternative Investments	Immediate Participation Guarantee Contracts	Total
Fair value at June 30, 2011	$ 39,439	$ 8,856	$ 48,295
Purchases, issuances, and settlements, net	9,341	(449)	8,892
Actual return on plan assets	(2,968)	308	(2,660)
Fair value at June 30, 2012	45,812	8,715	54,527
Purchases, issuances, and settlements, net	(2,742)	(374)	(3,116)
Actual return on plan assets	5,336	123	5,459
Fair value at June 30, 2013	$ 48,406	$ 8,464	$ 56,870
Change in unrealized gains on investments held at June 30, 2013	$ 4,028	$ (148)	$ 3,880

During 2014, Essentia expects to make pension contributions of $7,997 to the Defined Benefit Plans.

The following benefits, which reflect expected future service, are expected to be paid:

2014	$ 8,572
2015	8,839
2016	9,341
2017	9,687
2018	11,463
2019–2022	67,882

(Dollars in Thousands)

11. Employee Benefit Plans (continued)

Other Plans

Under a collective bargaining agreement, Essentia contributes to a union-sponsored multiemployer retirement plan. The risks of participation in these multiemployer plans differ from those of single-employer plans in the following aspects: a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and c) if Essentia chooses to stop participating in its multiemployer plan and if the plan is underfunded, Essentia may be required to pay those plans an amount based on the underfunded status of the plan, referred to as the withdrawal liability.

Essentia's participation in the multiemployer plan for the years ended June 30, 2013 and 2012, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act zone status available in 2013 and 2012 is for the plan's year-end at December 31, 2012 and 2011, respectively. The zone status is based on information that Essentia received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the range of expiration dates of various collective-bargaining agreements to which the plans are subject.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status 2013	Pension Protection Act Zone Status 2012	FIP/ RP Status Pending/ Implemented	Contributions of Essentia 2013	Contributions of Essentia 2012	Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
Steelworkers Pension Trust	23-6648508/499	Green	Green	N/A	$ 3,669	$ 3,638	No	June 30, 2013 to September 30, 2015

11. Employee Benefit Plans (continued)

The union-sponsored multiemployer plan was at least 80% funded at December 31, 2012 and 2011. Total amounts expensed under the union-sponsored multiemployer plan were $3,682 and $3,652 for the years ended December 31, 2012 and 2011, respectively. Essentia is required to make contributions ranging from 3% to 5% of covered employees' gross earnings for the year ending December 31, 2013.

At the date Essentia's consolidated financial statements were issued, Form 5500 was not available for the union-sponsored multiemployer plan's year ended December 31, 2012.

Substantially all of Essentia's entities have individual defined contribution plans covering most of their employees. Contributions are based on a percentage of eligible employees' salaries. Total pension expense relating to the union-sponsored multiemployer retirement plan and defined contribution pension plans was $44,726 and $43,209 for the years ended June 30, 2013 and 2012, respectively.

12. Insurance

EHIS provides insurance coverage to most of Essentia's members (except the critical access hospitals) on a claims-made basis with limits of $5,000 per claim and $12,000 in the aggregate per policy year for professional liabilities and $3,000 per claim and $6,000 in the aggregate for each policy year for general liabilities. Premiums are based on claims experience. Essentia's rural critical access hospitals are insured by a commercial insurance policy with a $25 deductible and limits of $2,000 per claim and $6,000 in the aggregate per policy year on a claims-made basis for both professional liability and general liability risks.

Essentia has self-funded the estimated value of professional and general liability claims, which amounted to $26,461 and $22,063 at June 30, 2013 and 2012, respectively, based on historical data, and includes IBNR claims. Essentia has purchased excess professional and general liability insurances from the commercial insurance market with limits totaling $35,000 per claim and in the aggregate per policy year.

Essentia is self-insured for workers' compensation claims, employee health care claims, and unemployment compensation risks, with stop-loss coverage above certain limits. Essentia is required to post security under its self-insured workers' compensation program, which was $14,120 and $12,189 at June 30, 2013 and 2012, respectively. Essentia has entered into a surety bond agreement to comply with this requirement.

(Dollars in Thousands)

13. Commitments and Contingencies

During 2013, Essentia began work on various remodeling projects, construction of a parking structure, and an overall EH West expansion and remodeling project. The total cost of the projects is anticipated to be $109,980, most of which will be debt-financed. Construction-in-progress was approximately $1,035 as of June 30, 2013.

Essentia has leases for equipment and satellite office facilities, which are classified as operating leases. Rental expense under these operating leases totaled $21,578 and $20,192 for the years ended June 30, 2013 and 2012, respectively.

Future minimum lease payments on operating leases in effect on June 30, 2013, for each of the five subsequent years and thereafter are as follows:

2014	$ 14,644
2015	11,668
2016	10,586
2017	9,162
2018	7,368
Thereafter	46,461
	$ 99,889

In connection with a corporate reorganization of BSBA, assets and liabilities of certain facilities were transferred to Essentia in 1985. BSBA retains title to the land occupied by these facilities and has leased the land to the facilities through June 30, 2040. Minimum annual lease payments are $31,658 over the remaining lease period, adjusted for inflation. Lease payments were $822 and $798 for the years ended June 30, 2013 and 2012, respectively.

Essentia has guaranteed amounts totaling $7,825 and $8,177 as of June 30, 2013 and 2012, respectively. No liability is recorded related to these guarantees.

Essentia is a defendant in legal proceedings arising in the ordinary course of business. Although the outcome of these proceedings cannot be determined, in the opinion of management, they will not have a material adverse effect on Essentia's financial position or its results of operations. However, there can be no assurance that this will be the case.

At June 30, 2013, 39% of employees are represented by 38 collective bargaining agreements, of which 14 will expire within one year.

14. Functional Expenses

Essentia does not report expense information by functional classification because its resources and activities are directed primarily to providing health care services to residents in communities that it serves.

15. Nonrecurring Costs

During 2013, Essentia restructured its operations and incurred nonrecurring costs of $1,338 related to staff reductions, which were recorded as nonrecurring operating expenses.

16. Subsequent Events

Essentia's management evaluated events and transactions occurring subsequent to June 30, 2013, through October 2, 2013, the date of issuance of the financial statements. During this period, there were no subsequent events requiring recognition or disclosure in the consolidated financial statements.

Supplementary Information

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Report of Independent Auditors on Supplementary Information

The Board of Directors
Essentia Health

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of community service and charity care provided is presented for purposes of additional analysis and is 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 not been subjected to the auditing procedures applied in our audits of the consolidated financial statements, and accordingly, we express no opinion on it.

Ernst + Young LLP

October 2, 2013

Essentia Health

Schedule of Community Service and Charity Care Provided (Unaudited)

(Dollars in Thousands)

Essentia maintains records to identify and monitor the level of community service and charity care provided. These records include management's estimate of the cost of services and supplies furnished for community service programs, the cost to provide charity care, and the cost in excess of reimbursement from public programs, which were estimated as follows for the years ended June 30, 2013 and 2012:

	Year Ended June 30 2013	2012
Cost of providing charity care	**$ 13,358**	$ 10,664
Costs in excess of Medicaid payments	**68,346**	51,960
Medicaid surcharge and MinnesotaCare tax	**21,084**	19,756
Community services	**5,334**	5,401
Subsidized health services	**–**	22
Education and work force development	**3,623**	2,858
Research	**3,477**	3,376
Cash and in-kind donations	**929**	583
Total cost of community benefits*	**116,151**	94,620
Cost in excess of Medicare payments	**123,337**	121,921
Other care provided without compensation (bad debt, at cost)	**39,944**	35,289
Discounts offered to uninsured patients	**5,663**	5,246
Taxes and fees	**3,547**	3,116
Total value of community contributions	**$ 288,642**	$ 260,192
Cost of community benefits as a percent of total operating expenses	**7.2%**	6.3%
Value of community contributions as a percent of total operating expenses	**17.8%**	17.2%

*As defined in the Catholic Health Association/VHA Inc. guidelines.

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