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Part IIIS

Statement of Program Service Accomplishments

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

☐ Yes☒ No

1

Briefly describe the organization’s mission

The mission is to bring compassion to health care and to be good help to those in need, especially those who are poor and dying As a system of caregivers, we commit ourselves to help bring people and communities to health and wholeness

2

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

☐ Yes☒ No

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

3

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

☐ Yes☒ No

If “Yes,” describe these changes on Schedule O

4

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

4a

(Code ) (Expenses \$ 412,629,440 including grants of \$ 780,122 ) (Revenue \$ 509,994,446 )

Bon Secours St Francis Health System (BSSFHS) primarily serves Greenville County, which is comprised of approximately 451,000, in 2012, residents with an 19% population increase over the last decade 15 3% of residents in Greenville County are in households that fall below the federal poverty guidelines Currently, 27% of Greenville County residents are considered medically uninsured Two specific populations with large growth rates in the county are the senior population, with a 17% growth of residents 60 and older since 2000, and the Hispanic population, with an estimated growth of over 147% over the past decade The three leading causes of death for Greenville County are cancer, cardiovascular disease and accidents See Community benefit information in Sch H The Community Benefit Report is available on the SFH website

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 ▶ 412,629,440

Part IV Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

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

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

		Yes	No			
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	141			
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0			
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes			
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2a	2,942			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes			
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes			
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	Yes			
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a			No	
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a			No	
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No	
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c				
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?	6a			No	
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b				
7	Organizations that may receive deductible contributions under section 170(c).					
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a			No	
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b				
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8822?	7c			No	
d	If "Yes," indicate the number of Forms 8822 filed during the year.	7d	0			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			No	
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f			No	
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g				
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h				
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8				
9	Sponsoring organizations maintaining donor advised funds.					
a	Did the organization make any taxable distributions under section 4966?	9a				
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b				
10	Section 501(c)(7) organizations. Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b				
11	Section 501(c)(12) organizations. Enter					
a	Gross income from members or shareholders.	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b				
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a				
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b				
13	Section 501(c)(29) qualified nonprofit health insurance issuers.					
a	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> See the instructions for additional information the organization must report on Schedule O.	13a				
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b				
c	Enter the amount of reserves on hand.	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			No	
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b				

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	16	
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			
1b	Enter the number of voting members included in line 1a, above, who are independent	12	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	8a	Yes
8b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization Ronnie Hyatt One St Francis Drive Greenville, SC (864) 255-1000

Part VII

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

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

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

- 1a** Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.
- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
  - List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
  - List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.
  - List all of the organization's **former** officers, key employees, or highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.
  - List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099- MISC)	(E) Reportable compensation from related organizations (W- 2/1099- MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Charlton Armstrong III MD Board Member	2 00 0 00	X						0	0	0
(2) Brother Peter Campbell Board Member	2 00 50	X						0	0	0
(3) John Castile Board Member	2 00 0 00	X						0	0	0
(4) Greg Haselden Board Member	2 00 0 00	X						0	0	0
(5) Robert Hitt Board Member (Sep-Dec)	2 00 0 00	X						0	0	0
(6) Valerie Hollinger Board Member	2 00 0 00	X						0	0	0
(7) Fletcher Kirkland Board Member	2 00 50	X						0	0	0
(8) Joanie Martin Board Member	2 00 0 00	X						0	0	0
(9) Wayne McDonald MD Board Member	2 00 50	X						0	0	0
(10) Jeff Oak PhD Board Member	2 00 48 00	X						0	567,670	64,067
(11) Linton B Puckett Board Member	2 00 0 00	X						0	0	0
(12) Joe Sullivan Board Member (Jan-Aug)	2 00 0 00	X						0	0	0
(13) Angela Webb Board Member	2 00 0 00	X						0	0	0
(14) Camilla Hertwig Chairman	3 00 50	X		X				0	0	0
(15) Mark Nantz CEO-BSSFHS	25 00 25 00	X		X				0	952,104	80,530
(16) Thomas Morris PhD President	3 00 47 00	X		X				0	522,375	52,845
(17) Daniel Duggan COO-BSSFHS (Jan-Aug)	48 00 2 00			X				0	495,487	42,949

**Part VII**

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) Irene Holcombe Secretary	50 00 0 00			X				86,852	0	14,699
(19) Ronnie Hyatt Treasurer/CFO-BSSFHS	36 00 14 00			X				445,433	0	32,744
(20) Teresa Ficicchy EVP/CNO	50 00 0 00				X			324,827	0	25,758
(21) Patricia Fowler VP/Surgical Services	50 00 0 00				X			235,591	0	33,850
(22) Rose M Leo VP/Surg Serv - Women's	50 00 0 00				X			187,038	0	25,471
(23) Johnna Reed VP Bus Dev/Heart & Vasc	50 00 0 00				X			249,763	0	21,438
(24) Fernando Fleites SVPHR	50 00 0 00					X		328,602	0	25,903
(25) Elizabeth Keith VP of Mission Services	50 00 0 00					X		251,266	0	19,085
(26) John S Pietras EVP SFPS	50 00 0 00					X		276,478	0	51,441
(27) Frank C Smeeks SVP, CMO (Sept-Aug)	50 00 0 00					X		503,681	0	38,379
(28) Jerome J Weems Jr MD Physician	50 00 0 00					X		271,766	0	22,353

<b>1b</b>	<b>Sub-Total</b> . . . . .	▶			
<b>c</b>	<b>Total from continuation sheets to Part VII, Section A</b> . . . . .	▶			
<b>d</b>	<b>Total (add lines 1b and 1c)</b> . . . . .	▶	3,161,297	2,537,636	551,512

**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▶141

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

Section B. Independent Contractors

<b>1</b>	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
Sleepworks LLC 554 Hall Road Thomasville GA 31757	Sleep Study	854,920
Fayetteville Lithotrippers LP PO Box 847324 Dallas TX 75284	Lithotnpsy Services	640,000
Anesthesia Business Consultant PO Box 77000 Detroit MI482770181	Billing Services	295,534
Carolina Perfusion Assoc Inc 703 Lakewinds BLVD Inman SC 29349	Profusion Services	295,183
Upstate Carolina Radiology PA PO Box 27049 Greenville SC 29616	Radiology readings	290,847
<b>2</b>	Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ▶20	

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	1,014,851		
	e	Government grants (contributions)	1e	2,131,593		
	f	All other contributions, gifts, grants, and similar amounts not included above	1f			
	g	Noncash contributions included in lines 1a-1f \$				
	h	Total. Add lines 1a-1f . . . . .		3,146,444		
Program Service Revenue	2a	Patient Service Rev	Business Code 622110	507,141,268	507,050,272	90,996
	b	Disprop Share Income	561499	1,222,313	1,222,313	
	c					
	d					
	e					
	f	All other program service revenue				
	g	Total. Add lines 2a-2f . . . . .		508,363,581		
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts) . . . . .		637,176	
4		Income from investment of tax-exempt bond proceeds . . .				
5		Royalties . . . . .				
6a		Gross rents	(i) Real 490,956	(ii) Personal 12,667		
b		Less rental expenses	0	0		
c		Rental income or (loss)	490,956	12,667		
d		Net rental income or (loss) . . . . .		503,623	13,408	490,215
7a		Gross amount from sales of assets other than inventory	(i) Securities 1,509,061	(ii) Other 165,264		
b		Less cost or other basis and sales expenses	0	187,847		
c		Gain or (loss)	1,509,061	-22,583		
d		Net gain or (loss) . . . . .		1,486,478		1,486,478
8a		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .	a			
b		Less direct expenses . . . . .	b			
c		Net income or (loss) from fundraising events . . .				
9a		Gross income from gaming activities See Part IV, line 19 . . . . .	a			
b		Less direct expenses . . . . .	b			
c		Net income or (loss) from gaming activities . . .				
10a		Gross sales of inventory, less returns and allowances .	a			
b		Less cost of goods sold . . . . .	b			
c		Net income or (loss) from sales of inventory . . .				
Miscellaneous Revenue		Business Code				
11a	Regency Hospital	900099	1,721,861	1,721,861		
b	Supplies - Rebates	900099	1,181,029			1,181,029
c	Cafeteria/Vending/Gift	561499	807,913			807,913
d	All other revenue . . . . .		1,283,556		365,869	917,687
e	Total. Add lines 11a-11d . . . . .		4,994,359			
12	Total revenue. See Instructions . . . . .		519,131,661	509,994,446	470,273	5,520,498

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.	780,122	780,122		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.	1,741,633	1,567,471	174,162	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).				
7	Other salaries and wages.	135,012,920	121,511,628	13,501,292	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	6,383,494	5,745,145	638,349	
9	Other employee benefits.	18,100,144	16,290,130	1,810,014	
10	Payroll taxes.	10,551,556	9,496,400	1,055,156	
11	Fees for services (non-employees):				
a	Management.				
b	Legal.	1,056,662	950,996	105,666	
c	Accounting.	210,095	189,085	21,010	
d	Lobbying.	21,168	19,051	2,117	
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.				
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	10,485,284	9,436,756	1,048,528	
12	Advertising and promotion.	2,477,802	2,230,022	247,780	
13	Office expenses.	2,971,943	2,674,749	297,194	
14	Information technology.	10,812,596	9,731,336	1,081,260	
15	Royalties.				
16	Occupancy.	10,000,063	9,000,057	1,000,006	
17	Travel.	926,231	833,608	92,623	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.	352,736	317,462	35,274	
20	Interest.	6,945,682	6,945,682		
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	17,892,436	16,103,192	1,789,244	
23	Insurance.	2,225,279	2,002,751	222,528	
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O):				
a	Medical Supplies	106,319,592	95,687,633	10,631,959	
b	Bad Debt Expense	47,058,593	47,058,593		
c	Purchased Services	31,125,586	28,013,027	3,112,559	
d	BSHSI Mgmt Allocation	15,668,712	14,101,841	1,566,871	
e	All other expenses	13,269,670	11,942,703	1,326,967	
25	<b>Total functional expenses.</b> Add lines 1 through 24e.	452,389,999	412,629,440	39,760,559	0
26	<b>Joint costs.</b> Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

☐

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		9,550	1	10,864
	2	Savings and temporary cash investments		278,689,736	2	318,393,517
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		59,116,396	4	72,411,315
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		13,410,820	8	14,744,505
	9	Prepaid expenses and deferred charges		2,423,498	9	1,459,216
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a	289,734,008		
	b	Less accumulated depreciation	10b	124,984,219	157,539,047	10c 164,749,789
	11	Investments—publicly traded securities			11	
	12	Investments—other securities See Part IV, line 11		17,673,054	12	19,558,397
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets		83,640,996	14	83,640,996
	15	Other assets See Part IV, line 11		16,957,150	15	15,951,313
	16	Total assets. Add lines 1 through 15 (must equal line 34)		629,460,247	16	690,919,912
Liabilities	17	Accounts payable and accrued expenses		39,917,502	17	39,604,829
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities			20	
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		280,218,434	25	280,063,467
	26	Total liabilities. Add lines 17 through 25		320,135,936	26	319,668,296
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		309,324,311	27	371,251,616
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		309,324,311	33	371,251,616
	34	Total liabilities and net assets/fund balances		629,460,247	34	690,919,912

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	519,131,661
2	Total expenses (must equal Part IX, column (A), line 25) . . . . .	2	452,389,999
3	Revenue less expenses Subtract line 2 from line 1 . . . . .	3	66,741,662
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . . . . .	4	309,324,311
5	Net unrealized gains (losses) on investments . . . . .	5	98,050
6	Donated services and use of facilities . . . . .	6	
7	Investment expenses . . . . .	7	
8	Prior period adjustments . . . . .	8	
9	Other changes in net assets or fund balances (explain in Schedule O) . . . . .	9	-4,912,407
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	371,251,616

Part XII Financial Statements and Reporting

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

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

SCHEDULE A  
(Form 990 or 990EZ)

Department of the Treasury  
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization St Francis Hospital Inc	Employer identification number 58-2504530
-----------------------------------------------------	----------------------------------------------

Part I

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

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

- 1

☐

A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E )
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state \_\_\_\_\_
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II )
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II )
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II )
- 9

☐

An organization that normally receives (1) more than 33<sup>1</sup>/<sub>3</sub>% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33<sup>1</sup>/<sub>3</sub>% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III )
- 10

☐

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

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated
- e

☐

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

☐

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

☐

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

(i)

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

(ii)

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

(iii)

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

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

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

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

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

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

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

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

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

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

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

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

Facts And Circumstances Test

Explanation

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2012

Open to Public Inspection

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

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

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

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

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

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

Name of the organization St Francis Hospital Inc	Employer identification number  58-2504530
-----------------------------------------------------	--------------------------------------------------

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?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4a	Was a correction made?	<input type="checkbox"/> Yes <input type="checkbox"/> No
b	If “Yes,” describe in Part IV	

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

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

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

Part II-A

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

- A
- Check ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B
- Check ☐ if the filing organization checked box A and "limited control" provisions apply

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

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (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)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		21,168
j	Total. Add lines 1c through 1i.			21,168
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
Explanation of Lobbying Activities	Part II-B, Line 1	The filing organization maintains memberships to various professional healthcare associations. Portions of their membership dues are used for lobbying activities. The lobbying portion of such dues is included on line 1i.

SCHEDULE D  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization  
St Francis Hospital Inc

Employer identification number  
58-2504530

Part I

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

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

Part II

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

1

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

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

2

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

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

3

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

4

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

5

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

☐ Yes☐ No

6

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

7

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

8

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

☐ Yes☐ No

9

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

Part III

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

1a

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

b

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

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

▶\$ \_\_\_\_\_

(ii) Assets included in Form 990, Part X

▶\$ \_\_\_\_\_

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶\$ \_\_\_\_\_

b

Assets included in Form 990, Part X

▶\$ \_\_\_\_\_

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

Cat No 52283D

Schedule D (Form 990) 2012

Part III

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

3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

5

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

☐ Yes

☐ No

Part IV

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

1a

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

☐ Yes

☐ No

b

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

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

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

☐

Part V

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a	Beginning of year balance				
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

(i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

No

b

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

3b

Yes

No

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	20,442,764		20,442,764
b	Buildings	161,112,957	44,493,415	116,619,542
c	Leasehold improvements	1,398,058	609,943	788,115
d	Equipment	91,103,627	56,962,375	34,141,252
e	Other	15,676,602	22,918,486	-7,241,884
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				164,749,789

Schedule D (Form 990) 2012



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

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

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

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

Part XIII Supplemental Information

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

Identifier	Return Reference	Explanation
Description of Uncertain Tax Positions Under FIN 48	Part X, Line 2	Schedule D, Part X, Line 2 requires that the organization provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under ASC 740 (Formerly FIN48). ASC 740 (Formerly FIN48) addresses the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a threshold of more-likely-than-not for recognition and de-recognition of tax positions taken or expected to be taken in a tax return. The adoption of ASC 740 (Formerly FIN48) by BSHSI on September 1, 2007 did not have a material impact on BSHSI's consolidated financial statements. As the organization does not conduct a separate audit of its financial statements, below is the related statement from the Bon Secours Health System, Inc. consolidated audited financial statements: The System and most of its subsidiaries (including certain joint venture entities) are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The system accounts for uncertain tax positions in accordance with ASC Topic 740. Income taxes of the System's for-profit subsidiaries are not material to the accompanying consolidated financial statements. The System's taxable subsidiaries have approximately \$66,681 and \$95,733 of net operating loss carryforwards as of August 31, 2013 and 2012, respectively, which expire in varying periods through 2032 and are available to offset future taxable income. The System's deferred tax assets are fully reserved at August 31, 2013 and 2012. Any changes to the valuation allowance on the deferred tax asset are reflected in the year of the change.

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 Francis Hospital Inc

**Employer identification number**  
58-2504530

Part I

Financial Assistance and Certain Other Community Benefits at Cost

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

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1) . . . .			7,393,175		7,393,175	1 820 %
b Medicaid (from Worksheet 3, column a) . . . . .			33,390,492	32,688,233	702,259	0 170 %
c Costs of other means-tested government programs (from Worksheet 3, column b) .						
d <b>Total</b> Financial Assistance and Means-Tested Government Programs .			40,783,667	32,688,233	8,095,434	1 990 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . .	24	119,766	2,300,133		2,300,133	0 570 %
f Health professions education (from Worksheet 5) . . . .	1	1,579	3,435,712		3,435,712	0 850 %
g Subsidized health services (from Worksheet 6) . . . .						
h Research (from Worksheet 7) .	1	1	21,787		21,787	0 010 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)	5	57	689,169		689,169	0 170 %
j <b>Total.</b> Other Benefits . . . .	31	121,403	6,446,801		6,446,801	1 600 %
k <b>Total.</b> Add lines 7d and 7j .	31	121,403	47,230,468	32,688,233	14,542,235	3 590 %

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	157	194,139	194,139	0.050 %
4	Environmental improvements	2	351	77,856	77,856	0.020 %
5	Leadership development and training for community members	1		4,261	4,261	0 %
6	Coalition building					
7	Community health improvement advocacy	1	27	41,693	41,693	0.010 %
8	Workforce development					
9	Other					
10	Total	8	535	317,949	317,949	0.080 %

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

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

1

Yes

2

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

2

8,209,589

3

Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.

3

4

Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.

Section B. Medicare

5

Enter total revenue received from Medicare (including DSH and IME).

5

73,343,638

6

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

6

84,591,746

7

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

7

-11,248,108

8

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

☐ Cost accounting system

☒ Cost to charge ratio

☐ Other

Section C. Collection Practices

9a

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

9a

Yes

b

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

9b

Yes

Part IV

Management Companies and Joint Ventures

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

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1 1 Upstate Surgery Center	Ambulatory Surgery Center	0.580 %	0 %	0.240 %
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?  
2

Name, address, and primary website address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	St Francis- Downtown One St Francis Drive Greenville,SC 296013955 http //www.stfrancishealth.org	X	X			X	X	X			
2	St Francis- Eastside 125 Commonwealth Drive Greenville,SC 296154812 http //www.stfrancishealth.org	X	X			X		X			

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

St Francis- Downtown

Name of hospital facility or facility reporting group

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

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

Part V

Facility Information (continued)

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

Part V

Facility Information (continued)

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

☐

Notified individuals of the financial assistance policy on admission
- b

☐

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

☐

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

☐

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

☐

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

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

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

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

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)

St Francis- Eastside

Name of hospital facility or facility reporting group

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

2

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

Part V

Facility Information (continued)

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

Part V

Facility Information (continued)

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

☐

Notified individuals of the financial assistance policy on admission
- b

☐

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

☐

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

☐

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

☐

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

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

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

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

Part V

Facility Information (continued)

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

How many non-hospital health care facilities did the organization operate during the tax year?  
22

Name and address	Type of Facility (describe)
1 See Additional Data Table	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Part VI

Supplemental Information

Complete this part to provide the following information

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

Identifier	ReturnReference	Explanation
		Part I, Line 7 Part I, line 7a Charity Care at cost is computed by applying a cost-to-charge ratio to the aggregate charity adjustments recorded in the general ledger Part I, line 7b Unreimbursed Medicaid is computed by determining the cost of Medicaid services supplied less payments received for these services To determine the cost of Medicaid services provided, a cost-to-charge ratio is applied to traditional and managed Medicaid gross charges recorded in the general ledger Payments include payments for individual claims, payments from the Medicaid program paid outside the claim process (such as medical education payments) and expected or actual cost report settlements Part I, line 7b(f) Prior to 2006, Medicaid in the state of South Carolina was reimbursed to hospitals on a fixed prospective basis (fixed rates not directly related to costs) For years 2006 - 2012, the State reimbursed Hospitals on a cost basis (actual costs to provide services) This reimbursement resulted in the hospitals receiving payments close to their costs Starting is 2013 the State changed reimbursement methodologies to a fixed rate prospective basis (fixed rates not directly related to costs) For the first year the rates state wide were set to approximate the hospital's cost to provide service For the subsequent years the fixed rate will be adjusted by a state wide inflationary factor and not related to an individual hospitals cost For 2013 the Hospital's unreimbursed Medicaid percentage for St Francis Hospital, Inc is fairly consistent with those of other hospitals in the state Part I, line 7c Unreimbursed costs from other means-tested government programs are computed by applying a cost-to-charge ratio to the total charges to patients covered under these programs The charges are identified by the financial class assigned to the patient For Part I, Line 7 a-c computations The cost-to-charge ratio is derived using the suggested computation in Worksheet 2, Ratio of Patient Care Cost-to-Charges Operating expenses and Gross patient charges are taken from the general ledger Expenses for nonpatient care activities recorded in operating expenses are approximated as directly equaling other operating revenue, assuming these activities do not provide profit Part I, line 7e Community health improvement services and community benefit operations are accumulated throughout the year and reported at actual cost in a software program that specifically addresses this purpose Part I, line 7f Health professions education cost is determined as the direct and indirect cost of qualifying education activities as traditionally reported in columns 21-24 on Worksheet B of the Medicare cost report as a Medical Education program, nursing school or other allied health program
		Part I, L7 Col(f) Bad debt expense included in Part IX, line 25 and excluded from the "percent of total expense" calculation is \$47,058,593

Identifier	ReturnReference	Explanation
Community Building Activities	Part II	The Bon Secours' Building Healthy Communities Initiative was created in 2008 to lead efforts towards building healthier communities in which each Bon Secours facility serves Using a multi-level process of community engagement, grassroots advocacy, and strategic partnerships with public or private organizations and individuals, the Bon Secours St Francis Healthy Community Initiative works to strengthen the assets of the community while identifying needs to ultimately improve the overall health of community residents The Bon Secours St Francis Healthy Community Initiative seeks to leverage our health care resources, outreach services and programs, clinical expertise, and relationships to best target the sources of poor health rather than just address the symptoms
		Part III, Line 4 Part III, line 2 Bad Debt Expense at cost is computed by applying the cost-to-charge ratio computed on Worksheet 2 to the aggregate bad debt expense for patient accounts recorded in the general ledger Bad debt expense on the general ledger includes 1) actual write offs of discounted gross charges where it is determined an uninsured patient can pay and does not pay, and 2) the estimated write offs for uninsured patient accounts with outstanding balances after discount Estimates are based on historical collection rates When an uninsured patient is billed for patient care services, the charges are automatically discounted and the patient is requested to only pay the amount after discount The discount is recorded as an adjustment to gross revenue and is not recorded in bad debt expense If the balance after discount is not paid or not paid in full, the unpaid amount will be written off to bad debt expense When a patient remits a payment on an account that has already been written off to bad debt expense, the payment is recorded as a recovery of bad debt, which reduces bad debt expense Part III, line 3 The organization does not report an estimate for the portion of bad debt expense that may have been likely to qualify for financial assistance under the hospital's charity care policy The organization takes the position that ample opportunity and assistance is provided to the patient to qualify under the financial assistance policy If sufficient information is not provided, the organization must assume the patient does not qualify

Identifier	ReturnReference	Explanation
		<p>Part III, Line 8 Part III, Line 6 Medicare allowable costs reflected in Part III come directly from the facility's Medicare cost report The cost report segregates the total facility actual expenses into costs for support departments, clinical departments (routine and ancillary) and nonreimbursable departments The cost report uses appropriate statistical bases to "step down" support costs to allowable clinical and nonreimbursable departments The charges for clinical departments are matched to the total cost for these departments for a cost-to-charge ratio Medicare-specific allowable costs for in- and outpatient ancillary departments are computed by applying the department-specific cost-to-charge ratio to the Medicare program charges by department For routine departments, a per diem total cost is computed and applied to Medicare program days for the Medicare routine program cost Part III, Line 8 The organization feels the total shortfall of Medicare reimbursement compared to computed Medicare allowable costs should be treated as community benefit The hospital improves access to patient care by providing services regardless of a patient's ability to pay or the hospital's ability to receive full cost reimbursement for services The hospital also relieves the government of a financial burden when it provides care to publically insured patients where reimbursement is less than cost of providing the service</p>
		<p>Part III, Line 9b The hospital has a written policy that describes collection practices applying to patients that qualify for charity care or financial assistance If full assistance is approved, no collection efforts are pursued on that patient's account(s) If partial assistance is provided, the patient is responsible for the adjusted account balance and collection efforts will follow the established practices for all patients where a self-pay balance exists Collection efforts are not pursued on any pending Patient Financial Assistance Program (FAP) account Specific criteria exist for how much financial assistance, partial or total, will be provided to the patient based on the assessed need Criteria is based on Federal Poverty Guidelines and is reviewed and updated annually Once a patient has been deemed eligible for the Patient FAP, the patient is notified by letter within 60 days after receipt of the application and supporting documentation The patient retains eligibility for a period of twelve months from the date of the application This eligibility is signaled to hospital admissions, billing and collection staff by the assignment of a specific financial class with accompanying eligibility dates At the end of those twelve months, the patient is responsible for reapplying for FAP eligibility</p>

Identifier	ReturnReference	Explanation
St Francis- Downtown		Part V , Section B, Line 3 BSSFHS took into account input from persons who represented the community through a county-wide telephone survey, with an over-sampling of low income households Focus groups were organized to capture perspectives from individuals that represent the chronically ill Participants included representatives from Taylors Free Medical Clinic, The Greenville Free Medical Clinic, BSSF-Downtown, Faces and Voices of Recovery (substance abuse recovery program), Carolina Centers for Behavioral Health, community residents suffering from chronic disease, AID Upstate, the Greenville County Medical Society, New Horizon Family Health Services, Cancer Society of Greenville, Greenville County EMS and SCDHEC These focus groups generated insightful perspective on the struggles and strengths of individuals experience in managing a chronic disease in Greenville County Representatives also discussed common traits and characteristics of the current populations they serve Expert Interviews were conducted using the NPHPSP (National Public Health Performance Standards Program) Local Public Health System Performance (LPHSA) assessment instrument This instrument evaluated responses from key experts in the community, measuring how well Greenville County provides the 10 Essential Public Health Services A serious of 8 group interviews was conducted Those with special knowledge in public health were consulted throughout the CHNA process They included Natalie Dougherty (BSSFHS), Lillie Hall (SC Department of Health and Environment Control), Dr Alicia Powers (Health Sciences professor, Furman University)
St Francis- Eastside		Part V , Section B, Line 3 BSSFHS took into account input from persons who represented the community through a county-wide telephone survey, with an over-sampling of low income households Focus groups were organized to capture perspectives from individuals that represent the chronically ill Participants included representatives from Taylors Free Medical Clinic, The Greenville Free Medical Clinic, BSSF-Eastside, Faces and Voices of Recovery (substance abuse recovery program), Carolina Centers for Behavioral Health, community residents suffering from chronic disease, AID Upstate, the Greenville County Medical Society, New Horizon Family Health Services, Cancer Society of Greenville, Greenville County EMS and SCDHEC These focus groups generated insightful perspective on the struggles and strengths of individuals experience in managing a chronic disease in Greenville County Representatives also discussed common traits and characteristics of the current populations they serve Expert Interviews were conducted using the NPHPSP (National Public Health Performance Standards Program) Local Public Health System Performance (LPHSA) assessment instrument This instrument evaluated responses from key experts in the community, measuring how well Greenville County provides the 10 Essential Public Health Services A serious of 8 group interviews was conducted Those with special knowledge in public health were consulted throughout the CHNA process They included Natalie Dougherty (BSSFHS), Lillie Hall (SC Department of Health and Environment Control), Dr Alicia Powers (Health Sciences professor, Furman University)

Identifier	ReturnReference	Explanation
St Francis- Downtown		Part V , Section B, Line 4   Greenville Health System
St Francis- Eastside		Part V , Section B, Line 4   Greenville Health System

Identifier	ReturnReference	Explanation
St Francis- Downtown		Part V , Section B, Line 7 Identified needs through the CHNA that could not be addressed through BSSFHS were asthma, mental health, alcohol/substance abuse, current technology to manage and communicate population health data to the public, and public health policy development These needs could not be addressed by BSSFHS either because limited resources and infrastructure to address issue, or there are current community organizations that already exist to mitigate the need
St Francis- Eastside		Part V , Section B, Line 7 Identified needs through the CHNA that could not be addressed through BSSFHS were asthma, mental health, alcohol/substance abuse, current technology to manage and communicate population health data to the public, and public health policy development These needs could not be addressed by BSSFHS either because limited resources and infrastructure to address issue, or there are current community organizations that already exist to mitigate the need

Identifier	ReturnReference	Explanation
St Francis- Downtown		Part V, Section B, Line 12h Please see the narrative for Part VI, Line 3 regarding the Financial Assistance Policy
St Francis- Eastside		Part V, Section B, Line 12h Please see the narrative for Part VI, Line 3 regarding the Financial Assistance Policy

Identifier	ReturnReference	Explanation
St Francis- Downtown		Part V, Section B, Line 14g Please see the narrative for Part VI, Line 3 regarding the Financial Assistance Policy
St Francis- Eastside		Part V, Section B, Line 14g Please see the narrative for Part VI, Line 3 regarding the Financial Assistance Policy

Identifier	ReturnReference	Explanation
St Francis- Downtown		Part V , Section B, Line 20d Please see the narrative for Part VI, Line 3regarding the Financial Assistance Policy
St Francis- Eastside		Part V , Section B, Line 20d Please see the narrative for Part VI, Line 3regarding the Financial Assistance Policy

Identifier	ReturnReference	Explanation
		Part VI, Line 2 BSSFHS conducted a comprehensive needs assessment over the course of 18 months, and released it in 2013 The CHNA process included a community telephone survey, secondary data analysis, and focus groups This was completed with input provided by those with public health knowledge Additional groups were well-captured through this document, including individuals representing the broad interests of the community, persons with special knowledge of the medically underserved, low-income, minority, and chronic disease populations This CHNA process will be conducted every three years
		Part VI, Line 3 Patient financial assistance policy is communicated to patients verbally upon scheduling, registration, visible postings of the policy in common areas throughout the hospital, brochures and on Bon Secours website In addition, patient statements request that patients apply for financial assistance, if needed, once any patient financial obligation is determined Bon Secours is committed to ensuring access to health care services for all As a health care provider, Bon Secours treats all patients, whether insured, underinsured or uninsured, with dignity, respect and compassion throughout admission, delivery of services, discharge and billing and collection processes Bon Secours addresses the needs of the uninsured by providing free or reduced fees on hospital services, community outreach efforts to assist with enrollment in Medicaid and other medical coverage programs, including free community-based preventive and primary care services Bon Secours proactively screens to identify individuals and their families who may qualify for federal, state or local health insurance programs or the Bon Secours Patient Financial Assistance Program (FAP) and assist the potential eligible patients through the qualification process Potentially eligible patients that do not qualify for a federal or state health insurance program are referred to the Financial Assistance Coordinator located in Patient Financial Services for assistance in completing the documentation required to establish FAP eligibility Patients are responsible for providing the information necessary to complete the documentation The FAP aids uninsured and underinsured patients who do not qualify for government-sponsored health insurance and who communicate their inability to pay for their medical care The FAP provides 100% financial assistance to uninsured patients with annual family incomes at or below 200% of the Federal Poverty Guidelines (FPG), as adjusted by the Medicare geographic wage index for each community served to reflect that community's relative cost of living (Adjusted FPG) Adjustments to these guidelines are made in certain States, where applicable A sliding scale assistance policy is afforded patients that exceed the income guidelines for 100% assistance Sliding scale assistance is provided to patients and progressively declines in proportion to the patient's higher income level Additionally, all uninsured (i.e. self pay) patients are given a reduction to the amount of the full charges for medically necessary services through a community service adjustment (CSA) The CSA is market adjusted and based on the payment discount received by other health care payers doing business in the community For these patients, the FAP also sets a maximum annual family payment liability to ensure that no family suffers a catastrophic financial burden to receive necessary health care services Based on research conducted by the Tax Foundation, a non partisan tax research group based in Washington DC, the maximum annual family liability is based on a sliding scale determined by the family income and size The standard sliding scale is adjusted by the Medicare geographic wage index of each community served to reflect that community's relative cost of living All patients are also eligible for a Prompt Pay Discount In addition, a variety of other potential payment options are available Bon Secours is dedicated to meeting the needs of non-English speaking patients by having on-site Spanish translators, and other language translation services In addition, Bon Secours employs a telephone language service which assists in meeting any language needs that arise The translation services are offered to non-English speaking patients from admission to discharge, including the financial process

Identifier	ReturnReference	Explanation
		Part VI, Line 4 BSSF Downtown primarily serves Greenville County, which is comprised of approximately 450,000 residents Greenville County is the largest county in the state and one of the fastest growing, with a nearly 18% increase in population over the past decade As aforementioned, this CHNA was conducted by multiple organizations, including both BSSF-Downtown and BSSF-Eastside facilities All contributing partners agreed to complete this CHNA for the service area of Greenville County, therefore the identified service area and identified needs overlap both BSSF-Downtown and BSSF-Eastside facility CHNAs While BSSF-Downtown and BSSF-Eastside will be referenced individually in separate documents, both BSSF-Downtown and BSSF-Eastside work together to fulfill the mission of BSSFHS and will contribute to each other's Implementation Plans As of 2011, the median household income for Greenville County \$48,147 was higher than the median income of South Carolina \$44,695, yet a greater percentage of people 18 6% are in poverty than the state poverty rate 17% Approximately 21% of children under the age of 18 live in poverty It is estimated that 27% of the county's population, or an estimated 117,578 people, are considered medically uninsured, a higher percentage of residents (27%) than the state percent of uninsured as a whole (23 5%)
		Part VI, Line 5 BSSFHS has an open medical staff with privileges available to all qualified physicians BSSFHS operates an emergency room at both of its hospitals which provide services 24 hours a day, seven days a week to ensure access to needed emergency care for all persons In 2013, the health system was driven by the Bon Secours mission to serve the community by the leadership of a governing board that included 15 members, twelve of whom are representative of the community BSSFHS supports several community programs through the Bon Secours mission to be "good help to those in need" As part of this mission, BSSFHS provides dedicated staff and services with the sole purpose of measuring the needs of the community and engaging community partners to address the needs These include the Community Ministries department, the Community Health Outreach department, LifeWisetm (a community initiative targeting adults 55 and older), and Open Arms Hospice, a partnership providing the only community Hospice House in the region The dedicated staff assist in the following programs and also work to build collaborative partnerships in the community Access to Oral Health Care Program The BSSFHS Oral Health Services program provides access to oral health care through an integrated service partnership providing a mutually beneficial relationship between businesses, funding agencies, a dental hygiene training program, and a college of dentistry The St Francis Mobile Dental Unit provides the opportunity to reach out to outlying portions of the county and reach populations that face multiple barriers to care, including transportation The fixed sites at the Greenville Free Medical Clinic and the New Horizon Family Dental Care ensure that a range of comprehensive oral health services are available in the community on a sliding fee scale or at no cost for the underserved During Fiscal Year 2012-2013, the BSSFHS Oral Health Services program was able to conduct 7,143 oral health screenings, hygiene cleanings, and dental restorations to low income adults and children Screenings and cleanings were provided by Greenville Technical College dental hygiene students The Medical University of South Carolina College of Dentistry joined BSSFHS in December of 2010 to create a new model of service for the Mobile Dental Unit Under the direct supervision of a licensed dentist (employed by BSSFHS) and credentialed faculty from the Medical University of South Carolina, senior dental students performed limited restorative services to underserved populations in our Greenville communities This new model also allows Greenville Technical College dental assisting students to work in tandem with the Medical University of South Carolina senior dental students to provide comprehensive oral health prevention and dental services, while receiving hands-on-training experience Care for Families and Children Annually, BSSFHS provides each family with a 4-year-old kindergarten student residing in Greenville County a self-care manual/resource for accessing appropriate health care in Greenville The self-care guides are purchased from the American Institute of Preventive Medicine (Health at Home) explains common medical issues and provides a decision tree for how to care for the problem at home and how and when to seek appropriate medical care On average, this health literacy project, "A Healthy You", documents nearly 50% of families able to avoid one or more visits to the doctor in the past 6 months because of the Health at Home book In addition, over 60% of families specify that Health at Home books helped them decide when to see a doctor, and thought that the Health at Home books saved them money on medical or health care in the past 6 months Another way BSSFHS reaches out to families is through supporting of case management of children's services through Communities in Schools (CIS) CIS works to improve services among high-risk children in Greenville County, and works with seven Title I schools in Greenville County (a school is considered Title I when over 60% of students are eligible for free and reduced lunch) Each school involved in the CIS program works directly with school nurses and additional school staff to identify oral health health-related problems of students and determine the barriers to receiving needed oral health care Services provided by the CIS staff include coordinating the BSSFHS Community Ministries programs and or services in oral health around the needs of preventative education sessions and visits conducted on the Bon Secours St Francis Mobile Dental Unit Finally, the Center for Developmental Services (CDS) is a local organization that ensures children with special developmental needs and their families are linked with appropriate interventions in a comfortable, convenient and organized manner, parents, siblings, and caregivers are supported throughout their time in the service delivery system BSSFHS financially supports the Bilingual Support and Hispanic Outreach program administered by CDS This program assists thousands of Spanish-speaking families in making certain their children with developmental delays and disabilities receive services in a culturally respective and understandable way From September 2012 through August 2013 over 48 Hispanic families per month received translation services at CDS because of BSSFHS's involvement Additionally, BSSFHS unveiled a new, state-of-the-art bilingual kiosk in the CDS waiting area This kiosk links Spanish speaking families to on-line health resources and information that might not otherwise be available in Spanish On average, 200 health-related sites are visited each month and over 1,800 families utilized the kiosk CDS services The kiosk also offers Spanish-language take-home health materials and a telephone available that immediately links the person United Way's 211 system, Greenville County's comprehensive source for community health and human service assistance Hispanic Outreach through CDS engaged in over 26 community health fairs with an attendance of more than 5,000 participants Community Health Outreach Two teams of nursing and social work professionals bring their expansive experience to the community, including bilingual staff Clients are treated holistically-mind, body, and spirit By fostering trusting relationships with community members, the health outreach team helps transform hurt into hope, promotes and defends human dignity, and fosters a healing and caring environment Community Health Outreach (CHO) provides the most vulnerable members of the community with opportunities to improve their health and quality of life, focusing on reaching those who are underserved and uninsured Staff assist individuals and families with navigating the healthcare system and accessing community resources, including health education, personal safety, and basic life skills Clients are able to establish a patient-primary care provider relationship, improve overall health, reduce unnecessary emergency department admissions, and decrease readmission to the healthcare system CHO assists clients with finding affordable health care, medications, medical supplies, transportation, and food/clothing In 2012, CHO provided over 200 individuals with medication assistance vouchers filling at least 500 medications and approximately 700 bus passes for transportation needs In addition, our interventions redirected over 250 individuals to primary care that would have gone to the hospital's emergency department for treatment Additionally, they provided individual and group presentations, screenings, and written literature in addition to annual flu clinics In 2012, our nurses and social workers had more than 2,000 individual contacts and participated in over 90 events serving 3,000 plus participants

Identifier	ReturnReference	Explanation
		<p>Part VI, Line 6 Bon Secours Health System, Inc , a Maryland nonprofit, nonstock membership corporation (BSHSI), and all of the other entities that are controlled directly or indirectly by Bon Secours, Inc , a Maryland nonprofit, nonstock membership corporation (BSI) are described collectively as the System BSI, which is the sole corporate member of BSHSI, has no healthcare operations The System was organized in June 1983 to fulfill the healthcare mission of the United States Province of the Congregation of the Sisters of Bon Secours of Paris, a congregation of religious women of the Roman Catholic Church founded in France in 1824 The System's activities are in the states of New York, Pennsylvania, Maryland, Virginia, Kentucky, South Carolina, and Florida, each referred to as a local system The Ministry of BSHSI aids those in need, particularly those who are sick and dying, by offering services that include but are not limited to acute inpatient, outpatient, pastoral, palliative, home health, nursing home, rehabilitative, primary and secondary care and assisted living without regard to race, religion, color, gender, age, marital status, national origin, sexual orientation, or disability BSHSI's vision to bring about the holistic health of the communities it serves is implemented through its Strategic Quality Plan which provides focus in five goal areas for the current three year period (2013-2015) One of those goals was to bring our communities to wholeness To accomplish this, two key strategies are to - Improve Health Locally and Globally- Build Partnerships for Population Health As a member of the Catholic health ministry and a member of Bon Secours Health System, Inc (BSHSI), this organization and it's related entities are called to continue the healing ministry of Jesus We exist to benefit the people living in the communities it serves Through all of the services offered to the community, the mission is "to bring compassion to health care and to be good help to those in need, especially those who are poor and dying As a System of caregivers, we commit ourselves to help bring people and communities to health and wholeness as part of the healing ministry of Jesus Christ and the Catholic Church " This organization and related organizations share the BSHSI Vision "Inspired by the healing ministry of Jesus Christ and the charism of Bon Secours, Bon Secours Health System will be recognized for its leadership in justice, transforming the communities in which we serve and work into places of health and hope, and being a prophetic voice for systemic US health reform and a more humane world "</p> <p>Please see Schedule R for listings of the related organizations</p>
Reports Filed With States	Part VI, Line 7	SC

Additional Data

Software ID:

Software Version:

EIN: 58-2504530

Name: St Francis Hospital Inc

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

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

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

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

22

Name and address	Type of Facility (describe)
St Francis Outpatient Center 3 St Francis Drive Floor 12 Greenville, SC 29601	Outpatient services
St Francis Eastside Outpatient Lab 135 Commonwealth Drive Suite 255 Greenville, SC 29615	Outpatient services
St Francis Rehab 131 Commonwealth Drive Suite 200 Greenville, SC 29615	Outpatient services
St Francis Outpatient Rehab 120 Sumner Street Greenville, SC 29601	Outpatient services
St Francis Physical Therapy 712 Congaree Rd Greenville, SC 29607	Outpatient services
St Francis Therapy Services 1130 Grove Rd Greenville, SC 29605	Outpatient services
St Francis Powdersville Rehab 3407 HWY 153 Piedmont, SC 29673	Outpatient services
St Francis Physical Therapy 209 Patewood Dr Suite 100 Greenville, SC 29615	Outpatient services
St Francis Homecare 131 Commonwealth Drive Suite 230 Greenville, SC 29615	Outpatient services
McCall Hospice House 1836 West Georgia Rd Simpsonville, SC 29680	Outpatient services
St Francis Sleep Disorder Center 3 St Francis Drive Suite 340 Greenville, SC 29601	Outpatient services
St Francis Wound Healing Center 131 Commonwealth Drive Suite 100 Greenville, SC 29615	Outpatient services
Central Registration & Lab 2 Innovation Drive Suite 110 Greenville, SC 29607	Outpatient services
HealThy Self Cardiovascular Rehabilitati 2 Innovation Drive Suite 200 Greenville, SC 29607	Outpatient services
Sleep Lab 2 Innovation Drive Suite 340 Greenville, SC 29607	Outpatient services
Sports Medicine & Workwell Admin 135 Commonwealth Drive Suite 250 Greenville, SC 29615	Outpatient services
Workwell Occupational Health 135 Commonwealth Drive Suite 120 Greenville, SC 29615	Outpatient services
Early Detection & Renewal 2 Innovation Drive Suite 350 Greenville, SC 29607	Outpatient services
Sports & Exe Medi & Phy Therapy 2 Innovation Drive Suite 250 Greenville, SC 29607	Outpatient services
Nu-Life 2 Innovation Drive Suite 330 Greenville, SC 29607	Outpatient services
Community Education 2 Innovation Drive Suite 100 Greenville, SC 29607	Outpatient services
St Francis Pearlie Harris Breast Ctr 131 Commonwealth Drive Suite 220 Greenville, SC 29615	Outpatient services

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

OMB No 1545-0047

# 2012

## Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

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

Name of the organization  
St Francis Hospital Inc

Employer identification number

58-2504530

## Part I General Information on Grants and Assistance

**1** Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . .

☒ Yes    ☐ No

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

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

[illegible]

**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 . . . . . 0

**Part III**

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

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

**Part IV**

**Supplemental Information.**

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

Identifier	Return Reference	Explanation
Procedure for Monitoring Grants in the U S	Part I, Line 2	Schedule I, Part I, Line 2 The organization complies with Bon Secours Health System, Inc 's system-wide financial and accounting policies Contributions are generally made as reimbursements for funds spent In such cases, the donee/grantee organization must provide documentation to the filing organization before funds are approved for disbursement

Schedule J (Form 990)          Department of the Treasury Internal Revenue Service	Compensation Information  For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees  ▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.  ▶ Attach to Form 990. ▶ See separate instructions.	OMB No 1545-0047
		2012
		Open to Public Inspection
Name of the organization St Francis Hospital Inc		Employer identification number  58-2504530

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 <div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div>			
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	1b		
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 <div><div><input type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Form 990 of other organizations</div><div><input type="checkbox"/> Written employment contract</div><div><input type="checkbox"/> Compensation survey or study</div><div><input type="checkbox"/> Approval by the board or compensation committee</div></div>			
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? b Participate in, or receive payment from, a supplemental nonqualified retirement plan? c Participate in, or receive payment from, an equity-based compensation arrangement? If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III	4a		No
		4b	Yes	
		4c		No
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of  a The organization? b Any related organization? If "Yes," to line 5a or 5b, describe in Part III	5a		No
		5b		No
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? b Any related organization? If "Yes," to line 6a or 6b, describe in Part III	6a		No
		6b		No
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		No
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III	8		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9		

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

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

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

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

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
	Part I, Line 3	Bon Secours Health System, Inc , a related organization of the filing organization uses the following to establish the compensation of the organization's CEO/Executive Director Compensation Committee Independent Compensation Consultant Written Employment Contract Compensation Survey or Study Approval by the Board or Compensation Committee
Supplemental Information	Part III	Part I, Lines 4b The filing organization participates in a BSHSI sponsored executive retirement program that allows for deposits into additional retirement plans and available only to key employees The 457F plan is a non-qualified plan and is subject to a minimum three-year service requirement before vesting on deposits made into this plan. Individuals that received a distribution include Thomas Morris, Ph D , \$23,265, Elizabeth Keith, \$31,484, Ronnie Hyatt, \$39,089, John S Pietras, \$16,114, Daniel Duggan, \$13,203, Patricia Fowler, \$18,294

Software ID:  
Software Version:  
EIN: 58-2504530  
Name: St Francis Hospital Inc

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
Jeff Oak PhD	(i)	0	0	0	0	0	0	0
	(ii)	302,204	224,950	40,516	35,752	28,315	631,737	0
Mark Nantz	(i)	0	0	0	0	0	0	0
	(ii)	546,573	364,503	41,028	61,960	18,570	1,032,634	0
Thomas Morris PhD	(i)	0	0	0	0	0	0	0
	(ii)	265,262	185,027	72,086	33,904	18,941	575,220	14,543
Daniel Duggan	(i)	0	0	0	0	0	0	0
	(ii)	290,135	149,241	56,111	22,875	20,074	538,436	8,837
Ronnie Hyatt	(i)	332,771	68,167	44,495	15,000	17,744	478,177	28,125
	(ii)	0	0	0	0	0	0	0
Teresa Ficicchy	(i)	231,479	49,730	43,618	14,233	11,525	350,585	0
	(ii)	0	0	0	0	0	0	0
Patricia Fowler	(i)	166,199	30,542	38,850	24,602	9,248	269,441	10,048
	(ii)	0	0	0	0	0	0	0
Rose M Leo	(i)	140,631	26,444	19,963	9,715	15,756	212,509	0
	(ii)	0	0	0	0	0	0	0
Johnna Reed	(i)	178,113	32,439	39,211	11,912	9,526	271,201	0
	(ii)	0	0	0	0	0	0	0
Fernando Fleites	(i)	190,415	43,051	95,136	8,298	17,605	354,505	0
	(ii)	0	0	0	0	0	0	0
Elizabeth Keith	(i)	145,825	34,743	70,698	9,936	9,149	270,351	27,522
	(ii)	0	0	0	0	0	0	0
John S Pietras	(i)	174,544	78,389	23,545	23,411	28,030	327,919	9,300
	(ii)	0	0	0	0	0	0	0
Frank C Smeeks	(i)	324,452	73,500	105,729	13,566	24,813	542,060	0
	(ii)	0	0	0	0	0	0	0
Jerome J Weems Jr MD	(i)	214,268	54,995	2,503	12,946	9,407	294,119	0
	(ii)	0	0	0	0	0	0	0

Schedule L  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

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

OMB No 1545-0047  
**2012**  
Open to Public Inspection

Name of the organization  
St Francis Hospital Inc

Employer identification number  
58-2504530

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

**Part IV**

**Business Transactions Involving Interested Persons.**  
Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Katie Hertwig	Daughter-in-law of BM Camilla Hertwig	158,260	Employment		No

**Part V**

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

Identifier	Return Reference	Explanation
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SCHEDULE O  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization  
St Francis Hospital Inc

Employer identification number  
58-2504530

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 6	
	Form 990, Part VI, Section A, line 7a	The governing body of St Francis Hospital, Inc is appointed by its member Bon Secours St Francis Health System, Inc and subject to approval by Bon Secours Health System, Inc
	Form 990, Part VI, Section A, line 7b	Certain authorities of St Francis Hospital, Inc are reserved to its member or to Bon Secours Health System, Inc
	Form 990, Part VI, Section B, line 11	The process the organization uses to review the Form 990 consists of a review by the local system's audit and compliance board-committee and providing the form to the local system board of directors to allow for a thorough review by both before the filing date The local system's audit and compliance committee and board of directors have reviewed the Form 990, scheduled time on meeting agendas, and asked questions regarding the Form 990 before the return is filed
	Form 990, Part VI, Section B, line 12c	The organization regularly and consistently monitors compliance with the conflict of interest policy On an annual basis, all persons subject to the policy, including all officers, directors and key employees are required to make certain disclosures These include disclosures related to certain personal, financial and organizational relationships that may present a conflict, or the appearance of a conflict of interest with the organization All disclosures go through a three-part review process (1) disclosures are reviewed first by the corporate responsibility officer (CRO), (2) a governance team comprised of the CEO, board president, board chair, CRO, and the BSHSI CRO participate in a second review of all disclosures during which recommendations are made as to the resolution of any conflicts or potential conflicts Depending on the facts and circumstances, resolutions may include ongoing disclosure, recusal or removal of the conflict, and (3) all disclosures and recommendations are reviewed by a board committee (audit and compliance committee reviews the disclosures of management and the governance committee reviews the disclosures of the board and board committee members)
	Form 990, Part VI, Section B, line 15	The compensation committee of the board of Bon Secours Health System, Inc (BSHSI) engages in a comprehensive process for the oversight and management of remuneration for executive employees and disqualified parties of the BSHSI The compensation committee consists of a group of independent board members and engages independent external compensation consultants to ensure they receive appropriate analysis of market and follow the practices necessary to obtain full compliance with the IRS' rebuttable presumption of reasonableness The committee establishes and maintains a compensation philosophy, reviews pay practices against local, regional and national healthcare organizations and approves all remunerative decisions for this group of individuals The committee reviews and receives assurances that all levels of pay within the organization are reasonable based on performance and validates incentives are met These decisions are documented in the BSHSI board of directors' and compensation committee minutes Form 990, Part VI, Section B, Line 15b - Compensation Process Other Officers/Key Employees For those key employees and highest paid employees that are not reviewed by the BSHSI compensation committee, the process included a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision In the review, the other officers or key employees of the organization were compared to other hospitals' employees in the area that hold the same title During the review and approval of the compensation, documentation of the decision was recorded in human resources
	Form 990, Part VI, Section C, line 19	The filing organization provides any documents open to public inspection upon request
Avg hours devoted to related org(s) when related comp is reported	Form 990, Part VII	Board Member positions are generally voluntary in nature Compensated employees of the filing organization and other related organizations who also hold board positions are compensated only in relation to their employment and do not receive additional compensation for their board responsibilities
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 9	Transfers to BSHSI for principal and swap -5,215,919 Distributions from JV 303,512

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 Francis Hospital Inc

Employer identification number  
58-2504530

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) Physicians' Surgery Center at St Francis LLC One St Francis Drive Greenville, SC 29601	No Activity	SC	0	0	St Francis Hospital Inc

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) Bon Secours Health System Inc  1505 Marriottsville Road  Marnottsville, MD 21104 52-1301088	Parent Org - Management Services	MD	501(c)(3)	11b	Bon Secours Inc		No
(2) Bon Secours St Francis Health System Inc  One St Francis Drive  Greenville, SC 296013955 58-2504528	Local System Parent Org	SC	501(c)(3)	11b	Bon Secours Health System Inc		No
(3) Bon Secours St Francis Health System Foundation Inc  One St Francis Drive  Greenville, SC 296013955 26-0012031	Grant Making Foundation	SC	501(c)(3)	7	St Francis Hospital Inc	Yes	
(4) St Francis Physician Services  One St Francis Drive  Greenville, SC 296013955 13-4290167	Physician Services	SC	501(c)(3)	11a	Bon Secours St Francis Health System Inc		No

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end- of-year assets	(h) Disproprtionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) Upstate Surgery Center  One St Francis Drive Greenville, SC 296013955 56-2186977	Ambulatory Surgery Center	SC	St Francis Hospital Inc	Related	450,978	1,000,808		No			No	58 090 %

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end- of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) Health Care Enterprises Inc  One St Francis Drive Greenville, SC 296013955 57-1012852	Holding Company	SC	St Francis Health System Inc	C					No

Part V

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

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

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

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

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

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

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

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

1s

No

No

No

No

No

No

No

Yes

No

Yes

Yes

No

No

Yes

Yes

Yes

Yes

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

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) Bon Secours - St Francis Health System Foundation Inc	B	780,122	Actual
(2) Bon Secours - St Francis Health System Foundation Inc	C	1,014,851	Actual
(3) Upstate Surgery Center	L	90,996	Cost
(4) Upstate Surgery Center	R	303,512	Actual

Schedule R (Form 990) 2012

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

[illegible]

**Software ID:**  
**Software Version:**  
**EIN:** 58-2504530  
**Name:** St Francis Hospital Inc

**Part VII** Supplemental Information

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

Identifier	Return Reference	Explanation	
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**BON SECOURS HEALTH SYSTEM, INC.  
AND SUBSIDIARIES**

Consolidated Financial Statements

August 31, 2013 and 2012

(With Independent Auditors' Report Thereon)



KPMG LLP  
1 East Pratt Street  
Baltimore, MD 21202-1128

## **Independent Auditors' Report**

The Board of Directors  
Bon Secours Health System, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Bon Secours Health System, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of August 31, 2013 and 2012, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended and the related notes to the consolidated financial statements

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bon Secours Health System, Inc. and its subsidiaries as of August 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

**Emphasis of Matter**

As discussed in note 2(x) to the consolidated financial statements, in 2013, the Company adopted new accounting guidance, Accounting Standards Update No. 2011-07, *Health Care Entities (Topic 954), Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. Our opinion is not modified with respect to this matter.

KPMG LLP

October 29, 2013

**BON SECOURS HEALTH SYSTEM, INC.  
AND SUBSIDIARIES**

Consolidated Balance Sheets

August 31, 2013 and 2012

(In thousands)

Assets	2013	2012
Current assets		
Cash and cash equivalents	\$ 194,888	138,781
Accounts receivable, net		
Patient and third-party payors	443,332	394,359
Other	41,470	48,683
Total accounts receivable, net	484,802	443,042
Assets limited or restricted as to use	65,505	61,336
Inventories	61,075	56,853
Prepaid expenses and other current assets	30,410	29,562
Total current assets	836,680	729,574
Assets limited or restricted as to use, less current portion	984,188	950,128
Property, plant, and equipment, net	1,093,253	1,096,481
Goodwill and other assets, net	332,265	303,793
Total assets	\$ 3,246,386	3,079,976
<b>Liabilities and Net Assets</b>		
Current liabilities		
Current portion of long-term debt	\$ 31,423	27,810
Accounts payable	188,750	198,896
Accrued salaries, wages, and benefits	146,878	127,413
Other accrued expenses	122,602	106,420
Total current liabilities	489,653	460,539
Long-term debt, less current portion	989,761	1,019,800
Other long-term liabilities and deferred credits	586,719	756,121
Total liabilities	2,066,133	2,236,460
Net assets		
Unrestricted-controlling interest	901,618	608,843
Unrestricted-noncontrolling interest	222,053	180,780
Total unrestricted	1,123,671	789,623
Temporarily restricted	48,872	45,849
Permanently restricted	7,710	8,044
Total net assets	1,180,253	843,516
	\$ 3,246,386	3,079,976

See accompanying notes to consolidated financial statements

**BON SECOURS HEALTH SYSTEM, INC.  
AND SUBSIDIARIES**

Consolidated Statements of Operations

Years ended August 31, 2013 and 2012

(In thousands)

	<u>2013</u>	<u>2012</u>
Revenues		
Net patient service revenue before bad debts	\$ 3,440,175	3,330,158
Provision for patient bad debts, net	(216,295)	(242,585)
Net patient service revenue	3,223,880	3,087,573
Other revenue	133,530	118,344
Total revenues	<u>3,357,410</u>	<u>3,205,917</u>
Expenses:		
Salaries, wages, and benefits	1,717,273	1,618,264
Supplies	565,830	559,808
Purchased services and other	777,634	738,878
Depreciation and amortization	135,366	128,614
Interest	37,386	42,358
Total expenses	<u>3,233,489</u>	<u>3,087,922</u>
Operating income from continuing operations	123,921	117,995
Nonoperating gains (losses), net		
Nonoperating investment gains, net	95,730	33,032
Loss on early retirement of debt	(8,328)	(602)
Gain on sale of assets, net	33	2,836
Other nonoperating activities, net	(42,206)	(41,220)
Excess of continuing revenues over expenses	169,150	112,041
Gain on discontinued operations, net	1,700	2,872
Excess of revenues over expenses	170,850	114,913
Other changes in unrestricted net assets		
Grants for capital	6,081	5,235
Net change in unrealized (losses) gains on other-than-trading securities	(1,881)	438
Net assets released from restrictions used for purchase of property, plant, and equipment	910	3,537
Net change in equity of joint ventures	986	3,301
Distributions to noncontrolling interest owners	(6,671)	(7,042)
Pension and other postretirement adjustments	171,318	(129,968)
Transfers to affiliates and other changes, net	(7,545)	(4,063)
Increase (decrease) in unrestricted net assets	334,048	(13,649)
Unrestricted net assets, beginning of year	789,623	803,272
Unrestricted net assets, end of year	<u>\$ 1,123,671</u>	<u>789,623</u>

See accompanying notes to consolidated financial statements

**BON SECOURS HEALTH SYSTEM, INC.  
AND SUBSIDIARIES**

Consolidated Statements of Changes in Net Assets

Years ended August 31, 2013 and 2012

(In thousands)

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Balance at August 31, 2011	\$ 803,272	40,911	6,854	851,037
Excess of revenues over expenses	114,913	—	—	114,913
Grants and restricted contributions	—	16,791	1,214	18,005
Grants for capital	5,235	—	—	5,235
Net change in unrealized gains on other-than-trading securities	438	290	—	728
Investment income	—	140	—	140
Net assets released from restrictions used for purchase of property, plant, and equipment	3,537	(3,537)	—	—
Net assets released from restrictions used for operations	—	(8,557)	(19)	(8,576)
Net change in equity of joint ventures	3,301	—	—	3,301
Distributions to noncontrolling interest owners	(7,042)	—	—	(7,042)
Pension and other postretirement adjustments	(129,968)	—	—	(129,968)
Transfers to affiliates and other changes, net	(4,063)	(189)	(5)	(4,257)
(Decrease) increase in net assets	(13,649)	4,938	1,190	(7,521)
Balance at August 31, 2012	789,623	45,849	8,044	843,516
Excess of revenues over expenses	170,850	—	—	170,850
Grants and restricted contributions	—	9,847	(346)	9,501
Grants for capital	6,081	—	—	6,081
Net change in unrealized gains (losses) on other-than-trading securities	(1,881)	525	12	(1,344)
Investment income	—	204	—	204
Net assets released from restrictions used for purchase of property, plant, and equipment	910	(910)	—	—
Net assets released from restrictions used for operations	—	(5,913)	—	(5,913)
Net change in equity of joint ventures	986	—	—	986
Distributions to noncontrolling interest owners	(6,671)	—	—	(6,671)
Pension and other postretirement adjustments	171,318	—	—	171,318
Transfers to affiliates and other changes, net	(7,545)	(730)	—	(8,275)
Increase (decrease) in net assets	334,048	3,023	(334)	336,737
Balance at August 31, 2013	\$ 1,123,671	48,872	7,710	1,180,253

See accompanying notes to consolidated financial statements

**BON SECOURS HEALTH SYSTEM, INC.  
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

Years ended August 31, 2013 and 2012

(In thousands)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 336,737	(7,521)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Gain on discontinued operations, net	(1,700)	(2,872)
Provision for bad debts, net	216,295	242,585
Depreciation and amortization including \$4,204 and \$5,699 reported in nonoperating activities, net in 2013 and 2012, respectively	139,570	134,313
Amortization of deferred financing costs and bond premium/discount, net	(96)	2,045
Equity in income of joint ventures	(48,640)	(27,261)
Distributions received from investments in joint ventures	23,417	25,197
Net realized/unrealized gains on certain investments and derivative instruments	(89,815)	(28,263)
Loss on early retirement of debt	8,328	602
Gain on sale of assets	(33)	(2,836)
Pension and other postretirement adjustments	(171,318)	129,968
Grants received for capital expenditures	(6,081)	(5,235)
Contributions restricted by donor	(9,501)	(18,005)
Cash distributions to noncontrolling interest owners	6,671	7,042
Cash (used in) provided by changes in assets and liabilities		
Increase in accounts receivable	(258,055)	(263,014)
Increase in inventories, prepaid expenses and other current assets	(5,070)	(13,653)
Decrease (increase) in goodwill and other assets, net	2,401	(8,086)
Increase (decrease) in accounts payable and other current liabilities	26,077	(13,465)
Increase in other long-term liabilities and deferred credits	33,832	13,965
Net cash provided by operating activities	<u>203,019</u>	<u>165,506</u>
Cash flows from investing activities		
Investment in joint ventures	(3,816)	(4,666)
Purchases of securities, net of sales and maturities	33,865	(12,853)
Property, plant, and equipment additions, net of disposals	(131,098)	(143,976)
Proceeds from sale of assets	—	2,349
Payments related to interest rate swaps	(14,195)	(15,432)
Net cash used in investing activities	<u>(115,244)</u>	<u>(174,578)</u>
Cash flows from financing activities		
Proceeds from issuance of long-term debt	395,522	72,460
Payments of long-term debt	(33,896)	(28,324)
Retirements of long-term debt	(397,632)	(70,880)
Payment of deferred financing fees	(4,573)	(1,236)
Grants received for capital expenditures	6,081	5,235
Proceeds from contributions restricted by donors	9,501	18,005
Cash distributions to noncontrolling interest owners	(6,671)	(7,042)
Net cash used in financing activities	<u>(31,668)</u>	<u>(11,782)</u>
Net increase (decrease) in cash and cash equivalents	56,107	(20,854)
Cash and cash equivalents, beginning of year	138,781	159,635
Cash and cash equivalents, end of year	<u>\$ 194,888</u>	<u>138,781</u>

Supplemental disclosures

- (a) Cash paid for taxes was \$706 and \$892 for 2013 and 2012, respectively
- (b) Entered into a capital lease of \$3,500 in 2013

See accompanying notes to consolidated financial statements

**BON SECOURS HEALTH SYSTEM, INC.  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

August 31, 2013 and 2012  
(In thousands)

**(1) Organization and Mission**

**(a) Organizational Structure**

Bon Secours Health System, Inc., a Maryland nonprofit, nonstock membership corporation (BSHSI or the System), and all of the other entities that are controlled directly or indirectly by Bon Secours, Inc., a Maryland nonprofit, nonstock membership corporation (BSI) are described collectively as the System. BSI, which is the sole corporate member of BSHSI, has no healthcare operations. The System was organized in June 1983 to fulfill the healthcare mission of the United States Province of the Congregation of the Sisters of Bon Secours of Paris (*Sisters of Bon Secours*), a congregation of religious women of the Roman Catholic Church founded in France in 1824.

The Sisters of Bon Secours have ministered to the healthcare needs of people in the United States since 1881. To ensure the sustainability of the ministry into the future as well as to broaden their collaboration with the laity in areas of influence, the Sisters of Bon Secours petitioned the Vatican to establish Bon Secours Ministries, an entity comprised of both laypersons and Sisters of Bon Secours to oversee the Catholic healthcare ministry of BSHSI. Bon Secours Ministries, which is referred to as a "public juridic person" in the Catholic Church's *Code of Canon Law*, was established by the Vatican on May 31, 2006 with the specific responsibility to oversee (and, as appropriate, initiate) the healthcare ministries within the System and, in particular, BSHSI's Catholic identity and mission. This formal relationship with the Catholic Church and the specific ministry is commonly referred to as "sponsorship." The Sisters of Bon Secours formally transferred the responsibility of sponsorship of the System to Bon Secours Ministries on November 1, 2006. Since then, Bon Secours Ministries has provided an active presence of leadership and direction for BSHSI to ensure its operations and use of resources are aligned with the mission, values and fundamentals of Catholic social teaching.

The System's principal activities comprise health and nursing care services in the states of New York, Maryland, Virginia, Kentucky, South Carolina, and Florida.

**(b) Mission**

The Mission of the System is to bring compassion to healthcare and to be good help to those in need, especially those who are poor and dying. As a system of caregivers, the System is committed to helping to bring people and communities to health and wholeness as part of the healing ministry of Jesus Christ and the Catholic Church.

The ministry of BSHSI aids those in need, particularly those who are sick and dying, by offering a wide variety of services, including acute inpatient, outpatient, pastoral, palliative, home health, nursing home, rehabilitative, primary and secondary care and assisted living, in Florida, Kentucky, Maryland, New York, South Carolina, and Virginia without regard to race, religion, color, gender, age, marital status, national origin, sexual orientation, or disability. Activities directly associated with this purpose are considered operating activities. Operating activities also include other incidental services that are closely related to healthcare.

**BON SECOURS HEALTH SYSTEM, INC.  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

August 31, 2013 and 2012  
(In thousands)

**(c) Community Benefits**

The System exists to benefit the people in the communities it serves. In pursuing its mission, the System advocates for and provides services to help meet healthcare and related socioeconomic needs of poor and disadvantaged individuals and the broader community. The System provides services in the communities served by holistically ministering to its patients with respect and without regard to their ability to pay.

Programs and services for the uninsured and underinsured represent the financial commitment of the System to everyone in the community. The System's financial assistance policy ensures that all members of the community receive this basic human right to access healthcare.

The categories included as programs and services for the poor and disadvantaged are as follows:

**(i) Charitable Services – Financially Disadvantaged Persons**

The System provides care to patients regardless of their ability to pay for all or a portion of the charges incurred. This care is classified as charity care based upon the System's established policies. In accordance with the Catholic Health Association (CHA) guidelines, charity care represents the unpaid costs of free or discounted health services provided to persons who cannot afford to pay and who meet the organization's criteria for financial assistance.

In assessing a patient's ability to pay, the System utilizes generally recognized poverty income levels, financially supporting 100% of the healthcare services provided to patients with annual family income at or below 200% of the federal poverty guidelines. Additional assistance is provided by a reduction in charges for medically necessary services through a community service adjustment.

**(ii) Charitable Services – State Programs**

The System provides services to indigent patients under various state programs, including state Medicaid, that generally pay healthcare providers amounts that are less than the cost of the services provided to the recipients. Unreimbursed costs of the care provided to these disadvantaged patients are also reported as charitable services.

**(iii) Other Community Benefits**

Other community benefits include community services for the poor and disadvantaged as well as the broader community. The programs cover a broad spectrum of services and are financially supported by the System:

- Primary care access – providing free community-based preventive and primary care services through free-standing clinics and mobile health vehicles;
- Health screenings and immunizations – provision of free health screenings and immunizations for a variety of health conditions for women, children, and senior residents.

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- Child programs - providing oral healthcare, asthma and childhood obesity interventions;
- Caregiver and senior programs – focused on support, health screenings, and services to assist older adult populations;
- Education – providing medical and other health professional programs.
- Leadership activities – a full-time healthy community leader is provided in each community served who works to expand community capacity, identify community health needs and address social health conditions

The cost of charitable services and community benefits provided by the System is determined in accordance with the System's accounting policies. These costs are computed by using the cost to charge ratio applied by Medicaid and other state programs as well as specific patient visits identified under the System's charity care policies. The cost of these services is as follows for the years ended August 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Charitable services and other community benefits:		
Cost of services to financially disadvantaged persons	\$ 151,066	143,575
Unpaid cost of state programs (e.g. Medicaid) to financially disadvantaged persons	84,383	94,634
Cost of other community benefits	<u>60,560</u>	<u>59,410</u>
Total community benefits, at cost	<u>\$ 296,009</u>	<u>297,619</u>

**(2) Significant Accounting Policies**

**(a) Principles of Consolidation**

The consolidated financial statements include the accounts of all members of the corporate group controlled by BSHSI. Members of the corporate group include all entities that BSHSI directly or indirectly controls, even if the System has less than 50% of the ownership or membership interest in the entity. Investments in entities where the System holds 50% or less of an entity's operations and does not have operational control are recorded under the equity or cost method of accounting. The System has included its equity share of income or losses and changes in net assets from investments in unconsolidated affiliates in other revenue and changes in unrestricted net assets, respectively, in the accompanying consolidated statements of operations. All material intercompany transactions and account balances have been eliminated in consolidation.

**(b) 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the

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consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In the years ended August 31, 2013 and 2012, the System recorded income of \$8,891 and \$9,456, respectively, related to expense reductions and increases in net patient service revenue as a result of the reassessment of various third-party payor settlement issues and changes in estimates associated with other operating assets and liabilities.

**(c) Cash and Cash Equivalents**

For purposes of the consolidated financial statements, cash and cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less, excluding investments limited or restricted as to use.

**(d) Accounts Receivable, net**

Accounts receivable is presented net of allowances for uncollectible accounts. The System grants credits to patients and generally does not require collateral or other security. However, it routinely obtains assignment of patients' benefits under their health insurance policies. Most of the System's net patient service revenue is derived from third-party payment programs. Medicare, Medicaid, and Managed Care contracts comprise approximately 75% of the System's consolidated third-party payor revenue.

The respective percentages of amounts due from patients and third-party payors at August 31, 2013 and 2012 are as follows.

	<u>2013</u>	<u>2012</u>
Medicare	24%	24%
Medicaid	9	9
Managed care	42	45
Other, including self-pay	25	22
	<u>100%</u>	<u>100%</u>

In evaluating the collectibility of accounts receivable, the System analyzes historical collections and write-offs and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for bad debts and provision for uncollectible accounts. Management regularly reviews its estimate and evaluates the sufficiency of the allowance for bad debts. The System analyzes contractual amounts due from patients who have third-party coverage and provides an allowance for doubtful accounts and a provision for bad debts. For patient accounts receivable associated with self-pay patients, which includes those patients without existing insurance coverage for a portion of the bill, the Company records a significant provision for bad debts for patients that are unable or unwilling to pay for the portion of the bill representing their financial responsibility.

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Account balances are charged off against the allowance for doubtful accounts after all means of collection have been exhausted

**(e) *Assets Limited or Restricted as to Use and Investment Income***

Assets limited or restricted as to use include assets held by trustees under indentures, self-insurance trust arrangements, assets related to donor-restricted net assets, and assets designated by the board of directors over which it retains control and may, at its discretion, use for other purposes. The fair value of investments, with the exception of alternative investments, is based upon quoted market prices or other observable market inputs. The System elected to fair value its investments in its equity and fixed income commingled funds. Alternative investments are recorded under the equity method.

Unrealized gains or losses on trading securities are included in nonoperating investment gains, net. As of August 31, 2013 and 2012, all investments and assets limited or restricted as to use are designated as trading securities, except for certain foundation investments and trustee held funds.

Investment income on donor-restricted funds is recorded as an addition to donor-restricted net assets provided the income has been restricted by the donor. Investment income on trustee-held funds, professional/general liability, workers' compensation, and health benefit self-insurance funds is reported in other revenue for the years ended August 31, 2013 and 2012, respectively. All other investment income is reported within nonoperating investment gains, net.

**(f) *Inventories***

Inventories, consisting primarily of pharmaceuticals and medical supplies, are stated at the lower of cost or market, principally on a first-in, first-out basis.

**(g) *Property, Plant, and Equipment***

Property, plant, and equipment are recorded at cost or, if donated, at fair value on the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the accompanying consolidated financial statements. Estimated useful lives of the assets are as follows:

Buildings	20 to 50 years
Fixed equipment	10 to 20 years
Major movable equipment	5 to 10 years
Software	3 to 7 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit donor

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restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Interest cost is capitalized as part of the cost of constructing capital assets, net of any interest income earned on unexpended bond proceeds borrowed for a specific project, during the construction period. The System capitalizes the direct costs, including internal costs, associated with the implementation of new information systems for internal use. Capitalized amounts are amortized over the estimated lives of the software.

**(h) *Asset Impairment***

The System regularly evaluates whether events or changes in circumstances have occurred that could indicate an impairment in the value of long-lived assets. In accordance with the provisions of the Accounting Standards Codification (ASC) Topic 360-10, *Impairment or Disposal of Long-Lived Assets*, if events or changes in circumstances indicate that the carrying value of an asset is not recoverable, the System's management estimates the projected undiscounted cash flows, excluding interest and taxes, of the related individual facilities to determine if an impairment loss should be recognized. The amount of impairment loss is determined by comparing the historical carrying value of the asset to its estimated fair value. Estimated fair value is determined through an evaluation of recent and projected financial performance of facilities using standard industry valuation techniques.

In addition to consideration of impairment upon the events or changes in circumstances described above, management regularly evaluates the remaining lives of its long-lived assets. If estimates are changed, the carrying value of affected assets is allocated over the remaining lives. In estimating the future cash flows for determining whether an asset is impaired and if expected future cash flows used in measuring assets are impaired, the System groups their assets at the lowest level for which there are identifiable cash flows independent of other groups of assets. No impairment charges were recorded during the years ended August 31, 2013 and 2012, respectively.

**(i) *Goodwill and Other Assets, Net***

Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired in a business combination. ASC Topic 350, *Intangibles – Goodwill and Other*, requires that tangible and indefinite-lived assets, as well as goodwill, must be analyzed in order to determine whether their value has been impaired.

Goodwill is assessed annually for impairment at the reporting unit. The System first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment tests as described in Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50%. The System determined that it was not more likely than not that the fair value of its reporting unit was less than its carrying amount. Accordingly, the

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System concluded that goodwill was not impaired as of August 31, 2013 and 2012 without having to perform the two-step impairment test.

Total goodwill recognized on acquisitions, less accumulated amortization, was \$98,359 as of August 31, 2013 and 2012, respectively, and is included in goodwill and other assets, net. Accumulated amortization of goodwill amounted to \$50,873 at August 31, 2013 and 2012.

Goodwill and other assets, net, consist of the following at August 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Goodwill, net of accumulated amortization	\$ 98,359	98,359
Investment in joint venture (note 12)	141,838	120,030
Self insurance receivable	28,727	33,766
Other assets	26,690	21,845
Pledges and notes receivable	25,659	18,924
Deferred financing costs, net	<u>10,992</u>	<u>10,869</u>
Total goodwill and other assets, net	<u>\$ 332,265</u>	<u>303,793</u>

**(j) *Deferred Financing Costs, Net***

Financing costs incurred in connection with the issuance of long-term debt have been capitalized and included in other assets. These costs are being amortized using the effective-interest method over the term of the related obligations. Accumulated amortization of long-term debt issuance costs amounted to \$6,055 and \$7,831 at August 31, 2013 and 2012, respectively.

**(k) *Leases***

Lease arrangements, including assets under construction, are capitalized when such leases convey substantially all the risks and benefits incidental to ownership. Capital leases are amortized over either the lease term or the life of the related assets, depending upon available purchase options and lease renewal features. Amortization related to capital leases is included in the consolidated statements of operations within depreciation and amortization expense.

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**(l) Other Long-Term Liabilities and Deferred Credits**

Other long-term liabilities and deferred credits consist of the following at August 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Accrued pension liability (note 9)	\$ 290,227	446,538
Self-insurance liabilities	147,479	131,544
Environmental liabilities	14,234	14,176
Derivative instrument valuations (note 7)	62,398	94,260
Medical office building liabilities (note 14(e))	35,321	35,321
Other long-term liabilities	37,060	34,282
	<u>\$ 586,719</u>	<u>756,121</u>

**(m) Donor-Restricted Gifts**

Unconditional promises to give cash and other assets to the System are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying consolidated statements of operations as net assets released from restrictions. Such amounts are classified as other revenue or transfers for additions to property, plant, and equipment. Donor-restricted contributions whose restrictions are satisfied within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

**(n) Net Assets**

The System classifies net assets based on the existence or absence of donor-imposed restrictions. Unrestricted net assets represent contributions, gifts, and grants that have no donor-imposed restrictions or that arise as a result of operations. Temporarily restricted net assets are subject to donor-imposed restrictions that must or will be met either by satisfying a specific purpose and/or passage of time. Temporarily restricted net assets of \$48,872 and \$45,849 at August 31, 2013 and 2012, respectively, primarily consisted of pledges and funds received for capital projects, various healthcare programs, and community outreach programs. Approximately 60% of the temporarily restricted net assets will be expended for capital with the remaining 40% for operating purposes. Permanently restricted net assets are subject to donor-imposed restrictions that must be maintained in perpetuity. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for specific purposes.

**(o) Fair Values**

The carrying values of financial instruments classified as current assets and current liabilities approximate fair values. The fair values of investments and assets limited or restricted as to use, with

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the exception of alternative investments, are based on quoted market prices or other observable inputs. Alternative investments are recorded under the equity method. The System elected to record its investments in equity and fixed income commingled funds at fair value. See note 4 for additional disclosures of investments and assets limited or restricted as to use. The carrying values of other long-term liabilities approximate fair values. See note 6 for the fair value of long-term debt.

**(p) Net Patient Service Revenue**

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors. Retroactive reimbursement adjustments are estimated in the period in which the related services are rendered and adjusted in future periods as final settlements are determined.

**(q) Other Revenue**

Other revenue includes income from equity investments in joint ventures, gains on sales of operating activities, grant revenues (including Meaningful Use-Health Information Technology for Economic and Clinical Health Act (HITECH) Stimulus Grants), assisted living, and cafeteria and meal sales. The System, using the grant model for Meaningful Use incentive payments, recorded approximately \$22,500 and \$18,900 of revenues related to Medicare's and Medicaid's incentive payments for certain entities meeting the criteria for electronic health records during the years ended August 31, 2013 and 2012, respectively (note 11).

**(r) Nonoperating Activities, Net**

Other activities, which are largely unrelated to the System's primary mission, are recorded as other nonoperating gains (losses), include rental activities of medical office buildings, school of nursing, general donations, and fund-raising activities.

**(s) Performance Indicator**

The accompanying consolidated statements of operations include a performance indicator, excess of continuing revenues over expenses. Changes in unrestricted net assets that are excluded from the performance indicator, consistent with industry practice, include discontinued operations, unrealized gains on other-than-trading securities, permanent transfers of assets to and from unconsolidated affiliates for other than goods and services, pension and other postretirement adjustments, the System's allocated share of joint ventures' change in equity, distributions to noncontrolling interest owners and contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purpose of acquiring such assets).

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**(t) Discontinued Operations**

The System accounts for discontinued operations under relevant accounting guidance, which requires that a component of an entity that has been disposed of or is classified as held-for-sale and has operations and cash flows that can be clearly distinguished from the rest of the entity be reported as discontinued operations. In the period that a component of an entity has been disposed of or classified as held-for-sale, the results of operations for prior periods are reclassified to discontinued operations in the accompanying consolidated statements of operations. The System recognized gains on discontinued operations of \$1,700 and \$2,872 for the years ended August 31, 2013 and 2012, respectively, as the result of adjustments to certain liabilities in excess of final settlements associated with the System's formerly discontinued operations.

**(u) Income Taxes**

The System and most of its subsidiaries (including certain joint venture entities) are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The system accounts for uncertain tax positions in accordance with ASC Topic 740. Income taxes of the System's for-profit subsidiaries are not material to the accompanying consolidated financial statements. The System's taxable subsidiaries have approximately \$66,681 and \$95,733 of net operating loss carryforwards as of August 31, 2013 and 2012, respectively, which expire in varying periods through 2032 and are available to offset future taxable income. The System's deferred tax assets are fully reserved at August 31, 2013 and 2012. Any changes to the valuation allowance on the deferred tax asset are reflected in the year of the change.

**(v) Derivative Instruments**

ASC Topic 815, *Derivatives and Hedging*, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. An entity is required to recognize all derivatives as either assets or liabilities in the consolidated balance sheets and measure those instruments at fair value. In addition, for those derivative instruments that meet the criteria of an effective hedge, the hedged item must also be recorded at its fair value, with the changes in fair value reflected in other changes in unrestricted net assets.

Derivative instruments, specifically interest rate swaps, are recorded on the balance sheets at their respective fair values and are included in other long-term liabilities and deferred credits. The System's current derivative instruments do not qualify for hedge accounting, and the changes in fair value of such derivative instruments are reflected in nonoperating investment gains, net in the accompanying consolidated statements of operations in the period of change. Net settlement payments made or received on nonqualifying derivatives are recorded as nonoperating investment losses, net.

**(w) Self-Insurance**

Under the System's self-insurance programs (professional/general liability, workers' compensation, and employee health benefits), claims are reflected as based upon actuarial estimation, including

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both reported and incurred but not reported claims, taking into consideration the severity of incidents and the expected timing of claim payments. BSHSI shares certain insurance risks it has underwritten through the use of reinsurance contracts. Amounts that can be claimed from BSHSI's reinsurers are valued by an independent actuary and are included in the accrued claims including liabilities for incidents incurred but not reported. Should BSHSI's reinsurers be unable to reimburse BSHSI for recoverable claims, BSHSI would still be liable to pay the claims; however, BSHSI contracts with various highly rated insurance carriers to mitigate this risk.

**(x) Recently Issued Accounting Pronouncements**

- (i) In July 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-07, *Health Care Entities (Topic 954), Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, which requires a healthcare entity to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patients service revenue from an operating expense to a deduction from patients service revenue (net of contractual allowances and discounts). Additionally, enhanced disclosures about an entity's policies for recognizing revenue, assessing bad debts, as well as qualitative and quantitative information about changes in the allowance for doubtful accounts are required. The System adopted this guidance on September 1, 2012. Adoption of this guidance resulted in reclassification of \$216,295 and \$242,585 of bad debts from operating expenses to a reduction of net patient service revenue on the consolidated statements of operations for the years ended August 31, 2013 and 2012, respectively. See note 10 for additional disclosures.
- (ii) In September 2011, the FASB issued ASU No. 2011-09, *Disclosures about an Employer's Participation in a Multiemployer Plan*. The guidance is intended to provide financial statement users with greater transparency about an employer's participation in a multiemployer pension plan. The guidance requires additional qualitative and quantitative information disclosures to assist users of the consolidated financial statements in understanding the commitments and risks involved in participating in multiemployer pension plans, including the financial health of all of the significant plans in which the employer participates. This ASU does not change the current recognition and measurement guidance for an employer's participation in a multiemployer pension plan. The System adopted this guidance on September 1, 2012. The adoption of this guidance required additional disclosures and did not have an impact on the consolidated financial position, operating results or cash flows of the System. See note 9 for the new disclosures.
- (iii) In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurement (Topic 820) Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*. New considerations from ASU 2011-04 included the following:
  - (a) Expanded disclosures around the reporting entity's valuation policies and procedures, specifically what internal reporting procedures, frequency and methods for calibration of

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the assets or liabilities, back-testing, how the reporting entity assessed third-party information, and other methods used to develop and substantiate unobservable inputs.

- (b) Tabular disclosure of all transfers between Levels 1 and 2 that are held at the end of the reporting period, and reasons for such transfers
- (c) Additional tabular disclosures for Level 3 assets, including the valuation technique used, quantification of unobservable inputs, and a sensitivity analysis of changes to unobservable inputs.

The System adopted this guidance effective September 1, 2012, which required additional disclosures and the adoption did not have a material impact on the consolidated financial statements.

**(y) Reclassifications**

Certain reclassifications were made to 2012 amounts to conform to the 2013 presentation

**(3) Property, Plant, and Equipment, Net**

Property, plant, and equipment, net consist of the following at August 31, 2013 and 2012:

	<b>2013</b>	<b>2012</b>
Land	\$ 83,426	81,776
Land improvements	47,378	47,223
Buildings	965,847	933,144
Fixed equipment	79,240	75,409
Major movable equipment	1,183,387	1,076,857
Leasehold improvements	83,755	74,698
Construction in progress	90,021	112,028
	<u>2,533,054</u>	<u>2,401,135</u>
Less accumulated depreciation and amortization	<u>1,439,801</u>	<u>1,304,654</u>
	<u>\$ 1,093,253</u>	<u>1,096,481</u>

Included in construction in progress at August 31, 2013 and 2012 are costs mainly associated with an electronic medical records project, facility renovations, and expansions. The System anticipates expending an additional \$87,819 in future periods to complete strategic capital projects. Depreciation expense for the System was \$137,859 and \$132,721 for the years ended August 31, 2013 and 2012, respectively.

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**(4) Assets Limited or Restricted as to Use**

The composition of assets limited or restricted as to use consists of the following at August 31, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Board-designated funds.		
Cash and cash equivalents	\$ 65,277	91,383
Equity mutual funds	49,020	44,875
Equity commingled funds	42,932	61,032
Common and preferred stocks	206,934	277,703
Fixed income mutual funds	100,813	82,642
Fixed income commingled funds	98,005	80,363
U S government and agency securities	14,532	-
Corporate obligations	12,829	41,801
Alternative investments	302,434	140,830
Land and other investments, at cost	152	62
	<u>892,928</u>	<u>820,691</u>

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	<u>2013</u>	<u>2012</u>
Donor-restricted funds		
Cash and cash equivalents	\$ 17,016	14,724
Equity mutual funds	1,904	1,633
Equity commingled funds	559	793
Common and preferred stocks	7,649	8,049
Fixed income mutual funds	2,716	2,168
Fixed income commingled funds	1,275	1,044
U.S. government and agency securities	579	493
Corporate obligations	2,016	1,954
Alternative investments	4,027	2,008
Land and other investments, at cost	297	51
	<u>38,038</u>	<u>32,917</u>
Funds held by indenture trustees:		
Cash and cash equivalents	9,289	24,971
Government and agency bonds	7,784	33,776
Corporate obligations	554	11,347
	<u>17,627</u>	<u>70,094</u>
Self-insurance funds		
Cash and cash equivalents	14,765	12,698
Equity commingled funds	18,827	16,002
Common and preferred stocks	14,704	11,359
Fixed income mutual funds	20,312	24,086
Fixed income commingled funds	23,202	23,617
Alternative investments	9,290	-
	<u>101,100</u>	<u>87,762</u>
Assets limited or restricted as to use	1,049,693	1,011,464
Available for current liabilities	<u>(65,505)</u>	<u>(61,336)</u>
Long-term assets limited or restricted as to use	<u>\$ 984,188</u>	<u>950,128</u>

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The portion of the System's investments available for current liabilities consists of the following at August 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Current portion of debt	\$ 1,885	2,742
Self-insurance programs	45,082	44,688
Foundation programs	13,173	9,218
Board-designated	5,365	4,688
	<u>\$ 65,505</u>	<u>61,336</u>

The System's consolidated total return on investments consists of the following for the years ended August 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Dividends and interest	\$ 14,960	14,885
Net realized gains on securities	67,818	11,717
Net unrealized gains on securities	4,276	38,156
	87,054	64,758
Realized and unrealized gains (losses) on derivative instruments	17,721	(21,610)
	<u>\$ 104,775</u>	<u>43,148</u>

Total investment return is classified in the accompanying consolidated financial statements as follows for the years ended August 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Nonoperating investment gains, net	\$ 95,730	33,032
Investment income, net on trustee-held funds recorded as other revenue	10,185	9,248
Investment income and net unrealized gains on securities in restricted net assets	741	430
Net unrealized (losses) gains on other-than-trading securities	(1,881)	438
Total investment return	<u>\$ 104,775</u>	<u>43,148</u>

The System's ability to generate investment income is dependent in large measure on market conditions. The market value of the System's investment portfolio, as well as the System's investment income, have fluctuated significantly in the past and are likely to continue to fluctuate in the future. The System's investment portfolio assets are designated as trading securities as discussed in ASC Topic 320, *Investments - Debt and Equity Securities*. The System's entire portfolio is actively managed by third-party investment

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managers. Trading generally reflects active and frequent buying and selling, and trading securities are generally used with the objective of generating profits on short-term differences in price. As required by U.S. GAAP, realized and unrealized gains and losses on an investment portfolio designated as a trading portfolio are accounted for as nonoperating investment income and are included in excess of revenues over expenses. Because of this designation as a trading portfolio, management anticipates fluctuations in excess of revenues over expenses.

At August 31, 2013 and 2012, the System had invested approximately \$315,751 and \$142,838, or 30.1% and 14.1%, respectively, of the portfolio in alternative investments, which are allocated between hedge funds of funds, real estate investment funds and long/short equity funds.

**(5) Fair Value of Financial Instruments**

The System determines the fair values of its financial instruments based on the fair value hierarchy established in ASC Topic 820, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include cash and cash equivalents, debt and equity securities and mutual funds that are traded in an active exchange market, as well as government and agency securities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain equity mutual funds, corporate debt securities, equity commingled funds, fixed income commingled funds, and interest rate swaps.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments.

The following discussion describes the valuation methodologies used for financial assets and liabilities measured at fair value. The techniques utilized in estimating the fair values are affected by the assumptions used, including discount rates and estimates of the amount and timing of future cash flows. Care should be exercised in deriving conclusions about the System's business, its value or consolidated financial position based on the fair value information of financial assets presented below.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the

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immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

Fair values for the System's fixed maturity securities are based on prices provided by its investment managers and its custodian bank. Both the investment managers and the custodian bank use a variety of pricing sources to determine market valuations. Each designate specific pricing services or indexes for each sector of the market based upon the provider's expertise. The System's fixed maturity securities portfolio is highly liquid, which allows for a high percentage of the portfolio to be priced through pricing services.

Fair values of equity securities have been determined by the System from observable market quotations, when available. Private placement securities and other equity securities where a public quotation is not available are valued by using broker quotes.

Fair values for the System's interest rate swaps have been determined using pricing models developed based on the LIBOR swap rate and other observable market data. The values were determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and the System.

BSHSI elected to record equity and fixed income commingled funds using the fair value option contained within FASB ASC Topic 825, *Financial Instruments*, in prior years and continues to account for these investments at fair value.

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The following table presents the System's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of August 31, 2013.

	Fair value	Fair value measurements at August 31, 2013 using		
		Level 1	Level 2	Level 3
Investments.				
Cash and cash equivalents	\$ 106,347	106,347	—	
Equity mutual funds primarily foreign	50,924	50,924	—	—
Equity commingled funds	62,318		62,318	—
Common and preferred stocks	229,287	229,287	—	
Fixed income mutual funds	123,841	123,841	-	—
Fixed income commingled funds	122,482	—	122,482	—
Government and agency bonds	22,895	22,895		—
Corporate obligations	15,399	1,725	13,674	—
Total investments	\$ 733,493	535,019	198,474	—
Liabilities				
Interest rate swaps	\$ 62,398	—	62,398	—
Total liabilities	\$ 62,398	-	62,398	—

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The following table presents the System's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of August 31, 2012

	Fair value	Fair value measurements at August 31, 2012 using		
		Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	\$ 143,776	143,353	423	—
Equity mutual funds, primarily foreign	46,508	46,508	—	—
Equity commingled funds	77,827	—	77,827	—
Common and preferred stocks	297,111	297,111	—	—
Fixed income mutual funds	108,896	108,896	—	—
Fixed income commingled funds	105,024	—	105,024	—
Government and agency bonds	34,269	34,258	11	—
Corporate obligations	55,102	11,673	41,851	1,578
Other	113	96	17	—
Total investments	\$ 868,626	641,895	225,153	1,578
Liabilities				
Interest rate swaps	\$ 94,260	—	94,260	—
Total liabilities	\$ 94,260	—	94,260	—

There were no significant transfers between Levels 1, 2 and 3 during the year ended August 31, 2013 and 2012

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The change in the fair value of the assets and liabilities using significant unobservable inputs (Level 3) was due to the following

	<u><b>Level 3 assets</b></u> <u><b>Corporate</b></u> <u><b>Bonds</b></u>
Beginning balance, September 1, 2011	\$ 126
Total net gains realized	1
Total net gains unrealized	44
Purchases	1,870
Sales	(463)
Transfers in (out) of Level 3	—
Ending balance, August 31, 2012	1,578
Total net gains realized	46
Total net losses unrealized	(40)
Purchases	—
Sales	(1,584)
Transfers in (out) of Level 3	—
Ending balance, August 31, 2013	\$ —

The System has incorporated an Investment Policy Statement (IPS) into its investment program. The IPS, which has been formally adopted by the Board of Directors, contains numerous standards designed to ensure adequate diversification by asset category and geography. The IPS also limits investments by manager and position size, and limits fixed-income positions based on credit ratings, which serves to further mitigate the risks associated with the investment program. At August 31, 2013 and 2012, management believes that its investment positions are in accordance with the guidelines in the IPS.

**(6) Long-Term Debt**

Long-term debt consists of the following at August 31, 2013 and 2012

	<u><b>2013</b></u>	<u><b>2012</b></u>
Master Trust Notes and Hospital Revenue Bonds:		
Series 1992B and 1992C Virginia fixed rate term bonds payable in installments through August 2027, interest at 5.93%	\$ 61,043	64,644
Series 1995 Maryland fixed rate term bonds payable in installments through August 2024; interest at 5.50%	—	4,855
Series 1995 Memorial Regional Medical Center fixed rate serial and term bonds payable in installments through August 2018, interest at 6.38% to 6.50%	19,480	22,700

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	<u>2013</u>	<u>2012</u>
Series 1996 Virginia fixed rate serial and term bonds payable in installments through August 2020; interest at 5.40% to 6.25%	\$ 10,455	11,630
Series 1997 Virginia fixed rate serial and term bonds payable in installments through August 2023; interest at 4.70% to 5.25%	—	11,455
Series 1997 New York fixed rate serial and term bonds payable in installments through July 2027; interest at 5.00% to 5.50%	30,320	31,735
Series 2002A Kentucky fixed rate term bond payable in installments beginning November 2023 through November 2030; interest at 5.63%		42,970
Series 2002A South Carolina fixed rate and serial term bonds payable in installments beginning November 2015 through November 2030; interest at 5.50% to 6.00%	---	225,200
Series 2002A Henrico, Virginia fixed rate term bond payable in installments beginning November 2023 through November 2030; interest at 5.60%		46,400
Series 2002B Florida variable rate demand bond payable in installments beginning November 2017 through November 2026 subject to a fifteen day put provision; interest at 0.09% and 0.22% at August 31, 2013 and 2012; set at prevailing rates	4,250	4,250
Series 2002B Kentucky variable rate demand bond payable in installments through November 2026 subject to a fifteen day put provision; interest at 0.09% and 0.22% at August 31, 2013 and 2012; set at prevailing rates	12,700	13,400
Series 2008B-C Virginia fixed rate serial and term bond payable in installments through November 2042; interest at 4.50 to 5.25% at August 31, 2013 and 2012	173,355	173,355
Series 2008A South Carolina variable rate demand bonds subject to a seven day put provision payable in installments beginning November 2032 through November 2042; interest at 0.07% and 0.17% at August 31, 2013 and 2012; set at prevailing rates	69,925	69,925
Series 2008D Virginia variable rate demand bonds subject to a seven day put provision payable in installments through November 2025; interest at 0.06% at August 31, 2013 and 0.17% to 0.18% at August 31, 2012; set at prevailing rates	110,860	144,490

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	<u>2013</u>	<u>2012</u>
Series 2008D South Carolina variable rate demand bonds subject to a seven day put provision payable in installments through November 2025, interest at 0.06% and 0.15% at August 31, 2013 and 2012, set at prevailing rates	\$ 23,590	25,010
Series 2010 Virginia variable rate demand bonds subject to a seven day put provision payable in installments through November 2042, interest at 0.16% at August 31, 2012, set at prevailing rates	—	40,740
Series 2011 variable rate direct placement bonds payable in installments through November 2025, interest at 1.4% at August 31, 2013 and 2012, set at prevailing rates	67,600	72,460
Series 2013 Kentucky fixed rate serial and term bonds payable in installments beginning November 2015 through November 2026, interest at 4.0% to 5.0%	39,075	---
Series 2013 South Carolina fixed rate serial bonds payable in installments beginning November 2015 through November 2029; interest at 3.75% to 5.0%	184,870	--
Series 2013 Virginia fixed rate serial bonds payable in installments beginning November 2016 through November 2030, interest at 4.0% to 5.0%	78,245	—
Series 2013B Virginia variable rate direct placement bonds payable in installments through November 2043; interest at 1.2% to 1.3% at August 31, 2013, set at prevailing rates	67,245	—
Total Master Trust Notes and Hospital Revenue Bonds	<u>953,013</u>	<u>1,005,219</u>
Other debt secured by certain property, plant, and equipment:		
9.25% note payable to HUD, due April 2025	6,244	6,528
3.00% note payable to Wells Fargo	1,075	1,250
Capital leases obligations (interest at 5.00-6.00%)	9,005	9,090
Notes payable	26,694	29,190
Other long-term debt	97	97
Total other debt	<u>43,115</u>	<u>46,155</u>
Total long-term debt	996,128	1,051,374
Add (less) bond premium (discount), net of accumulated amortization	<u>25,056</u>	<u>(3,764)</u>
	1,021,184	1,047,610
Less current portion	<u>31,423</u>	<u>27,810</u>
Long-term debt, less current portion	<u>\$ 989,761</u>	<u>1,019,800</u>

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Master Notes have been issued by BSHSI on behalf of itself and certain affiliates who collectively constitute the Members of an Obligated Group created by a Master Trust Indenture dated October 1, 1985, as restated, supplemented, and amended. Master Notes secured payment of principal and interest on various series of serial and term indebtedness issued for the benefit of the Members of the Obligated Group by various governmental issuers as well as the performance of certain agreements entered into with credit enhances, liquidity providers and swap counterparties. Each Master Note is a joint and several obligation of each Member of the Obligated Group and is secured by a pledge of such Member's unrestricted receivables. Approximately 40.0% and 40.9% of the indebtedness secured by Master Notes was supported, as to payments of principal and interest, by bond insurance policies as of August 31, 2013 and 2012, respectively. Approximately 21.1% and 28.2% of the indebtedness secured by the Master Notes was supported by letters of credit as of August 31, 2013 and 2012, respectively. Certain amounts of the indebtedness supported by letters of credit are also supported by bond insurance policies.

The Master Trust Indenture and certain other agreements require the Obligated Group to maintain minimum financial ratios, place restrictions on the disposition of assets and changes in members of the Obligated Group, and provide for the maintenance of certain trustee-held funds, among other things.

Frances Schervier Home and Hospital (Schervier) is located in the Bronx, New York and directly controlled by BSHSI, but is not a member of the BSHSI Obligated Group. Schervier is the borrower of the proceeds of certain Series 1997 fixed rate bonds issued by the Dormitory Authority of the State of New York (DASNY), which had an outstanding principal amount of \$30,320 as of August 31, 2013. Pursuant to its loan agreement with DASNY, Schervier covenanted to maintain minimum annual debt service coverage at the end of each calendar year. At December 31, 2012, Schervier was not in compliance with the coverage ratio. Management requested and received waivers of compliance with the Coverage Ratio for the calendar years ended December 31, 2012 and 2013. Accordingly, such debt has been classified as long-term at August 31, 2013, except for the amounts that are payable in the following year, which are classified as current.

The Series 2008D Bonds are subject to long-term amortization periods. However, while bearing interest at a weekly rate, the Series 2008D Bonds are subject to optional tender by the bondholders. If bonds, which are tendered, are not remarketed to new bondholders, pursuant to the letter of credit, the bank will purchase the tendered Series 2008D Bonds on behalf of the Obligated Group. If the bank purchases tendered Series 2008D Bonds pursuant to the letter of credit, no payments are due the Bank with respect to such Bonds until 367 days after the bank purchases the tendered Series 2008D Bonds. The Obligated Group must repay the principal amount of the purchased bonds (x) with respect to two of the bank agreements ((i) and (ii), as described above), on the first day of the 13th month succeeding the stated expiration date (y) with respect to the other one letter of credit agreement ((iv) as described above), in substantially equal payments commencing on the first business day following the 367th day, and semiannually thereafter over the subsequent three years, and (z) with respect to the other one letter of credit agreement ((vi) as described above), in substantially equal payments commencing on the first business day following the 367th day, and semiannually thereafter over the subsequent four years, unless certain events occur. To secure its obligations to reimburse the various banks, BSHSI issued separate Master Notes. On September 29, 2010, BSHSI terminated six irrevocable direct pay letters of credit that secured variable rate debt bonds.

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originally issued in October 2008. On the same date, BSHSI entered into four new and two amended and restated irrevocable direct pay letters of credit with respect to those bonds.

On October 19, 2010, BSHSI converted four series of bonds originally issued in January 2008 from variable interest rate bonds to fixed rate serial and term bonds. Additionally, on October 19, 2010, the Virginia Small Business Financing Authority issued \$40,700 principal amount of new variable rate bonds (referred to as the Series 2010 Bonds) and loaned the proceeds thereof to BSHSI. The proceeds of the Series 2010 Bonds were used to (i) pay a termination payment relating to the termination of four fixed payor swaps relating to the converted bonds and (ii) pay related costs of issuance.

On November 30, 2011, the Series 2008A Bonds were subject to mandatory tender. In connection with the mandatory tender, the Obligated Group delivered a letter of credit as additional security for the Series 2008A Bonds. Pursuant to the letter of credit, the bank covenants to pay principal of and interest on the Series 2008A Bonds. The bond insurance policy, which was issued concurrently with the issuance of the Series 2008A Bonds, will only pay principal of and interest on the Series 2008A Bonds if the bank fails to pay pursuant to the letter of credit. The bank, which issued the letter of credit, can, under certain circumstances, cause the cancellation of the bond insurance policy. The Series 2008A Bonds continue to be remarketed weekly and bear interest at a weekly interest rate established by the market. While bearing interest at a weekly rate, the Series 2008A Bonds are subject to optional tender by the bondholders. If bonds, which are tendered, are not remarketed to new bondholders, pursuant to the letter of credit, the bank will purchase the tendered Series 2008A Bonds on behalf of the Obligated Group. The letter of credit expires, subject to certain exceptions and to the ability of the Obligated Group to request an extension of the stated expiration date, on November 30, 2015. If the bank purchases tendered Series 2008A Bonds pursuant to the letter of credit, no payments are due to the Bank with respect to such Bonds until 367 days after the bank purchases the tendered Series 2008A Bonds. Beginning on such 367th day, the Obligated Group must repay the principal amount of the purchased bonds in substantially equal semiannual installments (i) if the bond insurance policy is still in effect, over the subsequent five years or (ii) if the bond insurance policy has been canceled, over the subsequent three years.

On November 30, 2011, BSHSI terminated three irrevocable direct pay letters of credit that secured variable rate bonds originally issued in 2002 and 2008, respectively. On the same date, BSHSI entered into three new irrevocable direct pay letters of credit with a substitute letter of credit provider with respect to those bonds.

On December 8, 2011, the Economic Development Authority of the City of Norfolk issued \$72,500 principal amount of its revenue bonds (referred to as the Series 2011 Bonds) and loaned the proceeds thereof to BSHSI. The proceeds of the Series 2011 Bonds were used to (i) refund the Series 2008D-1 Bonds and Series 2008D-2 Bonds issued by the Economic Development Authority of the City of Norfolk, (ii) pay or reimburse DePaul Medical Center for the costs of acquiring, constructing, equipping, expanding, enlarging and improving its acute care hospital facilities and (iii) pay certain costs incurred in connection with the issuance of the Series 2011 Bonds and the refunding of the prior bonds. The Series 2011 Bonds have a final maturity of November 15, 2025 and were purchased by a financial institution (referred to as the Series 2011 Direct Purchase Bank) for an initial term of ten years. During the initial term, the Series 2011 Bonds bear interest based on a percentage of LIBOR plus an agreed upon spread. Following the

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expiration of the initial term, BSHSI may determine to seek an extension of the initial term, convert the interest rate mode on the Series 2011 Bonds or otherwise refinance the Series 2011 Bonds. Payment of the Series 2011 Bonds is secured by a Master Notes issued under the Master Indenture. In connection with the issuance of the Series 2011 Bonds, BSHSI, as Credit Group Representative under the Master Indenture, entered into a credit agreement with the Series 2011 Direct Purchase Bank, which contain various covenants that can be enforced or waived solely by the Series 2011 Direct Purchase Bank. Those covenants are similar to the covenants that BSHSI has provided to various banks and insurance companies, which have provided credit enhancement with respect to BSHSI's other outstanding indebtedness.

On December 7, 2012, the Obligated Group used its own funds to defease the outstanding \$4,855 Maryland Industrial Development Financing Authority Economic Development Revenue Bonds, Series 1995 (Bon Secours Health System Project).

In addition, in December 2012, BSHSI entered into a new irrevocable, direct-pay letter of credit with an existing letter of credit provider that replaced the previous letter of credit securing the Industrial Development Authority of Hanover County Revenue Refunding Bonds, Series 2008D-2 (Bon Secours Health System, Inc.). This new irrevocable, direct-pay letter of credit expires in December 2015.

On January 9, 2013, a letter of credit facility provider issued irrevocable, direct-pay letters of credit to secure the South Carolina Jobs-Economic Development Authority Economic Development Revenue Refunding Bonds, Series 2008D (Bon Secours Health System, Inc.) and the Economic Development Authority of Hanover County Revenue Refunding Bonds, Series 2008D-1 (Bon Secours Health System, Inc.) pursuant to related reimbursements agreements. These letters of credit replaced previous letters of credit provided by a different bank with respect to those series of variable rate bonds. Each of the new irrevocable, direct-pay letters of credit expires in January 2018.

On January 11, 2013, BSHSI borrowed from the South Carolina Jobs-Economic Development Authority, the City of Russell, Kentucky, the Economic Development Authority of Henrico County, Virginia and the Economic Development Authority of the City of Norfolk the proceeds of new bonds issued on January 11, 2013 in the aggregate principal amount of \$302,190 (referred to as the Series 2013 Bonds). The proceeds were used to (i) pay or reimburse, or refinance certain indebtedness the proceeds of which were used by one or more of St. Mary's Hospital, located in Henrico County, Virginia, Memorial Regional Medical Center, located in Hanover County, Virginia, Maryview Hospital, located in Portsmouth, Virginia, DePaul Medical Center, Norfolk, located in Virginia, Mary Immaculate Hospital, located in Newport News, Virginia, Our Lady of Bellefonte Hospital, located in Russell, Kentucky, and St. Francis Hospital and St. Francis Women's & Family Hospital, both located in Greenville, South Carolina, for the payment of the costs of acquiring, constructing, equipping, expanding, enlarging and improving certain of their healthcare facilities and (ii) refinance, in current refunding transactions, four series of revenue bonds that were issued for the benefit of BSHSI and other Members of the Obligated Group, and that were outstanding in the aggregate principal amount of \$326,025. The System recognized a loss on extinguishment of debt of approximately \$8,200 during the year ended August 31, 2013 in connection with this transaction.

On July 11, 2013, BSHSI and certain other Members of the Obligated Group borrowed from the Virginia Small Business Financing Authority and the Economic Development Authority of Henrico County,

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Virginia, the proceeds of new bonds issued on July 11, 2013 in the aggregate principal amount of \$67,245 (referred to as the Series 2013B Bonds). The proceeds were used to refinance, in current refunding transactions, two series of revenue bonds that were issued for the benefit of BSHSI and other Members of the Obligated Group, and that were outstanding in the aggregate principal amount of \$67,245. The two series of Series 2013B Bonds have final maturities of November 1, 2025 and 2042, respectively, and were purchased by a financial institution (referred to as the Series 2013B Direct Purchase Bank) to hold for an initial term of up to twelve years. During the initial term, the Series 2013B Bonds will bear interest based on a percentage of LIBOR plus an agreed-upon spread. With respect to the series maturing on November 1, 2042, following the expiration of the initial term, BSHSI may determine to seek an extension of the initial term, convert the interest rate mode on such Series 2013B Bonds or otherwise refinance such Series 2013B Bonds. Payment of the Series 2013B Bonds is secured by Master Notes issued under the Master Indenture. In connection with the issuance of the Series 2013B Bonds, BSHSI, as Credit Group Representative under the Master Note, entered into agreements with the Series 2013B Direct Purchase Bank, which contains various covenants that can be enforced or waived solely by the Series 2013B Direct Purchase Bank. Those covenants are similar to covenants BSHSI has provided to various banks and insurance companies which have provided credit enhancement with respect to BSHSI's other outstanding indebtedness. The System recognized a loss on extinguishment of debt of approximately \$100 during the year ended August 31, 2013 in connection with this transaction.

Scheduled principal repayments on long-term debt are as follows.

2013	\$	31,423
2014		28,495
2015		33,254
2016		35,668
2017		34,458
Thereafter		<u>832,830</u>
Total	\$	<u><u>996,128</u></u>

The System has entered into four leases maturing in 5-10 years that are classified as capital leases for building and equipment. In addition, the System has consolidated two limited liability corporations with amounts outstanding under notes totaling \$25,857 and \$27,576 as of August 31, 2013 and 2012, respectively. Such notes have an interest rate of 7.75% and maturity dates in 2021.

Total interest expense was \$37,386 and \$42,358 for the years ended August 31, 2013 and 2012, respectively. Cash paid for interest was \$40,313 and \$42,602 for the years ended August 31, 2013 and 2012, respectively, and includes capitalized interest for construction projects of \$2,080 and \$2,648, net of investment income, for the years ended August 31, 2013 and 2012, respectively.

**(7) Interest Rate Risk Management**

The System uses fixed and variable-rate debt to finance capital needs and develop an appropriate debt structure. Variable-rate debt exposes the System to variability in interest expense due to changes in interest

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rates. Conversely, fixed-rate debt obligations can be more expensive to the System in times of declining interest rates. The System manages and monitors its cost of capital on a regular basis and from time to time enters into derivative instruments with financial institutions to help manage interest rate risk.

At August 31, 2013 and 2012, the System had eleven instruments, respectively, which did not qualify for hedge accounting treatment under ASC Topic 815. Fair value changes of these instruments were reported under nonoperating investment gains, net. The following is a summary of the derivative instruments in place at August 31, 2013.

Description	Number	Outstanding notional amount	Pay rates	Maturity dates	Collateral posted at August 31, 2013	Counterparties	Mark to market	Collateral thresholds
Fixed payer	1	\$ 44,640	3.448%	Nov. 2025	\$ —	Goldman Sachs	\$ (4,500)	10,000
Fixed payer	1	66,960	3.491%	Nov. 2025	—	Deutsche Bank	(6,911)	20,000
Fixed payer	2	115,950	4.460%/3.420%	Aug. 2026/Nov. 2028	—	Merrill Lynch	(17,147)	*
Fixed payer	2	117,250	4.485%/3.384%	Oct. 2025/Oct. 2026	4,843	JP Morgan	(19,325)	15,000
Fixed payer	1	69,925	3.454%	Nov. 2042	—	PNC Bank	(10,655)	*
	7	414,725			4,843		(58,538)	
Fixed basis	1	200,000	SIFMA	Jan. 2029	—	Citigroup	(551)	20,000
Variable basis	3	475,000	SIFMA	Nov. 2029	—	Merrill Lynch	(5,900)	*
Total derivatives	11	\$ 1,089,725			\$ 4,843		(64,989)	\$ 65,000
						Valuation adjustments	2,591	
							\$ (62,398)	

\* Derivative instrument does not provide for the posting of collateral.

The following is a summary of the derivative instruments in place at August 31, 2012:

Description	Number	Outstanding notional amount	Pay rates	Maturity dates	Collateral posted at August 31, 2012	Counterparties	Mark to market	Collateral thresholds
Fixed payer	1	\$ 50,710	3.448%	Nov. 2025	\$ —	Goldman Sachs	\$ (7,612)	10,000
Fixed payer	1	76,065	3.491%	Nov. 2025	—	Deutsche Bank	(11,611)	20,000
Fixed payer	2	121,875	4.460%/3.420%	Aug. 2026/Nov. 2028	—	Merrill Lynch	(27,409)	*
Fixed payer	2	121,350	4.485%/3.384%	Oct. 2025/Oct. 2026	14,285	JP Morgan	(29,441)	15,000
Fixed payer	1	69,925	3.454%	Nov. 2042	—	PNC Bank	(22,976)	*
	7	419,925			14,285		(99,049)	
Fixed basis	1	200,000	SIFMA	Jan. 2029	—	Citigroup	4,829	20,000
Variable basis	3	488,500	SIFMA	Nov. 2029	—	Merrill Lynch	(7,305)	*
Total derivatives	11	\$ 1,428,425			\$ 14,285		(101,525)	\$ 65,000
						Valuation adjustments	7,265	
							\$ (94,260)	

\* Derivative instrument does not provide for the posting of collateral.

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The unrealized gains of \$31,916 and unrealized losses of \$6,178 for the years ended August 31, 2013 and 2012, respectively, relating to these nonqualifying derivative activities are recorded within nonoperating investment gains, net in the accompanying consolidated statements of operations

The System utilizes a diversified group of swap counterparties and has sought to limit its obligations to post collateral in the agreements governing its derivative instruments. In addition, the System routinely evaluates its derivative portfolio and may decide at any time to terminate certain of the derivative instruments discussed above and/or enter into new derivative instruments. Should the System decide to terminate any of such instruments, it may be required to make termination or breakage payments under the terms of those instruments.

**(8) Noncontrolling Interest**

The following table presents a reconciliation of the changes in consolidated unrestricted net assets attributable to the System's controlling interest and noncontrolling interest, including amounts such as the performance indicator, change in pension and other postretirement adjustments and other changes in unrestricted net assets as of and for the years ended August 31, 2013 and 2012.

	<b>Unrestricted net assets- controlling interest</b>	<b>Unrestricted net assets- noncontrolling interest</b>	<b>Total unrestricted net assets</b>
Balance as of August 31, 2011	\$ 638,462	164,810	803,272
Excess of continuing revenues over expenses	91,018	21,023	112,041
Gain on discontinued operations	2,872	--	2,872
Grants for capital	5,235		5,235
Net change in unrealized gains on other than trading securities	438	—	438
Net assets released from restrictions used for purchase of property, plant, and equipment	3,537	—	3,537
Net change in equity of joint ventures	3,301	—	3,301
Distributions to noncontrolling interest owners		(7,042)	(7,042)
Pension and other postretirement adjustments	(129,750)	(218)	(129,968)
Transfers to affiliates and other changes, net	(6,270)	2,207	(4,063)
(Decrease) increase in net assets	(29,619)	15,970	(13,649)
Balance as of August 31, 2012	608,843	180,780	789,623

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	<b>Unrestricted net assets- controlling interest</b>	<b>Unrestricted net assets- noncontrolling interest</b>	<b>Total unrestricted net assets</b>
Excess of continuing revenues over expenses	\$ 124,713	44,437	169,150
Gain on discontinued operations	1,700	---	1,700
Grants for capital	6,081	---	6,081
Net change in unrealized losses on other than trading securities	(1,881)	---	(1,881)
Net assets released from restrictions used for purchase of property, plant, and equipment	910	---	910
Net change in equity of joint ventures	986	---	986
Distributions to noncontrolling interest owners	---	(6,671)	(6,671)
Pension and other postretirement adjustments	170,423	895	171,318
Purchase of ownership interest from noncontrolling interest owners	1,718	(1,718)	--
Transfers to affiliates and other changes, net	(11,875)	4,330	(7,545)
Increase in net assets	<u>292,775</u>	<u>41,273</u>	<u>334,048</u>
Balance as of August 31, 2013	<u>\$ 901,618</u>	<u>222,053</u>	<u>1,123,671</u>

**(9) Pension Plan**

The System's employees are covered either by one of the System's noncontributory defined benefit pension plans, or are covered by defined contribution retirement plans. The System's noncontributory defined benefit pension plans provide benefits based upon age at retirement, years of credited services, and average earnings. Seven of the System's eight defined benefit plans are deemed church plans under the Internal Revenue Code. For defined benefit pension plans deemed to be church plans under the Internal Revenue Code, the System's funding policy is to make contributions to fund the annual service cost of the plans plus a 15 year amortization of the unfunded Accumulated Benefit Obligation. Defined benefit pension plans that are subject to the Employee Retirement Income Security Act of 1974 guidelines are funded in accordance with those guidelines. The service cost and projected benefit obligation are based upon the projected unit credit actuarial method.

In July 2011, the System announced the closure of the defined benefit pension plans to all new employees. Existing defined benefit plan participants were given a choice option. This choice option allows a one time election to maintain participation in the defined benefit pension plan or move to a defined contribution retirement plan.

The investment policy and objectives for defined benefit plan assets are established by BSHSI and are based on a long-term perspective. An investment advisory firm engaged by BSHSI reviews asset performance and allocation on a periodic basis throughout the fiscal year. The percentage allocation to each asset class may vary depending upon market conditions and is adjusted when it falls outside the established ranges set for each asset class.

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The following are deferred pension costs, which have not yet been recognized in periodic pension expense but are accrued in unrestricted net assets, as of August 31, 2013 and 2012. Unrecognized actuarial losses represent unexpected changes in the projected benefit obligation and plan assets over time, primarily due to changes in assumed discount rates and investment experience. Unrecognized prior service cost is the impact of changes in plan benefits applied retrospectively to employee service previously rendered. Deferred pension costs are amortized into annual pension expense over the expected average remaining assumed service period for active employees.

	Amounts in unrestricted net assets at August 31, 2013	Amounts in unrestricted net assets at August 31, 2012	Amounts in unrestricted net assets to be recognized in fiscal year 2014
Net prior service cost	\$ 153	366	105
Net actuarial losses	194,540	366,076	11,146
Transition asset	(7)	(14)	(7)
Total	\$ 194,686	366,428	11,244

The components of the funded status, net periodic benefit costs, and actuarial assumptions used in accounting for defined benefit pension plans for the years ended August 31, 2013 and 2012 are as follows:

	2013	2012
Change in projected benefit obligation:		
Net projected benefit obligation at beginning of year	\$ 943,395	750,554
Service cost	22,896	20,495
Interest cost	37,697	40,120
Actuarial loss	(120,179)	160,352
Gross benefits paid	(33,365)	(28,126)
Projected benefit obligation at end of year	850,444	943,395
Change in plan assets:		
Fair value of plan assets at beginning of year	496,857	439,987
Actual return on plan assets	59,385	52,870
Employer contributions	37,340	32,126
Gross benefits paid	(33,365)	(28,126)
Fair value of plan assets at end of year	560,217	496,857
Net amount recognized at end of year	\$ (290,227)	(446,538)

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	<u>2013</u>	<u>2012</u>
Accumulated benefit obligation at end of year	\$ 810,979	900,261
Amounts recognized in the consolidated balance sheets consist of		
Accrued benefit costs – long term	\$ (290,227)	(446,538)
Components of net periodic benefit cost		
Service cost	\$ 22,896	20,495
Interest cost	37,697	40,120
Expected return on plan assets	(36,788)	(36,086)
Amortization of:		
Actuarial loss	28,759	12,749
Prior service cost	213	199
Transition asset	(7)	(7)
Total net periodic benefit costs	<u>\$ 52,770</u>	<u>37,470</u>
	<u>2013</u>	<u>2012</u>
Weighted average assumptions used to determine benefit obligations at August 31:		
Discount rate	5.10%	4.00%
Rate of compensation increase	3.00	3.00
Weighted average assumptions used to determine net periodic benefit cost at August 31:		
Discount rate	4.00%	5.35%
Expected return on plan assets	7.80	7.80
Rate of compensation increase	3.00	3.50

Net pension expense is included as a component of fringe benefits recorded as salaries, wages, and benefits in the accompanying consolidated statements of operations.

The expected long-term rate of return of the pension plan assets used for determining pension expense was 7.80% and was determined based upon a review of the System's long-term rate of return experienced in the capital markets for the target asset allocation employed to invest pension assets.

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The System's pension plan asset allocation is planned to include approximately 65% equities, 30% fixed income/cash, and 5% alternatives. Equity investments are balanced between type and size of investment and investment managers are monitored against benchmarks. As of August 31, 2013 and 2012, the pension plan assets were allocated by asset category as follows:

	<u>2013</u>	<u>2012</u>
Asset category:		
Equity mutual and commingled funds and securities	67%	61%
Fixed income mutual funds and securities	23	28
Alternative investments	9	9
Cash	<u>1</u>	<u>2</u>
Total	<u>100%</u>	<u>100%</u>

The following table presents the System's fair value hierarchy for the pension plan assets measured at fair value on a recurring basis as of August 31, 2013:

	<u>Fair value</u>	<u>Fair value measurements</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Cash and cash equivalents	\$ 21,112	21,112	—	—
Equity mutual funds	5,433	5,433	—	—
Equity commingled funds	65,819	—	65,819	—
Common and preferred stocks	293,056	293,056	—	—
Fixed income mutual funds	29,138	29,138	—	—
Government and agency bonds	30,658	30,658	—	—
Corporate obligations	66,784	—	66,784	—
Alternative investments	<u>48,217</u>	<u>—</u>	<u>—</u>	<u>48,217</u>
Total investments	<u>\$ 560,217</u>	<u>379,397</u>	<u>132,603</u>	<u>48,217</u>

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The following table presents the System's fair value hierarchy for the pension plan assets measured at fair value on a recurring basis as of August 31, 2012.

	Fair value	Fair value measurements		
		Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	\$ 22,231	22,231	—	-
Equity mutual funds	6,810	6,810	—	—
Equity commingled funds	55,591	—	55,591	—
Common and preferred stocks	233,424	233,424	—	—
Fixed income mutual funds	18,515	18,515	—	—
Government and agency bonds	45,948	44,909	1,039	—
Corporate obligations	70,761	—	69,973	788
Alternative investments	43,577	—	—	43,577
Total investments	\$ 496,857	325,889	126,603	44,365

There were no significant transfers between Levels 1, 2 and 3 during the years ended August 31, 2013 and 2012.

The change in the fair value for the pension assets valued using significant unobservable inputs (Level 3) was due to the following:

		Level 3 assets		
		Corporate bonds	Alternative investments	Total
Beginning balance September 1, 2011	\$	60	44,595	44,655
Total net gains realized		1	—	1
Total net gains (losses) unrealized		24	(1,018)	(994)
Purchases		1,011	—	1,011
Sales		(308)	—	(308)
Ending balance August 31, 2012		788	43,577	44,365
Total net gains realized		26	780	806
Total net (losses) gains unrealized		(23)	3,860	3,837
Purchases		—	—	—
Sales		(791)	—	(791)
Ending balance August 31, 2013	\$	—	48,217	48,217

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The System applies ASU No 2009-12, *Fair Value Measurements and Disclosures (Topic 820) Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent)*, to its pension plan asset portfolio. The guidance amends ASC Topic 820 and permits, as a practical expedient, fair value of investments within its scope to be estimated using net asset value or its equivalent. The alternative investments classified within Level 3 of the fair value hierarchy have been recorded using Net Asset Value (NAV)

The following summarizes the redemption and commitment terms for the alternative investment vehicles held in the pension plan assets as of August 31, 2013:

	<u>Hedge Fund 1</u>	<u>Hedge Fund 2</u>
Redemption timing:		
Redemption frequency	Monthly	Quarterly
Required notice	70 days	95 days
Audit reserve:		
Percentage held back for audit reserve	10%	10%
Gates:		
Potential gate holdback	—%	—%
Potential gate release timeframe	n/a	n/a
Unfunded commitments	—	—

The System expects to contribute \$29,719 to its pension plans in fiscal year 2014.

Future pension benefit payments, which reflect expected future service, as appropriate, are expected as follows:

2014	\$ 46,262
2015	35,181
2016	37,342
2017	39,826
2018	42,154
2019 - 2023	255,171

The System also has various contributory, tax-deferred annuity, and savings plans with participation available to certain employees. The System matches employee contributions up to 6% of compensation under certain defined contribution plans. The System contributed approximately \$34,297 and \$29,060 towards these plans during the years ended August 31, 2013 and 2012, respectively. Total expense was \$33,604 and \$27,933 in 2013 and 2012, respectively.

In addition to the retirement plan described above, other postretirement healthcare benefits are provided to certain qualified retirees who meet certain eligibility requirements. The net obligation recognized in the

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accompanying consolidated balance sheets at August 31, 2013 and 2012 is \$2,765 and \$3.189, respectively

***Multi-Employer Plans***

The system contributes to two multi-employer defined benefit pension plans. These plans include The Archdiocese Pension Plan for the Archdiocese of New York (Archdiocesan Plan) and the 1199 Union Pension Plan.

***(a) Archdiocesan Plan***

The Archdiocesan Plan is a noncontributory, multi-employer defined benefit plan, which covers substantially all of Bon Secours New York Health System (BSNYHS) and Bon Secours Charity Health System's (BSCHS) full-time nonunion employees. The Employer Identification Number is 13-3089351. The Archdiocesan Plan is a Church plan approved by the Internal Revenue Service and is exempt from the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Contributions to the Archdiocesan Plan are based on actuarial valuations. The contributions of all participating employers are pooled. As of January 1, 2012, the Archdiocesan Plan's market value of assets is \$917,245 and the present value of accrued plan benefits is \$1,276,488 resulting in a funded status of 71.9%. Contributions to the Archdiocesan Plan were \$3.349 and \$3.723 for the years ended August 31, 2013 and 2012, respectively.

***(b) 1199 SEIU Health Care Employees Pension Fund***

The System contributes to a multi-employer defined benefit plan under the terms of a collective bargaining agreement for its 1199 SEIU employees. The Employer Identification Number is 13-3604862/001. The most recent available information on the Pension Protection Act (PPA) zone status is for the plan years ended December 31, 2011 and 2010. The zone status is based on information that the System received from the plan sponsor and, as required by the PPA, 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. Based on this information, the zone status was green for the plan years ended December 31, 2011 and 2010, respectively.

The expiration date of the collective bargaining agreements requiring contributions to the plan are April 30, 2015 for service and maintenance units and June 30, 2015 for nursing units. The contributions by the System to the union pension fund were \$10,013 and \$7,523 for the years ended August 31, 2013 and 2012, respectively. There have been no significant changes that affect the comparability of 2013 and 2012 contributions. The System was not listed in the plan's most recent available annual report (Form 5500 for U.S. Plans) for providing more than 5% of the total contributions to the plan for the years ended December 31, 2011 and 2010.

**(10) Net Patient Service Revenue**

BSHSI has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Payment arrangements include prospectively determined rates per

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discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors. Retroactive reimbursement adjustments are estimated in the period in which the related services are rendered and adjusted in future periods as final settlements are determined.

The System estimates the allowance for uncollectible accounts based on the aging of the accounts receivable, historical collection experience, payor mix and other relevant factors. A significant portion of the allowance for uncollectible accounts relates to self-pay patients, as well as co-payments and deductibles owed by patients with insurance. There are various factors that can impact collection trends such as changes in the economy, which in turn have an impact on unemployment rates and the number of uninsured and underinsured patients. Other factors include the volume of patients through the emergency departments and the increased level of co-payments and deductibles due from patients with insurance. These factors continuously change and can have an impact on collection trends and the estimation process.

The activity in the allowance for uncollectible accounts is summarized as follows for the years ended August 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Beginning balance	\$ 158,540	134,510
Provision for bad debts	216,295	242,585
Write-offs	<u>(234,247)</u>	<u>(218,555)</u>
Ending balance	<u>\$ 140,588</u>	<u>158,540</u>

**(11) Reimbursement Programs**

The System participates in the Medicare and Medicaid programs. Payment rates for inpatient services provided to program beneficiaries are governed by the applicable regulations and implementation provisions thereunder, based generally on prospectively determined rates using clinical and diagnostic charges. Capital costs are also generally based upon prospectively determined rates. However, certain services are subject to cost-based reimbursement principles, subject to certain limitations. The System also participates in various managed care programs. Generally, these programs provide for payments based on negotiated rates, however, certain plans utilize cost-based or charge-based payment principles.

Programs utilizing cost-based reimbursement principles are subject to review and final determination by appropriate program representatives. In the opinion of management, adequate provision has been made for any adjustments that may result from such reviews. Due to third-party payors, net, is included in other accrued expenses in the accompanying consolidated balance sheets.

Since 2005, the Centers for Medicare and Medicaid Services (CMS) have utilized recovery audit contractors (RACs) as part of the CMS's further efforts to assure accurate patient payments. The project uses the RACs to search for potentially inaccurate Medicare payments that may have been made to healthcare providers and that were not detected through existing CMS program integrity efforts. To date,

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all System hospitals have had certain Medicare claims denied. Since 2008, State Medicaid Integrity Programs (referred to as MIPs) have been initiated by CMS through contractors.

In addition to RAC and MIP audits, System affiliates may from time to time be subject to other audits by state or federal agencies, including state Medicaid programs. The outcome of these audits is uncertain and the impact cannot be reasonably estimated at this time.

The System's management strives to anticipate factors that affect payment changes and develop plans to address them. Management attempts to address these issues proactively through its policies and practices that focus on areas such as charity and uninsured care as well as effective managed care contracting, accounts receivable and revenue cycle best practices and analysis of potential government payment changes. Nonetheless, future actions by federal, state, and private payors could have a significant adverse effect on the System's operating results, cash flows, and liquidity. In addition, management pursues the highest level of compliance, but state and federal audits by the Offices of the Inspector General do create uncertainty. At this time, the System has two audits underway. The outcome of these audits is uncertain and the impact cannot be reasonably estimated at this time.

As a result of the federal healthcare reform legislation enacted in 2010, substantial changes are anticipated in the U.S. healthcare system. Such legislation includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement of healthcare providers, and the legal obligations of health insurers, providers, and employers. These provisions are currently slated to take effect at specified times over approximately the next decade.

Two specific changes have been enacted by CMS in 2011, both of which present opportunities to the System. The first is value-based purchasing. On May 6, 2011, CMS issued the final rule that establishes a hospital value-based purchasing program for acute care hospitals paid under the Medicare Inpatient Prospective Payment System. Value-based incentive payments are being made based upon achievement of or improvement on a set of clinical and patient experience of care quality measures designed to foster improved clinical outcomes for hospital patients as well as improve how patients experience inpatient care. The System's hospitals are currently measuring quality indicators consistent with the CMS value-based purchasing methodology and creating action plans to continue improvement in future periods in an effort to maximize the System's reimbursement opportunities.

The second change is Meaningful Use – HITECH Stimulus Grants. On July 13, 2010, CMS issued rules to implement the Medicare and Medicaid electronic health record (EHR) incentive program established under the Health Information Technology for Economic and Clinical Health Act (HITECH Act). Certain hospitals and eligible healthcare professionals (EPs) that demonstrate "meaningful use" of certified EHR technology can qualify for Medicare payments beginning in 2011. Medicaid requires that hospitals and EPs "adopt, implement or upgrade" certified EHR, which includes purchasing the technology, in order to receive incentive payments in 2011. Beginning in federal fiscal year 2015, Medicare payment reduction penalties will be assessed against hospitals and EPs that do not achieve meaningful use of EHR. During the year ended August 31, 2013, the System qualified for Medicare EHR incentive payments of approximately \$16,000 and Medicaid EHR incentive payments of \$6,500. During the year ended August 31, 2012, the System qualified for Medicare EHR incentive payments of approximately \$12,400.

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and Medicaid EHR incentive payments of \$6,500. BSHSI has made a substantial investment in a qualified EHR. The System expects to qualify providers for Medicaid payments in all States where the State Medicaid Health Information Technology Plan has been submitted to and are approved by CMS.

Beginning April 1, 2013, sequestration was put into effect as part of the spending reductions required by the Budget Control Act of 2011. These budget deficit reductions have resulted in a 2% reduction in all Medicare payments made to all healthcare providers.

Effective for discharges beginning on October 1, 2012, the Hospital Readmissions Reductions Program withheld up to 1% of regular reimbursements for hospitals that had excess patient readmissions within 30 days of discharge for three medical conditions: heart attack, heart failure and pneumonia. As a part of healthcare reform legislation, the maximum penalty will increase to 3% by 2015 and be expanded to include readmissions for other medical conditions.

**(12) Investments in Joint Ventures and Nonpublic Entities**

The System has invested in a number of joint ventures, limited liability corporations and other nonpublic entities to provide specialty healthcare services or engage in other activities. These investments range from minority investments with no control to majority investments or investments with control.

**(a) *Roper St. Francis Healthcare – South Carolina***

BSHSI, The Medical Society of South Carolina, and the Carolinas Health System, Inc. are members of Care Alliance Health Services (d/b/a Roper St. Francis Healthcare). Roper St. Francis Healthcare is the sole member of and operates Bon Secours – St. Francis Xavier Hospital, Roper Hospital, a supporting foundation and physician practices located in Charleston, South Carolina. BSHSI is obligated to provide 27% of any capital contribution to Roper St. Francis Healthcare and is entitled to 27% of any surplus capital. BSHSI accounts for its interest in Roper St. Francis Healthcare under the equity method and includes its interest in Roper St. Francis Healthcare's excess of revenue over expenses in its consolidated statements of operations as other revenue. Roper St. Francis Healthcare, The Medical Society of South Carolina, and the Carolinas Health System, Inc. are not otherwise affiliated with BSHSI and are not Members of the Obligated Group.

The System recorded income of \$12,694 and \$3,630 related to its equity interest for the years ended August 31, 2013 and 2012, respectively. Included in these amounts were the System's allocated share of investment gains of \$5,409 and \$3,077 for the years ended August 31, 2013 and 2012, respectively. In addition, adjustments of \$986 and \$3,310 were recorded as net change in equity of joint ventures in 2013 and 2012, respectively, to reflect the System's 27% interest in the net assets of this joint venture.

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The total assets, total liabilities, and net assets as of August 31, 2013 and 2012 and the total revenue, total expenses, investment gains, net, and change in unrestricted net assets for the years then ended for Roper St. Francis Healthcare are as follows.

	<u>2013</u>	<u>2012</u>
Total assets	\$ 873,931	840,650
Total liabilities	496,321	492,624
Net assets	377,610	348,026
Total revenue	741,287	772,411
Total expenses	727,944	771,818
Investment gains, net	33,670	11,247
Change in unrestricted net assets	29,584	15,708

In June 2009, Roper St. Francis Healthcare received state approval for the construction of a new 50-bed full service hospital located in Berkeley County, South Carolina. The approval of this project is currently under appeal at the request of a local hospital that also received state approval for a 50-bed facility. These capital construction projects will be financed through Roper St. Francis Healthcare's equity. A portion of the annual distributions are expected to be foregone during the construction period.

**(b) Sentara Princess Anne**

BSHSI, DePaul Medical Center and Bon Secours Hampton Roads Health System (referred to as Bon Secours Hampton Roads) and Sentara Healthcare (Sentara) are members in a Virginia not-for-profit, nonstock corporation that owns and operates Sentara Princess Anne Hospital located in Virginia Beach, Virginia. Sentara holds a 70% membership interest and DePaul Medical Center holds a 30% membership interest in the corporation.

The joint venture is managed by Sentara and the agreements provide the members with rights to "put" and "call" the Bon Secours Hampton Roads' membership interest at fair market value terms upon the occurrence of certain events and dates.

BSHSI accounts for its interest in Sentara Princess Anne Hospital under the equity method and includes its interest in Sentara Princess Anne Hospital's excess of revenue over expenses in its consolidated statements of operations as other revenue. Sentara Healthcare is not otherwise affiliated with BSHSI and is not a Member of the Obligated Group.

The System recorded income of \$6,532 and \$1,537 related to its equity interest for the years ended August 31, 2013 and 2012, respectively.

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The total assets, total liabilities, and net assets as of August 31, 2013 and 2012 and the total revenue, total expenses, and change in unrestricted net assets for the twelve months then ended, for Sentara Princess Anne Hospital are as follows.

	<u>2013</u>	<u>2012</u>
Total assets	\$ 266,553	253,345
Total liabilities	169,690	176,396
Net assets	96,863	76,949
Total revenue	195,397	159,420
Total expenses	175,484	148,227
Change in unrestricted net assets	19,914	11,211

**(13) Other Commitments and Contingent Liabilities**

**(a) General and Professional Liability Insurance**

The System participates in a self-insurance program for health professional/general liability (HPL/GL Program) by policies issued under a member of the System, Bon Secours Assurance Company, LTD (BSAC). BSAC is incorporated in the Cayman Islands. BSHSI is the sole shareholder of BSAC. Assets are available under the HPL/GL Program to provide specified levels of claims-made coverage for health professional liabilities and occurrence-based coverage for general liabilities, with excess layers reinsured through commercial carriers under policies written on a claims-made basis.

The provision for claims and related funding levels for the HPL/GL Program is established annually based upon the recommendations of consulting actuaries. BSAC has accrued claims including liabilities for incidents incurred but not reported of approximately \$117,742 and \$113,085 at August 31, 2013 and 2012, respectively. The current portion of such accruals, \$18,333 at August 31, 2013 and \$18,710 at August 31, 2012, is included in other accrued expenses, and the remainder, \$99,409 at August 31, 2013 and \$94,375 at August 31, 2012, is reported within other long-term liabilities in the accompanying consolidated balance sheets. Amounts recorded for unpaid claims are based upon the estimated present value of future claim payments and such amounts are undiscounted and based upon an actuarial estimate.

**(b) Workers' Compensation Insurance**

The System's workers' compensation program primarily consists of self-insurance programs in various states with excess coverage through a commercial insurer. Mary Immaculate Hospital, which is also a participant of the System's workers' compensation program, is insured under a large deductible policy. Accrued workers' compensation claims of \$53,492 and \$45,051, of which the current portion, \$7,600 and \$8,500 at August 31, 2013 and 2012, respectively, is reported as other accrued expenses and the remainder, \$45,892 and \$36,551 at August 31, 2013 and 2012, respectively, is reported within other long-term liabilities in the accompanying consolidated balance sheets, include estimates for incidents incurred but not reported at August 31, 2013 and 2012.

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respectively. Amounts recorded for unpaid claims are based upon the estimated present value of future claim payments such amounts are undiscounted and based upon an actuarial central estimate. The impact of the change in discount rate was not significant to the consolidated financial statements.

**(c) Employee Health Insurance**

Employee health benefits of the System are principally provided through the System's self-insurance program. Accrued claims associated with this program, which are reported as other accrued expenses in the accompanying consolidated balance sheets, of approximately \$18,011 and \$18,286, include estimates for claims incurred but not reported, at August 31, 2013 and 2012, respectively.

**(d) Litigation**

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments. The System's compliance with these laws and regulations can be subject to periodic governmental review and interpretation, which can result in regulatory action unknown or unasserted at this time. Management is aware of certain asserted and unasserted legal claims and regulatory matters arising in the ordinary course of business. Management is aware of certain asserted and unasserted legal claims and regulatory matters arising in the ordinary course of business, but cannot reasonably predict any particular outcomes or operational or financial effects from these matters at this time.

**(e) Operating Leases**

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred. Total rental expense was \$82,491 and \$81,537 in 2013 and 2012, respectively. Future rental payments under noncancelable operating leases with durations in excess of one year are as follows:

2014	\$	63,971
2015		55,339
2016		41,786
2017		32,372
2018		26,764
Thereafter		58,910

Certain local systems entered into agreements to lease space in medical office buildings (MOBs) under construction by external development companies. Based on the provisions of ASC Topic 840-40-05-5, *Lessee Involvement with Construction*, local systems were considered the owner of the MOBs during construction. These transactions do not qualify for sale-leaseback accounting and as such are treated as financing transactions. Accordingly, the associated financing obligations, along with their related construction in progress or building assets of \$35,321 at August 31, 2013 and 2012, are included in other long-term liabilities and construction in progress or buildings and equipment in the accompanying consolidated balance sheets. The financing obligations associated

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with these transactions will not result in cash payments in excess of amounts paid under the related operating lease payments. All future cash obligations related to leased space within these MOB's are included as future minimum lease payments in the amounts reported above.

Subsequent to August 31, 2013, the System has entered into additional operating leases and developments as a matter of ongoing business.

**(f) Guaranty Agreements**

Affiliates of the System entered into several limited partnership agreements during the period from 1997 through 2010. The limited partnerships are involved in housing projects in the System's Baltimore market. System affiliates have entered into guaranty agreements with the limited partnerships during 1997 through 2010, whereby they have agreed to advance funds to the partnerships under specified conditions. The termination of each guaranty agreement is predicated on the occurrence of certain events. All such guaranty agreements are still in effect as of August 31, 2013. System affiliates have not been obligated to make any guarantee payments under the guaranty agreements to date through August 31, 2013. The maximum potential amount of future payments the System affiliates are obligated to make was \$6,419 and \$6,849 as of August 31, 2013 and 2012, respectively.

**(14) Net Assets**

BSHSI's endowments consist of approximately 83 individual funds established for a variety of purposes. Net assets associated with endowment funds, including board-designated funds, are classified and reported based on the existence or absence of donor or board-imposed restrictions and the nature of the restrictions, if any.

The System's endowment net assets are comprised of permanently restricted funds, which were \$7,710 and \$8,044 at August 31, 2013 and 2012, respectively. The System does not hold any board-designated endowment funds within unrestricted net assets or temporarily restricted net assets.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the System to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. There were no significant deficiencies at August 31, 2013 and 2012.

The System has investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the System must hold in perpetuity or for a donor-specified period as well as board-designated funds. The practice allows the endowment assets to be invested in a manner that is intended to produce investment returns that exceed the price and yield the results of the allocation index while assuming a moderate level of investment risk. The System expects its endowment funds to provide a rate of return that preserves the gift and generates earnings to achieve the endowment purpose.

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To satisfy its long-term rate-of-return objectives, the System relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and interest and dividend income. The System uses diversified asset allocation to achieve its long-term return objectives within prudent risk constraints to preserve capital.

BSHSI has a practice of distributing the major portion of current year earnings on the endowment funds, if the restrictions have been met. This is consistent with the System's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

**(15) Functional Expenses**

The functional breakdown of expenses incurred by the System in fulfilling its mission for the years ended August 31, 2013 and 2012 is as follows.

	<u>2013</u>	<u>2012</u>
Healthcare services	\$ 2,935,985	2,786,775
General and administrative	297,504	301,147
Total expenses	<u>\$ 3,233,489</u>	<u>3,087,922</u>

**(16) Subsequent Events**

Management evaluated all events and transactions that occurred after August 31, 2013 and through October 29, 2013. The System did not have any material recognizable subsequent events during this period other than disclosed below.

On October 1, 2013 Premier Purchasing Partners, LP, a group purchasing organization in which BSHSI is a limited partner, sold 20% of its equity as part of an organizational restructuring and an affiliate's Initial Public Offering. BSHSI received a distribution from the restructuring proceeds of approximately \$9,700. As a result of the distribution, BSHSI expects to record approximately \$8,000 into income in fiscal year 2014.