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









Check if Schedule O contains a response or note to any line in this Part III ☒

Form **990** (2013)

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 <b>Section 501(c)(3) organizations.</b> 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 Yes	
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d Yes	
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X 	11f Yes	
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII 	12a	No
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional 	12b	No
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 other assistance to or for any foreign organization? 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 other assistance to or for foreign individuals? 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 or other assistance to any domestic organization or government 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 or 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 25a</i> . . . . .	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . .	24b		No
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		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . .	24d		No
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	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If so, complete Schedule L, Part II</i> . . . . .	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i> . . . . .	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28b	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . .	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i> . . . . .	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	35b		No
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 or note to any line in this Part V

☐

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	70	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
1c			
2a		2,837	
2b			No
3a		Yes	
3b		Yes	
4a			No
b			
5a			No
5b			No
5c			
6a			No
6b			
7 Organizations that may receive deductible contributions under section 170(c).			
7a			No
7b			
7c			No
7d			
7e			
7f			
7g			
7h			
8			
9 Sponsoring organizations maintaining donor advised funds.			
9a			
9b			
10 Section 501(c)(7) organizations. Enter			
10a			
10b			
11 Section 501(c)(12) organizations. Enter			
11a			
11b			
12a			
12b			
13a			
13b			
13c			
14a			No
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 or note to any line 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			
b	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	No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? . . . . .	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
a	The governing body? . . . . .	8a	Yes
b	Each committee with authority to act on behalf of the governing body? . . . . .	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O . . . . .	9	No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed▶MN
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 ▶ERIC LOHN 915 EAST FIRST STREET DULUTH,MN 55805 (218) 249-5475

Part VII

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

Check if Schedule O contains a response or note to any line 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) MARK EMMEL BOARD CHAIR	1.00	X		X				0	0	0
(2) DALE MOE PAST CHAIR	1.00	X		X				0	0	0
(3) DAVE MCMILLAN BOARD VICE CHAIR	1.00	X		X				0	0	0
(4) GAIL BALDWIN BOARD SECRETARY	1.00	X		X				0	0	0
(5) JESSE FRYE BOARD TREASURER	1.00	X		X				0	0	0
(6) LISA BODINE BOARD MEMBER	1.00	X						0	0	0
(7) JEFF BORLING BOARD MEMBER	1.00	X						0	0	0
(8) JOHN CLOUTIER BOARD MEMBER	1.00	X						0	0	0
(9) MARLENE DAVID BOARD MEMBER	1.00	X						0	0	0
(10) EDWIN KING HALL BOARD MEMBER	1.00	X						0	0	0
(11) BRIAN MURPHY BOARD MEMBER	1.00	X						0	0	0
(12) KATHLEEN NELSON EDD BOARD MEMBER	1.00	X						0	0	0
(13) MARSHALL WATSON MD BOARD MEMBER/PHYSICIAN	40.00	X						823,742	0	24,927
(14) RUTH WESTRA DO BOARD MEMBER	1.00	X						0	0	0
(15) ELISABETH REVOIR MD BOARD MEMBER/CHIEF OF STAFF	40.00	X						330,567	0	28,715
(16) DEL PREVOST BOARD MEMBER (THRU MAY 2013)	1.00	X						0	0	0
(17) KRISTI STOKES BOARD MEMBER (THRU APR 2013)	1.00	X						0	0	0



**Part VII**

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (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) JOHN STRANGE PRESIDENT/CEO	36 00 4 00	X		X				607,585	0	150,766
(19) ERIC LOHN VICE PRESIDENT/CFO	36 00 4 00			X				144,020	0	42,315
(20) SUSAN BENJAMIN VICE PRESIDENT/CFO (THRU JAN 2013)	36 00 4 00			X				137,879	0	4,183
(21) JOHN YOON MD PHYSICIAN	40 00					X		1,257,669	0	29,915
(22) JOHN WATKINS MD PHYSICIAN	40 00					X		881,035	0	23,369
(23) DAVID FOGARTY MD PHYSICIAN	40 00					X		800,167	0	13,365
(24) DIONYSIOS KLIRONOMOS MD PHYSICIAN	40 00					X		799,236	0	19,751
(25) MARY BOYLEN MD PHYSICIAN	40 00					X		798,280	0	31,548
<b>1b Sub-Total</b>										
<b>c Total from continuation sheets to Part VII, Section A</b>										
<b>d Total (add lines 1b and 1c)</b>								6,580,180	0	368,854

<b>2</b>	Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization▶332		
<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
STONEARCH CREATIVE 710 S 2ND ST 7TH FLOOR MINNEAPOLIS MN 55401		MARKETING SERVICES	1,672,361
MAYO COLLABORATIVE SERVICES PO BOX 9416 MINNEAPOLIS MN 55480		LABORATORY SERVICES	1,499,907
ECLINICALWORKS LLC 2 TECHNOLOGY DRIVE WESTBOROUGH MA 01581		IT SERVICES	793,944
NORTHLAND CONSTRUCTORS OF DULUTH LLC 4843 RICE LAKE ROAD DULUTH MN 55803		CONSTRUCTION SERVICES	745,758
CONSULTING RADIOLOGISTS LTD 1221 NICOLLET AVE SUITE 600 MINNEAPOLIS MN 55403		RADIOLOGICAL SERVICES	714,892
<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 ▶42		

Part VIII

Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514	
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . . . . . 1a					
	b	Membership dues . . . . . 1b					
	c	Fundraising events . . . . . 1c					
	d	Related organizations . . . . . 1d	636,057				
	e	Government grants (contributions) 1e	202,723				
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	62,423				
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f . . . . .	901,203				
Program Service Revenue	2a	MEDICAL SERVICES	Business Code 621990	280,099,321	280,099,321		
	b	PHARMACY	446110	92,534,634	84,936,875	7,433,889	163,870
	c	TRANSCRIPTION	541900	97,165		34,941	62,224
	d	CREDENTIALING	541900	78,885		78,885	
	e	GUEST CARE	541900	37,945			37,945
	f	All other program service revenue		20,867		11,230	9,637
	g	Total. Add lines 2a-2f . . . . .	372,868,817				
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts) . . . . .	2,049,192			2,049,192
4		Income from investment of tax-exempt bond proceeds . . . . .					
5		Royalties . . . . .					
6a		Gross rents	(i) Real 1,457,847	(ii) Personal			
		b	Less rental expenses	1,451,182			
		c	Rental income or (loss)	6,665			
		d	Net rental income or (loss) . . . . .	6,665			6,665
7a		Gross amount from sales of assets other than inventory	(i) Securities 14,030,182	(ii) Other			
		b	Less cost or other basis and sales expenses	13,918,560	175,291		
		c	Gain or (loss)	111,622	-175,291		
		d	Net gain or (loss) . . . . .	-63,669			-63,669
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	155,243				
c		Net income or (loss) from sales of inventory . . . . .	153,455				
	Miscellaneous Revenue		1,788			1,788	
11a	MEALS/VENDING INCOME	Business Code 900099	1,340,961			1,340,961	
b	PARKING LOT INCOME	900099	471,997			471,997	
c	LAUNDRY SERVICES	812300	171,788		107,351	64,437	
d	All other revenue . . . . .		144,338		144,338		
e	Total. Add lines 11a-11d . . . . .		2,129,084				
12	Total revenue. See Instructions . . . . .		377,893,080	365,036,196	7,810,634	4,145,047	

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 or note to any line 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.	370,500	370,500		
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.	2,293,510		2,293,510	
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.	173,092,813	155,829,252	17,263,561	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	8,692,673	7,723,366	969,307	
9	Other employee benefits.	29,549,270	26,254,274	3,294,996	
10	Payroll taxes.	10,441,640	9,053,380	1,388,260	
11	Fees for services (non-employees):				
a	Management.				
b	Legal.	313,012		313,012	
c	Accounting.	131,387		131,387	
d	Lobbying.	23,674	23,674		
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.	84,119		84,119	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	14,880,445	5,438,334	9,442,111	
12	Advertising and promotion.	566,867	566,867		
13	Office expenses.	8,953,345	4,750,973	4,202,372	
14	Information technology.	3,007,273	2,518,470	488,803	
15	Royalties.				
16	Occupancy.	19,544,211	12,150,005	7,394,206	
17	Travel.				
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.	1,586,959	1,396,291	190,668	
20	Interest.	3,768,182	3,737,758	30,424	
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	8,205,394	5,671,780	2,533,614	
23	Insurance.	2,100,564	2,100,564		
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	35,826,055	35,826,055		
b	DRUGS	28,330,996	28,330,996		
c	CHARITY CARE	9,348,515	9,348,515		
d	BAD DEBT EXPENSE	6,444,542	1,689,821	4,754,721	
e	All other expenses	7,378,926	5,729,071	1,649,855	
25	Total functional expenses. Add lines 1 through 24e.	374,934,872	318,509,946	56,424,926	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		7,199,835	1	13,599,836
	2	Savings and temporary cash investments			2	
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		48,424,395	4	41,153,754
	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		6,840,869	8	6,983,226
	9	Prepaid expenses and deferred charges		1,989,089	9	2,189,964
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a169,683,369			
	b	Less accumulated depreciation	10b115,936,459	50,436,952	10c	53,746,910
	11	Investments—publicly traded securities		31,065,194	11	23,973,059
	12	Investments—other securities See Part IV, line 11		28,879,235	12	28,438,197
	13	Investments—program-related See Part IV, line 11			13	2,841,149
	14	Intangible assets		1,647,491	14	1,568,393
	15	Other assets See Part IV, line 11		15,247,054	15	18,950,990
	16	Total assets. Add lines 1 through 15 (must equal line 34)		191,730,114	16	193,445,478
Liabilities	17	Accounts payable and accrued expenses		37,552,232	17	35,790,530
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		83,138,315	20	81,620,077
	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	881,827
	24	Unsecured notes and loans payable to unrelated third parties			24	289,900
	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		66,997,372	25	43,877,842
	26	Total liabilities. Add lines 17 through 25		187,687,919	26	162,460,176
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		4,042,195	27	30,985,302
	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		4,042,195	33	30,985,302
	34	Total liabilities and net assets/fund balances		191,730,114	34	193,445,478

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI . . . . . ☒

1	Total revenue (must equal Part VIII, column (A), line 12) . . . . .	1	377,893,080
2	Total expenses (must equal Part IX, column (A), line 25) . . . . .	2	374,934,872
3	Revenue less expenses Subtract line 2 from line 1 . . . . .	3	2,958,208
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . . . . .	4	4,042,195
5	Net unrealized gains (losses) on investments . . . . .	5	-572,864
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	24,557,763
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	30,985,302

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line 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?		No
3b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits		

SCHEDULE A

(Form 990 or 990EZ)

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.

▶ Information about Schedule A (Form 990 or 990-EZ) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization ST LUKE'S HOSPITAL OF DULUTH	Employer identification number 41-0714079
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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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 6, column (f) divided by line 11, column (f))		14				
15 Public support percentage for 2012 Schedule A, Part II, line 14		15				
16a 33 1/3% support test—2013. 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—2012. 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—2013. 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—2012. 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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2012 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2013 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2012 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2013. 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—2012. 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.** 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

Return Reference	Explanation	
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SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

▶ **See separate instructions. ▶ Information about Schedule C (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

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 LUKE'S HOSPITAL OF DULUTH	Employer identification number  41-0714079
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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 <b>Form 1120-POL</b> 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) 2010	(b) 2011	(c) 2012	(d) 2013	(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		23,674
j	Total. Add lines 1c through 1i.			23,674
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

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.

Return Reference	Explanation
PART II-B, LINE 1	A PORTION OF THE DUES THAT ST LUKE'S HOSPITAL PAYS TO THE AMERICAN HOSPITAL ASSOCIATION AND MINNESOTA HOSPITAL ASSOCIATION ARE USED TO ADVOCATE ON BEHALF OF THE HOSPITAL AND ISSUES RELATING TO HEALTHCARE. IN ADDITION TO THE ABOVE, ST LUKE'S HOSPITAL ALSO PAID A LAW FIRM TO LOBBY ON BEHALF OF THE HOSPITAL.

[illegible]

SCHEDULE D  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Financial Statements

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

▶ Attach to Form 990. ▶ See separate instructions. ▶ Information about Schedule D (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047  

2013

Open to Public Inspection

Name of the organization ST LUKE'S HOSPITAL OF DULUTH	Employer identification number  41-0714079
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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) 2013

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 . . . . .

(ii) related organizations . . . . .

	Yes	No
3a(i)		
3a(ii)		
3b		
- b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R? . . . . .
- 4 Describe in Part XIII the intended uses of the organization's endowment funds

Part VI Land, Buildings, and Equipment. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. 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 . . . . .		6,260,352		6,260,352
b Buildings . . . . .		70,691,141	50,466,856	20,224,285
c Leasehold improvements . . . . .		2,656,692	1,198,218	1,458,474
d Equipment . . . . .		85,173,060	64,271,385	20,901,675
e Other . . . . .		4,902,124		4,902,124
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).) . . . . . ▶				53,746,910





Part XI

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

1	Total revenue, gains, and other support per audited financial statements . . . . .	1	362,916,642
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12	2e	
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-15,793,060		
e	Add lines 2a through 2d . . . . .2e		-15,793,060
3	Subtract line 2e from line 1 . . . . .3		378,709,702
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1	4c	
a	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .4a		
b	Other (Describe in Part XIII ) . . . . .4b-816,623		
c	Add lines 4a and 4b . . . . .4c		-816,623
5	Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12 ) . . . . .5		377,893,079

Part XII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.

Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

1	Total expenses and losses per audited financial statements . . . . .	1	360,746,450
2	Amounts included on line 1 but not on Form 990, Part IX, line 25	2e	
a	Donated services and use of facilities . . . . .2a		
b	Prior year adjustments . . . . .2b		
c	Other losses . . . . .2c		
d	Other (Describe in Part XIII ) . . . . .2d1,604,638		
e	Add lines 2a through 2d . . . . .2e		1,604,638
3	Subtract line 2e from line 1 . . . . .3		359,141,812
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:	4c	
a	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .4a		
b	Other (Describe in Part XIII ) . . . . .4b15,793,060		
c	Add lines 4a and 4b . . . . .4c		15,793,060
5	Total expenses Add lines 3 and 4c. (This must equal Form 990, Part I, line 18 ) . . . . .5		374,934,872

Part XIII

Supplemental Information

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.

Return Reference	Explanation
PART X, LINE 2	THE SYSTEM IS COMPRISED OF THREE SEPARATE NONPROFIT CORPORATIONS AS DESCRIBED IN SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE THAT ARE EXEMPT FROM FEDERAL INCOME TAXES ON RELATED INCOME PURSUANT TO SECTION 501(C)(3) OF THE CODE. THE SYSTEM HAS ELECTED TO ADOPT GUIDANCE IN THE INCOME TAX STANDARD REGARDING THE RECOGNITION AND MEASUREMENT OF UNCERTAIN TAX POSITIONS. THE SYSTEM FOLLOWS THE ACCOUNTING STANDARD FOR CONTINGENCIES FOR EVALUATING UNCERTAIN TAX POSITIONS. THE ADOPTION OF THIS STANDARD HAS NO EFFECT ON THE CONSOLIDATED FINANCIAL STATEMENTS. THE SYSTEM'S INCOME TAX RETURNS ARE SUBJECT TO REVIEW AND EXAMINATION BY FEDERAL, STATE, AND LOCAL TAX AUTHORITIES. THE TAX RETURNS FOR THE YEARS 2011 TO 2013 ARE OPEN TO EXAMINATION BY FEDERAL, STATE, AND LOCAL AUTHORITIES.
PART XI, LINE 2D - OTHER ADJUSTMENTS	CHARITY CARE -9,348,518 PROVISION FOR BAD DEBT -6,444,542
PART XI, LINE 4B - OTHER ADJUSTMENTS	INVESTMENT INCOME 788,015 RENTAL EXPENSES -1,451,182 GIFT SHOP EXPENSES -153,456
PART XII, LINE 2D - OTHER ADJUSTMENTS	RENTAL EXPENSES 1,451,182 GIFT SHOP EXPENSES 153,456
PART XII, LINE 4B - OTHER ADJUSTMENTS	CHARITY CARE 9,348,518 PROVISION FOR BAD DEBT 6,444,542

[illegible]

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.  
► Information about Schedule H (Form 990) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization  
ST LUKE'S HOSPITAL OF DULUTH

Employer identification number  
41-0714079

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  a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care  <input checked="" type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input type="checkbox"/> Other _____ %  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 type="checkbox"/> 200% <input type="checkbox"/> 250% <input checked="" type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %  c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care  4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"? . . . . .	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) . . . .			3,125,967		3,125,967	0 830 %
b Medicaid (from Worksheet 3, column a) . . . . .			44,275,718	32,348,790	11,926,928	3 180 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . .						
d <b>Total</b> Financial Assistance and Means-Tested Government Programs . .			47,401,685	32,348,790	15,052,895	4 010 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . .			268,723		268,723	0 070 %
f Health professions education (from Worksheet 5) . . . .			6,405,125		6,405,125	1 710 %
g Subsidized health services (from Worksheet 6) . . . .			5,145,260		5,145,260	1 370 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			619,008		619,008	0 170 %
j <b>Total.</b> Other Benefits . . . .			12,438,116		12,438,116	3 320 %
k <b>Total.</b> Add lines 7d and 7j . .			59,839,801	32,348,790	27,491,011	7 330 %

Part IICommunity 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
1Physical improvements and housing						
2Economic development			78,942		78,942	0.020 %
3Community support			344		344	0 %
4Environmental improvements			251		251	0 %
5Leadership development and training for community members						
6Coalition building			83,439		83,439	0.020 %
7Community health improvement advocacy			123,148		123,148	0.030 %
8Workforce development			238		238	0 %
9Other						
10Total			286,362		286,362	0.070 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?

1Yes

No

2Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.

26,444,542

3Enter 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

4Provide 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

5Enter total revenue received from Medicare (including DSH and IME).

5126,991,000

6Enter Medicare allowable costs of care relating to payments on line 5.

6172,217,816

7Subtract line 6 from line 5. This is the surplus (or shortfall).

7-45,226,816

8Describe 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

9aDid the organization have a written debt collection policy during the tax year?

9aYes

No

bIf "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.

9bYes

No

Part IVManagement 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 %
11 CENTER FOR DIAGNOSTIC IMAGING	DIAGNOSTIC IMAGING	21.000 %	0 %	21.000 %
22 PAVILION SURGERY CENTER	OUTPATIENT AMBULATORY SURGERY	50.000 %	5.000 %	45.000 %
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V

Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)  
How many hospital facilities did the organization operate during the tax year?  
1

Name, address, primary website address, and state license number

		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
	See Additional Data Table										

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 LUKE'S HOSPITAL OF DULUTH

Name of hospital facility or facility reporting group

If reporting on Part V, Section B for a single hospital facility only: line number of hospital facility (from Schedule H, Part V, Section A )

1

	Yes	No
<b>Community Health Needs Assessment</b> (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
<b>1</b> 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)	<b>1</b> Yes	
<b>a</b> <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
<b>b</b> <input checked="" type="checkbox"/> Demographics of the community		
<b>c</b> <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		
<b>d</b> <input checked="" type="checkbox"/> How data was obtained		
<b>e</b> <input checked="" type="checkbox"/> The health needs of the community		
<b>f</b> <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
<b>g</b> <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
<b>h</b> <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
<b>i</b> <input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
<b>j</b> <input type="checkbox"/> Other (describe in Part VI)		
<b>2</b> Indicate the tax year the hospital facility last conducted a CHNA 20 <u>13</u>		
<b>3</b> In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests 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 . . . . .	<b>3</b> Yes	
<b>4</b> Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	<b>4</b> Yes	
<b>5</b> 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)	<b>5</b> Yes	
<b>a</b> <input checked="" type="checkbox"/> Hospital facility's website (list url) <u>HTTP //WWW.SLHDULUTH.COM/FIND-A-LOCATION/</u>		
<b>b</b> <input type="checkbox"/> Other website (list url) _____		
<b>c</b> <input checked="" type="checkbox"/> Available upon request from the hospital facility		
<b>d</b> <input type="checkbox"/> Other (describe in Part VI)		
<b>6</b> If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply as of the end of the tax year)		
<b>a</b> <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
<b>b</b> <input checked="" type="checkbox"/> Execution of the implementation strategy		
<b>c</b> <input checked="" type="checkbox"/> Participation in the development of a community-wide plan		
<b>d</b> <input checked="" type="checkbox"/> Participation in the execution of a community-wide plan		
<b>e</b> <input type="checkbox"/> Inclusion of a community benefit section in operational plans		
<b>f</b> <input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
<b>g</b> <input checked="" type="checkbox"/> Prioritization of health needs in its community		
<b>h</b> <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
<b>i</b> <input type="checkbox"/> Other (describe in Part VI)		
<b>7</b> 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 . . . . .	<b>7</b>	No
<b>8a</b> 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)? . . . . .	<b>8a</b>	No
<b>b</b> If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax? . . . . .	<b>8b</b>	
<b>c</b> 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? \$ _____		

## Financial Assistance Policy

## Billing and Collections

<b>5</b> Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment? . . . . .	<b>15</b>	Yes	
<b>6</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 individual'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 Section C)			
<b>7</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 individual's eligibility under the facility's FAP? . . . . .	<b>17</b>		No
If "Yes," check all actions in which the hospital facility or a third party engaged			
<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 Section C)			

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 individuals regarding the individuals' bills
- d

☒

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

☐

Other (describe in Section C)

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		
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 individual 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 individual 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 D. 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? 44

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

Provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II and Part III, lines 2, 3, 4, 8 and 9b
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs 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

Form and Line Reference	Explanation
PART I, LINE 7	ST LUKE'S USED COST-TO-CHARGE RATIOS DERIVED FROM THE MOST RECENT COMPLETED MEDICARE COST REPORT
PART I, LINE 7G	ST LUKE'S INCLUDED SUBSIDIZED HEALTH SERVICES FROM A MENTAL HEALTH CLINIC (\$1,444,902), A PEDIATRICS CLINIC (\$1,532,000), AND HOMECARE/HOSPICE SERVICES (\$2,168,358)

Form and Line Reference	Explanation
PART I, LN 7 COL(F)	BAD DEBT EXPENSE FOR 2013 IS \$6,444,542 AS REPORTED IN PART III, LINE 2 THIS AMOUNT HAS BEEN ELIMINATED WHEN CALCULATING THE COMMUNITY BENEFIT AS A PERCENT OF TOTAL EXPENSE BAD DEBT ACCOUNTS WILL MEET ALL OF THE FOLLOWING CRITERIA I ATTEMPTS HAVE BEEN MADE TO CONTACT THE PATIENT OR GUARANTOR BY MAIL AND TELEPHONE II PATIENT OR GUARANTOR HAS NOT RESPONDED DURING THE COLLECTION CYCLE IN A TIMELY AND RESPONSIBLE MANNER OR HAS DEFAULTED ON A PAYMENT ARRANGEMENT III THERE ARE NO KNOWN CIRCUMSTANCES WHICH WOULD JUSTIFY RECONSIDERATION FOR FINANCIAL ASSISTANCE APPROVAL FOR BAD DEBT WRITE OFFS ARE AS FOLLOWS \$0 TO 2,499 -- PATIENT ACCOUNTS MANAGER OR CBO MANAGER\$2,500 TO 9,999 -- BUSINESS SERVICES DIRECTOR OR CBO MANAGER\$10,000 AND OVER -- CHIEF FINANCIAL OFFICER
PART II, COMMUNITY BUILDING ACTIVITIES	ST LUKE'S COMMUNITY-BUILDING ACTIVITIES INCLUDE CASH, IN-KIND DONATIONS, AND OTHER EXPENDITURES FOR THE DEVELOPMENT OF COMMUNITY HEALTH PROGRAMS AND PARTNERSHIPS

Form and Line Reference	Explanation
PART III, LINE 3	ST LUKE'S HAS NO RATIONALE FOR ESTIMATING THE PORTION OF BAD DEBT THAT ARE ATTRIBUTABLE TO PATIENTS ELIGIBLE FOR CHARITY CARE, THEREFORE, NO AMOUNT HAS BEEN REPORTED
PART III, LINE 4	ST LUKE'S DOES NOT INCLUDE A FOOTNOTE IN IT'S AUDITED FINANCIAL STATEMENTS THAT DESCRIBES BAD DEBT ST LUKE'S ACCOUNTS FOR DISCOUNTS AND PAYMENTS ON PATIENT ACCOUNTS THROUGH A RECORD KEEPING SYSTEM IN THE BUSINESS SERVICES DEPARTMENT PAYMENT FOR SERVICES IS REQUIRED UPON RECEIPT OF A BILL OR STATEMENT ALL SELF PAY ACCOUNTS ARE ANALYZED FOR COLLECTABILITY BASED ON THE MONTHS PAST DUE AND PAYMENT HISTORY THE ALLOWANCE FOR DOUBTFUL ACCOUNTS IS CALCULATED BY APPLYING HISTORICAL EXPERIENCE TO AN AGING OF THESE ACCOUNTS ACCOUNTS THAT ARE DETERMINED TO BE UNCOLLECTIBLE ARE SENT TO A COLLECTION AGENCY AND WRITTEN OFF AT THAT TIME THE COST OF CHARITY CARE WAS REPORTED IN PART III, LINE 3 THIS AMOUNT IS CALCULATED USING THE MEDICARE COST REPORT RATIO FOR THE HOSPITAL, MULTIPLIED BY ST LUKE'S CHARITY CARE EXPENSE FOR FY ENDING 12/31/13

Form and Line Reference	Explanation
PART III, LINE 8	THE COST-TO-CHARGE RATIO WAS THE COSTING METHODOLOGY USED TO DETERMINE THE MEDICARE ALLOWABLE COSTS REPORTED ON THE MEDICARE COST REPORT THE ENTIRE SHORTFALL (\$42,226,816) IS INCLUDED IN THE TOTAL VALUE OF COMMUNITY CONTRIBUTIONS LISTED UNDER "OTHER COMMUNITY CONTRIBUTIONS "
PART III, LINE 9B	THE GENERAL DEBT COLLECTION PROCESS BEGINS EITHER AT THE TIME OF BILLING, OR AFTER ALL IDENTIFIED INSURANCE PAYMENTS HAVE BEEN RECEIVED AND POSTED ANY REMAINING PATIENT LIABILITY WILL BE TRANSFERRED TO THE PATIENT RESPONSIBILITY CATEGORY ANY MONTHLY PAYMENT LESS THAN \$50 A MONTH MUST BE APPROVED BY THE BUSINESS SERVICES DIRECTOR OR THE CENTRAL BILLING OFFICE (CBO) MANAGER UNINSURED PATIENTS WILL RECEIVE A DISCOUNT ON THEIR OUTSTANDING HOSPITAL BALANCE EQUAL TO THE RATE GIVEN TO ST LUKE'S LARGEST CONTRACTED NON-GOVERNMENTAL PAYER THIS DISCOUNT DOES NOT APPLY TO ELECTIVE PROCEDURES OR PHYSICIAN CLINIC BALANCES THE DISCOUNT RATE WILL BE EVALUATED ON EACH JULY 1ST BASED ON THE PAYER DISCOUNT RATES FOR THE PREVIOUS CALENDAR YEAR'S ACTIVITY COLLECTION, LITIGATION AND OR GARNISHMENT ACTIVITIES WILL NOT BE INITIATED UNTIL THE BUSINESS SERVICES DIRECTOR, PATIENT ACCOUNTING MANAGER AND/OR CBO MANAGER VERIFIES THAT I THE PATIENT OR GUARANTOR OWES THE DEBTII ALL THIRD PARTY PAYERS HAVE BEEN BILLEDIII WHEN APPLICABLE, THE PATIENT/GUARANTOR HAS BEEN OFFERED A REASONABLE PAYMENT PLANIV THE PATIENT/GUARANTOR HAS BEEN MADE AWARE OF THE UNINSURED PATIENT DISCOUNT OR FINANCIAL ASSISTANCE PROGRAM, HAS BEEN OFFERED AN APPLICATION AND THE OFFER OF ASSISTANCE TO COMPLETE THE APPLICATION PATIENTS WHO DESIRE ELECTIVE INPATIENT OR OUTPATIENT SERVICES AND ARE UNINSURED OR HAVE LARGE INSURANCE DEDUCTIBLES FIRST MEET WITH A FINANCIAL COUNSELOR TO DISCUSS FINANCIAL ARRANGEMENTS PRIOR TO SERVICES BEING RENDERED A 100% DEPOSIT IS EXPECTED FOR THE EXPECTED PATIENT LIABILITY IN ADVANCE OF SERVICES BEING RENDERED IF THE 100% DEPOSIT CANNOT BE MET, THEN A MINIMUM DEPOSIT OF 50% OF THE EXPECTED PATIENT LIABILITY WILL BE REQUIRED AND THE PATIENT MUST SIGN A PROMISSORY NOTE FOR THE REMAINING BALANCE TO BE PAID WITHIN 30 DAYS OF SERVICES IF NEITHER OF THESE CONDITIONS CAN BE MET, AN ELECTIVE PROCEDURE MAY BE CANCELLED UNTIL SUCH TIME AS THESE FINANCIAL CONDITIONS CAN BE MET

Form and Line Reference	Explanation
PART VI, LINE 2	ST LUKE'S HAS A LONG HISTORY OF PARTICIPATING IN SUCCESSFUL, SUSTAINABLE COLLABORATIVE INITIATIVES ON LOCAL, REGIONAL AND NATIONAL LEVELS 1) ST LUKE'S RESEARCH DEPARTMENT, THE WHITESIDE INSTITUTE FOR CLINICAL RESEARCH, WAS FORMED IN 1996 AS THE RESULT OF A PARTNERSHIP WITH THE UNIVERSITY OF MINNESOTA MEDICAL SCHOOL, DULUTH (UMMSD), AND CONTINUES TO PROVIDE SERVICES TO ST LUKE'S PATIENTS IN ACCESS TO LOCAL, NATIONAL AND MULTI-NATIONAL CLINICAL STUDIES AS WELL AS TO ST LUKE'S STAFF IN DEVELOPMENT OF RESEARCH STUDIES, REFERRAL TO UM COLLABORATORS AND GRANT WRITING RESOURCES 2) ST LUKE'S HAS COLLABORATED WITH THE MULTI-STATE CONSORTIUM OF ABOUT 56 SUPPORTING ORGANIZATIONS INCLUDING COUNTY PUBLIC HEALTH DEPARTMENTS, HOSPITALS AND CLINICS TO FUND THE BRIDGE TO HEALTH PROJECT THIS PROJECT COLLECTED POPULATION-BASED, HEALTH STATUS DATA ON ADULTS (AGED 18+) IN THE REGION USING A 70 QUESTION TELEPHONE SURVEY FORMAT AND WAS CONDUCTED IN 1995, 2000, 2005 AND 2010 TO ADDRESS A NEED THAT BECAME APPARENT AS A RESULT OF THE BRIDGE TO HEALTH SURVEY, THE TWIN PORTS HEALTHCARE ACCESS GROUP WAS FORMED ST LUKE'S JOINED WITH OTHER HEALTHCARE PROVIDERS IN THE COMMUNITY TO DEVELOP TWO PROGRAMS SHARECARE WHICH ESTABLISHED SLIDING FEE SCALES FOR CLINIC AND OUTPATIENT SERVICES TO DIMINISH THE FINANCIAL BARRIER TO PREVENTIVE, MENTAL HEALTH AND PRIMARY CARE SERVICES, AND HEALTHSHARE WHICH IS A COVERAGE MODEL FOR SMALL BUSINESSES FUNDED COLLABORATIVELY BY THE EMPLOYERS, EMPLOYEES AND THE COMMUNITY THIS COVERAGE MODEL PROVIDES A CONTINUUM OF HEALTH CARE SERVICES FOR EMPLOYEES WITHIN A DEFINED NETWORK OF COMMUNITY PROVIDERS 3) ST LUKE'S WAS A LEAD PARTICIPANT IN THE WILDERNESS COALITION PHARMACY SERVICES PROJECT FUNDED BY THE AGENCY FOR HEALTHCARE RESEARCH AND QUALITY THIS 3-YEAR PROJECT SUCCESSFULLY IMPLEMENTED 24/7 PROFESSIONAL PHARMACY SERVICES FOR 10 RURAL HOSPITALS IN NORTHEASTERN MINNESOTA USING ST LUKE'S 24 HOUR PHARMACY, AN ITV-BASED SYSTEM OF CONTINUING EDUCATION FOR SITES, PHARMACY POLICIES AND PROCEDURES ADAPTABLE FOR INDIVIDUAL SITES, AS WELL AS BEDSIDE VERIFICATION OF MEDICATION ADMINISTRATION AND MEDICATION BAR CODING AT SOME LOCATIONS THOUGH PROJECT FUNDING HAS ENDED, THE SERVICES REMAIN AND THE PROGRAM IS NOW SELF-SUSTAINING 4) ST LUKE'S IS AN ACTIVE PARTICIPANT IN THE COMMUNITY HEALTH INFORMATION COLLABORATIVE (CHIC) WHICH RECENTLY LAUNCHED "HIE-BRIDGE", A SECURE "HEALTH INFORMATION EXCHANGE" WHICH ALLOWS HEALTH CARE PROVIDERS TO QUICKLY DETERMINE THE LOCATION OF PATIENT MEDICAL RECORDS IN THE REGION AND COMMUNICATE WITH PATIENT'S HOME FACILITY IN ORDER TO PROVIDE PROMPT QUALITY CARE ST LUKE'S ASSISTED CHIC IN THE TEST PHASE OF THIS PROJECT FUNDED BY THE NATIONAL LIBRARY OF MEDICINE
PART VI, LINE 3	ST LUKE'S INFORMS AND EDUCATES PATIENTS AND PERSONS WHO MAY BE BILLED FOR PATIENT CARE ABOUT ELIGIBILITY FOR ASSISTANCE THE FOLLOWING WAYS - INFORMATION IS INCLUDED ON THE ST LUKE'S WEB SITE (WWW.SLHDULUTH.COM) REGARDING WHO PATIENTS SHOULD CONTACT FOR INFORMATION OR FINANCIAL ASSISTANCE - THERE ARE POSTINGS IN ALL REGISTRATION AREAS WITH CONTACT INFORMATION AND PHONE NUMBERS REGARDING HOW PATIENTS CAN OBTAIN ASSISTANCE (BOTH FROM ST LUKE'S AND EXTERNAL ORGANIZATIONS) - ALL ST LUKE'S EXTERNAL BILLING AND COLLECTION VENDORS HAVE BEEN INSTRUCTED TO REFER ANY PATIENT INDICATING THEY LACK THE FINANCIAL WHEREWITHAL TO MEET THEIR FINANCIAL OBLIGATIONS TO ST LUKE'S FINANCIAL COUNSELORS AS REQUIRED UNDER A BILLING AND COLLECTION AGREEMENT WITH THE MINNESOTA ATTORNEY GENERAL, ST LUKE'S PERFORMS AN ANNUAL AUDIT OF ALL EXTERNAL VENDORS TO ENSURE COMPLIANCE WITH THIS INSTRUCTION AND ALL OTHER ST LUKE'S POLICIES AND PROCEDURES - ST LUKE'S FINANCIAL COUNSELORS' BUSINESS CARDS ARE PROMINENTLY DISPLAYED AND AVAILABLE AT ALL REGISTRATION AREAS (INCLUDING THE EMERGENCY/URGENT CARE AREA) WITH THEIR CONTACT INFORMATION AND PHONE NUMBERS PATIENTS ARE ENCOURAGED TO CONTACT FINANCIAL COUNSELORS - THE ST LUKE'S FINANCIAL COUNSELORS' PHONE NUMBER IS LISTED PROMINENTLY ON THE PATIENT BILLING STATEMENTS - THE FINANCIAL COUNSELORS ARE AVAILABLE WEEKDAYS BY PHONE OR IN PERSON TO DISCUSS AND APPLY FOR FINANCIAL ASSISTANCE PROGRAMS - ST LUKE'S HAS ENGAGED AN EXTERNAL VENDOR TO MEET WITH PATIENTS AT BEDSIDE TO DISCUSS ELIGIBILITY FOR ASSISTANCE WITH GOVERNMENTAL ASSISTANCE PROGRAMS OR ST LUKE'S FINANCIAL ASSISTANCE PROGRAM - ST LUKE'S INPATIENT BOOKLET CONTAINS INFORMATION REGARDING FINANCIAL ASSISTANCE AND CONTACT INFORMATION - AT LEAST ANNUALLY, THE ST LUKE'S AND MEDICAL STAFF NEWSLETTERS CONTAIN ARTICLES REGARDING PATIENT FINANCIAL ASSISTANCE HOSPITAL AND MEDICAL STAFF MEMBERS ARE INFORMED THAT THEY HAVE THE RESPONSIBILITY TO LISTEN FOR FINANCIAL CONCERNS EXPRESSED BY PATIENTS AND TO PROACTIVELY REFER THOSE PATIENTS TO ST LUKE'S FINANCIAL COUNSELORS

Form and Line Reference	Explanation
PART VI, LINE 4	COMMUNITY OR COMMUNITIES THE ORGANIZATION SERVES ST LUKE'S SERVICE AREA CONSISTS OF A 17-COUNTY REGION OF NORTHEASTERN MINNESOTA, NORTHWESTERN WISCONSIN AND THE WESTERN UPPER PENINSULA OF MICHIGAN WITH A POPULATION OF APPROXIMATELY 500,000 THE PRIMARY MARKET CONSISTS OF DULUTH, CLOQUET AND TWO HARBORS, MINNESOTA, AND SUPERIOR, WISCONSIN THIS PRIMARY MARKET SERVES URBAN AND SUBURBAN AREAS WITH A POPULATION OF APPROXIMATELY 166,000 DEMOGRAPHICS OF THE COMMUNITY OR COMMUNITIES (PRIMARY MARKET) POPULATIONS DULUTH, MN (86,265), SUPERIOR, WI (27,244) MEDIAN HOUSEHOLD INCOME DULUTH, MN (\$33,766), SUPERIOR, WI (\$31,921) MEDIAN FAMILY INCOME DULUTH, MN (\$46,394), SUPERIOR, WI (\$41,093) % OF FAMILIES BELOW FPG DULUTH, MN (8.6%), SUPERIOR, WI (9.6%) % OF INDIVIDUALS BELOW FPG DULUTH, MN (15.5%), SUPERIOR, WI (13.4%) % OF HOSPITAL MEDICAID PAYOR MIX INPATIENT (12%), OUTPATIENT (13%) % OF HOSPITAL SELF PAY PAYOR MIX INPATIENT (4%), OUTPATIENT (3%) NUMBER OF HOSPITALS SERVING THE COMMUNITY OR COMMUNITIES (PRIMARY MARKET) ST LUKE'S HOSPITAL LAKE VIEW HOSPITAL CLOQUET COMMUNITY MEMORIAL HOSPITAL ESSENTIA HEALTH SMDC MEDICAL CENTER (FORMERLY MILLER DWAN) ESSENTIA HEALTH ST MARY'S HOSPITAL OF SUPERIOR ESSENTIA HEALTH ST MARY'S MEDICAL CENTER NUMBER OF FEDERALLY-DESIGNATED MEDICALLY UNDERSERVED AREAS OR POPULATIONS PRESENT IN THE COMMUNITY MUA/P DULUTH, MN (11), SUPERIOR, WI (7)
PART VI, LINE 5	ST LUKE'S HAS BUILT A REPUTATION OF PROVIDING QUALITY CARE AND PUTTING THE PATIENT FIRST SINCE OPENING IN 1881, ST LUKE'S HAS GROWN INTO A NATIONALLY RECOGNIZED HEALTH CARE SYSTEM SERVING 17 COUNTIES THROUGHOUT NORTHEASTERN MINNESOTA, NORTHWESTERN WISCONSIN AND THE UPPER PENINSULA OF MICHIGAN ST LUKE'S HOSPITAL, ALONG WITH ITS PRIMARY AND SPECIALTY CARE CLINICS, OFFERS A COMPREHENSIVE CONTINUUM OF CARE THAT INCLUDES TRAUMA, MEDICAL, SURGICAL, DIAGNOSTIC, THERAPEUTIC AND REHAB SERVICES MORE THAN 2,000 HEALTH CARE PROFESSIONALS, INCLUDING A MEDICAL STAFF OF 365 PHYSICIANS AND OTHER MEDICAL PROVIDERS, MAKE UP ST LUKE'S STAFF WITH RAPID ACCESS TO ST LUKE'S ELECTRONIC MEDICAL RECORDS, PHYSICIANS CAN MAKE INFORMED TREATMENT DECISIONS FOR THEIR PATIENTS ST LUKE'S 13 PRIMARY CARE CLINICS INCLUDE 10 FAMILY PRACTICE CLINICS LOCATED IN DULUTH (4), AND ACROSS MINNESOTA IN SILVER BAY, HIBBING, MOUNTAIN IRON AND HERMANTOWN, MN AS WELL AS IN ASHLAND AND SUPERIOR, WI IN ADDITION, ST LUKE'S DULUTH INTERNAL MEDICINE ASSOCIATES (DIMA) IS LOCATED IN DOWNTOWN DULUTH WHILE ST LUKE'S INTERNAL MEDICINE ASSOCIATES AND ST LUKE'S PEDIATRIC ASSOCIATES ARE LOCATED ON THE ST LUKE'S CAMPUS AN ADDITIONAL 23 SPECIALTY CLINICS LOCATED PRIMARILY ON THE ST LUKE'S CAMPUS, PROVIDE EXPERTISE IN MANY AREAS OF HEALTH CARE INCLUDING CANCER CARE, CARDIAC CARE, HOME CARE AND HOSPICE, ADULT PSYCHIATRY, PLASTIC SURGERY, ALLERGY, ENDOCRINOLOGY, DERMATOLOGY, GASTROENTEROLOGY, INFECTIOUS DISEASE, PHYSICAL MEDICINE AND REHAB, UROLOGY, RHEUMATOLOGY, NEUROSURGERY AND PULMONARY MEDICINE





Additional Data

Software ID:

Software Version:

EIN: 41-0714079

Name: ST LUKE'S HOSPITAL OF DULUTH

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

Section D. 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?

Name and address	Type of Facility (describe)
1 ST LUKE'S INTERNAL MEDICINE ASSOCIATES 1001 E SUPERIOR ST DULUTH,MN 55802	OUTPATIENT MEDICAL
2 ST LUKE'S RADIATION ONCOLOGY ASSOCIATES 1001 E SUPERIOR ST DULUTH,MN 55805	OUTPATIENT MEDICAL
3 ST LUKE'S CARDIOLOGY ASSOCIATES 1001 E SUPERIOR ST DULUTH,MN 55802	OUTPATIENT MEDICAL
4 MARINER MEDICAL CLINIC 109 N 28TH ST E SUPERIOR,WI 54880	OUTPATIENT MEDICAL
5 ST LUKE'S PAVILION SURGICAL ASSOCIATES 920 E 1ST ST DULUTH,MN 55805	OUTPATIENT MEDICAL
6 CHEQUAMEGON CLINIC 415 ELLINS AVE ASHLAND,WI 54806	OUTPATIENT MEDICAL
7 ST LUKE'S CARDIOTHORACIC SURGICAL ASSOC 920 E 1ST ST DULUTH,MN 55805	OUTPATIENT MEDICAL
8 PS RUDIE MEDICAL CLINIC 26 EAST SUPERIOR STREET DULUTH,MN 55802	OUTPATIENT MEDICAL
9 HIBBING FAMILY MEDICAL CENTER 1120 E 34TH ST HIBBING,MN 55746	OUTPATIENT MEDICAL
10 ST LUKE'S GASTROENTEROLOGY ASSOCIATES 920 E 1ST ST DULUTH,MN 55805	OUTPATIENT MEDICAL
11 ST LUKE'S MENTAL HEALTH 220 N 6TH AVE E DULUTH,MN 55802	OUTPATIENT MEDICAL
12 DULUTH INTERNAL MEDICINE ASSOCIATES 220 MEDICAL ARTS BLDG DULUTH,MN 55802	OUTPATIENT MEDICAL
13 MOUNT ROYAL MEDICAL CLINIC 1400 WOODLAND AVE DULUTH,MN 55803	OUTPATIENT MEDICAL
14 MARINER CLINIC URGENT CARE 109 N 28TH ST E SUPERIOR,WI 54880	OUTPATIENT MEDICAL
15 ST LUKE'S PULMONARY MEDICINE ASSOCIATES 920 E 1ST ST DULUTH,MN 55805	OUTPATIENT MEDICAL
16 ST LUKE'S RHEUMOTOLOGY ASSOCIATES 1000 E 1ST ST DULUTH,MN 55805	OUTPATIENT MEDICAL
17 ST LUKE'S UROLOGY ASSOCIATES 1001 E SUPERIOR ST DULUTH,MN 55802	OUTPATIENT MEDICAL
18 ST LUKE'S NEUROSURGERY ASSOCIATES 920 E 1ST ST DULUTH,MN 55805	OUTPATIENT MEDICAL
19 ST LUKE'S ORTHOPAEDIC & SPORTS MEDICINE 1000 E 1ST ST DULUTH,MN 55805	OUTPATIENT MEDICAL
20 DENFELD MEDICAL CLINIC 4702 GRAND AVE DULUTH,MN 55807	OUTPATIENT MEDICAL
21 MARINER OUTPATIENT SURGERY CENTER 109 N 28TH ST E SUPERIOR,WI 54880	OUTPATIENT MEDICAL
22 ST LUKE'S DERMATOLOGY ASSOC 920 E 1ST ST DULUTH,MN 55805	OUTPATIENT MEDICAL
23 ST LUKE'S HOME CARE 220 N 6TH AVE E DULUTH,MN 55805	OUTPATIENT MEDICAL
24 ST LUKE'S PEDIATRIC ASSOCIATES 1000 E 1ST ST DULUTH,MN 55805	OUTPATIENT MEDICAL
25 LAURENTIAN MEDICAL CLINIC 8373 UNITY DRIVE VIRGINIA,MN 55792	OUTPATIENT MEDICAL
26 MILLER CREEK MEDICAL CLINIC 4884 MILLER TRUNK HWY HERMANTOWN,MN 55811	OUTPATIENT MEDICAL
27 ST LUKE'S PHYSICAL MEDICINE & REHAB ASS 1011 E 1ST ST DULUTH,MN 55805	OUTPATIENT MEDICAL
28 ST LUKE'S PLASTIC SURGERY ASSOCIATES 920 E 1ST ST DULUTH,MN 55805	OUTPATIENT MEDICAL
29 BAY AREA MEDICAL CLINIC 50 OUTER DRIVE SILVER BAY,MN 55614	OUTPATIENT MEDICAL
30 ST LUKE'S ENDOCRINOLOGY ASSOCIATES 1011 E 1ST ST DULUTH,MN 55805	OUTPATIENT MEDICAL
31 ST LUKE'S ALLERGY & IMMUNOLOGY ASSOCIAT 920 E 1ST ST DULUTH,MN 55805	OUTPATIENT MEDICAL
32 ST LUKE'S ONCOLOGY & HEMATOLOGY ASSOCIA 1001 E SUPERIOR ST DULUTH,MN 55802	OUTPATIENT MEDICAL
33 ST LUKE'S OCCUPATIONAL HEALTH 4702 GRAND AVE DULUTH,MN 55807	OUTPATIENT MEDICAL
34 ST LUKE'S INFECTIOUS DISEASE ASSOCIATES 1001 E SUPERIOR ST DULUTH,MN 55802	OUTPATIENT MEDICAL
35 ST LUKE'S SURGICAL ASSOCIATES 920 E 1ST ST DULUTH,MN 55805	OUTPATIENT MEDICAL
36 Q-CARE EXPRESS CLINIC 619 W CENTRAL ENTRANCE DULUTH,MN 55811	OUTPATIENT MEDICAL
37 LESTER RIVER MEDICAL CLINIC 6351 E SUPERIOR ST DULUTH,MN 55804	OUTPATIENT MEDICAL
38 ST LUKE'S ANESTHESIA ASSOCIATES 915 E 1ST ST DULUTH,MN 55805	OUTPATIENT MEDICAL
39 ST LUKE'S EMERGENCY SERVICES 1011 E 1ST ST DULUTH,MN 55805	OUTPATIENT MEDICAL
40 ST LUKE'S OBSTETRICS AND GYNECOLOGY ASSO 1000 E 1ST ST SUITE LL DULUTH,MN 55802	OUTPATIENT MEDICAL
41 ST LUKE'S HOSPICE 1011 E 1ST ST DULUTH,MN 55805	OUTPATIENT MEDICAL
42 ST LUKE'S HOSPITAL REHAB 1011 E 1ST ST DULUTH,MN 55805	OUTPATIENT MEDICAL
43 ST LUKE'S OPHTHALMOLOGY ASSOC 324 W SUPERIOR ST SUITE 800 DULUTH,MN 55802	OUTPATIENT MEDICAL
44 ST LUKE'S URGENT CARE 915 E 1ST ST DULUTH,MN 55805	OUTPATIENT MEDICAL

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Schedule I  
(Form 990)

Department of the Treasury  
Internal Revenue Service

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

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

▶ Information about Schedule I (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

DLN: 93493309013524

OMB No 1545-0047

2013

Open to Public  
Inspection

Name of the organization  
ST LUKE'S HOSPITAL OF DULUTH

Employer identification number  
41-0714079

Part I

General Information on Grants and Assistance

1

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

Yes

No

2

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

Part II

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) LAKE SUPERIOR COMMUNITY HEALTH CENTER 4325 GRAND AVENUE DULUTH, MN 55807	23-7167576	501(C)(3)	82,500				TO SERVE LOW INCOME, UNINSURED CLIENTS
(2) PROGRAM FOR AID TO VICTIMS OF SEXUAL ASSAULT 32 EAST 1ST STREET SUITE 200 DULUTH, MN 55802	41-1350021	501(C)(3)	65,000				TRAINING AND SUPPORT FOR SEXUAL ASSAULT NURSE EXAMINER PROGRAM
(3) AMERICAN HEART ASSOCIATION 130 W SUPERIOR ST STE700 DULUTH, MN 55802	13-5613797	501(C)(3)	8,500				SUPPORT THE HEART WALK AND GO RED FOR WOMEN CAMPAIGNS
(4) AMERICAN CANCER SOCIETY 130 WEST SUPERIOR STREET DULUTH, MN 55802	41-0724036	501(C)(3)	9,500				TO SUPPORT RELAY FOR LIFE FUNDRAISER
(5) GENERATIONS HEALTH CARE INITIATIVES INC 130 W SUPERIOR ST STE700 DULUTH, MN 55802	41-2000473	501(C)(3)	174,000				SUPPORT FOR THE UNIVERSITY OF MINNESOTA DULUTH MEDICAL SCHOOL
(6) DULUTH SUPERIOR SYMPHONY ASSOCIATION 331 WEST SUPERIOR STREET 100 DULUTH, MN 55802	41-0760835	501(C)(3)	7,500				SUPPORT FOR DULUTH SUPERIOR SYMPHONY
(7) DULUTH AREA CHAMBER OF COMMERCE 5 WEST FIRST STREET 101 DULUTH, MN 55802	41-0225910	501(C)(6)	11,000				SPONSOR FOR 2013 DULUTH DAYS AT THE CAPITAL
(8) ARROWHEAD EMS ASSOCIATION INC 4219 ENTERPRISE CIRCLE DULUTH, MN 55811	41-1522627	501(C)(3)	5,000				SPONSOR FOR THE ARROWHEAD EMS ANNUAL CONFERENCE
(9) COLLEGE OF ST SCHOLASTICA 1200 KENWOOD AVE DULUTH, MN 55811	41-0598301	501(C)(3)	7,500				SUPPORT FOR THE ST SCHOLASTICA HEALTH SCIENCE SCHOLARSHIP PROGRAM

2

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

3

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

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

Cat No 50055P

Schedule I (Form 990) 2013

**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.** Provide the information required in Part I, line 2, Part III, column (b), and any other additional information.

Return Reference	Explanation
PART I, LINE 2	THE HOSPITAL REQUESTS THAT GRANTEES PROVIDE AN UPDATE ON THE IMPACT OF THE GRANT SIX MONTHS AFTER THE GRANT HAS BEEN MADE IN ADDITION, THE ACCOUNTING DEPARTMENT REVIEWS INVOICES SUPPORTING THE FUNDS USED FROM THE GRANT THE AFOREMENTIONED PROCESS HELPS ENSURE THE GRANT WAS USED FOR THE INDENDED PURPOSE

Additional Data

Software ID:  
Software Version:  
EIN: 41-0714079  
Name: ST LUKE'S HOSPITAL OF DULUTH

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
LAKE SUPERIOR COMMUNITY HEALTH CENTER 4325 GRAND AVENUE DULUTH,MN 55807	23-7167576	501(C)(3)	82,500				TO SERVE LOW INCOME, UNINSURED CLIENTS

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
PROGRAM FOR AID TO VICTIMS OF SEXUAL ASSAULT 32 EAST 1ST STREET SUITE 200 DULUTH, MN 55802	41-1350021	501(C)(3)	65,000				TRAINING AND SUPPORT FOR SEXUAL ASSAULT NURSE EXAMINER PROGRAM

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
AMERICAN HEART ASSOCIATION 130 W SUPERIOR ST STE700 DULUTH,MN 55802	13-5613797	501(C)(3)	8,500				SUPPORT THE HEART WALK AND GO RED FOR WOMEN CAMPAIGNS

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
AMERICAN CANCER SOCIETY 130 WEST SUPERIOR STREET DULUTH,MN 55802	41-0724036	501(C)(3)	9,500				TO SUPPORT RELAY FOR LIFE FUNDRAISER



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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
GENERATIONS HEALTH CARE INITIATIVES INC 130 W SUPERIOR ST STE700 DULUTH,MN 55802	41-2000473	501(C)(3)	174,000				SUPPORT FOR THE UNIVERSITY OF MINNESOTA DULUTH MEDICAL SCHOOL

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
DULUTH SUPERIOR SYMPHONY ASSOCIATION 331 WEST SUPERIOR STREET 100 DULUTH,MN 55802	41-0760835	501(C)(3)	7,500				SUPPORT FOR DULUTH SUPERIOR SYMPHONY

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
DULUTH AREA CHAMBER OF COMMERCE 5 WEST FIRST STREET 101 DULUTH, MN 55802	41-0225910	501(C)(6)	11,000				SPONSOR FOR 2013 DULUTH DAYS AT THE CAPITAL

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
ARROWHEAD EMS ASSOCIATION INC 4219 ENTERPRISE CIRCLE DULUTH, MN 55811	41-1522627	501(C)(3)	5,000				SPONSOR FOR THE ARROWHEAD EMS ANNUAL CONFERENCE

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
COLLEGE OF ST SCHOLASTICA 1200 KENWOOD AVE DULUTH,MN 55811	41-0598301	501(C)(3)	7,500				SUPPORT FOR THE ST SCHOLASTICA HEALTH SCIENCE SCHOLARSHIP PROGRAM

Schedule J  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Compensation Information

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

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

▶ Information about Schedule J (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization  
ST LUKE'S HOSPITAL OF DULUTH

Employer identification number  
41-0714079

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"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Discretionary spending account</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 directors, trustees, officers, including 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 checked="" type="checkbox"/> Compensation committee</div><div><input checked="" type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Independent compensation consultant</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input type="checkbox"/> Form 990 of other organizations</div><div><input checked="" 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?	4a		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b		No
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:			
a	The organization?	5a		No
b	Any related organization?	5b		No
	If "Yes," to line 5a or 5b, describe in Part III.			
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:			
a	The organization?	6a		No
b	Any related organization?	6b		No
	If "Yes," to line 6a or 6b, describe in Part III.			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III.	7		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				
(1)MARSHALL WATSON MD BOARD MEMBER/PHYSICIAN	(i)	823,447	0	295	4,631	20,296	848,669	0
	(ii)	0	0	0	0	0	0	0
(2)ELISABETH REVOIR MD BOARD MEMBER/CHIEF OF STAFF	(i)	330,126	0	441	3,431	25,284	359,282	0
	(ii)	0	0	0	0	0	0	0
(3)JOHN STRANGE PRESIDENT/CEO	(i)	605,643	0	1,942	11,671	139,095	758,351	0
	(ii)	0	0	0	0	0	0	0
(4)ERIC LOHN VICE PRESIDENT/CFO	(i)	143,882	0	138	0	42,315	186,335	0
	(ii)	0	0	0	0	0	0	0
(5)JOHN YOON MD PHYSICIAN	(i)	1,256,970	0	699	4,631	25,284	1,287,584	0
	(ii)	0	0	0	0	0	0	0
(6)JOHN WATKINS MD PHYSICIAN	(i)	880,741	0	294	4,632	18,737	904,404	0
	(ii)	0	0	0	0	0	0	0
(7)DAVID FOGARTY MD PHYSICIAN	(i)	799,726	0	441	2,400	10,965	813,532	0
	(ii)	0	0	0	0	0	0	0
(8)DIONYSIOS KLIRONOMOS MD PHYSICIAN	(i)	798,971	0	265	4,632	15,119	818,987	0
	(ii)	0	0	0	0	0	0	0
(9)MARY BOYLEN MD PHYSICIAN	(i)	797,015	0	1,265	6,264	25,284	829,828	0
	(ii)	0	0	0	0	0	0	0

**Part III**   **Supplemental Information**

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.

Return Reference	Explanation
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Additional Data

Software ID:  
Software Version:  
EIN: 41-0714079  
Name: ST LUKE'S HOSPITAL OF DULUTH

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				
MARSHALL WATSON MD BOARD MEMBER/PHYSICIAN	(i) (ii)	823,447 0	0 0	295 0	4,631 0	20,296 0	848,669 0	0 0
ELISABETH REVOIR MD BOARD MEMBER/CHIEF OF STAFF	(i) (ii)	330,126 0	0 0	441 0	3,431 0	25,284 0	359,282 0	0 0
JOHN STRANGE PRESIDENT/CEO	(i) (ii)	605,643 0	0 0	1,942 0	11,671 0	139,095 0	758,351 0	0 0
ERIC LOHN VICE PRESIDENT/CFO	(i) (ii)	143,882 0	0 0	138 0	0 0	42,315 0	186,335 0	0 0
JOHN YOON MD PHYSICIAN	(i) (ii)	1,256,970 0	0 0	699 0	4,631 0	25,284 0	1,287,584 0	0 0
JOHN WATKINS MD PHYSICIAN	(i) (ii)	880,741 0	0 0	294 0	4,632 0	18,737 0	904,404 0	0 0
DAVID FOGARTY MD PHYSICIAN	(i) (ii)	799,726 0	0 0	441 0	2,400 0	10,965 0	813,532 0	0 0
DIONYSIOS KLIRONOMOS MD PHYSICIAN	(i) (ii)	798,971 0	0 0	265 0	4,632 0	15,119 0	818,987 0	0 0
MARY BOYLEN MD PHYSICIAN	(i) (ii)	797,015 0	0 0	1,265 0	6,264 0	25,284 0	829,828 0	0 0

Schedule K  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.  
▶ Attach to Form 990. ▶ See separate instructions.  
▶ Information about Schedule K (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization  
ST LUKE'S HOSPITAL OF DULUTH

Employer identification number  
41-0714079

Part I Bond Issues

(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A DULUTH ECONOMIC DEVELOPMENT AUTHORITY	41-6005105	26444CGT3	10-10-2012	83,148,022	REFINANCE SERIES 2002 BONDS PURCHASE EQUIPMENT, FUND HOSPITAL ADDITION		X		X		X

Part II Proceeds

		A		B		C		D	
1	Amount of bonds retired	164,768,099							
2	Amount of bonds legally defeased								
3	Total proceeds of issue	83,148,022							
4	Gross proceeds in reserve funds	5,983,801							
5	Capitalized interest from proceeds	1,039,149							
6	Proceeds in refunding escrows								
7	Issuance costs from proceeds	1,625,011							
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	33,335,774							
11	Other spent proceeds								
12	Other unspent proceeds	42,203,756							
13	Year of substantial completion								
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III Private Business Use

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?		X						
2	Are there any lease arrangements that may result in private business use of bond-financed property?		X						

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?		X						
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X						
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government								
6	Total of lines 4 and 5								
7	Does the bond issue meet the private security or payment test?		X						
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X						
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of								
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?		X						

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X						
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?	X							
b	Exception to rebate?		X						
c	No rebate due?		X						
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?	X							
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X						
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was the hedge terminated?								

Part IV

Arbitrage (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?		X						
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6	Were any gross proceeds invested beyond an available temporary period?		X						
7	Has the organization established written procedures to monitor the requirements of section 148?		X						

Part V

Procedures To Undertake Corrective Action

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
	Has the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations?		X						

Part VI

Supplemental Information. Provide additional information for responses to questions on Schedule K (see instructions).

Return Reference	Explanation
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Schedule L  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Transactions with Interested Persons  
▶ Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b.  
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.  
▶ Information about Schedule L (Form 990 or 990-EZ) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047  
**2013**  
**Open to Public Inspection**

Name of the organization  
ST LUKE'S HOSPITAL OF DULUTH

Employer identification number  
41-0714079

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) BRUCE JESSEN	FAMILY MEMBER OF BOARD MEMBER	115,564	COMPENSATION		No

**Part V Supplemental Information**

Provide additional information for responses to questions on Schedule L (see instructions)

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.**

**▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at  
[www.irs.gov/form990](http://www.irs.gov/form990).**

OMB No 1545-0047

**2013**

**Open to Public  
Inspection**

Name of the organization  
ST LUKE'S HOSPITAL OF DULUTH

**Employer identification number**

41-0714079

Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 1	THE EXECUTIVE COMMITTEE SHALL BE COMPOSED OF THE CHAIRPERSON OF THE BOARD AS THE PRESIDING OFFICER, ALL OTHER OFFICERS OF THE HOSPITAL WHO ARE DIRECTORS, AND SUCH ADDITIONAL DIRECTORS AS THE CHAIRPERSON MAY APPOINT WHEN THE BOARD OF DIRECTORS IS NOT IN SESSION, THE EXECUTIVE COMMITTEE SHALL HAVE THE POWER AND AUTHORITY OF THE BOARD TO TRANSACT ALL REGULAR BUSINESS OF THE HOSPITAL, INCLUDING THE AUTHORITY TO REVIEW THE COMPENSATION PAID TO THE HOSPITAL'S EMPLOYED PHYSICIANS, SUBJECT TO ANY PRIOR LIMITATIONS IMPOSED BY THE BOARD OR BY STATUTE, AND SHALL MEET AS NECESSARY IN ADDITION, THE EXECUTIVE COMMITTEE SHALL OVERSEE THE HOSPITAL'S PUBLIC RELATIONS ACTIVITIES AND KEEP THE CORPORATION'S HEALTH CARE EFFORTS CONTINUALLY BEFORE THE COMMUNITIES SERVED THROUGH THE USE OF PUBLICATIONS AND OTHER COMMUNICATIONS DESCRIBING THE HOSPITAL'S SERVICES, PROGRAMS, AND NEEDS

Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 6	ST LUKE'S HOSPITAL SHALL HAVE THREE CLASSES OF MEMBERSHIPS A) PAST MEMBERS OF ST LUKE'S HOSPITAL OF DULUTH - THE INDIVIDUALS AND ORGANIZATIONS LISTED ON THE HOSPITAL'S OFFICIAL ROSTER OF MEMBERS AS OF MAY 20, 2004 SHALL BE MEMBERS AND HAVE THE NUMBER OF VOTES AS IDENTIFIED ON THAT LIST B) MEMBERS OF THE ST LUKE'S HOSPITAL OF DULUTH - ANY INDIVIDUAL OR ORGANIZATION THAT, SUBSEQUENT TO MAY 20, 2004, CONTRIBUTES \$100 OR MORE TO THE HOSPITAL SHALL, UPON REQUEST FROM SUCH INDIVIDUAL OR ORGANIZATION AND APPROVAL BY THE BOARD OF DIRECTORS, BE A MEMBER OF THE ORGANIZATION WITH ONE VOTE C) EX OFFICIO MEMBERS - EACH DIRECTOR AND THE PRESIDENT/CEO OF THE HOSPITAL SHALL BE A VOTING MEMBER OF THE HOSPITAL DURING HIS OR HER TERM IN SUCH OFFICE AND SHALL HAVE ONE VOTE



Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7B	THE FOLLOWING RIGHTS OF THE MEMBERS OF THE CORPORATION SHALL BE LIMITED TO THE FOLLOWING MATTERS A) APPROVAL OF ANY TRANSACTION THAT WOULD CULMINATE IN THE TRANSFER OF CONTROL OF HOSPITAL OPERATIONS TO A SECRETARIAN OR RELIGIOUS ORGANIZATION B) APPROVAL OF ANY TRANSACTIONS WHICH WOULD CULMINATE IN THE TRANSFER OF CONTORL OF THE HOSPITAL'S OPERATIONS TO A FOR-PROFIT ENTITY C) APPROVAL OF THE DISSOLUTION OF THE HOSPITAL OR THE CESSATION OF THE HOSPITAL OPERATIONS THE FOREGOING ACTIONS SHALL BE APPROVED AND ADOPTED ONLY AFTER AUTHORIZATION BY THE BOARD OF DIRECTORS AND APPROVAL BY THE MEMBERS

Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11	<p>MANAGEMENT REFERENCED MULTIPLE SOURCES OF INFORMATION IN ORDER TO ACCURATELY PREPARE THE 2013 FORM 990. THESE SOURCES INCLUDE THE INTERNAL REVENUE SERVICE WEBSITE, LEGAL COUNSEL, HEALTHCARE TRADE ASSOCIATIONS, AND OTHER VARIOUS PUBLICATIONS. ONCE THE FORM 990 WAS PREPARED, IT WAS REVIEWED BY THE FOLLOWING GROUPS: 1. ST. LUKE'S SENIOR MANAGEMENT (OCTOBER 2014); 2. ST. LUKE'S BOARD OF DIRECTORS (OCTOBER 2014); 3. ST. LUKE'S FINANCE COMMITTEE (OCTOBER 2014). ALL OF THE ABOVE GROUPS WERE PROVIDED WITH A COMPLETE COPY OF THE 2013 FORM 990. IN OCTOBER 2014, THE CHIEF FINANCIAL OFFICER MADE A PRESENTATION TO THE BOARD REGARDING THE FORM 990 AND THEIR RESPONSIBILITIES. IN THE CASE OF THE FINANCE COMMITTEE AND BOARD OF DIRECTORS, THE FORM 990 REVIEW WAS LISTED AS AN AGENDA ITEM AT THEIR RESPECTIVE MEETINGS. THE CFO OF ST. LUKE'S PROVIDED AN OVERVIEW OF THE RETURN AND ANSWERED ANY QUESTIONS OR CONCERNS FROM THE BOARD/COMMITTEE MEMBERS. ANY SUGGESTED CHANGES TO THE FORM 990 WERE EVALUATED, WITH LEGAL COUNSEL IF NECESSARY, AND INCORPORATED INTO THE RETURN AS APPROPRIATE. THE RETURN WAS THEN FILED ON OR BEFORE NOVEMBER 15, 2014.</p>

Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 12C	<p>EACH DIRECTOR, OFFICER AND COMMITTEE MEMBER SHALL SIGN, AS A CONDITION TO SERVING THE CORPORATION IN HIS/HER RESPECTIVE ROLE AND ANNUALLY THEREAFTER, A STATEMENT AGREEING TO BE BOUND BY THE TERMS OF THE POLICY. PURSUANT TO THE POLICY, ANY DIRECTOR, OFFICER OR COMMITTEE MEMBER HAVING A FINANCIAL INTEREST IN A CONTRACT OR OTHER TRANSACTION PRESENTED TO THE BOARD OF DIRECTORS OR A COMMITTEE THEREOF FOR AUTHORIZATION, APPROVAL, OR RATIFICATION SHALL MAKE A PROMPT, FULL AND FRANK DISCLOSURE OF SUCH PERSON'S INTEREST TO THE BOARD OR COMMITTEE PRIOR TO ITS ACTING ON SUCH CONTRACT OR TRANSACTION. SUCH DISCLOSURE SHALL INCLUDE ANY RELEVANT AND MATERIAL FACTS, KNOWN TO SUCH PERSON, ABOUT THE CONTRACT OR TRANSACTION WHICH MIGHT REASONABLY BE CONSTRUED TO BE ADVERSE TO THE CORPORATION'S INTEREST. THE BOARD OR COMMITTEE TO WHICH SUCH DISCLOSURE IS MADE SHALL THEREUPON DETERMINE, BY MAJORITY VOTE, WHETHER THE DISCLOSURE SHOWS THAT A CONFLICT OF INTEREST EXISTS OR CAN REASONABLY BE CONSTRUED TO EXIST. IF A CONFLICT IS DEEMED TO EXIST, SUCH PERSON SHALL NOT VOTE ON, NOR USE PERSONAL INFLUENCE ON, OR PARTICIPATE (OTHER THAN TO PRESENT FACTUAL INFORMATION TO OR RESPOND TO QUESTIONS) IN THE DISCUSSIONS AND DELIBERATIONS WITH RESPECT TO SUCH CONTRACT OR TRANSACTIONS. SUCH PERSON MAY BE COUNTED IN DETERMINING THE EXISTENCE OF A QUORUM AT ANY MEETING WHERE THE CONTRACT OR TRANSACTION IS UNDER DISCUSSION OR IS BEING VOTED UPON. THE MINUTES OF THE MEETING SHALL REFLECT THE DISCLOSURE MADE, THE VOTE AND, WHERE APPLICABLE, THE ABSTENTION FROM VOTING AND PARTICIPATION, AND WHETHER A QUORUM WAS PRESENT.</p>

Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 15	<p>EXECUTIVE COMPENSATION AT ST LUKE'S HOSPITAL IS GOVERNED AND CONTROLLED BY THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS, ACCORDING TO POLICIES SET BY THE BOARD AS A WHOLE. THE COMMITTEE IS MADE UP ENTIRELY OF COMMUNITY LEADERS, NONE OF WHOM ARE EMPLOYED BY ST LUKE'S HOSPITAL. THE COMPENSATION COMMITTEE REVIEWS AND APPROVES THE COMPENSATION PROGRAM FOR THE CEO, CFO AND OTHER EXECUTIVES AND PRESENTS THE SUMMARY OF ITS ANALYSIS TO THE BOARD OF DIRECTORS FOR FINAL APPROVAL. CONTEMPORANEOUS DOCUMENTS AND RECORDKEEPING WITH RESPECT TO THE DELIBERATIONS AND DECISIONS ARE MAINTAINED BY THE CEO AND HUMAN RESOURCES DEPARTMENT. THE COMMITTEE, WITH THE AID OF AN INDEPENDENT CONSULTANT, HAS ESTABLISHED A COMPENSATION PHILOSOPHY FOR THE ORGANIZATION. THIS PHILOSOPHY DEFINES A PEER GROUP OF ORGANIZATIONS ACROSS THE COUNTRY AND INCLUDES ORGANIZATIONS OF SIMILAR SIZE, SCOPE, AND MANAGEMENT CHALLENGE. IT ALSO ESTABLISHES THE COMPETITIVE LEVEL AT WHICH THE COMMITTEE WANTS TO COMPENSATE ST LUKE'S HOSPITAL EXECUTIVES COMPARED TO THE PEER GROUP ORGANIZATIONS. THE COMMITTEE REVIEWS COMPARABILITY DATA ON SALARY LEVELS, INCENTIVE PAY, AND BENEFIT COSTS, ASSESSING EACH ELEMENT OF COMPENSATION INDEPENDENTLY AND TOTAL COMPENSATION IN AGGREGATE. THE COMMITTEE RETAINS INDEPENDENT CONSULTANTS TO GATHER COMPARABILITY DATA ON EXECUTIVE COMPENSATION IN SLH'S PEER GROUP. THESE CONSULTANTS ASSIST THE COMMITTEE IN MAKING ITS DETERMINATION THAT EXECUTIVE COMPENSATION AT SLH REMAINS REASONABLE AND CONSISTENT WITH SLH'S BOARD-APPROVED EXECUTIVE COMPENSATION PHILOSOPHY. THE COMMITTEE REVIEWS THE COMPENSATION PROGRAM FOR THE CEO, CFO AND OTHER EXECUTIVES OF THE ORGANIZATION IN DEPTH EVERY FEW YEARS AND THE LAST FULL REVIEW OCCURRED IN 2009. IN THE YEARS BETWEEN COMPREHENSIVE REVIEWS, THE COMMITTEE RELIES ON UPDATES TO THE PEER GROUP DATA BASED ON THE YEAR-TO-YEAR MARKET MOVEMENT IN THE INDUSTRY, AS PROVIDED BY THE INDEPENDENT CONSULTANT. THE COMMITTEE DILIGENTLY FOLLOWS BEST PRACTICES IN GOVERNING EXECUTIVE COMPENSATION, INCLUDING THE PROCESS PRESCRIBED BY THE IRS FOR GOVERNING EXECUTIVE COMPENSATION IN THE TAX-EXEMPT SECTOR. IT IS COMMITTED TO ACCURATELY DISCLOSING EXECUTIVE COMPENSATION ON FORM 990.</p>

Return Reference	Explanation
FORM 990, PART VI, SECTION C, LINE 19	ST LUKE'S GOVERNING DOCUMENTS AND CONFLICT OF INTEREST STATEMENTS ARE REVIEWED AND UPDATED ANNUALLY BY THE BOARD OF DIRECTORS. THEY ARE NOT AVAILABLE TO THE GENERAL PUBLIC. FINANCIAL INFORMATION IS MADE AVAILABLE THROUGH ST LUKE'S ANNUAL REPORT (PUBLISHED EVERY YEAR AND AVAILABLE ON ST LUKE'S WEBSITE AT <a href="http://WWW.SLHDULUTH.COM">WWW.SLHDULUTH.COM</a> ) AND THE FORM 990 IS MADE AVAILABLE TO THE PUBLIC IN ACCORDANCE WITH THE INTERNAL REVENUE SERVICE GUIDANCE.

Return Reference	Explanation
FORM 990, PART XI, LINE 9	CHANGE IN MINIMUM PENSION LIABILITY 24,339,626 CAPITAL REIMBURSEMENT FROM ST LUKE'S FOUNDATION 223,137 CONTRIBUTION TO SLH VOLUNTEER SERVICE GUILD -5,000

SCHEDULE R  
(Form 990)

Related Organizations and Unrelated Partnerships

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

▶ Information about Schedule R (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047

2013

Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

Name of the organization  
ST LUKE'S HOSPITAL OF DULUTH

Employer identification number

41-0714079

Part I Identification of Disregarded Entities Complete if the organization answered "Yes" on Form 990, Part IV, line 33.					
(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.							
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) ST LUKE'S FOUNDATION  1000 EAST FIRST STREET NO 102  DULUTH, MN 55805 41-1448118	FUNDRAISING SUPPORT FOR HEALTH CARE/HOSPITAL	MN	501(C)(3)	LINE 11A, I	ST LUKE'S HOSPITAL OF DULUTH	Yes	
(2) LAKE VIEW MEMORIAL HOSPITAL INC  325 11TH AVENUE  TWO HARBORS, MN 55616 41-0786046	HEALTH CARE/HOSPITAL	MN	501(C)(3)	LINE 3	ST LUKE'S HOSPITAL OF DULUTH	Yes	
(3) LAKE VIEW MEMORIAL HOSPITAL FOUNDATION OF NORTHEAST MINNESOTA  325 11TH AVENUE  TWO HARBORS, MN 55616 41-1700972	FUNDRAISING SUPPORT FOR LAKE VIEW MEMORIAL HOSPITAL	MN	501(C)(3)	LINE 7	N/A		No
(4) CRITICAL CARE SERVICES INC DBA LIFELINK III  3010 BROADWAY STREET NE  MINNEAPOLIS, MN 554131768 41-1518013	HEALTH CARE EMERGENCY TRANSPORTATION	MN	501(C)(3)	LINE 11C, III-FI	N/A		No

Part III

Identification of Related Organizations Taxable as a Partnership

Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(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	

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust

Complete if the organization answered "Yes" on 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



Part V

Transactions With Related Organizations

Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35b, or 36.

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

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

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

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

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

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

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a

No

1b

Yes

1c

Yes

1d

Yes

1e

No

1f

No

1g

No

1h

No

1i

No

1j

No

1k

No

1l

Yes

1m

Yes

1n

Yes

1o

Yes

1p

No

1q

Yes

1r

No

1s

No

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

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) ST LUKE'S FOUNDATION	C	636,057	FAIR MARKET VALUE
(2) ST LUKE'S FOUNDATION	L	260,451	FAIR MARKET VALUE
(3) LAKE VIEW MEMORIAL HOSPITAL INC	L	1,394,678	FAIR MARKET VALUE
(4) LAKE VIEW MEMORIAL HOSPITAL INC	D	4,311,097	FAIR MARKET VALUE

Schedule R (Form 990) 2013

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]

Part VII

Supplemental Information

Provide additional information for responses to questions on Schedule R (see instructions)

Return Reference	Explanation
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**ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

**YEARS ENDED DECEMBER 31, 2013 AND 2012**

**ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES  
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YEARS ENDED DECEMBER 31, 2013 AND 2012**

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CliftonLarsonAllen LLP  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
St Luke's Hospital of Duluth and Affiliates  
Duluth, Minnesota

We have audited the accompanying consolidated financial statements of St Luke's Hospital of Duluth and Affiliates (System), which are comprised of the consolidated balance sheets as of December 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 Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

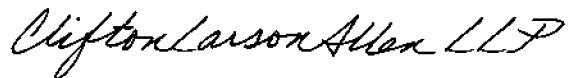
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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.

Board of Directors  
St Luke's Hospital of Duluth and Affiliates

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of St Luke's Hospital of Duluth and Affiliates as of December 31, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
March 11, 2014

**ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2013 AND 2012**  
(IN THOUSANDS)

<b>ASSETS</b>	<u>2013</u>	<u>2012</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 15,126	\$ 8,058
Undesignated Investments	31,738	31,447
Receivables		
Net Patient Accounts Receivable	39,476	43,872
Due from Third-Party Payors	3,372	2,901
Other	3,440	3,141
Current Portion of Assets Limited as to Use	2,808	1,944
Inventories	7,264	7,127
Prepaid Expenses	2,263	2,016
Total Current Assets	<u>105,487</u>	<u>100,506</u>
 <b>INVESTMENTS AND ASSETS LIMITED AS TO USE</b>		
Internally Designated for Property and Equipment	10,708	8,834
Donor Restricted Investments	5,808	5,267
Held by Trustee under Indenture Agreement, Net of Current Portion	17,113	25,610
Investments and Assets Limited as to Use	<u>33,629</u>	<u>39,711</u>
 <b>PROPERTY AND EQUIPMENT, NET</b>	 60,214	 57,402
 <b>OTHER ASSETS</b>	 <u>19,640</u>	 <u>16,940</u>
 Total Assets	 <u><u>\$ 218,970</u></u>	 <u><u>\$ 214,559</u></u>

See accompanying Notes to Consolidated Financial Statements



	<u>2013</u>	<u>2012</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Borrowings under the Lines of Credit	\$ -	\$ 3,000
Current Maturities of Long-Term Debt	2,864	2,331
Accounts Payable	13,292	12,338
Accrued Salaries and Employee Benefits	21,842	19,526
Due to Third-Party Payors	304	656
Other Accrued Expenses	1,625	2,911
Total Current Liabilities	<u>39,927</u>	<u>40,762</u>
<b>EMPLOYEE BENEFIT OBLIGATIONS</b>	41,233	63,675
<b>OTHER LIABILITIES</b>	2,361	1,908
<b>LONG-TERM DEBT (Net of Current Maturities)</b>	<u>86,560</u>	<u>89,190</u>
Total Liabilities	170,081	195,535
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>NET ASSETS</b>		
Unrestricted	42,657	13,467
Temporarily Restricted	5,494	4,819
Permanently Restricted	738	738
Total Net Assets	<u>48,889</u>	<u>19,024</u>
Total Liabilities and Net Assets	<u>\$ 218,970</u>	<u>\$ 214,559</u>

**ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**  
(IN THOUSANDS)

	<u>2013</u>	<u>2012</u>
<b>REVENUES</b>		
Net Patient Service Revenue (Net of Contractual Allowances and Discounts)	\$ 361,671	\$ 341,029
Provision for Bad Debts	<u>6,893</u>	<u>7,354</u>
Net Patient Service Revenue Less Provision for Bad Debts	354,778	333,675
Other Revenue	<u>20,600</u>	<u>16,679</u>
Total Revenues	375,378	350,354
<b>EXPENSES</b>		
Salaries	180,765	168,660
Employee Benefits	50,039	46,623
Supplies	68,941	63,181
Physician and Professional Fees	20,046	19,396
Depreciation and Amortization	9,496	9,048
Occupancy	22,227	18,639
Interest	4,075	4,757
Other	<u>17,452</u>	<u>15,819</u>
Total Expenses	373,041	346,123
<b>OPERATING GAIN</b>	2,337	4,231
<b>NON-OPERATING GAINS</b>	<u>2,062</u>	<u>242</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u><u>\$ 4,399</u></u>	<u><u>\$ 4,473</u></u>

See accompanying Notes to Consolidated Financial Statements

**ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**  
**(IN THOUSANDS)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>NET ASSETS - DECEMBER 31, 2011</b>	\$ 15,708	\$ 4,333	\$ 738	\$ 20,779
Excess of Revenues over Expenses	4,473	-	-	4,473
Change in Net Unrealized Gains on Investments Classified as Available for Sale	59	396	-	455
Net Assets Released from Restriction	451	(451)	-	-
Restricted Investment Income	-	120	-	120
Donor Restricted Contributions	-	394	-	394
Capital Contribution Made	(9)	-	-	(9)
Gain from Discontinued Operations	8	-	-	8
Change in Beneficial Interest in Lake View Foundation of Northeast Minnesota	-	27	-	27
Change in Minimum Pension Liability	(7,223)	-	-	(7,223)
Change in Net Assets - 2012	(2,241)	486	-	(1,755)
<b>NET ASSETS - DECEMBER 31, 2012</b>	13,467	4,819	738	19,024
Excess of Revenues over Expenses	4,399	-	-	4,399
Change in Net Unrealized Gains (Losses) on Investments Classified as Available for Sale	(121)	463	-	342
Net Assets Released from Restriction	507	(507)	-	-
Restricted Investment Income	-	197	-	197
Donor Restricted Contributions	-	388	-	388
Capital Contribution Received	94	-	-	94
Capital Contribution Made	(5)	-	-	(5)
Loss from Discontinued Operations	(24)	-	-	(24)
Change in Beneficial Interest in Lake View Foundation of Northeast Minnesota	-	134	-	134
Change in Minimum Pension Liability	24,340	-	-	24,340
Change in Net Assets - 2013	29,190	675	-	29,865
<b>NET ASSETS - DECEMBER 31, 2013</b>	<u>\$ 42,657</u>	<u>\$ 5,494</u>	<u>\$ 738</u>	<u>\$ 48,889</u>

*See accompanying Notes to Consolidated Financial Statements*

**ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**  
**(IN THOUSANDS)**

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 29,865	\$ (1,755)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	9,496	9,048
Provision for Bad Debts	6,893	7,354
Contributions for Capital, Net	(89)	-
Loss on Disposal of Property and Equipment	175	-
Unrealized Gains on Investments	(1,197)	(966)
Amortization of Bond Premium	(58)	(10)
Change in Minimum Pension Liability	(24,340)	7,223
Loss on Refinancing of Long-Term Debt	-	2,059
(Increase) Decrease in		
Receivables	(2,497)	(7,791)
Other Receivables	(299)	(1,449)
Due from Third-Party Payors	(471)	(732)
Inventories	(137)	(1,472)
Prepaid Expenses	(247)	(516)
Other Assets	(193)	159
Increase (Decrease) in		
Accounts Payable	954	1,194
Accrued Salaries and Employee Benefits	2,316	1,726
Due to Third-Party Payors	(352)	(19)
Other Liabilities	453	166
Other Accrued Expenses	(2,425)	(1,831)
Net Cash Provided by Operating Activities	<u>17,847</u>	<u>12,388</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(11,953)	(8,216)
Payment of Deferred Financing Costs	-	(2,378)
Purchase of Physician Practices	-	(1,660)
Purchases of Investments	(9,698)	(61,243)
Sales of Investments	15,822	31,949
Net Cash Used by Investing Activities	<u>(5,829)</u>	<u>(41,547)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Withdrawals under Lines of Credit	18,517	130,163
Payments under Lines of Credit	(21,517)	(139,703)
Issuance of Long-Term Debt	290	36,418
Principal Payments on Long-Term Debt	(2,329)	(2,055)
Contributions for Capital, Net	89	-
Net Cash Provided (Used) by Financing Activities	<u>(4,950)</u>	<u>24,824</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	7,068	(4,336)
Cash and Cash Equivalents - Beginning of Year	<u>8,058</u>	<u>12,394</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 15,126</u>	<u>\$ 8,058</u>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Cash Paid for Interest	<u>\$ 5,070</u>	<u>\$ 4,611</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Issuance of Series 2012 Bonds to Refinance Series 2002 Bonds	<u>\$ -</u>	<u>\$ 46,730</u>
Refinancing of Capital Lease Obligation with Promissory Note	<u>\$ -</u>	<u>\$ 2,440</u>
Property and Equipment Acquired Under Capital Lease Obligations	<u>\$ -</u>	<u>\$ 867</u>

See accompanying Notes to Consolidated Financial Statements

**ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES**  
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**NOTE 1    SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

St Luke's Hospital of Duluth (St Luke's) is a Minnesota nonprofit corporation that provides medical care to patients in a licensed 267-bed hospital and its clinics

St Luke's Foundation (the Foundation) raises and holds funds for the benefit of St Luke's. The Foundation amended and restated their by-laws effective December 15, 2009 to allow the Hospital board to elect the members of the board of Foundation.

Lake View Memorial Hospital, Inc (Lake View) is a Minnesota nonprofit membership corporation. Lake View operates a hospital and clinic in Two Harbors, Minnesota. Effective January 1, 2010, Lake View and St Luke's agreed to become more fully integrated, giving St Luke's control of Lake View's operations. Lake View amended its articles of incorporation and by-laws, making St Luke's the sole corporate member of Lake View. No consideration was given to Lake View by St Luke's.

In August 2012, the Lake View board of directors passed a resolution to become part of the obligated group, which is comprised of St Luke's, the Foundation, and Lake View, as part of the 2012 bond refinancing transaction (see Note 7).

Collectively, St Luke's, the Foundation and Lake View are referred to as the System in the consolidated financial statements.

**Consolidation Policy**

The consolidated financial statements include the accounts of St Luke's and the controlled Affiliates identified above. All material inter-company accounts and transactions have been eliminated through consolidation.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires the System 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 consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Income Taxes**

The System is comprised of three separate nonprofit corporations as described in Section 501(c)(3) of the Internal Revenue Code that are exempt from federal income taxes on related income pursuant to Section 501(c)(3) of the Code.

The System has elected to adopt guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The System follows the accounting standard for contingencies for evaluating uncertain tax positions. The adoption of this standard has no effect on the consolidated financial statements.

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**NOTE 1    SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Income Taxes (Continued)**

The System's income tax returns are subject to review and examination by federal, state, and local authorities. The tax returns for the years 2011 to 2013 are open to examination by federal, state, and local authorities.

**Cash and Cash Equivalents**

Cash and cash equivalents include short-term, highly liquid investments with an original maturity of three months or less, excluding amounts limited as to use by the board of directors designation or other arrangements under trust agreements. Cash and cash equivalents are stated at cost, which approximates fair value.

**Patient Receivables**

Patient accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of patient accounts receivable, the System analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the System records a provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The System's allowance for doubtful accounts for self-pay patients decreased from 36% of self-pay accounts receivable at December 31, 2012, to 31% of self-pay accounts receivable at December 31, 2013. The System's self-pay write-offs did increase approximately \$1,235 from approximately \$6,536 for fiscal year 2012 to approximately \$7,771 for fiscal year 2013. The decrease in the allowance for doubtful accounts was the result of increased write-offs of older self-pay balances.

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**NOTE 1    SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Other Accounts Receivable**

Other accounts receivable includes accrued interest receivable, electronic health record incentives receivable, other non-patient related receivables and pledges receivable that represent commitments to make gifts received from residents, organizations and businesses. The pledges are not legally enforceable.

**Inventory**

Inventory is stated at cost (principally on the first-in, first-out basis) not in excess of market value. Market value is determined by comparison with recent purchases or realizable value.

**Assets Limited as to Use**

Assets limited as to use includes assets held by trustees under indenture agreements and designated assets set aside by the System's Board of Directors for future capital improvements over which the Board retains control and may, at its discretion, subsequently use for other purposes. Assets limited as to use also includes investments that are temporarily or permanently restricted, depending on the intent of the donor. Amounts required to meet certain current liabilities of the System are classified as current in the consolidated balance sheets.

**Investments and Investment Income**

The System has investments in debt and equity securities which consist of common stocks, mortgage and asset-backed securities, corporate obligations, mutual funds and money market accounts. The deferred compensation funds are invested in mutual funds.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments held by St. Luke's and the Foundation are excluded from the excess of revenues over expenses. Unrealized gains and losses on investments held by Lake View are included in excess of revenues over expenses.

The System continually monitors the difference between the cost and fair market value of its investments. If any of the System's investments experience a decline in value that the System determines is other than temporary, the System records a realized loss in investment income in the consolidated statements of operations. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the consolidated balance sheets.

**ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES**  
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**NOTE 1    SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Beneficial Interest in Foundation**

Lake View Foundation of Northeast Minnesota (Lake View Foundation) was established to raise funds to support the charitable healthcare mission of Lake View. The Articles of Incorporation of Lake View Foundation provide that all funds raised, except for funds required for the operation of Lake View Foundation, be distributed to or be held for the benefit of the Lake View. Lake View has recorded a beneficial interest equal to the net assets of Lake View Foundation, which was \$423 and \$289 at December 31, 2013 and 2012, respectively.

Lake View Foundation's general funds, which represent the Lake View Foundation's unrestricted resources, are distributed to Lake View in amounts and in periods determined by the Lake View Foundation Board of Directors. Subsequent to year-end, the Lake View Foundation amended its bylaws and Lake View became the sole corporate member.

**Property and Equipment, Net**

Property and equipment acquisitions are recorded at cost when purchased or at estimated fair market value when received by donation. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Estimated useful lives for buildings range from 15 to 40 years, whereas fixed and major movable equipment range from 5 to 20 years. Equipment under capital lease obligations is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. This amortization is included in depreciation and amortization in the consolidated statements of operations.

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support and are excluded from the excess of revenue over expense unless explicit stipulations specify how the donated assets must be used. Gifts of assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

**Intangible Assets**

Intangible assets associated with acquisitions are included in other assets. Intangible assets are amortized on a straight-line basis over a period of 1 to 15 years. The System had no goodwill at December 31, 2013 and 2012.



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**NOTE 1    SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Northern Imaging of Duluth, LLC**

In 2000, the System entered into an agreement with an MRI center and a radiology center to form a new limited liability corporation to own and operate Northern Imaging of Duluth, LLC (Northern Imaging) to provide high-quality radiological care for northeastern Minnesota and northwestern Wisconsin. The System invested \$750 for a 21% interest in Northern Imaging. This investment is recorded using the equity method of accounting.

**Pavilion Surgery Center, LLC**

The consolidated financial statements include the investment in the Pavilion Surgery Center, LLC (Surgery Center), a 50% joint venture with certain members of the System's medical staff. In 2000, the System invested \$570 for its interest in the Surgery Center. The Surgery Center provides ambulatory surgical-related services to the northeastern Minnesota and northwestern Wisconsin community. The investment is recorded using the equity method of accounting.

The System is also the master leaseholder of the building where the Surgery Center is located. The System and the Surgery Center have entered into an operating lease for the area occupied by the Surgery Center. In addition, the System has subleased a portion of the space to other independent physician groups. Sublease rentals totaled \$536 and \$528 in 2013 and 2012, respectively.

**Deferred Financing Costs**

The System has incurred financing costs pertaining to the issuances of long-term debt. Original financing costs of \$2,438 as of December 31, 2013 and 2012 are being amortized in a manner designed to approximate a constant annual effective interest rate over the term of the issuance. Accumulated amortization as of December 31, 2013 and 2012 was \$107 and \$14, respectively. Amortization expense related to deferred financing costs is \$93 and \$103 for the years ended December 31, 2013 and 2012, respectively. In October 2012, the System refinanced the Series 2002 revenue bonds and the deferred financing costs related to Series 2002 issuance were written-off and included in the loss on refinancing of long-term debt (see Note 7) which is included in non-operating gains on the consolidated statements of operations. Deferred financing costs are included with other assets on the consolidated balance sheets.

**Asset Retirement Obligations**

Asset retirement obligations are included in other liabilities and represent obligations to dispose of assets that are legally required to be removed at a future date. They are recorded at the net present value using a risk-free interest rate and inflationary rate.

**ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES**  
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**NOTE 1    SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Net Assets**

Net assets are classified into three separate categories based on the existence or absence of donor-imposed restrictions. In the consolidated financial statements, net assets that have similar characteristics have been combined into categories as follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted – Net assets subject to donor-imposed restrictions that may or will be met either with actions of the System and/or the passage of time. When a restriction expires, temporarily restricted net assets are classified to unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions.

Permanently Restricted – Net assets subject to donor-imposed restrictions that are maintained permanently by the System. Generally, the donors of these assets permit the System to use all or part of the income earned on related investments for specific or general purposes.

The System follows guidance on endowments of not-for-profit organizations, including guidance on the net asset classification of donor-restricted endowment funds that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). This guidance provides for additional disclosures about the System's endowment funds.

**Contributions**

Contributions from donors that are unconditional promises to give are recorded as receivables and revenues in the period that the promise is made. Conditional promises to give are not recorded until the condition is substantially met. All contributions are recorded at fair value.

**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 the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

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**NOTE 1    SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Patient Assistance Program**

The System provides care to patients who meet certain criteria under its patient assistance program policy prorated based on poverty level. Because the System does not pursue collection of amounts determined to qualify within this program, they are not reported as revenue.

**Other Revenue**

Other revenue includes principally rental income, electronic health record incentive revenue, income from Northern Imaging and Pavilion Surgery Center, and income under other various contracts.

**Non-Operating Gains**

Non-operating gains include investment income of \$2,236 and \$2,774 for the years ended December 31, 2013 and 2012, respectively. Non-operating gains also include losses on disposals of property and equipment of \$174 and \$-0- for the years ended December 31, 2013 and 2012, respectively.

During 2012, the System refinanced the Series 2002 revenue bonds (see Note 7) and recognized a loss of \$2,532 which is included in non-operating gains on the consolidated statements of operations.

**Excess of Revenues over Expenses**

The consolidated statements of operations include excess of revenues over expenses. Changes in net assets that are excluded from excess of revenues over expenses include unrealized gains (losses) on investments classified as available for sale and, consistent with industry practice, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions that, by donor restriction, were to be used for the purpose of acquiring such assets), and changes in the additional minimum pension liability.

**Fair Value**

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The System emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, the System has measured fair value using a market-based approach and has classified assets recorded at fair value based on observable inputs of the fair value hierarchy as defined by the standard.

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**NOTE 1    SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Fair Value (Continued)**

Investments are recorded at fair value on a recurring basis. Fair value for investments designated as Level 1 measured based on quoted prices in active markets, including the New York Stock Exchange, National Association of Securities Dealers Automated Quotations and U.S. Treasury and government agency over-the-counter markets, for identical assets, if available. Fair value for investments designated as Level 2 are measured using independent pricing models based on quoted prices for similar assets. See Note 14 for information on investment balances by fair value hierarchy level.

The System also adopted the policy of valuing certain financial instruments at fair value. This accounting policy allows the System the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The System has not elected to measure any existing financial instruments at fair value, however, may elect to measure newly acquired financial instruments at fair value in the future.

**Electronic Health Record Incentive Payments**

The System has received funds under the Electronic Health Records (EHR) Incentive Program. The System recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured the System will meet all meaningful use objectives and when any other specific grant requirements that are applicable are met.

**Reclassifications**

Certain items in the prior year consolidated financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on the System's overall net assets.

**Subsequent Events**

In preparing these consolidated financial statements, the System has evaluated events and transactions for potential recognition or disclosure through March 11, 2014, the date the consolidated financial statements were available to be issued.

**ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES**  
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**NOTE 2    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. A summary of the payment arrangements with major third-party payors follows:

**Medicare – St. Luke's**

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services and certain outpatient services related to Medicare beneficiaries were paid based upon a cost reimbursement methodology. St. Luke's was reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by St. Luke's and audits thereof by the Medicare fiscal intermediary. St. Luke's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with St. Luke's.

Medicare pays outpatient services under the Ambulatory Payment Classification (APC) method. Under this method, Medicare reimburses St. Luke's a predetermined amount for most outpatient services. The following services are excluded from the APC payment methodology, services already paid on a fee schedule and certain drugs, biologicals and medical devices identified as pass-through items. The APC payments are not based on the provider's annual cost report. Professional fees for clinic and other services are paid according to the Medicare fee schedule.

**Medicare – Lake View**

Lake View is certified as a Critical Access Hospital (CAH) and receives reimbursement for Inpatient, Swing Bed, and Outpatient services to Medicare patients on a reasonable cost basis. Medicare reimburses Lake View for services provided to Medicare patients using interim rates, with a final settlement determined based on the annual cost report that is filed by Lake View. This cost report is subject to audits by the Medicare fiscal intermediary. Lake View's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with Lake View.

**Medicaid – St. Luke's**

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per discharge. Outpatient Medicaid services are reimbursed under the lower of usual or customary charge fee structure.

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**NOTE 2    NET PATIENT SERVICE REVENUE (CONTINUED)**

**Medicaid – Lake View**

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per discharge. Outpatient services are paid based upon a predetermined fee schedule. In addition, capital-related costs and certain medical education costs are also reimbursed as a prospective pass-through.

Professional services provided by physicians and other clinicians are reimbursed based on one of the following methods: a prospectively determined resource-based relative value hospital, fee schedule, or a cost-reimbursement methodology depending upon type of professional services provided.

**Uninsured Patients**

The System recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the System recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the System's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the System records a provision for bad debts related to uninsured patients in the period the services are provided.

Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	<u>2013</u>	<u>2012</u>
Patient Service Revenue (Net of Contractual Allowances and Discounts) From:		
Third-Party Payors	\$ 339,034	\$ 320,220
Uninsured Patients	<u>22,637</u>	<u>20,809</u>
	361,671	341,029
 Provision for Bad Debts	 <u>(6,893)</u>	 <u>(7,354)</u>
 Net Patient Service Revenue Less Provision for Bad Debts	 <u><u>\$ 354,778</u></u>	 <u><u>\$ 333,675</u></u>

Revenue from the Medicare and Medicaid programs accounted for approximately 36% and 9%, respectively, of the System's net patient service revenue for the year ended 2013, and 35% and 9%, respectively, of the System's net service patient revenue, for the year ended 2012. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

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**NOTE 2    NET PATIENT SERVICE REVENUE (CONTINUED)**

The System has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the System under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

**NOTE 3    CONCENTRATIONS OF CREDIT RISK**

The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The significant concentrations of gross revenue for services to patients include the following at December 31:

	2013	2012
Medicare	50 %	49 %
Medicaid	12	12
Blue Cross	18	19
Other Third-Party Payors	17	17
Self-Pay	3	3
Total	<u>100 %</u>	<u>100 %</u>

The System has from time to time deposits in excess of Federal Depository Insurance Corporation limits. Management believes any credit risk related to these deposits is minimal.

**NOTE 4    ASSETS LIMITED AS TO USE, INVESTMENTS, AND INVESTMENT INCOME**

As required by the Series 2012 bond indenture agreement, St. Luke's established certain funds to be used to fund construction, remodeling, and equipment acquisitions, and to maintain a debt service reserve fund equal to the maximum annual debt service of the Series 2012 bonds.

In addition, the System has designated assets for future capital improvements over which the Board retains control and may, at its discretion, subsequently use for other purposes. Assets limited as to use also include investments that are temporarily or permanently restricted, depending on the intent of the donor.

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**NOTE 4 ASSETS LIMITED AS TO USE, INVESTMENTS, AND INVESTMENT INCOME**  
**(CONTINUED)**

Investments and assets limited as to use consist of the following balances at December 31

	2013	2012
Series 2012 Bond Fund	\$ 760	\$ 371
Series 2012 Debt Service Reserve Fund	5,984	5,984
Series 2012 Project Fund	12,871	20,915
Assets Held by Trustee Under Indenture Agreement	19,615	27,270
Assets Limited for Current Maturities - Lake View	306	284
Undesignated Investments	31,738	31,447
Internally Designated for Property and Equipment	10,708	8,834
Donor Restricted Investments	5,808	5,267
Total Investments and Assets Limited as to Use	68,175	73,102
Less Current Portion of Assets Limited as to Use	(2,808)	(1,944)
Less Undesignated Investments	(31,738)	(31,447)
Non-Current Investments and Assets Limited as to Use	<u>\$ 33,629</u>	<u>\$ 39,711</u>

The composition of investments and assets limited as to use consists of the following at December 31

	2013	2012
Cash and Cash Equivalents	\$ 363	\$ 2
Money Market Funds	20,398	27,783
Marketable Equity Securities	11,632	9,516
Mutual Funds	3,869	3,061
Government Obligations	860	14,008
Corporate Obligations	29,126	17,182
Real Estate Mutual Funds	1,927	1,550
Total Investments and Assets Limited as to Use	<u>\$ 68,175</u>	<u>\$ 73,102</u>



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**NOTE 4 ASSETS LIMITED AS TO USE, INVESTMENTS, AND INVESTMENT INCOME**  
**(CONTINUED)**

**Investment Income**

Total investment income and the changes in net unrealized gains on investments for the years ended December 31 consist of the following

	2013	2012
Interest and Dividend Income	\$ 1,027	\$ 1,186
Realized Gains	354	1,077
Change in Net Unrealized Gains on Trading Investments Classified as Trading	855	511
Total Investment Income	<u>\$ 2,236</u>	<u>\$ 2,774</u>
Change in Net Unrealized Gains on Investments Classified as Available for Sale	<u>\$ 342</u>	<u>\$ 455</u>

**Unrealized Losses - Available for Sale**

The following table shows the gross unrealized losses and fair value of the System's investments and assets limited as to use with unrealized losses that are deemed to be temporarily impaired, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position, at December 31, 2013

Description of Securities	Less Than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Marketable Equity Securities	\$ 1,145	\$ (33)	\$ 362	\$ (26)
Corporate Obligations	16,713	(511)	1,251	(41)
Government Obligations	103	(1)	-	-
Real Estate Mutual Funds	124	(1)	316	(29)
Total	<u>\$ 18,084</u>	<u>\$ (546)</u>	<u>\$ 1,929</u>	<u>\$ (95)</u>

The unrealized losses on the marketable equity securities, corporate obligations, government obligations, and real estate mutual funds amounted to \$641 at December 31, 2013. Of these amounts, \$95 of the losses relate to losses which extend over one year as of December 31, 2013. Investment losses under one year old are expected to be recoverable in future periods and are not deemed by management to be unrecoverable. Investment losses in excess of one year are also expected to be recoverable in future periods as the System has the intent and ability to hold these investments until further market recovery occurs.

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**NOTE 5 OTHER ASSETS**

A summary of other assets as of December 31 is as follows

	2013	2012
Cash Surrender Value of Life Insurance	\$ 1,243	\$ 1,131
Deferred Financing Costs, Net	2,331	2,424
Deferred Compensation	11,210	8,173
Intangible Assets, Net	2,805	3,216
Investment in Northern Imaging of Duluth, L L C	563	525
Investment in Pavilion Surgery Center, L L C	554	529
Other	934	942
Total	<u>\$ 19,640</u>	<u>\$ 16,940</u>

The future amortization of the net intangible assets as of December 31, 2013 is as follows

<u>Year Ending December 31,</u>	<u>Amounts</u>
2014	\$ 953
2015	807
2016	607
2017	390
2018	48
Total	<u>\$ 2,805</u>

Summarized combined financial information for Northern Imaging of Duluth, L L C and Pavilion Surgery Center L L C as of and for the years ended December 31 is as follows

	2013	2012
Net Income	\$ 3,575	\$ 3,554
Total Assets	3,632	4,084
Total Liabilities	1,162	1,724

**NOTE 6 PROPERTY AND EQUIPMENT, NET**

A summary of property and equipment as of December 31 is as follows

	2013	2012
Land and Land Improvements	\$ 9,844	\$ 7,329
Buildings and Improvements	75,931	73,092
Major Movable Equipment	88,444	82,151
Construction in Progress	5,079	4,939
Gross Property and Equipment	179,298	167,511
Less Accumulated Depreciation	(119,084)	(110,109)
Property and Equipment, Net	<u>\$ 60,214</u>	<u>\$ 57,402</u>

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**NOTE 6    PROPERTY AND EQUIPMENT, NET (CONTINUED)**

St. Luke's acquired equipment through capital lease obligations in 2013 and 2012. The cost of that equipment is \$1,241 and \$1,645 at December 31, 2013 and 2012, respectively. The accumulated depreciation is \$385 and \$137 at December 31, 2013 and 2012, respectively.

Construction in progress consists of various remodeling projects, parking expansion costs, and equipment upgrades. The majority of the projects are expected to be completed during fiscal 2014. Total remaining costs to complete these projects is approximately \$3,492 in addition to the amounts included in construction in progress at December 31, 2013. These projects are being financed through a combination of internal funds and amounts held by Trustee, as discussed in Note 4. The System has capitalized interest expense of \$1,039 and \$56 related to the financing of these projects at December 31, 2013 and 2012, respectively.

**NOTE 7    LINES OF CREDIT AND LONG-TERM DEBT**

**Lines of Credit**

As of December 31, 2013 and 2012, the System had two lines of credit agreements: one available to St. Luke's and one available to Lake View. The outstanding balance on the lines of credit was \$0 and \$3,000 at December 31, 2013 and 2012, respectively.

The interest rate on the line of credit available to St. Luke's is equal to the Prime rate plus 2.75%, equal to 6.0% at December 31, 2013. The interest rate on the line of credit available to Lake View is equal to the Prime rate plus 0.75%, equal to 4.00% at December 31, 2013. The lines of credit expire on July 31, 2014 and July 1, 2014, respectively.

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**NOTE 7    LINES OF CREDIT AND LONG-TERM DEBT (CONTINUED)**

**Long-Term Debt**

Long-term debt at December 31 consisted of the following

<u>Description</u>	<u>2013</u>	<u>2012</u>
Duluth Economic Development Authority, Minnesota Health Care Facilities Revenue Bonds, Series 2012, Interest from 4 0% to 6 0%, Due in Varying Amounts through June 15, 2039 (Net of Unamortized Premium of \$1,485 and \$1,543 in 2013 and 2012, Respectively)	\$       81,620	\$       83,138
City of Two Harbors Health Care Facilities Revenue Note Series 2003, payable in monthly installments of \$34, including interest currently at 4 63%, interest rate resets after 75,150, and 225 months from the issuance date based on the 7-year Treasury Rate plus 1 75%, maturing in August 2028, collateralized by substantially all of Lake View's assets	4,311	4,512
Promissory Note, payable in monthly installments of \$15, including interest currently at 4 25%, interest rate resets at a maximum of once every five years based on the Wall Street Journal Prime Rate plus 1%, maturing June 1, 2032, collateralized by Clinic land, buildings, equipment, accounts receivable, and inventory	2,321	2,402
Promissory Note, payable in monthly installments of \$1, beginning January 2015, non-interest bearing, remaining balance is forgivable after 120 months from disbursement date if principal payments through that date have been made	290	-
Capital Lease Obligations, with varying interest rates, monthly payments through September 2017, collateralized by the leased equipment	882	1,469
Total	89,424	91,521
Less Current Maturities	(2,864)	(2,331)
Long-Term Debt, Net of Current Maturities	<u>\$       86,560</u>	<u>\$       89,190</u>

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**NOTE 7    LINES OF CREDIT AND LONG-TERM DEBT (CONTINUED)**

**Long-Term Debt (Continued)**

**Bonds – Series 2012 Health Care Revenue Bonds**

In October 2012, St Luke's issued \$81,595 Healthcare Facilities Revenue Bonds (St Luke's Hospital of Duluth Obligated Group) Series 2012 (the 2012 Bonds). The Foundation and Lake View are included in the Obligated Group for the 2012 Bonds. The interest rate on the bonds range from 4.0% to 6.0% and the payments are payable through June 2039. The bond premium of approximately \$1,553 is being amortized over the life of the 2012 Bonds.

The proceeds from the 2012 Bonds are being used to fund certain construction, remodeling, and equipment acquisition projects and certain investments required by the 2012 bond indenture agreement, and to refund the St Luke's Duluth Economic Development Authority, Healthcare Facilities Revenue Bonds (St Luke's Hospital of Duluth Obligated Group) Series 2002 in its entirety.

**Refinancing Transaction**

On October 1, 2012, the System entered into Series 2012 bond agreements with the Duluth Economic Development Authority to refinance the 2002 bonds and to fund certain construction projects, as discussed above.

The refinancing transaction resulted in a loss of \$2,532 which is included in the consolidated statements of operations in non-operating gains for the year ended December 31, 2012.

**Financial Covenants**

The 2012 bond agreement requires that the Obligated Group, among other matters, maintain a specified level of debt service coverage and days cash on hand, as defined, and to meet other operational and financial performance covenants. The 2012 Bonds are collateralized by substantially all property and equipment owned by the Obligated Group.

**Note – Series 2003, City of Two Harbors, Health Care Revenue Note**

The terms of the 2003 Revenue Note held by Lake View call for the interest rate to be adjusted February 2016 and May 2022 at the seven-year Treasury Rate plus 1.75%. The Revenue Note is guaranteed by St Luke's. The Revenue note requires that Lake View maintain certain financial and non-financial covenants.

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**NOTE 7    LINES OF CREDIT AND LONG-TERM DEBT (CONTINUED)**

**Long-Term Debt (Continued)**

**2012 Promissory Note**

The terms of the 2012 Promissory Note held by Lake View call for the interest rate to be adjusted at a maximum of once every five years based on the Wall Street Journal Prime Rate plus 1.00%. The Promissory Note is guaranteed by St. Luke's. The Promissory Note requires that Lake View maintain certain financial and non-financial covenants.

Maturities of long-term debt, excluding unamortized discount and capital lease obligations, for each of the next five years and thereafter are as follows:

<u>Year Ending December 31,</u>	<u>Long-Term Debt</u>	<u>Capital Leases Obligations</u>
2014	\$ 2,621	\$ 276
2015	2,750	276
2016	2,879	254
2017	3,017	145
2018	3,164	-
Thereafter	72,626	-
Total	<u>\$ 87,057</u>	<u>951</u>
Less: Interest on Capital Lease Obligations		(69)
		<u>\$ 882</u>

**NOTE 8    EMPLOYEE BENEFIT PLANS AND EMPLOYMENT BENEFIT OBLIGATIONS**

**Savings Plans**

The System has contributory employee retirement and savings plans for salaried employees, which are qualified under Sections 401(k) and 403(B) of the Internal Revenue Code (IRC). Employer contributions to the plan are discretionary. The related Employer expense was \$1,336 and \$1,251 for 2013 and 2012, respectively.

**Deferred Compensation Plans**

The System also maintains other nonqualified deferred compensation plans. The liability for these plans at December 31, 2013 and 2012 was \$11,210 and \$8,173, respectively, and is included within employee benefit obligations on the consolidated balance sheets.

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**NOTE 8    EMPLOYEE BENEFIT PLANS AND EMPLOYMENT BENEFIT OBLIGATIONS**  
**(CONTINUED)**

**Defined Contribution Plan**

Effective January 2, 2006, eligible employees enter the defined contribution pension plan in lieu of the defined benefit pension plan. Participants are eligible to receive 3% of compensation up to \$80,000 for up to 30 years of combined service under the defined benefit plan and the defined contribution plan, or an amount determined under the "Target Benefit Formula." The "Target Benefit Formula" approximates the actuarial equivalent, for transferring participants, which would have accrued under the defined benefit pension plan. Plan expenses were \$2,326 and \$2,000 for 2013 and 2012, respectively.

**Defined Benefit Pension Plan**

Employers are required to recognize the over-funded or under-funded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through unrestricted net assets of a not-for-profit organization. The amount of the asset or liability to be recorded is disclosed in the consolidated financial statements.

The System sponsors a noncontributory defined benefit pension plan. Effective January 2, 2006, plan eligibility was frozen and no new entrants are allowed in the plan. Benefits under the plan are based on employees' years of service and compensation. The System's policy is to fund the minimum required contributions, based upon actuarial computations, necessary to meet the present and future obligations of the plan to prevent a deficiency in the plan's funding.

The required disclosures for the defined benefit pension plan are as follows:

	<u>2013</u>	<u>2012</u>
Change in Benefit Obligation		
Benefit Obligation at Beginning of Year	\$ 143,464	\$ 126,598
Service Cost	3,241	3,079
Interest Cost	5,670	5,676
Amendments	-	-
Assumption Changes	(12,874)	10,255
Actuarial Loss	104	1,200
Actual Benefits Paid	(3,702)	(3,344)
Benefit Obligation at End of Year	<u>\$ 135,903</u>	<u>\$ 143,464</u>

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**NOTE 8    EMPLOYEE BENEFIT PLANS AND EMPLOYMENT BENEFIT OBLIGATIONS**  
**(CONTINUED)**

**Defined Benefit Pension Plan (Continued)**

	<u>2013</u>	<u>2012</u>
Change in Plan Assets		
Fair Value of Plan Assets at Beginning of Year	\$     87,962	\$     75,815
Actual Return on Plan Assets	15,889	8,492
Employer Contributions	5,731	6,999
Benefits Paid, Including Expenses	(3,702)	(3,344)
Fair Value of Plan Assets at End of Year	<u>105,880</u>	<u>87,962</u>
Reconciliation of Funded Status		
Funded Status	(30,023)	(55,502)
Unrecognized Transition Obligation/(Asset)	N/A	N/A
Unrecognized Prior Service Cost	N/A	N/A
Unrecognized (Gain) Loss	N/A	N/A
Net Amount Recognized	<u>(30,023)</u>	<u>(55,502)</u>
Contributions After Measurement Date	-	-
Net Amount Recognized After Recognition of Contributions Paid After Measurement Date	\$     (30,023)	\$     (55,502)
Unrestricted Net Assets Attributable to Change in Additional Liability Recognition	N/A	N/A
Amount Recognized in the Consolidated Balance Sheet		
Noncurrent Assets	\$           -	\$           -
Current Liabilities	-	-
Noncurrent Liabilities	(30,023)	(55,502)
Net Amount Recognized	<u>(30,023)</u>	<u>(55,502)</u>
Amount Not Yet Recognized in Net Periodic Pension Cost and Included in Unrestricted Net Assets		
Transition Asset (Obligation)	\$           -	\$           -
Prior Service Credit (Cost)	4	5
Accumulated Net Gain (Loss)	(35,175)	(59,515)
Pension Adjustment to Unrestricted Net Assets	<u>(35,171)</u>	<u>(59,510)</u>
Cumulative Contributions in Excess of Net Periodic Pension Cost	\$     5,148	\$     4,008
Net Amount Recognized in Consolidated Balance Sheets	\$     (30,023)	\$     (55,502)
Additional Year-End information for Pension Plans with Projected Benefit Obligation in Excess of Assets		
Projected Benefit Obligation	\$    135,903	\$    143,464
Fair Value of Plan Assets	105,880	87,962



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**NOTE 8    EMPLOYEE BENEFIT PLANS AND EMPLOYMENT BENEFIT OBLIGATIONS**  
**(CONTINUED)**

**Defined Benefit Pension Plan (Continued)**

	<u>2013</u>	<u>2012</u>
Weighted Average Assumptions Used to Arrive at the Benefit Obligation		
Discount Rate	4 00	4 50
Rate of Compensation Increase	3 00	3 00
Weighted Average Assumptions Used to Arrive at the Net Benefit Cost - Beginning of Year		
Discount Rate	4 75	4 00
Expected Long-Term Return on Plan Assets	8 00	8 00
Rate of Compensation Increase	3 00	3 00
Components of Net Periodic Benefit Cost		
Service Cost	\$ 3,241	\$ 3,079
Interest Cost	5,670	5,676
Expected Return on Plan Assets (Gain)	(7,037)	(6,581)
Amortization of Unrecognized Items		
Transition Obligation/Asset	-	-
Prior Service Cost	1	197
Amortization of Loss	2,716	2,123
Net Periodic Benefit Cost	<u>\$ 4,591</u>	<u>\$ 4,494</u>

**Long-Term Rate of Return Assumption**

To develop the expected long-term rate of return on assets assumption, the System considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio. This resulted in the selection of the 8.00% long-term rate of return on assets assumption for the fiscal year ended December 31, 2013. Expectations related to future returns have led to the same assumption of 8.00% for the fiscal year ended December 31, 2014.

<u>Estimated Benefits to be Paid over the Next 5 Years</u>	<u>Amount</u>
2014	\$ 3,840
2015	4,128
2016	4,667
2017	5,128
2018	5,800
2019 - 2023	38,995

**Future Contributions**

The System expects to make a contribution to the Plan during the year ending December 31, 2014 of at least the amount required to meet funding requirements.

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**NOTE 8 EMPLOYEE BENEFIT PLANS AND EMPLOYMENT BENEFIT OBLIGATIONS**  
**(CONTINUED)**

**Fair Value of Plan Assets**

The following tables present the fair value hierarchy for the balances of the plan assets measured at fair value on a recurring basis as of December 31

2013	Level 1	Level 2	Level 3	Total
Plan Assets				
Marketable Equity Securities	\$ 71,397	\$ -	\$ -	\$ 71,397
Marketable Debt Securities	27,568	-	-	27,568
Guaranteed Investment Contract	-	6,856	-	6,856
Total Assets Measured at Fair Value	<u>\$ 98,965</u>	<u>\$ 6,856</u>	<u>\$ -</u>	<u>\$ 105,821</u>
2012	Level 1	Level 2	Level 3	Total
Plan Assets				
Marketable Equity Securities	\$ 52,555	\$ -	\$ -	\$ 52,555
Marketable Debt Securities	28,170	-	-	28,170
Guaranteed Investment Contract	-	7,068	-	7,068
Total Assets Measured at Fair Value	<u>\$ 80,725</u>	<u>\$ 7,068</u>	<u>\$ -</u>	<u>\$ 87,793</u>

The plan assets also included cash and cash equivalents of \$59 and \$169 at December 31, 2013 and 2012, respectively. Cash and cash equivalents are stated at cost, which approximates fair value.

**NOTE 9 RESTRICTED NET ASSETS**

**Temporarily Restricted**

At December 31, 2013 and 2012, the System had temporarily restricted net assets restricted for capital, equipment, education, patient assistance and other operating purposes as follows:

	2013	2012
Patient Care	\$ 3,108	\$ 2,773
Research	832	811
Education	354	318
Lectures	407	362
Other	793	555
	<u>\$ 5,494</u>	<u>\$ 4,819</u>

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**NOTE 9    RESTRICTED NET ASSETS (CONTINUED)**

**Permanently Restricted**

The System's permanently restricted net assets consist of approximately seven endowment funds established for a variety of purposes. The endowments consist solely of donor restricted funds with endowment net assets for \$2,481 and \$2,236 at December 31, 2013 and 2012, respectively. As required by GAAP, net assets associated with endowment funds, including designated by the board of directors as to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

At December 31, 2013 and 2012, the System's permanently restricted net assets invested to provide a permanent source of income for capital, equipment, education, research and other operating purposes as follows:

	2013	2012
Patient Care	\$ 390	\$ 390
Other	293	293
Lectures	25	25
Education	30	30
	<u>\$ 738</u>	<u>\$ 738</u>

**Interpretation of Relevant Law**

The State of Minnesota adopted State Prudent Management of Institutional Funds Act (the Act) effective August 1, 2008. The Board of Directors of the System has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the System classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the System in a manner consistent with the standard of prudence prescribed in the Act.

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**NOTE 9 RESTRICTED NET ASSETS (CONTINUED)**

**Interpretation of Relevant Law (Continued)**

In accordance with the Act, the System considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds

- The duration and preservation of the fund
- The purposes of the System and the donor- restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the System
- The investment policy of the System

**Endowment Net Assets**

The following are the changes in endowment net assets for the years ended December 31, 2013 and 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, January 1, 2012	\$ -	\$ 1,345	\$ 738	\$ 2,083
Investment Income	-	56	-	56
Change in Net Unrealized Gains	-	157	-	157
Endowment Investment Return	-	213	-	213
Released from Restriction	60	(60)	-	-
Appropriations	(60)	-	-	(60)
Endowment Net Assets, December 31, 2012	-	1,498	738	2,236
Investment Income	-	103	-	103
Change in Net Unrealized Gains	-	184	-	184
Endowment Investment Return	-	287	-	287
Released from Restriction	42	(42)	-	-
Appropriations	(42)	-	-	(42)
Endowment Net Assets, December 31, 2013	<u>\$ -</u>	<u>\$ 1,743</u>	<u>\$ 738</u>	<u>\$ 2,481</u>

**Funds with Deficiencies**

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 the Act requires the System to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of December 31, 2013 and 2012.

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**NOTE 9    RESTRICTED NET ASSETS (CONTINUED)**

**Return Objectives and Risk Parameters**

The System has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the System must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to preserve and grow capital, strive for consistent absolute returns, preserve purchasing power by striving for long-term returns which either match or exceed the set payout, fees and inflation without putting the principal value at imprudent risk, and diversify investments consistent with commonly accepted industry standard to minimize the risk of large losses.

**Strategies Employed for Achieving Objectives**

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 current yield (interest and dividends). The System targets a diversified asset allocation that meets the System's long-term rate-of-return objectives while avoiding undue risk from imprudent concentration in any single asset class or investment vehicle.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The System's spending policy is consistent with its objective of preservation of the fair value of the original gift of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

**NOTE 10    RELATED-PARTY TRANSACTIONS**

The System purchases inpatient MRI (magnetic resonance imaging) services from Northern Imaging of Duluth, L L C. Expenses included in the consolidated statements of operations related to such agreements were \$180 in 2013 and \$230 in 2012. In addition, the System leases space for the MRI center to Northern Imaging of Duluth, L L C. Rent revenues included in the consolidated statements of operations were \$80 in 2013 and \$79 in 2012.

**NOTE 11    LIABILITY INSURANCE**

The System carries professional and general liability insurance on a "claims made" basis with coverage for claims up to \$1,000 per occurrence (limited to annual aggregates of \$3,000). In addition, the System carries excess professional liability and umbrella liability coverage. Should this insurance coverage become unavailable, the System would be at risk for all claims reported after the policy period had expired (either directly or through additional insurance premiums necessary to provide "tail coverage"). The System's current professional and general liability insurance coverage expires January 1, 2014. This coverage was renewed prior to year-end for another full year of coverage.

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**NOTE 12 COMMITMENTS AND CONTINGENCIES**

**Litigation**

The System is a defendant in certain pending legal actions related to professional and general liabilities that are within applicable amounts and risks of the insurance policies for the periods involved. In the opinion of the System's management, any recovery by the plaintiff or other claimant in any such action would be covered by existing policies or would not have a material effect on the System's financial condition or results of operations.

**Compliance**

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Government activity has increased with respect to investigations and allegations concerning possible violations of regulations by health care providers, which could result in the imposition of significant fines and penalties as well as significant repayments of previously billed and collected revenues for patient services. Management of the System believes that the System is in substantial compliance with current laws and regulations.

**Employee Health Care Claims**

The System self-insures for employee health care claims. The System manages its risk by entering into stop-loss reinsurance contracts that limit the System's exposure per individual to \$200 for the first individual and \$150 for the second and any additional individuals thereafter per year and \$1,000 per lifetime. Annual contributions to fund the claims are based on actuarial estimates.

Included in other accrued expenses was approximately \$1,999 and \$2,133 for estimated unprocessed claims and claims incurred but not reported as of December 31, 2013 and 2012, respectively.

**Workers' Compensation**

The System purchases coverage for workers' compensation through an insurance company. Premium expense related to the workers' compensation insurance policy was \$1,093 and \$1,039 for 2013 and 2012, respectively. In connection with its self-insurance program for workers' compensation claims, the System has an irrevocable letter of credit with a bank that restricts drawings on the letter of credit to workers' compensation liability claims and related expenses. The System had \$1,201 and \$1,030 as of December 31, 2013 and 2012, respectively, available under the irrevocable letters of credit arrangement with a bank. While it is possible that claims, which may be asserted in the future, could result in liabilities in excess of amounts provided, management believes that the excess liability, if any, will not materially affect the financial position, results of operations, or cash flows of the System.

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**NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Operating Leases**

The System has operating lease agreements for the rental of medical office buildings, the Surgery Center building, various clinic facilities, computer hardware and software, and various equipment. Rent expense was \$15,124 and \$12,214 for 2013 and 2012, respectively. The minimum future rental commitments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2013 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2014	\$ 12,419
2015	10,084
2016	8,264
2017	7,354
2018	5,024
Thereafter	43,308
Total	<u>\$ 86,453</u>

**Subleases**

The expected future minimum rent payments to be received under sublease arrangements as of December 31, 2013, including rent to be received from Pavilion Surgery Center, L L C are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2014	\$ 819
2015	349
2016	84
2017	85
2018	14
Total	<u>\$ 1,351</u>

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**NOTE 13 FUNCTIONAL EXPENSES**

The System provides general health care services to residents within its geographic location, including Level 2 emergency trauma care, microsurgery and limb reattachment, open heart surgery, neurology and neurosurgery, obstetrics/newborn, oncology, ophthalmology, oral and maxillofacial surgery, otolaryngology, orthopedic surgery, pediatrics, physical medicine, sports medicine, plastic surgery, psychiatry, and urology and vascular/thoracic surgery. In addition to the health care services provided by the System, the Foundation holds fundraising events and raises funds on behalf of the System. Expenses related to providing these services are as follows:

	2013	2012
Health Care Services	\$ 315,652	\$ 292,143
General and Administrative	57,217	53,831
Fundraising	172	149
Total Expenses	<u>\$ 373,041</u>	<u>\$ 346,123</u>

**NOTE 14 FAIR VALUE**

**Fair Value Measurements**

The System uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. For additional information on how the System measures fair value, refer to Note 1. The following tables present the fair value hierarchy for the balances of the assets of the System measured at fair value on a recurring basis as of December 31.

2013	Level 1	Level 2	Level 3	Total
Investments and Assets Limited to Use				
Marketable Equity Securities	\$ 11,632	\$ -	\$ -	\$ 11,632
Mutual Funds	3,869	-	-	3,869
Government Obligations	860	-	-	860
Corporate Obligations	-	29,126	-	29,126
Real Estate Mutual Funds	1,927	-	-	1,927
Beneficial Interest in Lake View Foundation	-	-	424	424
Total Assets Measured at Fair Value	<u>\$ 18,288</u>	<u>\$ 29,126</u>	<u>\$ 424</u>	<u>\$ 47,838</u>
2012	Level 1	Level 2	Level 3	Total
Investments and Assets Limited to Use				
Marketable Equity Securities	\$ 9,516	\$ -	\$ -	\$ 9,516
Mutual Funds	3,061	-	-	3,061
Government Obligations	14,008	-	-	14,008
Corporate Obligations	-	17,182	-	17,182
Real Estate Mutual Funds	1,550	-	-	1,550
Beneficial Interest in Lake View Foundation	-	-	290	290
Total Assets Measured at Fair Value	<u>\$ 28,135</u>	<u>\$ 17,182</u>	<u>\$ 290</u>	<u>\$ 45,607</u>



**ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**  
(IN THOUSANDS)

**NOTE 14 FAIR VALUE (CONTINUED)**

**Fair Value Measurements (Continued)**

The following table presents the System's Level 3 activity for the years ended December 31, 2013 and 2012

<u>Beneficial Interest in Lake View Foundation</u>	<u>Level 3</u>
Beginning Balance, January 1, 2012	\$ 263
Change in Beneficial Interest	<u>27</u>
Ending Balance, December 31, 2012	290
Change in Beneficial Interest	<u>134</u>
Ending Balance, December 31, 2013	<u><u>\$ 424</u></u>

**Fair Value of Financial Instruments**

Additionally, from time to time, the System may be required to record at fair value other assets on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from the application of the lower-of-cost-or-market accounting or write down of individual assets. Nonfinancial assets measured at fair value on a nonrecurring basis would include nonfinancial assets and nonfinancial liabilities measured at fair value in the second step of a goodwill impairment test, other real estate owned, and other intangible assets measured at fair value for impairment assessment.

The following methods and assumptions were used by the System in estimating the fair value of its financial instruments:

Long-Term Debt – The fair value of the System's revenue bonds is calculated based on the estimated trade values as of December 31, 2013 and 2012. The fair value of the System's remaining long-term debt is estimated using discounted cash flows analyses, based on the System's current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and fair values of the System's financial instruments at December 31, 2013 and 2012 are as follows:

	<u>2013</u>		<u>2012</u>	
	<u>Carrying Amount</u>	<u>Fair Value Level 3</u>	<u>Carrying Amount</u>	<u>Fair Value Level 3</u>
Long-Term Debt	\$ 89,424	\$ 86,233	\$ 91,521	\$ 94,141

**ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES**  
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**NOTE 15 CHARITY CARE AND BENEFITS TO THE COMMUNITY SERVED—UNAUDITED**

In furtherance of its charitable purpose, the System's hospital and clinics provide a wide variety of benefits to the community. These services and donations account for a measurable portion of the System's costs and serve to promote healthy life styles, community development, health education and affordable access to care.

The System provides care to patients who meet certain criteria under its financial assistance policy without charge or at amounts less than established rates. Key elements used to determine eligibility include a patient's demonstrated inability to pay based on family size and household income related to federal income poverty guidelines. Because the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The System did not receive any grants or contributions subsidizing the costs of these services for 2013 and 2012.

The System maintains records to identify and monitor the level of community benefit services it provides. Those records include management's estimate of the costs to provide charity care, discounted pricing to the uninsured, the cost of services and supplies furnished for community benefit programs, costs in excess of program payments for treating Medical Assistance patients and costs of subsidizing various health services such as emergency and trauma services, women's and children's services, homecare services, hospice services and behavioral health services.

The System has estimated its direct and indirect costs of providing charity care under its financial assistance policy using CHA/VHA guidelines. The following is a calculation of the estimate value of benefits provided to the community, including the costs of charity care, by the System of the years ended December 31, 2013 and 2012.

	2013	2012
Costs of Charity Care	\$ 2,448	\$ 2,149
Discounts Offered to Uninsured Patients	795	83
Costs in Excess of Medicaid Payments	12,241	10,548
Education and Workforce Development and Research	6,405	5,701
Subsidized Health Services	5,145	4,077
Cash and In-Kind Donations	619	413
Community Building and Other Community Benefit Costs	555	636
Total Cost of Community Benefits*	<u>28,208</u>	<u>23,607</u>
*as defined by CHA/VHA guidelines		
Other Community Contributions		
Costs in Excess of Medicare Payments	45,514	40,447
Other Care Provided without Compensation (Bad Debt)	6,893	7,354
Taxes and Fees	6,614	5,654
Total Value of Community Contributions	<u>\$ 87,229</u>	<u>\$ 77,062</u>

**ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**  
**(IN THOUSANDS)**

**NOTE 15 CHARITY CARE AND BENEFITS TO THE COMMUNITY SERVED—UNAUDITED  
(CONTINUED)**

In addition to community benefit costs outlined above, the System provides additional community contributions such as services to Medicare patients below the costs for treatment, other uncompensated care and pays taxes and fees

**NOTE 16 ELECTRONIC HEALTH RECORD INCENTIVE PROGRAM**

The Electronic Health Record (EHR) incentive program was enacted as part of the American Recovery and Reinvestment Act of 2009 (ARRA) and the Health Information Technology for Economic and Clinical Health (HITECH) Act. These Acts provided for incentive payments under both the Medicare and Medicaid programs to eligible Hospitals that demonstrate meaningful use of certified EHR technology. The incentive payments are made based on a statutory formula and are contingent on the System continuing to meet the escalating meaningful use criteria.

For the first payment year, the System must attest, subject to an audit, that it met the meaningful use criteria for a continuous 90-day period. For the subsequent payment year, the System must demonstrate meaningful use for the entire year. The incentive payments are generally made over a four-year period.

The System demonstrated meaningful use to the Stage 1 criteria for the initial 90-day reporting period during the year ending December 31, 2013 for both St. Luke's Hospital and Lake View. The physicians have also demonstrated meaningful use, over the course of the past two fiscal years. The System believes they are reasonably assured of meeting the meaningful use criteria for the first payment year for Medicare and Medicaid and have elected to recognize revenue during the year ended December 31, 2013. The System recognized revenue related to meaningful use incentives of \$4,227 and \$1,026 for the periods ending December 31, 2013 and 2012, respectively. As of December 31, 2013, \$980 is included in other receivables on the consolidated balance sheets.



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## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors  
St. Luke's System of Duluth and Affiliates  
Duluth, Minnesota

We have audited the consolidated financial statements of St. Luke's Hospital System of Duluth and Affiliates as of and for the years ended December 31, 2013 and 2012, and have issued our report thereon dated March 11, 2014, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balances sheets and statements of operations are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
March 11, 2014

**ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES**  
**CONSOLIDATING BALANCE SHEET**  
**DECEMBER 31, 2013**  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION)

	<u>St Luke's</u>	<u>Foundation</u>	<u>Lake View</u>	<u>Eliminations</u>	<u>Consolidated System</u>
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	\$ 13,600	\$ 286	\$ 1,240	\$ -	\$ 15,126
Undesignated Investments	28,438	3,300	-	-	31,738
Receivables					
Net Patient Accounts Receivable	37,840	-	1,636	-	39,476
Due from Third-Party Payors	3,372	-	-	-	3,372
Other	4,085	170	129	(944)	3,440
Current Portion of Assets Limited as to Use	2,502	-	306	-	2,808
Inventories	6,983	-	281	-	7,264
Prepaid Expenses	2,190	2	71	-	2,263
Total Current Assets	<u>99,010</u>	<u>3,758</u>	<u>3,663</u>	<u>(944)</u>	<u>105,487</u>
<b>INVESTMENTS AND ASSETS LIMITED AS TO USE</b>					
Internally Designated for Property and Equipment	4,358	-	6,350	-	10,708
Donor Restricted Investments	-	5,527	281	-	5,808
Held by Trustee under Indenture Agreement, Net of Current Portion	<u>17,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,113</u>
Investments and Assets Limited as to Use	<u>21,471</u>	<u>5,527</u>	<u>6,631</u>	<u>-</u>	<u>33,629</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	53,747	-	6,467	-	60,214
<b>OTHER ASSETS</b>	<u>19,217</u>	<u>-</u>	<u>538</u>	<u>(115)</u>	<u>19,640</u>
Total Assets	<u>\$ 193,445</u>	<u>\$ 9,285</u>	<u>\$ 17,299</u>	<u>\$ (1,059)</u>	<u>\$ 218,970</u>

**ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES**  
**CONSOLIDATING BALANCE SHEET (CONTINUED)**  
**DECEMBER 31, 2013**  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION)

	<u>St Luke's</u>	<u>Foundation</u>	<u>Lake View</u>	<u>Eliminations</u>	<u>Consolidated System</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Current Maturities of Long-Term Debt	\$ 2,558	\$ -	\$ 306	\$ -	\$ 2,864
Accounts Payable	12,975	467	735	(885)	13,292
Accrued Salaries and Employee Benefits	21,200	-	642	-	21,842
Due to Third-Party Payors	225	-	79	-	304
Other Accrued Expenses	1,674	-	10	(59)	1,625
Total Current Liabilities	<u>38,632</u>	<u>467</u>	<u>1,772</u>	<u>(944)</u>	<u>39,927</u>
<b>EMPLOYEE BENEFIT OBLIGATIONS</b>	41,233	-	-	-	41,233
<b>OTHER LIABILITIES</b>	2,361	-	-	-	2,361
<b>LONG-TERM DEBT (Net of Current Maturities)</b>	<u>80,234</u>	<u>-</u>	<u>6,326</u>	<u>-</u>	<u>86,560</u>
Total Liabilities	162,460	467	8,098	(944)	170,081
<b>COMMITMENTS AND CONTINGENCIES</b>					
<b>NET ASSETS</b>					
Unrestricted	30,985	3,291	8,496	(115)	42,657
Temporarily Restricted	-	5,070	424	-	5,494
Permanently Restricted	-	457	281	-	738
Total Net Assets	<u>30,985</u>	<u>8,818</u>	<u>9,201</u>	<u>(115)</u>	<u>48,889</u>
Total Liabilities and Net Assets	<u>\$ 193,445</u>	<u>\$ 9,285</u>	<u>\$ 17,299</u>	<u>\$ (1,059)</u>	<u>\$ 218,970</u>

**ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES**  
**CONSOLIDATING BALANCE SHEET**  
**DECEMBER 31, 2012**  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION)

	<u>St Luke's</u>	<u>Foundation</u>	<u>Lake View</u>	<u>Eliminations</u>	<u>Consolidated System</u>
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	\$ 7,200	\$ 97	\$ 761	\$ -	\$ 8,058
Undesignated Investments	28,879	2,568	-	-	31,447
Receivables					
Net Patient Accounts Receivable	42,277	-	1,595	-	43,872
Due from Third-Party Payors	2,690	-	211	-	2,901
Other	3,761	310	40	(970)	3,141
Current Portion of Assets Limited as to Use	1,660	-	284	-	1,944
Inventories	6,841	-	286	-	7,127
Prepaid Expenses	1,928	5	83	-	2,016
Total Current Assets	<u>95,236</u>	<u>2,980</u>	<u>3,260</u>	<u>(970)</u>	<u>100,506</u>
<b>INVESTMENTS AND ASSETS LIMITED AS TO USE</b>					
Internally Designated for Property and Equipment	3,796	-	5,038	-	8,834
Donor Restricted Investments	-	4,986	281	-	5,267
Held by Trustee under Indenture Agreement,					
Net of Current Portion	<u>25,610</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,610</u>
Investments and Assets Limited as to Use	<u>29,406</u>	<u>4,986</u>	<u>5,319</u>	<u>-</u>	<u>39,711</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	50,437	-	6,965	-	57,402
<b>OTHER ASSETS</b>	<u>16,651</u>	<u>-</u>	<u>418</u>	<u>(129)</u>	<u>16,940</u>
Total Assets	<u>\$ 191,730</u>	<u>\$ 7,966</u>	<u>\$ 15,962</u>	<u>\$ (1,099)</u>	<u>\$ 214,559</u>

**ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES**  
**CONSOLIDATING BALANCE SHEET (CONTINUED)**  
**DECEMBER 31, 2012**  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION)

	<u>St Luke's</u>	<u>Foundation</u>	<u>Lake View</u>	<u>Eliminations</u>	<u>Consolidated System</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Borrowings under the Lines of Credit	\$ 3,000	\$ -	\$ -	\$ -	\$ 3,000
Current Maturities of Long-Term Debt	2,047	-	284	-	2,331
Accounts Payable	11,842	318	970	(792)	12,338
Accrued Salaries and Employee Benefits	18,926	-	600	-	19,526
Due to Third-Party Payors	656	-	-	-	656
Other Accrued Expenses	3,074	-	15	(178)	2,911
Total Current Liabilities	<u>39,545</u>	<u>318</u>	<u>1,869</u>	<u>(970)</u>	<u>40,762</u>
<b>EMPLOYEE BENEFIT OBLIGATIONS</b>	63,675	-	-	-	63,675
<b>OTHER LIABILITIES</b>	1,908	-	-	-	1,908
<b>LONG-TERM DEBT (Net of Current Maturities)</b>	<u>82,560</u>	<u>-</u>	<u>6,630</u>	<u>-</u>	<u>89,190</u>
Total Liabilities	187,688	318	8,499	(970)	195,535
<b>COMMITMENTS AND CONTINGENCIES</b>					
<b>NET ASSETS</b>					
Unrestricted	4,042	2,662	6,892	(129)	13,467
Temporarily Restricted	-	4,529	290	-	4,819
Permanently Restricted	-	457	281	-	738
Total Net Assets	<u>4,042</u>	<u>7,648</u>	<u>7,463</u>	<u>(129)</u>	<u>19,024</u>
Total Liabilities and Net Assets	<u>\$ 191,730</u>	<u>\$ 7,966</u>	<u>\$ 15,962</u>	<u>\$ (1,099)</u>	<u>\$ 214,559</u>



**ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2013**  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION)

	<u>St Luke's</u>	<u>Foundation</u>	<u>Lake View</u>	<u>Eliminations</u>	<u>Consolidated System</u>
<b>REVENUES</b>					
Net Patient Service Revenue (Net of Contractual Allowances and Discounts)	\$ 348,386	\$ -	\$ 13,285	\$ -	\$ 361,671
Provision for Bad Debts	6,445	-	448	-	6,893
Net Patient Service Revenue Less Provision for Bad Debts	341,941	-	12,837	-	354,778
Other Revenue	20,976	721	614	(1,711)	20,600
Total Revenues	362,917	721	13,451	(1,711)	375,378
<b>EXPENSES</b>					
Salaries	175,431	238	5,096	-	180,765
Employee Benefits	48,687	22	1,330	-	50,039
Supplies	68,017	11	1,118	(205)	68,941
Physician and Professional Fees	18,154	35	2,929	(1,072)	20,046
Depreciation and Amortization	8,791	-	705	-	9,496
Occupancy	21,668	26	693	(160)	22,227
Interest	3,768	-	321	(14)	4,075
Other	16,231	692	803	(274)	17,452
Total Expenses	360,747	1,024	12,995	(1,725)	373,041
<b>OPERATING GAIN (LOSS)</b>	2,170	(303)	456	14	2,337
<b>NON-OPERATING GAINS</b>	788	196	1,078	-	2,062
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES</b>	<u>\$ 2,958</u>	<u>\$ (107)</u>	<u>\$ 1,534</u>	<u>\$ 14</u>	<u>\$ 4,399</u>

**ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2012**  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION)

	St Luke's	Foundation	Lake View	Eliminations	Consolidated System
<b>REVENUES</b>					
Net Patient Service Revenue (Net of Contractual Allowances and Discounts)	\$ 328,916	\$ -	\$ 12,113	\$ -	\$ 341,029
Provision for Bad Debts	7,003	-	351	-	7,354
Net Patient Service Revenue Less Provision for Bad Debts	321,913	-	11,762	-	333,675
Other Revenue	17,102	692	384	(1,499)	16,679
Total Revenues	339,015	692	12,146	(1,499)	350,354
<b>EXPENSES</b>					
Salaries	163,374	234	5,052	-	168,660
Employee Benefits	45,444	23	1,156	-	46,623
Supplies	62,252	9	1,049	(129)	63,181
Physician and Professional Fees	17,607	48	2,779	(1,038)	19,396
Depreciation and Amortization	8,306	-	742	-	9,048
Occupancy	18,056	26	579	(22)	18,639
Interest	4,369	-	398	(10)	4,757
Other	14,768	585	776	(310)	15,819
Total Expenses	334,176	925	12,531	(1,509)	346,123
<b>OPERATING GAIN (LOSS)</b>	4,839	(233)	(385)	10	4,231
<b>NON-OPERATING GAINS (LOSSES)</b>	(573)	110	705	-	242
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES</b>	\$ 4,266	\$ (123)	\$ 320	\$ 10	\$ 4,473