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Form **990**  
 Department of the Treasury  
 Internal Revenue Service

## Return of Organization Exempt From Income Tax

**Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)**

▶ Do not enter Social Security numbers on this form as it may be made public. By law, the IRS generally cannot redact the information on the form.  
 ▶ Information about 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**

**A For the 2013 calendar year, or tax year beginning 01-01-2013, 2013, and ending 12-31-2013**

<b>B</b> Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	<b>C</b> Name of organization Bon Secours-St Francis Xavier Hospital Inc Doing Business As Number and street (or P.O. box if mail is not delivered to street address) Room/suite 1483 Tobias Gadson Blvd No 101 City or town, state or province, country, and ZIP or foreign postal code Charleston, SC 29407	<b>D</b> Employer identification number 57-1067254 <b>E</b> Telephone number (843) 789-1704 <b>G</b> Gross receipts \$ 213,282,815
<b>F</b> Name and address of principal officer David L Dunlap 1483 Tobias Gadson Blvd No 101 Charleston, SC 29407		<b>H(a)</b> Is this a group return for subordinates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <b>H(b)</b> Are all subordinates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) <b>H(c)</b> Group exemption number ▶
<b>I</b> Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) (insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		
<b>J</b> Website: ▶ www.rsfn.com		
<b>K</b> Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶		<b>L</b> Year of formation 1998 <b>M</b> State of legal domicile SC

**Part I Summary**

<b>1</b>	Briefly describe the organization's mission or most significant activities Operation of nonprofit hospital facility in Charleston, SC					
<b>2</b>	Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets					
<b>3</b>	Number of voting members of the governing body (Part VI, line 1a)	<b>3</b>		13		
<b>4</b>	Number of independent voting members of the governing body (Part VI, line 1b)	<b>4</b>		7		
<b>5</b>	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	<b>5</b>		1,059		
<b>6</b>	Total number of volunteers (estimate if necessary)	<b>6</b>		164		
<b>7a</b>	Total unrelated business revenue from Part VIII, column (C), line 12	<b>7a</b>		44,176		
<b>b</b>	Net unrelated business taxable income from Form 990-T, line 34	<b>7b</b>		10,491		
<b>Revenue</b>	<b>8</b> Contributions and grants (Part VIII, line 1h)	<b>Prior Year</b>		<b>Current Year</b>		
	<b>9</b> Program service revenue (Part VIII, line 2g)	198,595		86,703		
	<b>10</b> Investment income (Part VIII, column (A), lines 3, 4, and 7d)	198,460,896		208,086,113		
	<b>11</b> Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	-79,932		154,920		
	<b>12</b> Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	3,543,988		3,722,119		
<b>Expenses</b>	<b>13</b> Grants and similar amounts paid (Part IX, column (A), lines 1–3)	211,187		246,167		
	<b>14</b> Benefits paid to or for members (Part IX, column (A), line 4)	0		0		
	<b>15</b> Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	71,057,455		75,006,408		
	<b>16a</b> Professional fundraising fees (Part IX, column (A), line 11e)	0		0		
	<b>b</b> Total fundraising expenses (Part IX, column (D), line 25) ▶ <sup>0</sup>					
	<b>17</b> Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	90,422,387		93,525,756		
	<b>18</b> Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	161,691,029		168,778,331		
<b>19</b> Revenue less expenses Subtract line 18 from line 12	40,432,518		43,271,524			
<b>Net Assets or Fund Balances</b>			<b>Beginning of Current Year</b>		<b>End of Year</b>	
	<b>20</b> Total assets (Part X, line 16)	421,065,080		465,731,705		
	<b>21</b> Total liabilities (Part X, line 26)	21,174,399		21,576,001		
<b>22</b> Net assets or fund balances Subtract line 21 from line 20	399,890,681		444,155,704			

**Part II Signature Block**

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

<b>Sign Here</b>	***** Signature of officer Bret D Johnson SVP & CFO Type or print name and title	2014-11-12 Date
<b>Paid Preparer Use Only</b>	Prnt/Type preparer's name Amy Bibby	Preparer's signature Date
	Firm's name ▶ DIXON HUGHES GOODMAN LLP	Check <input type="checkbox"/> if self-employed PTIN P00445891
	Firm's address ▶ 500 Ridgefield Court Asheville, NC 28806	Firm's EIN ▶ 56-0747981 Phone no (828) 254-2254

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

**Part III Statement of Program Service Accomplishments**

Check if Schedule O contains a response or note to any line in this Part III  Yes  No

**1** Briefly describe the organization's mission  
Healing all people with compassion, faith, and excellence

**2** Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?  Yes  No  
If "Yes," describe these new services on Schedule O

**3** Did the organization cease conducting, or make significant changes in how it conducts, any program services?  Yes  No  
If "Yes," describe these changes on Schedule O

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

**4a** (Code ) (Expenses \$ 145,665,748 including grants of \$ 246,167 ) (Revenue \$ 210,090,033 )  
Bon Secours St Francis had an active year in 2013 demonstrating the hospital's commitment to healing all people with faith, compassion and excellence. The hospital contributed \$9,307,000 in Community Benefit in 2013. This benefit included charity care, unreimbursed Medicaid, numerous sponsorships and community outreach programs (see Schedule H for additional details). Events such as free skin, breast and prostate cancer screenings were offered, hosted the Students Can Really Use Bedside Skills (SCRUBS) program, which gives students an opportunity to learn about health careers from experts in the field who love their work, the American Cancer Society's Relay for Life, Komen Charleston Race for the Cure, the annual March of Dimes March for Babies, the Leukemia and Lymphoma Society, the American Diabetes Association and the Ryan White program through fundraisers, including the annual Dining Out for Life. Bon Secours St Francis Hospital's commitment to bettering and supporting the health of the community, the organization also supported many charitable organizations that work to fulfill other needs such as Trident United Way, SC Nurses Foundation, Trident Technical College Foundation and the annual Spirit of Caring golf tournament that aims to raise money for nursing scholarships. In addition, the teams at Bon Secours St Francis once again hosted the annual Pregnancy Celebration. The Celebration focused on fun family activities and education for expecting moms. It was attended by approximately 300 people. The high level of care at Bon Secours St Francis Hospital has earned several national accolades - which means Bon Secours St Francis is definitely on the map, here in our community, but also nationally. In 2013, the hospital was honored by Truven Health Analytics as a Top 100 Hospital in the U.S. and received several nods from Healthgrades.com, the leading resource on medical information for consumers. The CEO of Bon Secours St Francis, Allen Carroll, was also named one of the Top 100 Great Hospital Leaders in America list Hospital Review. The facility was also recognized by national insurance providers such as BlueCross/Blue Shield and Aetna. Quality is certainly a priority for Bon Secours Saint Francis - a statement that makes raising the bar for improvement an everyday occurrence. For the teammates and processes that are in place, this is not an option but a foundation that continues to take the facility to a regional and nationally recognized level.

**4b** (Code ) (Expenses \$ including grants of \$ ) (Revenue \$ )  
Please see Schedule O for a detailed statement of Program Service Accomplishments. Please visit our website for a detailed community benefit report at [http://www.ropersaintfrancis.com/about\\_us/mission\\_and\\_community\\_activities/annualreport.aspx](http://www.ropersaintfrancis.com/about_us/mission_and_community_activities/annualreport.aspx)

**4c** (Code ) (Expenses \$ including grants of \$ ) (Revenue \$ )  
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**4d** Other program services (Describe in Schedule O )  
(Expenses \$ including grants of \$ ) (Revenue \$ )

**4e Total program service expenses** 145,665,748

**Part IV Checklist of Required Schedules**

	Yes	No
<b>1</b> Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A</i> <input checked="" type="checkbox"/>	Yes	
<b>2</b> Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)? <input checked="" type="checkbox"/>	Yes	
<b>3</b> Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I</i>		No
<b>4</b> <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? <i>If "Yes," complete Schedule C, Part II</i>		No
<b>5</b> 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? <i>If "Yes," complete Schedule C, Part III</i>		No
<b>6</b> 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? <i>If "Yes," complete Schedule D, Part I</i> <input checked="" type="checkbox"/>		No
<b>7</b> Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? <i>If "Yes," complete Schedule D, Part II</i> <input checked="" type="checkbox"/>		No
<b>8</b> Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III</i> <input checked="" type="checkbox"/>		No
<b>9</b> 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? <i>If "Yes," complete Schedule D, Part IV</i> <input checked="" type="checkbox"/>		No
<b>10</b> Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V</i> <input checked="" type="checkbox"/>		No
<b>11</b> 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		
<b>a</b> Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI</i> <input checked="" type="checkbox"/>	Yes	
<b>b</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? <i>If "Yes," complete Schedule D, Part VII</i> <input checked="" type="checkbox"/>		No
<b>c</b> 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? <i>If "Yes," complete Schedule D, Part VIII</i> <input checked="" type="checkbox"/>	Yes	
<b>d</b> 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? <i>If "Yes," complete Schedule D, Part IX</i> <input checked="" type="checkbox"/>		No
<b>e</b> Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i> <input checked="" type="checkbox"/>	Yes	
<b>f</b> 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)? <i>If "Yes," complete Schedule D, Part X</i> <input checked="" type="checkbox"/>	Yes	
<b>12a</b> Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII</i> <input checked="" type="checkbox"/>		No
<b>b</b> Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional</i> <input checked="" type="checkbox"/>	Yes	
<b>13</b> Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i>		No
<b>14a</b> Did the organization maintain an office, employees, or agents outside of the United States?		No
<b>b</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? <i>If "Yes," complete Schedule F, Parts I and IV</i>		No
<b>15</b> 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? <i>If "Yes," complete Schedule F, Parts II and IV</i>		No
<b>16</b> 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? <i>If "Yes," complete Schedule F, Parts III and IV</i>		No
<b>17</b> 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? <i>If "Yes," complete Schedule G, Part I (see instructions)</i>		No
<b>18</b> Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II</i>		No
<b>19</b> Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III</i>		No
<b>20a</b> Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i> <input checked="" type="checkbox"/>	Yes	
<b>b</b> If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? <input checked="" type="checkbox"/>	Yes	

**Part IV Checklist of Required Schedules** *(continued)*

<b>21</b>	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> . . . . .	<b>21</b>		No
<b>22</b>	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> . . . . .	<b>22</b>		No
<b>23</b>	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> . . . . .	<b>23</b>	Yes	
<b>24a</b>	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> . . . . .	<b>24a</b>		No
<b>b</b>	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . . .	<b>24b</b>		
<b>c</b>	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .	<b>24c</b>		
<b>d</b>	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . . .	<b>24d</b>		
<b>25a</b>	<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> . . . . .	<b>25a</b>		No
<b>b</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> . . . . .	<b>25b</b>		No
<b>26</b>	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> . . . . .	<b>26</b>		No
<b>27</b>	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> . . . . .	<b>27</b>		No
<b>28</b>	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)			
<b>a</b>	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	<b>28a</b>		No
<b>b</b>	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	<b>28b</b>	Yes	
<b>c</b>	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> . . . . .	<b>28c</b>		No
<b>29</b>	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . . .	<b>29</b>		No
<b>30</b>	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .	<b>30</b>		No
<b>31</b>	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .	<b>31</b>		No
<b>32</b>	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> . . . . .	<b>32</b>		No
<b>33</b>	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> . . . . .	<b>33</b>		No
<b>34</b>	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> . . . . .	<b>34</b>	Yes	
<b>35a</b>	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	<b>35a</b>		No
<b>b</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> . . . . .	<b>35b</b>		
<b>36</b>	<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> . . . . .	<b>36</b>		No
<b>37</b>	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> . . . . .	<b>37</b>		No
<b>38</b>	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 . . . . .	<b>38</b>	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
<b>1a</b>	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.		
<b>1b</b>	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.		
<b>1c</b>	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		
<b>2a</b>	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.		
<b>2b</b>	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	Yes	
<b>3a</b>	Did the organization have unrelated business gross income of \$1,000 or more during the year?	Yes	
<b>3b</b>	If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation in Schedule O.	Yes	
<b>4a</b>	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		No
<b>b</b>	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
<b>5a</b>	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		No
<b>5b</b>	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		No
<b>5c</b>	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		
<b>6a</b>	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		No
<b>6b</b>	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
<b>7</b>	<b>Organizations that may receive deductible contributions under section 170(c).</b>		
<b>a</b>	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		No
<b>7b</b>	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
<b>7c</b>	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		No
<b>7d</b>	If "Yes," indicate the number of Forms 8282 filed during the year.		
<b>7e</b>	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		No
<b>7f</b>	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		No
<b>7g</b>	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		
<b>7h</b>	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		
<b>8</b>	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		
<b>9</b>	<b>Sponsoring organizations maintaining donor advised funds.</b>		
<b>9a</b>	Did the organization make any taxable distributions under section 4966?		
<b>9b</b>	Did the organization make a distribution to a donor, donor advisor, or related person?		
<b>10</b>	<b>Section 501(c)(7) organizations.</b> Enter		
<b>10a</b>	Initiation fees and capital contributions included on Part VIII, line 12.		
<b>10b</b>	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		
<b>11</b>	<b>Section 501(c)(12) organizations.</b> Enter		
<b>11a</b>	Gross income from members or shareholders.		
<b>11b</b>	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		
<b>12a</b>	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?		
<b>12b</b>	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		
<b>13</b>	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>		
<b>13a</b>	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> See the instructions for additional information the organization must report on Schedule O.		
<b>13b</b>	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.		
<b>13c</b>	Enter the amount of reserves on hand.		
<b>14a</b>	Did the organization receive any payments for indoor tanning services during the tax year?		No
<b>14b</b>	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		

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

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

**Section A. Governing Body and Management**

		Yes	No
<b>1a</b>	Enter the number of voting members of the governing body at the end of the tax year . . . . .		
	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>1b</b>	Enter the number of voting members included in line 1a, above, who are independent . . . . .		
<b>2</b>	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? . . . . .		No
<b>3</b>	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? . . . . .	Yes	
<b>4</b>	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? . . . . .		No
<b>5</b>	Did the organization become aware during the year of a significant diversion of the organization's assets? . . . . .		No
<b>6</b>	Did the organization have members or stockholders? . . . . .	Yes	
<b>7a</b>	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? . . . . .	Yes	
<b>7b</b>	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? . . . . .	Yes	
<b>8</b>	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
<b>8a</b>	a The governing body? . . . . .	Yes	
<b>8b</b>	b Each committee with authority to act on behalf of the governing body? . . . . .	Yes	
<b>9</b>	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 . . . . .		No

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

		Yes	No
<b>10a</b>	Did the organization have local chapters, branches, or affiliates? . . . . .		No
<b>10b</b>	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?		
<b>11a</b>	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? . . . . .	Yes	
	b Describe in Schedule O the process, if any, used by the organization to review this Form 990 . . . . .		
<b>12a</b>	Did the organization have a written conflict of interest policy? If "No," go to line 13 . . . . .	Yes	
<b>12b</b>	b Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? . . . . .	Yes	
<b>12c</b>	c Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done . . . . .	Yes	
<b>13</b>	Did the organization have a written whistleblower policy? . . . . .	Yes	
<b>14</b>	Did the organization have a written document retention and destruction policy? . . . . .	Yes	
<b>15</b>	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?		
<b>15a</b>	a The organization's CEO, Executive Director, or top management official . . . . .	Yes	
<b>15b</b>	b Other officers or key employees of the organization . . . . .	Yes	
	If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions)		
<b>16a</b>	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? . . . . .	Yes	
<b>16b</b>	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? . . . . .	Yes	

**Section C. Disclosure**

- 17** List the States with which a copy of this Form 990 is required to be filed  SC
- 18** Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.  
 Own website  Another's website  Upon request  Other (explain in Schedule O)
- 19** Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
- 20** State the name, physical address, and telephone number of the person who possesses the books and records of the organization  
 The Finance Department 1483 Tobias Gadson Blvd 101  
 Charleston, SC 29407 (843) 789-1704





**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	
<b>Contributions, Gifts, Grants and Other Similar Amounts</b>	<b>1a</b>	Federated campaigns . . . . . <b>1a</b>					
	<b>b</b>	Membership dues . . . . . <b>1b</b>					
	<b>c</b>	Fundraising events . . . . . <b>1c</b>					
	<b>d</b>	Related organizations . . . . . <b>1d</b>	86,703				
	<b>e</b>	Government grants (contributions) <b>1e</b>					
	<b>f</b>	All other contributions, gifts, grants, and similar amounts not included above <b>1f</b>					
	<b>g</b>	Noncash contributions included in lines 1a-1f \$					
	<b>h</b>	<b>Total.</b> Add lines 1a-1f . . . . .	86,703				
<b>Program Service Revenue</b>	<b>2a</b>	Net Patient Service					
		Business Code					
		621400	208,086,113	208,041,937	44,176		
	<b>b</b>						
	<b>c</b>						
	<b>d</b>						
	<b>e</b>						
<b>f</b>	All other program service revenue						
<b>g</b>	<b>Total.</b> Add lines 2a-2f . . . . .	208,086,113					
<b>Other Revenue</b>	<b>3</b>	Investment income (including dividends, interest, and other similar amounts) . . . . .	3,245			3,245	
	<b>4</b>	Income from investment of tax-exempt bond proceeds . . . . .					
	<b>5</b>	Royalties . . . . .					
	<b>6a</b>	Gross rents	(i) Real	1,281,838			
			(ii) Personal				
			<b>b</b> Less rental expenses	930,010			
			<b>c</b> Rental income or (loss)	351,828			
	<b>d</b>	Net rental income or (loss) . . . . .	351,828			351,828	
	<b>7a</b>	Gross amount from sales of assets other than inventory	(i) Securities				
			(ii) Other	182,919			
			<b>b</b> Less cost or other basis and sales expenses	31,244	0		
			<b>c</b> Gain or (loss)	-31,244	182,919		
	<b>d</b>	Net gain or (loss) . . . . .	151,675			151,675	
	<b>8a</b>	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .					
	<b>a</b>						
<b>b</b>	Less direct expenses . . . . . <b>b</b>						
<b>c</b>	Net income or (loss) from fundraising events . . . . .						
<b>9a</b>	Gross income from gaming activities See Part IV, line 19 . . . . .						
<b>a</b>							
<b>b</b>	Less direct expenses . . . . . <b>b</b>						
<b>c</b>	Net income or (loss) from gaming activities . . . . .						
<b>10a</b>	Gross sales of inventory, less returns and allowances . . . . .	<b>a</b>	478,352				
		<b>b</b> Less cost of goods sold . . . . . <b>b</b>	271,706				
		<b>c</b> Net income or (loss) from sales of inventory . . . . .	206,646			206,646	
	Miscellaneous Revenue	Business Code					
<b>11a</b>	Incentive Payments	900099	2,048,096	2,048,096			
<b>b</b>	Cafeteria Revenue	722210	1,031,589		1,031,589		
<b>c</b>	Miscellaneous Revenue	900099	83,960		83,960		
<b>d</b>	All other revenue . . . . .						
<b>e</b>	<b>Total.</b> Add lines 11a-11d . . . . .		3,163,645				
<b>12</b>	<b>Total revenue.</b> See Instructions . . . . .		212,049,855	210,090,033	44,176	1,828,943	

**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
<b>1</b>	Grants and other assistance to governments and organizations in the United States. See Part IV, line 21	246,167	246,167		
<b>2</b>	Grants and other assistance to individuals in the United States. See Part IV, line 22				
<b>3</b>	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16				
<b>4</b>	Benefits paid to or for members				
<b>5</b>	Compensation of current officers, directors, trustees, and key employees	719,939	46,595	673,344	
<b>6</b>	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	190,370	190,370		
<b>7</b>	Other salaries and wages	62,494,824	48,620,071	13,874,753	
<b>8</b>	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	1,644,714	1,279,841	364,873	
<b>9</b>	Other employee benefits	7,098,132	5,534,703	1,563,429	
<b>10</b>	Payroll taxes	2,858,429	2,224,298	634,131	
<b>11</b>	Fees for services (non-employees)				
<b>a</b>	Management	2,492,794	1,936,901	555,893	
<b>b</b>	Legal	367,854		367,854	
<b>c</b>	Accounting	122,326		122,326	
<b>d</b>	Lobbying				
<b>e</b>	Professional fundraising services. See Part IV, line 17				
<b>f</b>	Investment management fees				
<b>g</b>	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	14,598,011	13,320,318	1,277,693	
<b>12</b>	Advertising and promotion	1,255,939	902,213	353,726	
<b>13</b>	Office expenses	10,023,109	7,691,886	2,331,223	
<b>14</b>	Information technology	94,870		94,870	
<b>15</b>	Royalties				
<b>16</b>	Occupancy	4,291,291	3,985,951	305,340	
<b>17</b>	Travel	75,624		75,624	
<b>18</b>	Payments of travel or entertainment expenses for any federal, state, or local public officials				
<b>19</b>	Conferences, conventions, and meetings	260,057		260,057	
<b>20</b>	Interest	545,305	545,305		
<b>21</b>	Payments to affiliates				
<b>22</b>	Depreciation, depletion, and amortization	7,866,723	7,866,723		
<b>23</b>	Insurance	731,306	585,045	146,261	
<b>24</b>	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)				
<b>a</b>	Medical supplies	32,652,924	32,652,924		
<b>b</b>	Bad debt expense	13,324,661	13,324,661		
<b>c</b>	Medical DSH tax	4,222,693	4,222,693		
<b>d</b>	Other expenses	600,269	489,083	111,186	
<b>e</b>	All other expenses				
<b>25</b>	<b>Total functional expenses.</b> Add lines 1 through 24e	168,778,331	145,665,748	23,112,583	0
<b>26</b>	<b>Joint costs.</b> Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

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

Table with columns for Assets, Liabilities, and Net Assets or Fund Balances. Rows include items like Cash, Accounts receivable, Investments, and Total assets/liabilities.

**Part XI Reconciliation of Net Assets**

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

<b>1</b>	Total revenue (must equal Part VIII, column (A), line 12)	<b>1</b>	212,049,855
<b>2</b>	Total expenses (must equal Part IX, column (A), line 25)	<b>2</b>	168,778,331
<b>3</b>	Revenue less expenses Subtract line 2 from line 1	<b>3</b>	43,271,524
<b>4</b>	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	<b>4</b>	399,890,681
<b>5</b>	Net unrealized gains (losses) on investments	<b>5</b>	
<b>6</b>	Donated services and use of facilities	<b>6</b>	
<b>7</b>	Investment expenses	<b>7</b>	
<b>8</b>	Prior period adjustments	<b>8</b>	
<b>9</b>	Other changes in net assets or fund balances (explain in Schedule O)	<b>9</b>	993,499
<b>10</b>	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	<b>10</b>	444,155,704

**Part XII Financial Statements and Reporting**

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

		Yes	No
<b>1</b>	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		
<b>2a</b>	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
<b>2b</b>	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	
<b>2c</b>	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	
<b>3a</b>	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
<b>3b</b>	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits		

**Additional Data**

**Software ID:**

**Software Version:**

**EIN:** 57-1067254

**Name:** Bon Secours-St Francis Xavier Hospital Inc

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
John M Jordan Chair (See Sch O)	50 2 50	X						0	318,568	29,358
Stanley Wilson MD Vice Chair (As of July)(See Sch O)	50 49 50	X						0	599,386	60,448
W Blount Ellison MD Vice Chair (Thru June)(See Sch O)	50 2 50	X						0	167,679	23,800
Sister Anne Lutz Board Member	50 2 50	X						0	0	0
Richard Statuto Board Member	50 2 50	X						0	0	0
Joseph G Piemont Board Member	50 2 50	X						0	0	0
Perry Keith Waring Board Member (Thru June)	50 2 50	X						0	0	0
Brantley D Thomas PhD Board Member (Thru June)	50 2 50	X						0	0	0
Katherine Duffy PhD Board Member	50 2 50	X						0	0	0
Roberta Pinckney Board Member (As of July)	50 2 50	X						0	0	0
Shannon Honney MD Board Member (See Sch O)	50 49 50	X						0	222,596	16,167
Julius R Ivester MD Board Member	50 2 50	X						0	0	0
Alison E Dillon MD Board Member (See Sch O)	50 2 50	X						46,595	0	0
Angress Walker Board Member	50 2 50	X						0	0	0
Mary Thornley Board Member (As of July)	50 2 50	X						0	0	0
Wills C Geils MD Board Member (As of July)(See Sch O)	50 2 50	X						0	29,930	0
David Dunlap President & CEO of CAHS	1 00 49 00			X				0	927,548	262,908
Matthew J Severance CEO / Secretary	1 00 49 00			X				0	570,058	197,152
Steven D Shapiro MD CMO & VP Med Affairs	1 00 49 00			X				0	637,159	107,134
Bret Johnson CFO & SVP / Treasurer	1 00 49 00			X				0	528,020	183,178
Allen Carroll SVP of Operations	46 00 4 00			X				467,456	0	155,505
Douglas W Bowling CSO & VP	1 00 49 00			X				0	410,398	138,857
John Sullivan VP Operations	1 00 49 00			X				0	355,386	177,300
Gregory T Edwards VP & General Counsel	1 00 49 00			X				0	393,731	127,710
H Douglas Harrison VP Human Resources	1 00 49 00			X				0	338,567	86,512

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Michael Taylor CIO & VP	1 00 49 00			X				0	353,888	108,246
Lisa Schafer Thru June VP Nursing/SR Nurse Exec RHI	1 00 49 00			X				0	148,315	32,988
Pennie L Peralta VP Nursing/SR Nurse Exec SFX	47 00 3 00			X			205,889	0		70,087
Diana Topjian VP Nursing/SR Nurse Exec MPH	1 00 49 00			X				0	178,568	57,038
Mark Dickson VP Mission	1 00 49 00			X				0	161,827	57,556
Carolyn Donohue As of Sept VP Nursing/SR Nurse Exec RHI	1 00 49 00			X				0	68,760	1,249
William Glen Brown Chair/St Francis	1 00 0 00			X				0	0	0
Sister Nancy Glynn Board President/St Francis	1 00 0 00			X				0	0	0
Peter DiNicola Dir of Plant Eng	1 00 49 00				X			0	218,291	18,881
Francis Wyckoff Jr Dir of Pharmacy	1 00 49 00				X			0	193,820	28,992
Wanda J Brockmeyer Dir of Emergency Svcs	1 00 49 00				X			0	166,976	20,285
Joan Wherley Dir of Imaging Services	1 00 49 00				X			0	159,752	15,228
Robert Lowery MD Physician	1 00 49 00					X		15,500	1,260,938	57,789
John Steichen MD Physician	1 00 49 00					X		14,100	1,249,801	62,003
Stephen E Rawe MD Physician	1 00 49 00					X		18,000	1,234,254	49,918
George H Khoury MD Physician	1 00 49 00					X		16,100	1,210,941	62,003
John Graham MD Physician	1 00 49 00					X		2,000	980,568	60,573
C Scott Ferguson Dir of Material Svc, Former Key Emp	1 00 49 00						X	0	162,446	31,316

**SCHEDULE A**  
(Form 990 or 990EZ)

**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).

**2013**

**Open to Public Inspection**

Department of the Treasury  
Internal Revenue Service

**Name of the organization**  
Bon Secours-St Francis Xavier Hospital Inc

**Employer identification number**  
57-1067254

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

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

- 1  A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i)**.
- 2  A school described in **section 170(b)(1)(A)(ii)**. (Attach Schedule E )
- 3  A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii)**.
- 4  A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii)**. Enter the hospital's name, city, and state \_\_\_\_\_
- 5  An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv)**. (Complete Part II )
- 6  A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v)**.
- 7  An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)**. (Complete Part II )
- 8  A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II )
- 9  An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2)**. (Complete Part III )
- 10  An organization organized and operated exclusively to test for public safety See **section 509(a)(4)**.
- 11  An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3)**. Check the box that describes the type of supporting organization and complete lines 11e through 11h  
  - a  Type I b  Type II c  Type III - Functionally integrated d  Type III - Non-functionally integrated
- e  By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
- f  If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box

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

	Yes	No
<b>11g(i)</b>		
<b>11g(ii)</b>		
<b>11g(iii)</b>		

**(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)

(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	
<b>Total</b>									

**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
<b>1</b> Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
<b>2</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
<b>3</b> The value of services or facilities furnished by a governmental unit to the organization without charge						
<b>4 Total.</b> Add lines 1 through 3						
<b>5</b> 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)						
<b>6 Public support.</b> 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
<b>7</b> Amounts from line 4						
<b>8</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
<b>9</b> Net income from unrelated business activities, whether or not the business is regularly carried on						
<b>10</b> Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV )						
<b>11 Total support</b> (Add lines 7 through 10)						
<b>12</b> Gross receipts from related activities, etc (see instructions)					<b>12</b>	
<b>13 First five years.</b> 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 <b>stop here</b> . . . . . <input type="checkbox"/>						

**Section C. Computation of Public Support Percentage**

<b>14</b> Public support percentage for 2013 (line 6, column (f) divided by line 11, column (f))	<b>14</b>	
<b>15</b> Public support percentage for 2012 Schedule A, Part II, line 14	<b>15</b>	
<b>16a 33 1/3% support test—2013.</b> If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and <b>stop here.</b> The organization qualifies as a publicly supported organization <input type="checkbox"/>		
<b>b 33 1/3% support test—2012.</b> 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 <b>stop here.</b> The organization qualifies as a publicly supported organization <input type="checkbox"/>		
<b>17a 10%-facts-and-circumstances test—2013.</b> 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 <b>stop here.</b> Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization <input type="checkbox"/>		
<b>b 10%-facts-and-circumstances test—2012.</b> 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 <b>stop here.</b> Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization <input type="checkbox"/>		
<b>18 Private foundation.</b> If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions <input type="checkbox"/>		

**Part III Support Schedule for Organizations Described in Section 509(a)(2)**

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

**Section A. Public Support**

Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
<b>1</b> Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
<b>2</b> 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						
<b>3</b> Gross receipts from activities that are not an unrelated trade or business under section 513						
<b>4</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
<b>5</b> The value of services or facilities furnished by a governmental unit to the organization without charge						
<b>6 Total.</b> Add lines 1 through 5						
<b>7a</b> Amounts included on lines 1, 2, and 3 received from disqualified persons						
<b>b</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						
<b>c</b> Add lines 7a and 7b						
<b>8 Public support</b> (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
<b>9</b> Amounts from line 6						
<b>10a</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
<b>b</b> Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
<b>c</b> Add lines 10a and 10b						
<b>11</b> Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
<b>12</b> Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
<b>13 Total support.</b> (Add lines 9, 10c, 11, and 12.)						
<b>14 First five years.</b> 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 <b>stop here</b> <input type="checkbox"/>						

**Section C. Computation of Public Support Percentage**

<b>15</b> Public support percentage for 2013 (line 8, column (f) divided by line 13, column (f))	<b>15</b>	
<b>16</b> Public support percentage from 2012 Schedule A, Part III, line 15	<b>16</b>	

**Section D. Computation of Investment Income Percentage**

<b>17</b> Investment income percentage for <b>2013</b> (line 10c, column (f) divided by line 13, column (f))	<b>17</b>	
<b>18</b> Investment income percentage from <b>2012</b> Schedule A, Part III, line 17	<b>18</b>	

- 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

SCHEDULE D (Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2013

Open to Public Inspection

Department of the Treasury Internal Revenue Service

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.

Name of the organization: Bon Secours-St Francis Xavier Hospital Inc

Employer identification number: 57-1067254

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.

Table with 3 columns: Line number, (a) Donor advised funds, (b) Funds and other accounts. Includes questions 1-6 regarding donor advised funds.

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

Form for Part II Conservation Easements, including questions 1-9 and a table for 'Held at the End of the Year' with rows 2a, 2b, 2c, 2d.

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.

Form for Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets, including questions 1a, 1b, 2, and 3.

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

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

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

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

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

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

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

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

	Amount
<b>1c</b> Beginning balance	
<b>1d</b> Additions during the year	
<b>1e</b> Distributions during the year	
<b>1f</b> Ending balance	

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

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

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

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

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

- a** Board designated or quasi-endowment ▶
  - b** Permanent endowment ▶
  - c** Temporarily restricted endowment ▶
- The percentages in lines 2a, 2b, and 2c should equal 100%

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

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

**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
<b>1a</b> Land . . . . .		13,580,943		13,580,943
<b>b</b> Buildings . . . . .		118,580,568	37,028,629	81,551,939
<b>c</b> Leasehold improvements . . . . .		3,821,981	2,581,605	1,240,376
<b>d</b> Equipment . . . . .		47,046,456	33,911,562	13,134,894
<b>e</b> Other . . . . .		1,150,496		1,150,496
<b>Total.</b> Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).) . . . . .				110,658,648



**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.

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

**Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

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

**Part XIII Supplemental Information**

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	Bon Secours St Francis Xavier Hospital is a not-for-profit organization as described in Section 501 (c)(3) of the Internal Revenue Code and is generally exempt from federal and state income taxes Accordingly, no provision for income taxes is made in the consolidated financial statements Although [the consolidated group] is generally exempt from federal and state income taxes, it evaluates whether there are any uncertain tax positions that fail to meet the more-likely-than-not threshold for recognition in the consolidated financial statements Uncertain tax positions may include the characterization of income, such as a characterization of income as passive, a decision to exclude reporting taxable income in a tax return, or a decision to classify a transaction, entity, or other position in a tax return as tax exempt The tax return benefit from an uncertain tax position is recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits The organization has no unrecognized tax positions as of December 31, 2013 and 2012, and does not expect that unrecognized tax benefits will materially increase within the next 12 months Tax years 2010 through 2012 are subject to examination by the federal and state taxing authorities, respectively There are no income tax examinations currently in process Interest and penalties related to uncertain tax positions, if any, would be recognized in the consolidated financial statements as income tax expense



SCHEDULE H (Form 990)

Hospitals

OMB No 1545-0047

2013

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.

Open to Public Inspection

Department of the Treasury Internal Revenue Service

Name of the organization: Bon Secours-St Francis Xavier Hospital Inc

Employer identification number: 57-1067254

Part I Financial Assistance and Certain Other Community Benefits at Cost

1a Did the organization have a financial assistance policy during the tax year? 1b If "Yes," was it a written policy? 2 If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy... 3a Did the organization use Federal Poverty Guidelines (FPG) as a factor... 3b Did the organization use FPG as a factor... 4 Did the organization's financial assistance policy... 5a Did the organization budget amounts... 5b If "Yes," did the organization's financial assistance expenses exceed... 5c If "Yes" to line 5b... 6a Did the organization prepare a community benefit report... 6b If "Yes," did the organization make it available to the public?

7 Financial Assistance and Certain Other Community Benefits at Cost

Table with 7 columns: (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. Rows include Financial Assistance and Means-Tested Government Programs and Other Benefits.

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building			43,194		43,194	0.030 %
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 Total			43,194		43,194	0.030 %

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

**Section A. Bad Debt Expense**

		Yes	No
1 Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1		No
2 Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.	2		
			13,324,661
3 Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.	3		
			5,329,864
4 Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.			

**Section B. Medicare**

5 Enter total revenue received from Medicare (including DSH and IME).	5		49,105,148
6 Enter Medicare allowable costs of care relating to payments on line 5.	6		49,517,827
7 Subtract line 6 from line 5. This is the surplus (or shortfall).	7		-412,679
8 Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input checked="" type="checkbox"/> Other			

**Section C. Collection Practices**

9a Did the organization have a written debt collection policy during the tax year?	9a	Yes	
b If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.	9b	Yes	

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

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1 1 RSFH West Ashley Cancer Center LLC	Cancer Treatment	9.260 %	0 %	90.700 %
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

**Part V Facility Information**

**Section A. Hospital Facilities**

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

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

**1**

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

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)

Bon Secours St Francis Xavier Hospital

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)	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 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 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 <u>20 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 . . . . .	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 . . . . .	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)	Yes	
<b>a</b>	<input checked="" type="checkbox"/> Hospital facility's website (list url) <u>www.rsfh.com</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 type="checkbox"/> Participation in the development of a community-wide plan		
<b>d</b>	<input 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 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 . . . . .	Yes	
<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)? . . . . .		No
<b>8b</b>	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax? . . . . .		
<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? \$ _____		

**Part V Facility Information** *(continued)*

<b>Financial Assistance Policy</b>		<b>Yes</b>	<b>No</b>
<b>9</b>	Did the hospital facility have in place during the tax year a written financial assistance policy that explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	<b>9</b> Yes	
<b>10</b>	Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care <u>299 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	<b>10</b> Yes	
<b>11</b>	Used FPG to determine eligibility for providing <i>discounted</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>399 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	<b>11</b> Yes	
<b>12</b>	Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply)	<b>12</b> Yes	
<b>a</b>	<input checked="" type="checkbox"/> Income level		
<b>b</b>	<input type="checkbox"/> Asset level		
<b>c</b>	<input checked="" type="checkbox"/> Medical indigency		
<b>d</b>	<input checked="" type="checkbox"/> Insurance status		
<b>e</b>	<input checked="" type="checkbox"/> Uninsured discount		
<b>f</b>	<input type="checkbox"/> Medicaid/Medicare		
<b>g</b>	<input type="checkbox"/> State regulation		
<b>h</b>	<input type="checkbox"/> Residency		
<b>i</b>	<input checked="" type="checkbox"/> Other (describe in Part VI)		
<b>13</b>	Explained the method for applying for financial assistance? . . . . .	<b>13</b> Yes	
<b>14</b>	Included measures to publicize the policy within the community served by the hospital facility? . . . . . If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	<b>14</b> Yes	
<b>a</b>	<input checked="" type="checkbox"/> The policy was posted on the hospital facility's website		
<b>b</b>	<input checked="" type="checkbox"/> The policy was attached to billing invoices		
<b>c</b>	<input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms		
<b>d</b>	<input type="checkbox"/> The policy was posted in the hospital facility's admissions offices		
<b>e</b>	<input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility		
<b>f</b>	<input checked="" type="checkbox"/> The policy was available upon request		
<b>g</b>	<input checked="" type="checkbox"/> Other (describe in Part VI)		

<b>Billing and Collections</b>		<b>Yes</b>	<b>No</b>
<b>15</b>	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment? . . . . .	<b>15</b> Yes	
<b>16</b>	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the 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>17</b>	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP? . . . . . If "Yes," check all actions in which the hospital facility or a third party engaged	<b>17</b>	No
<b>a</b>	<input type="checkbox"/> Reporting to credit agency		
<b>b</b>	<input type="checkbox"/> Lawsuits		
<b>c</b>	<input type="checkbox"/> Liens on residences		
<b>d</b>	<input type="checkbox"/> Body attachments		
<b>e</b>	<input type="checkbox"/> Other similar actions (describe in 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**

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

	Yes	No
<b>19</b>	Yes	

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

**20** Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care

- a**  The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- b**  The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- c**  The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d**  Other (describe in Part VI)

**21** During the tax year, did the hospital facility charge any FAP-eligible 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

**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

<b>21</b>		No
<b>22</b>		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? 7

Name and address	Type of Facility (describe)
<b>1</b> StFrancis Hospital Infusion Therapy 2085 Henry Tecklenburg Drive STE 110 Charleston, SC 29414	Infusion Therapy
<b>2</b> StFrancis Hospital Rehab- Spine & Sport 2093 Henry Tecklenburg Drive Charleston, SC 29414	PT, OT, ST
<b>3</b> StFrancis Hospital MRI Medical Plaza 2145 Henry Tecklenburg Drive STE 150 Charleston, SC 29414	MRI
<b>4</b> StFrancis Hospital Pain Management 2093 Henry Tecklenburg Drive Charleston, SC 29414	Pain management for spine
<b>5</b> StFrancis Hospital Breast Care 2145 Henry Tecklenburg Drive STE 103 Charleston, SC 29414	Mammography, bone density, breast ultrasound
<b>6</b> StFrancis Hospital Cardiac Rehab 2097 Henry Tecklenburg Drive STE 309 Charleston, SC 29414	Cardiac rehab
<b>7</b> StFrancis Hospital Diabetes Treatment 2093 Henry Tecklenburg Drive STE 201 Charleston, SC 29414	Diabetes self mgmt training & treatment
<b>8</b>	
<b>9</b>	
<b>10</b>	

**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 3c	In addition to using the FPG to determine eligibility for free or discounted care, the system offers a 35% discount for patients who are uninsured. A 10% prompt payment discount is offered to all self-pay or self-pay-after-insurance patients who pay the balance at one time. Medical indigency adjustments are available to those that meet the established guidelines. The Hospital will provide free care for patients with a signed charity care application who have income between 0 - 299% of FPG. If a signed charity care application is not obtained, after 120 days of collection efforts, the hospital will use the Health Care Advisory Board's self pay compass program to automatically qualify patients for charity care through the use of an electronic scoring technique. The hospital will provide free care for patients who have income of 350% and below of FPG as determined by the self pay compass program. The Hospital will provide a 90% discount for patients with a signed charity care application who have income between 300 - 399% of FPG. If a signed charity care application is not obtained, the hospital will not provide discounted care.
Part I, Line 6a	The organization's community benefit report is made available through its corporate parent, CareAlliance Health Services d/b/a Roper St. Francis Healthcare.

Form and Line Reference	Explanation
Part I, Line 7	Worksheet 2 of the 2013 Schedule H instructions was used to compute a cost-to-charges ratio used to calculate charity care and unreimbursed Medicaid at cost
Part I, Ln 7 Col(f)	The Bad Debt expense included on Form 990, Part IX, Line 25, Column (A), but subtracted for purposes of calculating the percentage in this column is \$13,324,661

Form and Line Reference	Explanation
Part I, Line 7(e)	Advantage Programs - \$ 7,065 Bariatric Support Group - 2,561 Community Calendars & Newsletters - 2,831 Enrollment Assistance in Public Programs - 26,130 Families for a Healthy Heart Program - 6,448 Health Education and Lectures by Staff - 7,712 Health Fairs & Career Days - 8,919 House Calls Magazine - 84,924 Young Stroke Survivors Support Group - 23 Community Benefit Program Oversight Costs - 28,240 CHNA - 9,754 Total to Line 7(e), Col(e) - 184,607
Part II, Community Building Activities	In 2013, the Hospital performed the following activities to build up the community 1 Habitat for Humanity 2 Participation in economic development council and chamber of commerce on issues impacting the community's health and safety 3 Collaborative partnerships with community groups to improve economic stability of the community

Form and Line Reference	Explanation
Part III, Line 3	For patients who do not turn in a signed charity care application, after 120 days of collection efforts, RSFH uses the Health Care Advisory Board's self pay compass program to automatically qualify patients for charity care through the use of an electronic scoring technique. The data received through this software is believed to err on the side of denying charity. The estimate of bad debt that could have been charity is based on the system error rate. Please note that patients who complete a full charity care application and qualify for charity under our policy are granted charity regardless of the score in the self-pay compass system.
Part III, Line 4	Bad debts reported on Part III, Line 2 are reported at gross charges per the organization's audited financial statements. Please refer to the second footnote of the organization's audited financial statements for a description of receivables and bad debts.

Form and Line Reference	Explanation
Part III, Line 8	<p>The entire amount of Medicare shortfall qualifies as community benefit. Our treatment of Medicare patients, as described in IRS Rev. Rul. 69-545, indicates that Roper Hospital operates to promote the health of the community. By taking Medicare patients, the hospital promotes access to healthcare services, which is a community benefit. The organization uses the Medicare cost report to determine the costs reported on Part III, Line 5 and 6. Had we included revenues and costs from all Medicare programs including Medicare Part C, this would have resulted in an additional shortfall of \$2,951,475.</p>
Part III, Line 9b	<p>The hospital uses the Health Care Advisory Board's Self Pay Compass Program to identify a patient's propensity to pay. Accounts with an FPL of 350% and below will be identified once the self pay accounts receivable billing process has been completed and prior to the account being referred to a collection agency. Accounts with FPL of 350% and below will be given a charity adjustment. Once an account has been referred to bad debt, the organization will make every effort to ensure that all self-pay collectors demonstrate consistent, compassionate, and professional service while conducting business on behalf of the health system. This will include, but is not limited to, guarantor notification and contact/collection attempts, discount opportunities, payment plan arrangements, account balance notifications, face to face meetings, and detailed bill generation. An outsourced self-pay billing agency will contact the guarantor to set up payment arrangements. Financial assistance discounts are offered to guarantors who meet the charity guidelines. Self pay patients receive a 35% discount off total charges. They are also eligible for a 10% prompt payment discount if they pay the balance during the discussion. Discounts may be combined if all requirements are met. In pursuit of collections, the hospital and its agents will not attach liens on property, garnish wages, pursue legal actions (unless recommended by the self pay billing entities), sell accounts, or send bankrupt guarantors to collection agencies.</p>

Form and Line Reference	Explanation
Part VI, Line 2	<p>Roper St Francis Healthcare identified community health needs by undergoing an assessment process in 2013 that complies with IRS Section 501(r) The Needs Assessment is posted on our website <a href="http://www.rsfh.com/About_Us/Mission_and_Community_Activities/Needs_Assessment.aspx">http://www.rsfh.com/About_Us/Mission_and_Community_Activities/Needs_Assessment.aspx</a> and we invite the community to review and respond to this document so that our collaborative efforts can make living in our community more enjoyable and healthier As allowed by IRS guidelines, Roper St Francis Healthcare decided to produce a joint CHNA report in collaboration with its three Charleston area hospitals as those facilities define their communities to be the same Each hospital files a Schedule H and has a customized implementation plan attached The community needs assessment process consists of 5 steps data assessment, community input, prioritization and implementation strategy, reporting, and monitoring In the data assessment step, service areas were defined, external data research was completed and key findings were summarized Interviews were conducted with persons with special knowledge of public health, hospital personnel, local organizations, and community outreach advocates Our service area for this assessment is defined as the Tri-County area of Charleston, Berkeley, and Dorchester Counties We used the following sources in the data assessment process Nielson Claritas, 2012 County Health Rankings, Health Indicators Warehouse, The Advisory Board Company, Kids Count Data Center, Truven Health Analytics, and the USDA Data from these sources was used to identify at-risk populations, underserved populations, health need areas, and professional shortage areas See the answer to Schedule H, Part VI, question 4 for a description of the community served Subsequent to the data assessment step, the Community Needs Assessment Team entered into dialogue with key hospital administrators, physicians, those with knowledge/expertise in public health, and those serving underserved and chronic disease populations During the community input phase, the team conducted face-to-face interviews, phone interviews, and surveys in which respondents were able to comment and discuss general community health issues of their specific service area Through these numerous interviews and surveys, a summary of community input was created This summary would eventually be used to help focus in on priorities and ultimately, implementation strategies Respondents who participated in this phase included experts in the field of public health, hospital administration members, community outreach groups, and other local organizations Respondents included Dana Millet, Director of DHEC Lowcountry Region, Joseph Chambers, MD, Public Health expert and consultant, Thaddeus Bell, MD, with Closing the Gap in Healthcare Other respondents were from focus groups in the Charleston Promise Neighborhood (North Charleston), East Cooper Community Outreach (Mt Pleasant), Neighborhood House (Charleston), and Our Lady of Mercy Outreach Center (Johns Island) Collection and analysis of results from the CHNA data assessment, survey, interviews, and focus groups provided a strong foundation for identifying health needs and service gaps In June 2013, Roper St Francis Healthcare held multiple sessions with leading stakeholders to assess initial findings and establish priorities These various constituents included representatives from the Medical University of South Carolinas strategic planning team, leadership of Trident United Way's Health Council and 2-1-1 program, experts from Joseph P Riley Jr Center for Livable Communities at the College of Charleston, and public health consultants Twelve priority areas of need emerged for the Tri-County service area As part of the prioritization process, Roper St Francis Healthcare conducted an inventory of existing system-based outreach programs, community partnerships, and other collaborative resources that currently address each of the priority areas</p> <ol style="list-style-type: none"> <li>1) Access to Services for Uninsured and Underinsured Access Health Tri-county Network, RSF Financial Assistance Policy and Patient Financial Services staff to assist, partnerships with Free Clinics such as Barrier Island Free Medical Clinic, Our Lady of Mercy Outreach and Crisis Ministries, new RSF Mt Pleasant Hospital and Physician Partners network development</li> <li>2) Obesity, Nutrition, and Activity RSF Bariatric &amp; Metabolic Services, Diabetes Treatment Center, Cardiac Rehabilitation Centers and related programs, Lowcountry Senior Center programs, Families for Healthy Heart program, Employee "Wellness Works" program with coaching available, partnering with community groups such as City of Charleston's "Lighten Up Charleston" and "Closing the Gap in Healthcare", farmers markets at hospitals</li> <li>3) Mental Health "Highway to Hope" program with mobile van/partnership with mental health departments, Behavioral Health Unit, case management/assessment through Emergency Departments</li> <li>4) Alcohol and Drug Abuse Community investment support for community programs, addressed through Behavioral Health Unit and Physician Partners practices</li> <li>5) Breast Center/Mammography Breast Cancer Center at Roper Hospital, RSF Cancer Center, "Ladies Night Out" community outreach programs</li> <li>6) Maternal and Child Healthcare/Infant Mortality Prenatal Care programs throughout system, special focus on prenatal care and treatment through RSF Mt Pleasant and Bon Secours St Francis hospitals specifically, with outreach to rural communities, support and partnership with Our Lady of Mercy Outreach, Franklin C Fetter Clinic and others</li> <li>7) Prevention/Wellness/Outreach Employee "Wellness Works" program with coaching available, Families for Healthy Heart program, Community Screenings and health fairs, partnerships and support for community wellness and prevention programs</li> <li>8) High Prevalence of Chronic Disease Heart and Vascular treatments and programs, development of Palliative Care program, Cancer Center outreach and support programs</li> <li>9) Lack of Transportation ITN (Independent Transportation Network), volunteers giving rides for medical appointments, support for CARTA public transportation and use of taxis throughout system when needed, development of Physician Partners network for closer proximity of population areas</li> <li>10) Low Healthcare Literacy and Distrust Among Those with Limited Access Health Literacy training through Professional Development, Case Management and Nursing focus on discharge planning and instructions, "Closing the Gap in Healthcare" public education programs</li> <li>11) Coordination of Care Across Settings "Transitions of Care" process throughout RSF, new grant through Duke Endowment for this, Case Management model for Access Health Tri-County Network, RSF Home Health, Palliative Care program and new Hospice program</li> <li>12) Cultural Awareness and Effective Programs Professional Development programs for cultural competencies, development of Diversity program and educational efforts, support for "Closing the Gap in Healthcare" program, Mandatory on-line program for employees</li> </ol> <p>After examining the range of services currently available, the expertise, outreach, and capacity of the RSFH system, and the resources available to best address needs through other community organizations, Roper St Francis Healthcare senior leadership chose the following 6 issues as priorities to implement for its current CHNA Access to Services and Coverage for the Uninsured and Underserved, Mental Health, Maternal and Child Health, Prevention/Wellness/Outreach, High Prevalence of Chronic Disease, and Coordination of Care Across Settings For the needs identified through the CHNA that did not emerge as strategic priority areas of need (Obesity, Nutrition and Activity, Alcohol and Drug Abuse, Breast Cancer/Mammography, Lack of Transportation, Low Healthcare Literacy and Distrust Among Those with Limited Access, Cultural Awareness and Effective Programs), Roper St Francis Healthcare will continue to provide the support and services as listed in the inventory of community outreach and services to address these issues The Roper St Francis Community Needs Assessment Team developed implementation strategies for each health issue identified as a strategic priority This implementation plan (attached) will be rolled out over the next 3 years Strategies are be clearly defined with a matrix of which areas each RSFH hospital will address Some strategies may be addressed by more than one RSFH hospital or the system as a whole The team will develop a monitoring method to provide status and results of these efforts to improve community health RSFH is committed to conducting another health needs assessment in three years The Community Health Needs Assessment for fiscal December 31, 2013 was approved by the Board of Directors at its meeting held on October 12, 2013</p>
Part VI, Line 3	<p>The Hospital shall send anyone who requests information on the hospital's financial assistance program a letter outlining required information and a financial assistance application form Requests for financial assistance may be proposed by sources other than the patient, such as the patient's physician, family members, social service organizations, community or religious groups, or hospital personnel Statements to patients from the Hospital outline our charity care policy and our charity care policy is posted on our website If patients indicate they are not able to pay their bill, we will provide the patient with a charity care application Patients can also meet with a member of our financial counseling department to learn about their financial assistance options Brochures are printed in English and Spanish telling patients to contact the financial counseling department The Hospital wants its patients focus to be on health and recovery and not financial worry There is absolutely no additional cost for our financial counseling assistance Additionally, patients can meet with staff of the Medicaid program The program staff will meet with patients individually to help them apply for publicly supported programs such as Medicaid, Medicare, and disability Counselors meet with patients in the hospital as well as making home visits as appropriate The staff can also help identify resources to help pay for medication All of this information is posted on our website with the appropriate contact information</p>

Form and Line Reference	Explanation
Part VI, Line 4	<p>The System's primary service area consists of Charleston, Berkeley, and Dorchester counties, and includes the major municipalities of Charleston, North Charleston, Mount Pleasant, and Summerville. Approximately 703,000 residents live within the primary service area, based on Nielsen Claritas estimates for 2013. Population in the primary service area is projected to grow 8.1% between 2013 and 2018 based on Nielsen Claritas projections. In 2013, 14% of households within the primary service area had income less than \$15K, 12% had income between \$15K and \$25K, 26% had income between \$25K and \$50K, 18% between \$50K and \$75K, 12% between \$75K and \$100K, and 18% above \$100K compared to the national rates of 14%, 12%, 25%, 18%, 12%, and 19%, respectively. Within the primary service area, poverty continues to be an issue. According to the US Census Bureau's 2010 Small Area Health Insurance Estimates (SAHIE), an estimated 108,943 Tri-county residents lack health insurance. There is a vast overrepresentation of the uninsured living at or below the Federal Poverty Level. The US Department of Health and Human Services designated 6 medically underserved areas and 1 medically underserved population within our primary service area. From April 2012 to April 2013, the unemployment rate in the primary service area decreased from 7.1% to 5.9%. This is a lower unemployment rate than the national average, which was 7.7% in April 2012 declining to 7.1% in April 2013. The secondary service area includes Colleton, Orangeburg, Georgetown, Hampton, Beaufort, Williamsburg, and Horry counties. In addition to the system's facilities, there are three other non-military hospitals in the primary service area.</p>
Part VI, Line 5	<p>We are the lowcountry's only non-governmental, not-for-profit healthcare system. With this distinction, we believe it is our responsibility to advocate for and respond to our neighbors' needs through community benefit. In keeping with our mission of healing all people with compassion, faith, and excellence, Roper St. Francis Healthcare (RSFH) strives to enrich the health of our community. We do this by offering charity care to those in need, reaching out to our neighbors with health fairs and educational materials, sponsoring organizations and events that promote wellness and community well-being, and marshalling our resources to advance the health and dignity of each person with whom we come in contact. The organization is committed to the enrichment of healthcare in our community as evidenced by the composition of our Board of Directors and Open Medical Staff. Our governing body is comprised of a 13-member Board of Directors. At least nine directors must have their primary residence in a community served by the system. Five directors must be physicians actively engaged in the full-time practice of medicine. The hospital extends medical staff privileges to all qualified physicians in the area for most of our departments. Surplus funds are returned to our community through the development of new facilities to serve population growth, the expansion of existing facilities, subsidizing care for those who are unable to pay, sponsorship of healthcare-related activities including outreach clinics and programs for the uninsured, and investing in technology to improve the quality of patient care.</p>

Form and Line Reference	Explanation
Part VI, Line 6	CareAlliance Health Services (d/b/a Roper St Francis Healthcare (RSFH)) is a charitable health care delivery system based in Charleston, South Carolina. The 657-bed health system provides services at 90 facilities and doctors offices conveniently located throughout our region. One of these facilities is Bon Secours - St Francis Xavier Hospital, Inc, an acute care hospital with 204 licensed beds. CareAlliance was formed effective August 1, 1998, through the execution of an affiliation agreement between the following founding members - The Medical Society of South Carolina, - Bon-Secours Health System, Inc, and - Carolinas Healthcare System. CareAlliance is the sole corporate member and, through its by-laws, has the power to control the financial and business affairs of Bon Secours St Francis Xavier Hospital.
Part VI, Line 7, Reports Filed With States	SC

**Schedule J**  
(Form 990)

**Compensation Information**

OMB No 1545-0047

**2013**

**Open to Public Inspection**

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).**

Department of the Treasury  
Internal Revenue Service

Name of the organization  
Bon Secours-St Francis Xavier Hospital Inc

Employer identification number

57-1067254

**Part I Questions Regarding Compensation**

- 1a** Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.
- |   |  |
|---|--|
| <input type="checkbox"/> First-class or charter travel            | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input type="checkbox"/> Travel for companions                    | <input type="checkbox"/> Payments for business use of personal residence |
| <input type="checkbox"/> Tax idemnification and gross-up payments | <input type="checkbox"/> Health or social club dues or initiation fees   |
| <input type="checkbox"/> Discretionary spending account           | <input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef) |

**b** If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain

**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?

**3** Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Compensation committee              | <input type="checkbox"/> Written employment contract                                |
| <input checked="" type="checkbox"/> Independent compensation consultant | <input checked="" type="checkbox"/> Compensation survey or study                    |
| <input type="checkbox"/> Form 990 of other organizations                | <input checked="" type="checkbox"/> Approval by the board or compensation committee |

**4** During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization

- a** Receive a severance payment or change-of-control payment?
- b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?
- c** Participate in, or receive payment from, an equity-based compensation arrangement?
- If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III

**Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.**

**5** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of

- a** The organization?
- b** Any related organization?
- If "Yes," to line 5a or 5b, describe in Part III

**6** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of

- a** The organization?
- b** Any related organization?
- If "Yes," to line 6a or 6b, describe in Part III

**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

**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

**9** If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

	Yes	No
<b>1b</b>		
<b>2</b>	Yes	
<b>4a</b>		No
<b>4b</b>	Yes	
<b>4c</b>		No
<b>5a</b>		No
<b>5b</b>		No
<b>6a</b>	Yes	
<b>6b</b>	Yes	
<b>7</b>	Yes	
<b>8</b>		No
<b>9</b>		

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

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

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

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

**Part III Supplemental Information**

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
Part I, Line 4b	The Vice Presidents, CFO, and CEO participate in the 457(f) Plan. The vesting period changed from 3 to 5 years in 2013, so not all Vice Presidents received payouts in 2013. The following participants received compensation through a 457(f) Plan: Steven Shapiro - 138,861 (from a related organization) Howard Harrison - 14,400 (from a related organization) Bret Johnson - 77,448 (from a related organization) David Dunlap - 65,893 (from a related organization)
Part I, Line 6	Goals are developed each year to support the organization's strategic initiatives for people, quality, financial, growth and service. The Ad Hoc Compensation Committee approves the system goals annually and reports to the full Board of Directors. Progress on each metric is reported to the board each month on the corporate scorecard. At year end, the Ad Hoc Compensation Committee approves the final scorecard number and reports results to the full board. Annual incentives for the executives are based on 60% on the corporate scorecard and 40% on individual performance. Executives maintain an individual scorecard on the leader evaluation manager and discuss results monthly with the President/CEO. The President/CEO approves the individual executive scorecard. System Vice Presidents and the system CEO are eligible to participate in a long term incentive plan (LTIP). An LTIP typically takes place over a three year period and does not vest until the end of the third year. To receive payment, executives must still be employed by the system at the end of the plan period. Each LTIP has a financial and clinical objective that is aligned with the organization's strategic goals. Threshold, target, and maximum performance ranges are established for these objectives and are measured based on performance against similar organizations or compared to an internal metric such as an improvement over prior performance. These targets and objectives are approved by the Ad Hoc Compensation Committee. The incentive is earned based on the satisfaction of the threshold, target, or maximum performance ranges. The Ad Hoc Compensation Committee also approves the final LTIP performance score and the amount paid to executives under the plan. Results are reported to the full board annually.
Part I, Line 7	See the response to Line 6 above.
Part II, Line 1 Compensation from unrelated organizations	Carolinas Healthcare System provides the compensation of David L. Dunlap, CEO, Carealliance Health Services, Bret D. Johnson, CFO, Carealliance Health Services, and John Sullivan, CEO, Roper St. Francis Mt. Pleasant Hospital. Mr. Dunlap and Mr. Johnson are employees of Carolinas Healthcare System and their compensation is paid by Carealliance Healthcare Services, a related organization, through a management fee to Carolinas Healthcare System. Mr. Sullivan is also an employee of Carolinas Healthcare System, and his compensation is paid by Roper St. Francis Mt. Pleasant Hospital, a related organization, through a management fee to Carolinas Healthcare System. Additional information: CareAlliance Health Services has board representations from the 3 founding organizations: the Medical Society of SC (6 board members), Bon-Secours Health System, Inc (6 board members), and Carolinas Healthcare System (1 board member). None of the 13 appointed board members receive compensation for their membership. Additionally, 4 of the 6 board members appointed by the Medical Society of South Carolina also serve on the board of the Medical Society. None receive compensation for their services as a board member. It is the founding members' intent that the members of the Board of Directors are appointed to such positions because they have a willingness to serve the needs of the system as a whole and not the needs of any individual founding member.

**Additional Data**

**Software ID:**  
**Software Version:**  
**EIN:** 57-1067254  
**Name:** Bon Secours-St Francis Xavier Hospital Inc

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
John M Jordan Chair (See Sch O)	(i)	0	0	0	0	0	0	0
	(ii)	278,568	40,000	0	15,298	14,060	347,926	0
Stanley Wilson MD Vice Chair (As of July) (See Sch O)	(i)	0	0	0	0	0	0	0
	(ii)	403,272	192,395	3,719	30,298	30,150	659,834	0
W Blount Ellison MD Vice Chair (Thru June) (See Sch O)	(i)	0	0	0	0	0	0	0
	(ii)	0	0	167,679	23,800	0	191,479	0
Shannon Honney MD Board Member (See Sch O)	(i)	0	0	0	0	0	0	0
	(ii)	158,525	62,250	1,821	7,798	8,369	238,763	0
David Dunlap President & CEO of CAHS	(i)	0	0	0	0	0	0	0
	(ii)	564,253	243,585	119,710	239,566	23,342	1,190,456	147,469
Matthew J Severance CEO / Secretary	(i)	0	0	0	0	0	0	0
	(ii)	404,868	158,411	6,779	161,638	35,514	767,210	80,348
Steven D Shapiro MD CMO & VP Med Affairs	(i)	0	0	0	0	0	0	0
	(ii)	365,522	132,182	139,455	94,178	12,956	744,293	164,373
Bret Johnson CFO & SVP / Treasurer	(i)	0	0	0	0	0	0	0
	(ii)	318,383	126,517	83,120	153,397	29,781	711,198	113,869
Allen Carroll SVP of Operations	(i)	336,173	130,327	956	135,518	19,987	622,961	61,013
	(ii)	0	0	0	0	0	0	0
Douglas W Bowling CSO & VP	(i)	0	0	0	0	0	0	0
	(ii)	298,362	107,128	4,908	116,358	22,499	549,255	45,559
John Sullivan VP Operations	(i)	0	0	0	0	0	0	0
	(ii)	221,976	100,766	32,644	154,217	23,083	532,686	41,128
Gregory T Edwards VP & General Counsel	(i)	0	0	0	0	0	0	0
	(ii)	289,786	98,139	5,806	98,514	29,196	521,441	40,386
H Douglas Harrison VP Human Resources	(i)	0	0	0	0	0	0	0
	(ii)	241,994	66,916	29,657	75,118	11,394	425,079	16,069
Michael Taylor CIO & VP	(i)	0	0	0	0	0	0	0
	(ii)	258,079	80,422	15,387	93,278	14,968	462,134	22,217
Lisa Schafer Thru June VP Nursing/SR Nurse Exec RHI	(i)	0	0	0	0	0	0	0
	(ii)	101,288	43,025	4,002	27,298	5,690	181,303	10,266
Pennie L Peralta VP Nursing/SR Nurse Exec SFX	(i)	163,499	42,003	387	51,703	18,384	275,976	14,215
	(ii)	0	0	0	0	0	0	0
Diana Topjian VP Nursing/SR Nurse Exec MPH	(i)	0	0	0	0	0	0	0
	(ii)	145,862	32,158	548	38,240	18,798	235,606	0
Mark Dickson VP Mission	(i)	0	0	0	0	0	0	0
	(ii)	133,914	25,182	2,731	29,926	27,630	219,383	0
Peter DiNicola Dir of Plant Eng	(i)	0	0	0	0	0	0	0
	(ii)	192,390	21,764	4,137	13,742	5,139	237,172	0
Francis Wyckoff Jr Dir of Pharmacy	(i)	0	0	0	0	0	0	0
	(ii)	169,277	20,749	3,794	16,965	12,027	222,812	0

**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				
Wanda J Brockmeyer Dir of Emergency Svcs	(i)	0	0	0	0	0	0	0
	(ii)	143,758	13,694	9,524	9,710	10,575	187,261	0
Joan Wherley Dir of Imaging Services	(i)	0	0	0	0	0	0	0
	(ii)	139,734	17,209	2,809	6,889	8,339	174,980	0
Robert Lowery MD Physician	(i)	15,500	0	0	0	0	15,500	0
	(ii)	754,012	499,340	7,586	30,298	27,491	1,318,727	0
John Steichen MD Physician	(i)	14,100	0	0	0	0	14,100	0
	(ii)	1,131,232	110,053	8,516	30,298	31,705	1,311,804	0
Stephen E Rawe MD Physician	(i)	18,000	0	0	0	0	18,000	0
	(ii)	1,221,897	0	12,357	30,298	19,620	1,284,172	0
George H Khoury MD Physician	(i)	16,100	0	0	0	0	16,100	0
	(ii)	1,162,833	41,187	6,921	30,298	31,705	1,272,944	0
John Graham MD Physician	(i)	2,000	0	0	0	0	2,000	0
	(ii)	881,269	89,236	10,063	30,298	30,275	1,041,141	0
C Scott Ferguson Dir of Material Svc, Former Key Emp	(i)	0	0	0	0	0	0	0
	(ii)	140,814	18,075	3,557	9,724	21,592	193,762	0

Schedule L (Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2013

Open to Public Inspection

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.

Department of the Treasury Internal Revenue Service

Name of the organization Bon Secours-St Francis Xavier Hospital Inc

Employer identification number

57-1067254

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

Table with 4 main columns: (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

Table with 9 main columns: (a) Name of interested person, (b) Relationship with organization, (c) Purpose of loan, (d) Loan to or from the organization (To/From), (e) Original principal amount, (f) Balance due, (g) In default? (Yes/No), (h) Approved by board or committee? (Yes/No), (i) Written agreement? (Yes/No)

Part III Grants or Assistance Benefitting Interested Persons.

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

Table with 5 main columns: (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) Jessica Peralta	Family relationship to Officer Pennie Peralta	52,040	Compensation for employment		No
(2) Kimberly Taylor	Family Relationship to Officer Michael Taylor	29,106	Compensation for employment		No
(3) Patricia Ferguson	Family relationship to key employee Scott Ferguson	61,794	Compensation for employment		No
(4) Leah Brown	Family relationship to Board Chair William Glen Brown	47,430	Compensation for employment		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).**

**2013**

**Open to Public Inspection**

Name of the organization  
Bon Secours-St Francis Xavier Hospital Inc

**Employer identification number**

57-1067254

Return Reference	Explanation
Form 990, Part VI, Section A, line 3	Carolinas Healthcare System (CHS), an unrelated organization, provides the compensation of Mr David L Dunlap, CEO, CareAlliance Health Services, Mr Bret D Johnson, CFO, CareAlliance Health Services, and Mr John Sullivan, CEO, Roper St Francis Mt Pleasant Hospital Mr Dunlap and Mr Johnson are employees of CHS and their compensation is paid by CareAlliance Health Services, a related organization, through a management fee to CHS Mr Sullivan is also an employee of CHS, and his compensation is paid through a management fee by Roper St Francis Mt Pleasant Hospital

Return Reference	Explanation
Form 990, Part VI, Section A, line 6	<p>The sole member of the corporation is CareAlliance Health Services, a South Carolina nonprofit, nonstock corporation, d/b/a Roper St Francis Healthcare. Carealliance Health Services is in turn governed by a Board of Directors appointed by the "founding members." Please see the response to Line 7a below. The bylaws of the organization specify certain qualifications of the thirteen member Board of Directors. At least nine directors must have their primary residence in a community served by the system. Five directors must be physicians actively engaged in the full time practice of medicine. Five of the directors are appointed to the board of directors by virtue of positions held within MSSC, BSHSI and CHS (ex-officio directors). Each of the five ex-officio directors serves as a director of the organization for so long as such person holds his or her respective elected or appointed office in his or her respective founding member organization. Directors serve three-year terms and are limited to three consecutive terms. After an absence of at least one year, directors are again eligible for appointment to the Board of Directors for two consecutive complete terms.</p>

<b>Return Reference</b>	<b>Explanation</b>
Form 990, Part VI, Section A, line 7a	The organization is governed by a thirteen member Board of Directors appointed by the founding members. Subject to certain nominating and governance committee approvals, six directors are appointed by the Medical Society of South Carolina (MSSC), Bon Secours Health Systems, Inc (BSHSI) and one director is appointed by Carolinas Healthcare Systems (CHS). It is the founding members' intent that the members of the organization's Board of Directors are appointed to such positions because they have a willingness to serve the needs of the system as a whole and not the needs of any individual founding member.

Return Reference	Explanation
Form 990, Part VI, Section A, line 7b	<p>The following actions shall require the unanimous affirmative approval of all of the founding members (a) to amend the Articles of Incorporation or the by-laws, including without limitation, any change in the corporation's purposes, provided, however, that, subject to the procedures and voting requirements with respect to the admission of non-founding members, Schedule 3.1 may be amended with the approval of two (2) of the founding members to reflect the admission of a non-founding member, (b) to dissolve or liquidate the corporation and to determine the distribution of assets upon dissolution, (c) to merge or consolidate the corporation or to sell, convey, transfer, lease, or otherwise dispose of all or substantially all of its assets, (d) to appoint the president and chief executive officer of the corporation in a manner other than that established by the by-laws, (e) to alter or amend the corporation's ethical performance standards (defined below), or (f) to enter into any material agreement whereby a third party will (i) become an equity owner in any joint venture with the corporation or any system participant and will not be legally obligated to support the corporation's ethical performance standards, or (ii) manage a substantial part of the facilities, assets, or operations of the system and will not be legally obligated to comply with and support the corporation's ethical performance standards</p>

Return Reference	Explanation
Form 990, Part VI, Section B, line 11	The 2013 Form 990 was prepared by an independent accounting firm with assistance and oversight by management. Reviews were then conducted by senior management before drafts were sent to each member of the organization's governing body. A transmittal letter accompanied the drafts and provided highlights of the Form 990 to the organization's Board of Directors. After the governing body approved the Form 990 draft, a final version was filed with the Internal Revenue Service.

Return Reference	Explanation
Form 990, Part VI, Section B, line 12c	The directors shall complete and return to the secretary an annual statement that each of them (a) has received a copy of the conflict of interest policy, (b) has read and understands the policy, (c) agrees to comply with this policy, (d) understands that the policy applies to all committees, and (e) understands that the organization is a charitable organization and must continuously engage primarily in activities which accomplish one or more of its tax-exempt purposes

Return Reference	Explanation
Form 990, Part VI, Section B, line 15	<p>An independent company, Towers Watson, provides research, advice and guidance to the compensation committee and senior leadership to ensure the organization's compensation programs for executives covered by the "Intermediate Sanctions Legislation" (IRC Section 4958) are aligned with its stated philosophy. Base salaries are targeted at the 50th percentile of the established comparator market, Total cash compensation (base salary plus annual incentive payments) are targeted at the 75th percentile of the established comparator market, Total direct compensation (total cash compensation plus long term incentive payments) will not exceed the 90th percentile of the established comparator market, Benefits are targeted at market median, and in aggregate, base salary, total cash compensation, total direct compensation and benefits comprise total compensation for executives. The compensation committee ensures that executive total compensation is reflective of the organization's stated compensation philosophy. The committee, in this process, authorizes and supports an annual three step process utilizing Towers Watson's resources:</p> <ol style="list-style-type: none"> <li>1) Salary levels, annual bonus targets/payments and long term incentive grants are compared rigorously each year with market data based on comparable positions and organizations. A. Comparable organizations are typically not-for-profit healthcare systems with similar operating revenues. Private sector employer data, when available, are also included in the analysis for "transferable skills positions". B. Historically, performance incentive payouts generally track with a normal bonus payout distribution. Incentive goals are primarily based on formally defined quantitative goals approved by the ad hoc Compensation Committee of the RSFH Board of Directors.</li> <li>2) All recommended pay decisions are tested against these data and the organization's stated compensation philosophy.</li> <li>3) A formal opinion letter is prepared by Towers Watson, representing that senior executives are compensated within the reasonableness standards mandated by the IRS. A similar process is performed by Towers Watson for the CEO and CFO positions. This letter provides a "safe harbor" for the organization's "directors" relative to the reasonableness of total executive compensation consistent with IRC Section 4958.</li> </ol>

Return Reference	Explanation
Form 990, Part VI, Section C, line 18	Photocopies of the Form 990 are available upon request at the organization's administrative office. In addition, recent filings of the Form 990 are available online at <a href="http://www.guidestar.org">www.guidestar.org</a>

<b>Return Reference</b>	<b>Explanation</b>
Form 990, Part VI, Section C, line 19	The organization's audited financial statements are published annually and are available to the public at <a href="http://www.dacbond.com">www.dacbond.com</a>

Return Reference	Explanation
Form 990, Part IX, Line 1	The majority of the grants expense shown on Page 10 of the 990 is an allocation from the parent company, Carealliance Health Services. All grants meeting disclosure requirements for 2013 have been listed on Carealliance Health Service's Form 990.

Return Reference	Explanation
Form 990, Part XI, line 9	Funds released for capital 8,000 Benefits expense allocation from CAHS -651,586 Pension allocation 1,644,714 Capital and support from Foundation -7,629

Return Reference	Explanation
Form 990, Part XII, Line 2C	The process has not been changed from the prior year

<b>Return Reference</b>	<b>Explanation</b>
Form 990, Part VII, Line 1	The following board members were compensated for services performed for the organization (or a related organization) not in the capacity of their positions on the board. No board member is compensated for his services as a board member. John M. Jordan was compensated by the Medical Society of South Carolina for services as Chief Executive Officer. Stanley Wilson was compensated for medical services rendered to a related organization. W. Blount Ellison was compensated for medical services rendered to a related organization. Shannon Honney was compensated for medical services rendered to a related organization. Alison E. Dillon was compensated for medical services rendered to the organization. Wills C. Geils was compensated for medical services rendered to a related organization.

Return Reference	Explanation
Form 990, Part III	<p>Creating Life Changing Moments in our Community The Roper St Francis 2013 Community Benefit Report Dear Friends, At Roper St Francis, we believe every moment matters Each moment of providing excellent care, each smile amongst teammates and every moment spent giving back to our community Moments of giving back can be found throughout our organization It's the financial counselor going to a patient's home to help them enroll in Medicaid It's the energized team of walkers at the Heart Walk coming together to raise awareness and dollars And it's the nurse donating her own time to help the uninsured at the Barrier Island Free Clinic In 2013, we gave over \$50 million in community benefit This number represents millions of small moments combined to make an enormous impact on our community I hope you find the moments of giving detailed in this report as inspiring as I do Sincerely, David L Dunlap, FACHE President and Chief Executive Officer * Roper St Francis uses the Voluntary Hospital Association /Catholic Health Association's standardized community benefit valuation methodology</p>

Return Reference	Explanation
Form 990, Part III	<p>Our Community Benefit \$35,107,560 Charity Care at Cost \$6,040,677 Unreimbursed Medicaid Cost \$8,475,021 Community Outreach Programs \$515,347 Community Investment \$50,138,605 Total Community Benefit Expense 6.6% of Roper St Francis' Net Operating Revenue goes towards Community Benefit</p> <p>A Teaching Moment We believe that feeling good helps you live every moment to the fullest, that's why we at Roper St Francis are passionate about reaching out beyond the walls of our facilities to support our communities' health In 2013, we provided 89,262 hours of staff time in support of wellness initiatives that directly touched 107,277 of our neighbors This includes participating in over 100 community health fairs A Moment to Give Back Sponsorships Monetary contributions, volunteering our time and donating equipment are among the many ways we support community organizations and events that are consistent with our mission In 2013, we provided \$515,347 in sponsorships Trident United Way In 2013, Roper St Francis employees showed their enormous commitment to our Lowcountry community and donated \$370,533 to the Trident United Way American Heart Association's Heart Walk We walk the walk! Roper St Francis employees raised \$21,600 for the American Heart Association's Heart Walk A Moment to Serve Barrier Island Free Clinic Roper St Francis helps serve hundreds of uninsured people via our partnership with the Barrier Island Free Medical Clinic In 2013, we provided financial support along with free lab and imaging tests In addition, several of our nurses and doctors volunteer their time at the clinic Crisis Ministries We create moments of wellness and fellowship through our partnership with Crisis Ministries a place where people can receive a meal, a bed and access to a health clinic Roper St Francis sponsors an on-site nurse and makes regular donations of medical equipment, lab tests and medication We are also supporting the creation of the new health clinic that will open in 2014 East Cooper Community Outreach Roper St Francis' sponsorship dollars and support helps East Cooper Community Outreach provide case management services, medication assistance and healthcare Our Lady of Mercy Community Outreach Center Welcoming a new baby into the world is one of life's greatest moments Roper St Francis proudly partners with Our Lady of Mercy Community Outreach Center to provide prenatal and wellness care to women in need A Moment for Advocacy Medicaid Expansion A large part of our mission is providing care to the poor The Affordable Care Act gives states the option to accept federal funding to expand Medicaid and provide healthcare coverage to many more people We believe the acceptance of federal funding available for Medicaid expansion is the moral and right thing to do Mission Days Lowcountry In August of 2013, hundreds of our teammates volunteered at a two day medical clinic for the uninsured Organized by the South Carolina Hospital Association, and with all local hospitals working together, one thousand people were seen and given primary medical care Those attending were also put in touch with Tricounty Access Health and other local agencies for follow-up and ongoing care Community Health Needs Assessment Throughout 2013, Roper St Francis completed a Needs Assessment for the Tricounty area, utilizing public health data, surveys and focus groups The assessment identified strategic priorities for our system and an implementation plan was created to address those needs The six highlighted areas within our scope of care and planning are Access to Services and Coverage for the Uninsured and Underinsured Access to Mental Health Services Infant Mortality and Maternal and Child Health Prevention Wellness Outreach High Prevalence of Chronic Disease Coordination of Care Across Settings A Moment for Recovery The Roper Rehabilitation Hospital is a 52-bed unique hospital within Roper Hospital that is dedicated to rehabilitation and functional recovery Our excellent team is committed to making every moment of our patients' recovery matter For generations, Roper St Francis has been trusted with the health of our community We understand the importance of your health and that of those you love - it's at the center of everything we do It's why every moment matters Why every second saved in the ER is crucial, why every bedside minute gets our full attention, why every moment spent learning about wellness and prevention is time well-spent We believe that smiles can change lives We believe in the power of caring We believe it is the muscle behind medicine and the reason for hope We believe in the power of community, of reaching out, of extending care and generosity to those who need it most We believe that every moment matters</p>

**SCHEDULE R  
(Form 990)**

**Related Organizations and Unrelated Partnerships**

OMB No 1545-0047

**2013**

**Open to Public  
Inspection**

▶ **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).**

Department of the Treasury  
Internal Revenue Service

Name of the organization  
Bon Secours-St Francis Xavier Hospital Inc

**Employer identification number**

57-1067254

**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
<b>(1)</b> CareAlliance Health Services 1483 Tobias Gadson Blvd 101 Charleston, SC 29407 57-0831165	Healthcare	SC	501(c)(3)	Line 3	N/A		No
<b>(2)</b> Roper Hospital Inc 1483 Tobias Gadson Blvd 101 Charleston, SC 29407 57-0828733	Healthcare	SC	501(c)(3)	Line 3	CareAlliance Health Services		No
<b>(3)</b> Roper St Francis Mt Pleasant Hospital 1483 Tobias Gadson Blvd 101 Charleston, SC 29407 57-0360499	Healthcare	SC	501(c)(3)	Line 3	CareAlliance Health Services		No
<b>(4)</b> Roper St Francis Hospital - Berkeley 125 Doughty Street 720 Charleston, SC 29403 26-3710229	Healthcare (future)	SC	501(c)(3)	Line 3	CareAlliance Health Services		No
<b>(5)</b> Roper St Francis Physicians Network 125 Doughty Street 760 Charleston, SC 29403 26-2946628	Healthcare	SC	501(c)(3)	Line 3	CareAlliance Health Services		No
<b>(6)</b> Roper St Francis Foundation 125 Doughty Street 760 Charleston, SC 29403 57-1068509	Supporting Org	SC	501(c)(3)	Line 11a, I	CareAlliance Health Services		No
<b>(7)</b> The Medical Society of South Carolina 69-B Barre Street Charleston, SC 29401 57-0288358	Supporting Org/Founding Member	SC	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	
(1) Lowcountry Surgery Center LLC (dba Roper St Francis Eye Surgery Center)  1483 Tobias Gadson Blvd 101 Charleston, SC 29407 58-1693021	Ambulatory Surgery Center	SC	N/A									

**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
(1) Carealliance Medical Services Organization  225 Doughty Street Charleston, SC 29403 57-1012837	Inactive	SC	N/A	C					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
<b>1a</b>		No
<b>1b</b>		No
<b>1c</b>	Yes	
<b>1d</b>	Yes	
<b>1e</b>	Yes	
<b>1f</b>		No
<b>1g</b>		No
<b>1h</b>		No
<b>1i</b>	Yes	
<b>1j</b>		No
<b>1k</b>		No
<b>1l</b>	Yes	
<b>1m</b>	Yes	
<b>1n</b>	Yes	
<b>1o</b>	Yes	
<b>1p</b>	Yes	
<b>1q</b>	Yes	
<b>1r</b>	Yes	
<b>1s</b>	Yes	

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

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved



**Part VII Supplemental Information**

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

**Return Reference****Explanation**

# Additional Data

**Software ID:**  
**Software Version:**  
**EIN:** 57-1067254  
**Name:** Bon Secours-St Francis Xavier Hospital Inc

## Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

(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) CareAlliance Health Services  1483 Tobias Gadson Blvd 101 Charleston, SC 29407 57-0831165	Healthcare	SC	501(c)(3)	Line 3	N/A		No
(1) Roper Hospital Inc  1483 Tobias Gadson Blvd 101 Charleston, SC 29407 57-0828733	Healthcare	SC	501(c)(3)	Line 3	CareAlliance Health Services		No
(2) Roper St Francis Mt Pleasant Hospital  1483 Tobias Gadson Blvd 101 Charleston, SC 29407 57-0360499	Healthcare	SC	501(c)(3)	Line 3	CareAlliance Health Services		No
(3) Roper St Francis Hospital - Berkeley  125 Doughty Street 720 Charleston, SC 29403 26-3710229	Healthcare (future)	SC	501(c)(3)	Line 3	CareAlliance Health Services		No
(4) Roper St Francis Physicians Network  125 Doughty Street 760 Charleston, SC 29403 26-2946628	Healthcare	SC	501(c)(3)	Line 3	CareAlliance Health Services		No
(5) Roper St Francis Foundation  125 Doughty Street 760 Charleston, SC 29403 57-1068509	Supporting Org	SC	501(c)(3)	Line 11a, I	CareAlliance Health Services		No
(6) The Medical Society of South Carolina  69-B Barre Street Charleston, SC 29401 57-0288358	Supporting Org/Founding Member	SC	501(c)(3)	Line 11c, III-FI	N/A		No

# CareAlliance Health Services

(d/b/a Roper St Francis Healthcare)

Consolidated Financial Statements as of and  
for the Years Ended December 31, 2013 and 2012,  
and Independent Auditors' Report

**CAREALLIANCE HEALTH SERVICES**  
**(d/b/a Roper St. Francis Healthcare)**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
CareAlliance Health Services  
(d/b/a Roper St Francis Healthcare)

We have audited the accompanying consolidated financial statements of CareAlliance Health Services (d/b/a Roper St Francis Healthcare) ("CareAlliance"), which comprise 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 CareAlliance'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 CareAlliance's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CareAlliance as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

*Deloitte & Touche LLP*

May 21, 2014

**CAREALLIANCE HEALTH SERVICES**  
**(d/b/a Roper St. Francis Healthcare)**

**CONSOLIDATED BALANCE SHEETS**  
**AS OF DECEMBER 31, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 38,459,000	\$ 35,029,000
Patient accounts receivable — less allowances of \$77,146,000 and \$68,581,000 for uncollectible accounts in 2013 and 2012, respectively	103,828,000	104,944,000
Other receivables	12,337,000	14,996,000
Short-term investments	16,586,000	15,075,000
Inventories	10,927,000	10,916,000
Prepaid expenses and other current assets	<u>8,698,000</u>	<u>7,633,000</u>
Total current assets	190,835,000	188,593,000
LONG-TERM INVESTMENTS	169,703,000	144,864,000
ASSETS LIMITED AS TO USE	32,652,000	35,806,000
PROPERTY AND EQUIPMENT — Net	-476,531,000	502,543,000
OTHER ASSETS	<u>-44,425,000</u>	<u>-5,947,000</u>
TOTAL	<u>\$914,146,000</u>	<u>\$ 917,753,000</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 26,238,000	\$ 19,096,000
Accounts payable	41,233,000	48,766,000
Accrued expenses	71,223,000	72,696,000
Accrued contribution payable to members — current portion	<u>31,872,000</u>	<u>21,219,000</u>
Total current liabilities	170,566,000	161,777,000
LONG-TERM DEBT — Net	312,171,000	334,939,000
OTHER LIABILITIES	<u>58,487,000</u>	<u>78,950,000</u>
Total liabilities	<u>541,224,000</u>	<u>575,666,000</u>
COMMITMENTS AND CONTINGENCIES (Notes 6, 9, 10, and 16)		
NET ASSETS		
Unrestricted		
CareAlliance Health Services	355,277,000	328,921,000
Noncontrolling interests in Lowcountry Surgery Center, LLC	<u>199,000</u>	<u>159,000</u>
Total unrestricted net assets	355,476,000	329,080,000
Temporarily restricted	10,149,000	6,847,000
Permanently restricted	<u>7,297,000</u>	<u>6,160,000</u>
Total net assets	<u>372,922,000</u>	<u>342,087,000</u>
TOTAL	<u>\$914,146,000</u>	<u>\$ 917,753,000</u>

See notes to consolidated financial statements

# CAREALLIANCE HEALTH SERVICES

(d/b/a Roper St. Francis Healthcare)

## CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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	2013	2012
<b>UNRESTRICTED REVENUES</b>		
Patient service revenue (net of contractual allowances and discounts)	\$ 774,010,000	\$ 749,917,000
Provision for bad debts	<u>(42,281,000)</u>	<u>(42,207,000)</u>
Net patient service revenue	731,729,000	707,710,000
Other revenue	<u>23,828,000</u>	<u>22,101,000</u>
Total unrestricted revenues	<u>755,557,000</u>	<u>729,811,000</u>
<b>EXPENSES</b>		
Salaries and employee benefits	393,332,000	381,470,000
Supplies	132,974,000	128,838,000
Purchased services	73,148,000	72,340,000
Other expenses	79,018,000	73,043,000
Depreciation and amortization	49,815,000	48,249,000
Interest	<u>10,992,000</u>	<u>12,278,000</u>
Total expenses	<u>739,279,000</u>	<u>716,218,000</u>
OPERATING INCOME	16,278,000	13,593,000
<b>NONOPERATING GAINS (LOSSES)</b>		
Investment gains — net	27,869,000	19,283,000
Change in fair value of interest rate swaps	15,693,000	2,364,000
Loss on extinguishment of debt	(21,000)	(1,266,000)
Other — net	<u>(3,592,000)</u>	<u>(2,455,000)</u>
EXCESS OF REVENUES OVER EXPENSES	<u>56,227,000</u>	<u>31,519,000</u>
INCREASE IN UNRESTRICTED NET ASSETS BEFORE MEMBER TRANSACTIONS	<u>\$ 56,227,000</u>	<u>\$ 31,519,000</u>

See notes to consolidated financial statements

**CAREALLIANCE HEALTH SERVICES**  
**(d/b/a Roper St. Francis Healthcare)**

**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
<b>UNRESTRICTED NET ASSETS</b>		
Increase in unrestricted net assets before member transactions	\$ 56,227,000	\$ 31,519,000
Contribution accrued to members	(31,872,000)	(23,328,000)
Contribution from member for acquisitions of property and equipment	1,185,000	6,287,000
Release of restricted funds for capital expenditures	857,000	3,129,000
Roper St Francis Foundation transfers	<u>(1,000)</u>	<u>                    </u>
Increase in unrestricted net assets	<u>26,396,000</u>	<u>17,607,000</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	6,559,000	5,200,000
Investment gains — net	1,675,000	947,000
Net assets released from restrictions	(3,493,000)	(3,682,000)
Release of restricted funds for capital expenditures	(857,000)	(3,129,000)
Roper St Francis Foundation transfers	<u>(582,000)</u>	<u>(10,000)</u>
Increase (decrease) in temporarily restricted net assets	<u>3,302,000</u>	<u>(674,000)</u>
<b>PERMANENTLY RESTRICTED NET ASSETS</b>		
Contributions	503,000	1,312,000
Investment gains (losses) — net	51,000	(5,000)
Roper St Francis Foundation transfers	<u>583,000</u>	<u>10,000</u>
Increase in permanently restricted net assets	<u>1,137,000</u>	<u>1,317,000</u>
<b>INCREASE IN NET ASSETS</b>	<b>30,835,000</b>	<b>18,250,000</b>
<b>NET ASSETS</b>		
Beginning of year	<u>342,087,000</u>	<u>323,837,000</u>
End of year	<u>\$372,922,000</u>	<u>\$342,087,000</u>

See notes to consolidated financial statements

**CAREALLIANCE HEALTH SERVICES**  
**(d/b/a Roper St. Francis Healthcare)**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 30,835,000	\$ 18,250,000
Adjustments to reconcile increase in net assets to net cash flows from operating activities		
Depreciation	49,288,000	47,733,000
Amortization	527,000	516,000
Amortization of bond discount and premium — net	(378,000)	(433,000)
Contribution accrued to members	31,872,000	23,328,000
Contributions from member and Foundation for acquisitions of property and equipment	(1,303,000)	(7,107,000)
Provision for uncollectible accounts	42,281,000	42,207,000
Realized and unrealized gains on investments and interest rate swap — net	(41,788,000)	(18,335,000)
Loss on property and equipment disposals	1,891,000	746,000
Loss on extinguishment of debt	21,000	1,266,000
Changes in operating assets and liabilities		
Accounts receivable	(37,635,000)	(46,034,000)
Inventories	(11,000)	326,000
Prepaid expenses and other current assets	(1,065,000)	(1,063,000)
Accounts payable, accrued expenses, and other liabilities	(7,029,000)	2,274,000
Net cash flows from operating activities	<u>67,506,000</u>	<u>63,674,000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments and assets limited as to use	(70,470,000)	(105,700,000)
Sales of investments and assets limited as to use	70,140,000	88,822,000
Purchases of property and equipment	(19,684,000)	(38,592,000)
Cash proceeds from sales of property and equipment	<u>1,043,000</u>	<u>60,000</u>
Net cash flows from investing activities	<u>(18,971,000)</u>	<u>(55,410,000)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of long-term debt		79,710,000
Principal payments on long-term debt and capital lease obligations	(20,861,000)	(68,362,000)
Debt issuance costs	(253,000)	(468,000)
Contribution paid to members	(23,424,000)	(14,421,000)
Contributions from member and others for acquisitions of property and equipment	1,303,000	7,107,000
Other	<u>(1,870,000)</u>	<u>(2,001,000)</u>
Net cash flows from financing activities	<u>(45,105,000)</u>	<u>1,565,000</u>

(Continued)

**CAREALLIANCE HEALTH SERVICES**  
**(d/b/a Roper St. Francis Healthcare)**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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	<b>2013</b>	<b>2012</b>
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ 3,430,000	\$ 9,829,000
CASH AND CASH EQUIVALENTS — Beginning of year	<u>35,029,000</u>	<u>25,200,000</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 38,459,000</u>	<u>\$ 35,029,000</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION — Cash paid for interest — net of amounts capitalized	<u>\$ 10,718,000</u>	<u>\$ 12,728,000</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH FINANCING AND INVESTING ACTIVITIES		
Capital additions financed through accounts payable	<u>\$ 1,543,000</u>	<u>\$ 4,230,000</u>
Capital lease obligations incurred	<u>\$ 5,613,000</u>	<u>\$ 984,000</u>
Deemed ownership obligations incurred (Note 6)	<u>\$ 2,825,000</u>	<u>\$ 10,968,000</u>
Lowcountry Surgery Center equipment loan	<u>\$ -</u>	<u>\$ 510,000</u>
See notes to consolidated financial statements		(Concluded)

# CAREALLIANCE HEALTH SERVICES

(d/b/a Roper St. Francis Healthcare)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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### 1. ORGANIZATION

CareAlliance Health Services (d/b/a Roper St Francis Healthcare (RSFH)) ("CareAlliance") is a charitable health care delivery system based in Charleston, South Carolina. CareAlliance provides services at more than 90 sites in five counties. These facilities include three acute care hospitals with 657 licensed beds, one specialty hospital, 15 centers for outpatient services, including surgery, diagnostics, and rehabilitation (physical, occupational, and speech therapies), three industrial medicine sites, five emergency rooms, and two urgent care centers. CareAlliance employs approximately 200 physicians, with a large primary care base and a variety of specialties.

CareAlliance was formed effective August 1, 1998, through the execution of an affiliation agreement between the following Founding Members, with each member's respective initial membership percentage:

The Medical Society of South Carolina (MSSC)	63 %
Bon-Secours Health System, Inc (BSHSI)	27
Carolinas HealthCare System (CHS)	10

RSFH is governed by a thirteen (13)-member Board of Directors (the "Board of Directors") appointed by the Founding Members. Subject to certain Nominating Committee approvals, six (6) directors are appointed by each of MSSC and BSHSI, and one (1) director is appointed by CHS. It is the Founding Members' intent that the members of RSFH's Board of Directors are appointed to such positions because they have a willingness to serve the needs of the system as a whole and not the needs of any individual Founding Member.

The By-Laws of RSFH specify certain qualifications of the thirteen (13)-member Board of Directors. At least nine (9) directors must have their primary residence in a community served by the system. Five (5) directors must be physicians actively engaged in the full-time practice of medicine. Five (5) of the directors are appointed to the Board of Directors by virtue of positions held within BSHSI, MSSC, and CHS ("Ex-officio Directors"). Each of the five (5) Ex-officio Directors serves as a director of the corporation for so long as such person holds his or her respective elected or appointed office in their respective Founding Member organization. Directors serve three-year terms and are limited to three consecutive terms. After an absence of at least one (1) year, Ex-officio Directors are again eligible for appointment to the Board of Directors for two consecutive complete terms.

CareAlliance is the sole corporate member and, through its By-Laws, has the power to control the financial and business affairs of the following organizations:

- Roper Hospital, Inc ("Roper Hospital")
- Bon Secours — St Francis Xavier Hospital, Inc ("St Francis")
- Roper St Francis Mount Pleasant Hospital, Inc ("Mount Pleasant")
- Roper St Francis Foundation ("Foundation")
- Roper St Francis Physicians Network ("Physician Partners")

CareAlliance, Roper Hospital, St Francis, Mount Pleasant, Foundation, and the Physician Partners are not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal and state income taxes

During 2011, CareAlliance sold a 49.5% noncontrolling interest in the Lowcountry Surgery Center LLC (d/b/a Roper St Francis Eye Surgery Center) (LSC) to participating physicians. Operations at the LSC began in 2012.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation** — The consolidated financial statements have been prepared under the accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP) as set forth in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

**Principles of Consolidation** — The consolidated financial statements of CareAlliance include the accounts of CareAlliance, Roper Hospital (and subsidiaries), St Francis (and subsidiaries), Mount Pleasant, the Foundation, Physician Partners, and LSC.

**Use of Estimates** — The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions are used for, but not limited to, recognition of net patient service revenue, valuation of accounts receivable, including contractual allowances and provisions for doubtful accounts, liabilities for losses and expenses related to employee health care, workers compensation, and professional and general liability risks, valuation of investments and derivative instruments, depreciation of property and equipment, and estimated third-party settlements. Future events and their effects cannot be predicted with certainty, accordingly, management's accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of the accompanying consolidated financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the operating environment changes. Management regularly evaluates the accounting policies and estimates it uses. In general, management relies on historical experience and on other assumptions believed to be reasonable under the circumstances, and may employ outside experts to assist in the evaluation, as considered necessary. Although management believes all adjustments considered necessary for fair presentation have been included, actual results may vary from those estimates.

**Cash and Cash Equivalents** — For purposes of the consolidated statements of cash flows, CareAlliance considers all highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents, excluding amounts included in investments and assets limited as to use. At December 31, 2013 and 2012, cash and cash equivalents include a compensating balance of approximately \$4,487,000 and \$4,484,000, respectively, held on deposit with a bank to secure a portion of CareAlliance's other long-term debt. CareAlliance's deposits exceeded federally insured limits at December 31, 2013 and 2012.

**Receivables** — Receivables are reported at the net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements. 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.

Substantially all CareAlliance's accounts receivable are related to providing healthcare services to patients. Collection of these accounts receivable is CareAlliance's primary source of cash and is critical to operating performance. CareAlliance's primary collection risks relate to uninsured patients and outstanding patient balances for which the primary or secondary insurance has paid some but not all of the outstanding balance, with the remaining outstanding balance (generally deductibles and co-payments) owed by the patient.

The process of estimating the allowance for doubtful accounts requires CareAlliance to estimate the collectability of patient accounts receivable, which is primarily based on our collection history, adjusted for expected recoveries. CareAlliance collects substantially all of third-party insured receivables, which include receivables from governmental agencies. Collections are impacted by the economic ability of patients to pay and the effectiveness of collection efforts. Significant changes in payor mix, business office operations, economic conditions or trends in federal and state governmental healthcare coverage could affect the collection of accounts receivable. CareAlliance also continually reviews overall reserve adequacy by monitoring historical cash collections as a percentage of trailing net revenue, as well as by analyzing current period gross revenue and admissions by payor classification, aged accounts receivable by payor, and days revenue outstanding.

The allowance for doubtful accounts was \$77,146,000 and \$68,581,000, for the years ended December 31, 2013 and 2012, respectively. The increase in the allowance for doubtful accounts between 2012 and 2013 is primarily a result of the increase in the percentage of self-pay accounts within accounts receivables and the amount of aged accounts not yet written off.

**Inventories** — Inventories are stated at the lower of cost (first-in, first-out method) or market.

**Property and Equipment** — Property and equipment is stated at cost or, in the case of donated property, at fair market value at the time of donation. Property and equipment held for sale is stated at the lower of cost or fair value. Assets are depreciated using the straight-line method over their estimated useful lives. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized. Routine maintenance, repairs, and replacements are charged to expense when incurred.

CareAlliance capitalizes purchased software that is ready for service and software development costs incurred on significant projects starting from the time that the preliminary project stage is completed and management commits to funding a project until the project is substantially complete and the software is ready for its intended use. Capitalized costs include direct material and service costs and payroll and payroll-related costs. Training and maintenance costs related to software development are expensed as incurred. Capitalized software costs are amortized using the straight-line method over the estimated useful life of the underlying system.

The following is a summary of the estimated useful lives used in computing depreciation:

Buildings	40 years
Building improvements	5–25 years
Equipment and software	3–20 years

**Long-Term Investments and Assets Limited as to Use** — Long-term investments, including investments classified as assets limited as to use, consist of debt and equity securities held in common collective trust funds, other debt and equity securities and money market funds, and investments in limited partnerships. Investments in common collective trust funds, equity securities with readily determinable fair values, and all investments in debt securities and money market funds are classified as trading securities and measured at fair value at the balance sheet date. Management determined that the

trading security category is appropriate based on CareAlliance's investment strategy and policies. Investment managers may execute individual purchases and sales of investments without prior approval from CareAlliance as long as they comply with CareAlliance's investment strategy and policies. Investment gains or losses on trading securities are included in the excess of revenues over expenses, unless the income or loss is restricted by donor or laws.

CareAlliance has elected the fair value option to account for its investments in limited partnerships, which are not readily marketable and are less liquid than CareAlliance's other investments. Management determined the fair value option is appropriate based on CareAlliance's investment strategy and policies with respect to investments in limited partnerships. Management estimates the fair value of its investments in limited partnerships based on information provided by the fund managers. Investment income or loss from investments in limited partnerships is included in the excess of revenues over expenses. Assets limited as to use primarily include assets held by trustees under indenture agreements and designated net assets set aside by the Board of Directors for future capital improvements, over which the Board of Directors retains control and may at its discretion subsequently use for other purposes.

**Short-Term Investments** — Short-term investments consist of marketable debt securities, which are intended to be used to meet current liabilities, and, therefore, are reported as current assets in the consolidated balance sheets. Gains and losses on short-term investments are included in the excess of revenues over expenses.

**Other Assets** — Other assets consist primarily of deferred financing costs incurred during the issuance of revenue bonds, temporarily and permanently restricted assets of the Foundation, and goodwill. Goodwill represents acquisition costs in excess of the fair value of the net identifiable tangible and intangible assets of businesses purchased. Goodwill was \$16,432,000 and \$16,432,000 as of December 31, 2013 and 2012, respectively. CareAlliance subjects goodwill to an impairment evaluation on an annual basis, or more frequently if events or circumstances indicate that assets might be impaired. There was no impairment of goodwill as of or during the years ended December 31, 2013 and 2012.

**Contribution Accrued to Members** — In accordance with its By-Laws and the terms of the affiliation agreement between its Founding Members, CareAlliance is required to make annual cash contributions to its members, in accordance with their respective membership interest percentages, equal to 50% of System Free Cash Flow as defined in CareAlliance's By-Laws. The determination of System Free Cash Flow and the timing of related cash contributions have been adjusted from time to time by mutual agreement of CareAlliance and its Founding Members. During February 2010, the Founding Members agreed via resolution that MSSC will defer any annual contributions above \$12,600,000 beginning in 2010. Such deferrals will continue until CareAlliance achieves certain balance sheet targets, at which time the cumulative amount of deferred contributions will be payable to MSSC with interest at a rate of 7% per annum. Payments of deferred contributions and related accrued interest are contingent upon CareAlliance maintaining certain liquidity targets. As of December 31, 2013 and 2012, CareAlliance has recorded liabilities for the contribution payable to members of \$31,872,000 and \$23,435,000, respectively, related to the System Free Cash Flow. The contribution payable at December 31, 2012, included deferred contributions of \$2,216,000 payable to MSSC, and is reported within other liabilities in the accompanying consolidated balance sheet. This deferred contribution was paid to MSSC on October 15, 2013. There were no deferred contributions at December 31, 2013.

**Derivative Financial Instruments** — CareAlliance uses derivative financial instruments primarily to manage its exposure to movements in interest rates. Interest rate swaps are contractual agreements between two parties for the exchange of interest payments on a notional principal amount at agreed-upon fixed or floating rates, for defined periods. Interest rate swaps are stated at fair value in the

accompanying consolidated balance sheets, with the change in fair value recorded as realized gains (losses) and included in nonoperating gains (losses) in the accompanying consolidated statements of operations. CareAlliance does not enter into derivative financial instruments for trading purposes.

**Donor-Restricted Gifts** — Unconditional promises to give cash and other assets to CareAlliance are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as other revenue in the consolidated statements of operations. Donor-restricted contributions whose restrictions are met within the same year are reported as unrestricted support and are included in other revenue in the consolidated statements of operations.

**Net Assets** — CareAlliance has three net asset groups as follows:

*Unrestricted* — Unrestricted net assets consist of all resources of CareAlliance that have no donor-imposed restrictions. Certain of these resources have been designated by CareAlliance's Board of Directors to serve certain long-term program objectives of CareAlliance, or have been limited by contractual agreements with outside parties. These assets are included with assets limited as to use.

*Temporarily Restricted* — Temporarily restricted net assets consist of contributions and related investment income for which CareAlliance's use is limited through externally imposed stipulations as to a specific time or purpose.

*Permanently Restricted* — Permanently restricted net assets consist of contributions and related investment income restricted by donors to be maintained by CareAlliance in perpetuity. The portion of a donor-restricted endowment fund that is classified as permanently restricted is not reduced by losses on investments in the fund, except to the extent required by the donor, including losses related to specific investments that the donor requires the organization to hold. Investment income from donor-restricted endowment funds that is not permanently restricted is classified as temporarily restricted until appropriated for expenditure by CareAlliance. Losses on the investments of donor-restricted endowment funds are recorded as a reduction of temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining losses reduce unrestricted net assets and are excluded from the excess of revenues over expenses. Gains that restore the fair value of the assets of the endowment fund to the required level are classified as increases in unrestricted net assets and are excluded from the excess of revenues over expenses.

**Net Patient Service Revenue** — Net patient service revenue is reported at the estimated net realizable amounts due 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. For uninsured patients that do not qualify for charity care, CareAlliance 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 CareAlliance's uninsured patients will be unable or unwilling to pay for the services provided. Thus, CareAlliance records a significant provision for bad debts related to uninsured patients in the period the services are provided.

**Electronic Health Records (EHR) Incentives** — The American Recovery and Reinvestment Act of 2009 established incentive payments under the Medicare and Medicaid programs for certain professionals and hospitals that meaningfully use certified EHR technology. The EHR incentive payments to hospitals include a base amount, plus a discharge-related portion, which is calculated by the Centers for Medicare and Medicaid Services (CMS) based on the hospital's most recently filed cost report and are subject to adjustment upon settlement of the cost report for the hospital's fiscal year that begins after the beginning of the payment year. A hospital may receive incentive payments for up to four years, provided that it successfully demonstrates meaningful use for each applicable EHR reporting period. CareAlliance recognizes revenue for EHR incentive payments in the period in which it is reasonably assured that it will comply with the applicable EHR meaningful use requirements. EHR incentive revenues are recognized ratably over the applicable meaningful use reporting period and are included in other revenue in the consolidated statements of operations. CareAlliance recognized EHR incentive revenues of \$8,491,000 and \$7,848,000 for the years ended December 31, 2013 and 2012, respectively. CareAlliance's attestations regarding the meaningful use of EHR technology are subject to audit by the federal government or its designee.

**Charity Care** — CareAlliance provides care to patients who meet certain criteria under its charity care policies without charge or at amounts less than its established rates. Because CareAlliance does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. CareAlliance estimates the direct and indirect costs of providing charity care using a calculated ratio of costs to gross charges for each facility.

**Operating Income** — Transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as income from operations. Peripheral or incidental transactions are reported as nonoperating gains and losses.

**Excess of Revenues over Expenses** — The consolidated statements of operations include excess of revenues over expenses. Changes in unrestricted net assets, which are excluded from excess of revenues over expenses, consistent with industry practice, include contributions restricted for purchases of property and equipment and permanent transfers of assets to and from affiliates for other than goods and services.

**Income Taxes** — CareAlliance, Roper Hospital, St. Francis, Mount Pleasant, the Foundation, and Physician Partners are not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code and are generally exempt from federal and state income taxes. The LSC is a limited liability company. Under current laws, income or loss of limited liability companies is included in the income tax returns of the members. Accordingly, no provision for income taxes is made in the consolidated financial statements.

Although CareAlliance is generally exempt from federal and state income taxes, it evaluates whether there are any uncertain tax positions that fail to meet the more-likely-than-not threshold for recognition in the consolidated financial statements. Uncertain tax positions may include the characterization of income, such as a characterization of income as passive, a decision to exclude reporting taxable income in a tax return, or a decision to classify a transaction, entity, or other position in a tax return as tax exempt. The tax benefit from an uncertain tax position is recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. CareAlliance had no unrecognized tax positions as of December 31, 2013 and 2012, and does not expect that unrecognized tax benefits will materially increase within the next 12 months. Tax years from 2010 through 2012 are subject to examination by the federal and state taxing authorities. There are no income tax examinations currently in process.

Interest and penalties related to uncertain tax positions, if any, would be recognized in the consolidated financial statements as income tax expense

**Fair Value of Financial Instruments** — See Note 15 for classification of CareAlliance’s financial assets and liabilities accounted for at fair value

**Risks and Uncertainties** — CareAlliance’s investments consist of various combinations of equity securities, fixed income securities, money market funds, and other investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect CareAlliance’s investment balances reported in the consolidated balance sheets

The Patient Protection and Affordable Care Act (PPACA) was signed into law on March 23, 2010. In addition, the Health Care and Education Affordability Reconciliation Act (“Reconciliation Act”), which contains a number of amendments to PPACA, was signed into law on March 30, 2010. These health care bills (collectively, the “Reform Legislation”) seek to increase the number of persons with access to health insurance in the United States by requiring substantially all U.S. citizens to maintain medical insurance coverage. The Reform Legislation also provides for material reductions in the growth of Medicare program spending, including reductions in Medicare market basket updates and Medicare disproportionate share hospital (DSH) funding. From time to time, CMS revises the reimbursement systems used to reimburse health care providers, which may include additional changes to the Medicare Severity-Related Group system and other payment systems. These changes may result in reduced Medicare payments.

The Reform Legislation also includes provisions aimed at reducing fraud, waste, and abuse in the health care industry. These provisions allocate significant additional resources to federal enforcement agencies and expand the use of private contractors to recover potentially inappropriate Medicare and Medicaid payments. The Reform Legislation amends several existing federal laws, including the Medicare Anti-Kickback Statute and the False Claims Act, making it easier for government agencies and private plaintiffs to prevail in lawsuits brought against health care providers. These amendments also make it easier for potentially severe fines and penalties to be imposed on health care providers accused of violating applicable laws and regulations.

Management is in the process of assessing the impact the Reform Legislation may have on CareAlliance’s consolidated financial position, results of operations, or cash flows.

**Subsequent Events** — CareAlliance has evaluated subsequent events from the end of the most recent fiscal year through May 21, 2014, the date the consolidated financial statements were issued.

**Recently Issued Accounting Guidance** — In May 2012, the FASB issued amendments to the classification of the sale proceeds of donated financial assets in the statement of cash flows. The amendments require not-for-profit (NFP) entities to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without the NFP imposing any limitations for sale and were converted nearly immediately into cash. The new guidance is effective for fiscal years beginning after June 15, 2013. CareAlliance has not determined the impact on its consolidated financial statements from the adoption of these amendments.

In February 2013, the FASB issued guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the

obligation within the scope of this guidance is fixed at the reporting date. The new guidance requires entities to measure these obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The new guidance is effective for nonpublic entities for fiscal years ending after December 15, 2014. CareAlliance has not determined the impact on its consolidated financial statements from the adoption of this guidance.

### 3. CHARITY CARE

In accordance with CareAlliance's mission to improve the health of its communities, CareAlliance facilities accept patients regardless of their ability to pay. CareAlliance offers financial assistance to patients who meet established financial assistance guidelines. Patients with an annual income of 399% or less of the federal poverty guidelines may be eligible for charity adjustments. CareAlliance offers Medical Indigency Adjustments for patients, whose medical expenses outweigh their ability to pay, constituting a financial hardship. CareAlliance also offers flexible payment plans, charity adjustments to patients who are homeless, and discounts for uninsured patients who do not qualify for its charity care program.

The estimated cost of traditional charity care provided by CareAlliance under its charity care policy was \$35,108,000 and \$33,499,000 for the years ended December 31, 2013 and 2012, respectively.

In addition to traditional charity care, management estimates the unpaid cost of services provided under the Medicaid program to be \$6,041,000 and \$9,647,000 for the years ended December 31, 2013 and 2012, respectively. CareAlliance also provides community benefit programs and services for the general community, mainly for indigent patients but also for people with chronic health risks. Examples of these programs include health promotion and education, free clinics and screenings, and other community services. Management estimates the unreimbursed costs of community benefit programs and services to be \$8,990,000 and \$9,571,000 for the years ended December 31, 2013 and 2012, respectively.

### 4. NET PATIENT SERVICE REVENUE

CareAlliance has agreements with third-party payors that provide for payments to CareAlliance at amounts different from its established rates. A summary of the payment arrangements with major third-party payors is as follows:

*Medicare and Medicaid* — Inpatient acute care services rendered to 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 care services, certain outpatient services, and defined capital and medical education costs related to beneficiaries are paid based on a cost reimbursement methodology. Outpatient services are paid at prospectively determined rates. CareAlliance is reimbursed for cost-reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by CareAlliance and audits thereof by the fiscal intermediary. CareAlliance's cost reports have been audited by the Medicare intermediary through December 31, 2009.

*Other* — CareAlliance has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payments to CareAlliance under these agreements includes prospectively determined rates per day or discharge and discounts from established charges.

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. Final determination of amounts due from Medicare and Medicaid programs is subject to review by these programs. Changes resulting from final determination are reflected as changes in estimates, generally in the year of determination. In the opinion of management, adequate provision has been made for adjustments, if any, that may result from such reviews. Net patient service revenue increased by approximately \$2,847,000 and decreased by \$586,000 for the years ended December 31, 2013 and 2012, respectively, due to the effect of settlement adjustments. There were no settlements with commercial payors during the years ended December 31, 2013 and 2012. During the years ended December 31, 2013 and 2012, CareAlliance established liabilities of \$1,157,000 and \$1,893,000, respectively, for estimated future settlements related to net patient service revenue recognized during those years. These liabilities are included in accrued expenses in the accompanying consolidated balance sheets.

During 2006, the state of South Carolina (the "State") implemented changes to the method of funding the Medicaid disproportionate share and upper payment limit programs. Under the new plan, providers are assessed a quarterly tax and receive periodic Medicaid disproportionate share and upper payment limit payments from the State. The tax assessment was \$15,623,000 and \$15,517,000 for the years ended December 31, 2013 and 2012, respectively, and is recorded as an operating expense in the accompanying consolidated statements of operations. CareAlliance received approximately \$22,200,000 and \$23,728,000 of disproportionate share and upper payment limit payments from the State in 2013 and 2012, respectively, which are recorded in patient service revenue (net of contractual allowances and discounts) within the accompanying consolidated statements of operations. Funds received under the upper payment limit program may be subject to a retroactive settlement process. Management continues to evaluate the settlement process related to the upper payment limit payment program and has recorded adequate liabilities as of December 31, 2013 and 2012, in accrued expenses in the accompanying consolidated balance sheets. Future receipts of the Medicaid disproportionate share and supplemental payment program reimbursement are not guaranteed.

Payments received or to be received under these and other payment arrangements with third-party payors were less than amounts due at established rates by approximately \$1,387,992,000 and \$1,400,212,000 for the years ended December 31, 2013 and 2012, respectively.

Patient service revenue (net of contractual allowances and discounts) for the years ended December 31, 2013 and 2012, is summarized as follows:

	<b>2013</b>	<b>2012</b>
Third-party payors	\$726,636,000	\$698,885,000
Self-pay	<u>47,374,000</u>	<u>51,032,000</u>
Total patient service revenue (net of contractual allowances and discounts)	<u>\$774,010,000</u>	<u>\$749,917,000</u>

## 5. INVESTMENTS AND ASSETS LIMITED AS TO USE

Investments and assets limited as to use as of December 31, 2013 and 2012, are summarized as follows

	<b>2013</b>	<b>2012</b>
Marketable equity securities	\$ 21,166,000	\$ 15,635,000
Debt securities — short-term investments	16,586,000	15,075,000
Debt securities — self-insurance trust	1,504,000	1,505,000
Bond trustee held funds — short-term investments	31,148,000	34,301,000
Investments in common collective trust funds		
Marketable domestic equity securities	50,333,000	37,835,000
Marketable international equity securities	29,791,000	24,990,000
Marketable debt securities	30,323,000	30,617,000
Investments in limited partnerships		
Private real estate fund	16,108,000	13,965,000
Private hedge funds	<u>38,220,000</u>	<u>33,019,000</u>
Total	<u>\$235,179,000</u>	<u>\$206,942,000</u>

The investments were included in the captions in the consolidated balance sheets as of December 31, 2013 and 2012, as follows

	<b>2013</b>	<b>2012</b>
Short-term investments	<u>\$ 16,586,000</u>	<u>\$ 15,075,000</u>
Long-term investments	<u>169,703,000</u>	<u>144,864,000</u>
Assets limited as to use		
Board designated — self-insured trust	1,504,000	1,505,000
Bond trustee held funds	<u>31,148,000</u>	<u>34,301,000</u>
Total assets limited as to use	<u>32,652,000</u>	<u>35,806,000</u>
Other assets	<u>16,238,000</u>	<u>11,197,000</u>
Total	<u>\$235,179,000</u>	<u>\$206,942,000</u>

Investment gains from long-term investments and assets limited as to use for the years ended December 31, 2013 and 2012, consist of the following

	<b>2013</b>	<b>2012</b>
Interest and dividend income — net of investment fees	\$ 1,774,000	\$ 3,311,000
Net realized gains on sales of investments	3,543,000	1,515,000
Net change in unrealized gains on investments	<u>22,552,000</u>	<u>14,457,000</u>
Total investment gains — net	<u>\$27,869,000</u>	<u>\$19,283,000</u>

CareAlliance had no unfunded commitments with respect to these funds as of December 31, 2013 and 2012

## 6. PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31, 2013 and 2012, is as follows:

	<b>2013</b>	<b>2012</b>
Land	\$ 36,505,000	\$ 37,370,000
Land improvements	8,947,000	8,947,000
Buildings and improvements	515,485,000	490,361,000
Equipment	287,084,000	291,946,000
Leased equipment under capital lease obligations	<u>19,308,000</u>	<u>15,135,000</u>
	867,329,000	843,759,000
Less accumulated depreciation	<u>395,117,000</u>	<u>368,979,000</u>
	472,212,000	474,780,000
Construction in progress	<u>4,319,000</u>	<u>27,763,000</u>
Total property and equipment — net	<u>\$476,531,000</u>	<u>\$502,543,000</u>

Depreciation expense and capital lease-related amortization expense for the years ended December 31, 2013 and 2012, amounted to approximately \$49,815,000 and \$48,249,000, respectively. Accumulated amortization for equipment under capital lease obligations as of December 31, 2013 and 2012, was \$12,056,000 and \$10,759,000, respectively.

In July 2009, Roper Hospital entered into an agreement with RSFH West Ashley Cancer Center, LLC (WACC) to lease a portion of a medical office building (WACC MOB) located on the St. Francis campus. CareAlliance owns a 9.26% interest in WACC (following a sale of 116.67 units effective August 2013) that is accounted for under the equity method and has guaranteed a portion of WACC's construction loan up to 200% of its equity investment in WACC. CareAlliance's equity method investment in WACC was \$72,000 and \$231,000 as of December 31, 2013 and 2012, respectively, and is included in other assets in the consolidated balance sheets. CareAlliance has determined that it is the deemed owner of the WACC MOB under GAAP due to its ownership interest in and continuing involvement with WACC. Accordingly, CareAlliance recorded an asset (included in property and equipment — net) amounting to \$14,770,000 at December 31, 2013, and a corresponding liability (included in other liabilities) amounting to \$16,252,000 at December 31, 2013, for the cost of construction of the WACC MOB. Construction of the WACC MOB was completed in 2010.

In June 2011, CareAlliance entered into an agreement with MSSC related to the relocation of CareAlliance's existing data facilities to land owned by MSSC in the city of North Charleston, South Carolina. MSSC has agreed to borrow up to \$18,000,000 for the acquisition of the land and construction and equipping of the new data center to be leased to CareAlliance upon completion. CareAlliance has determined that it is the deemed owner of the data center under GAAP due to its involvement in the construction of the asset. Accordingly, CareAlliance recorded an asset (included in property and equipment — net) amounting to \$17,700,000 at December 31, 2013, and a corresponding liability (included in other liabilities) amounting to \$17,640,000 at December 31, 2013 for the cost of the land and construction of the data center. Construction of the data center was complete as of May 1, 2013.

## 7. ACCRUED LIABILITIES

Accrued liabilities as of December 31, 2013 and 2012, consist of the following

	<b>2013</b>	<b>2012</b>
Accrued compensation	\$ 44,862,000	\$ 41,483,000
Self-insurance liabilities	9,939,000	10,425,000
Interest	1,526,000	1,724,000
Estimated third-party liabilities	12,979,000	17,299,000
Other accrued liabilities	<u>1,917,000</u>	<u>1,765,000</u>
Total accrued expenses	<u>\$ 71,223,000</u>	<u>\$ 72,696,000</u>

## 8. LONG-TERM DEBT

Long-term debt as of December 31, 2013 and 2012, consists of the following

	2013	2012
Tax-Exempt Fixed Rate Serial Bonds ("Series 1999A"), bearing interest at a rate of 5.125%, maturing in 2015 and 2016	\$ 13,165,000	\$ 13,165,000
Tax-Exempt Variable Rate Bonds ("Series 1999B"), bearing interest at an auction rate of 0.195% at December 31, 2012, redeemed in 2013		1,125,000
Tax-Exempt Fixed Rate Serial Bonds ("Series 2004A"), bearing interest at rates ranging from 4.25%-5.50%, maturing through 2013		1,705,000
Tax-Exempt Variable Rate Direct Purchase Bonds ("Series 2004B-1"), bearing interest at a rate of 1.119% at December 31, 2013, maturing through 2030	20,475,000	20,475,000
Tax-Exempt Fixed Rate Term Bonds ("Series 2004B-1"), bearing interest at rates ranging from 4.50%-5.00%, maturing in 2013 through 2024	30,510,000	31,710,000
Tax-Exempt Variable Rate Demand Bonds ("Series 2004B-2"), bearing interest at a rate of 0.02% at December 31, 2013, maturing through 2033	19,000,000	19,000,000
Tax-Exempt Fixed Rate Serial Bonds ("Series 2007A"), bearing interest at a rate of 5.0%, maturing in 2013 through 2017	19,520,000	25,070,000
Tax-Exempt Variable Rate Direct Purchase Bonds ("Series 2007B"), bearing interest at a rate of 1.119% at December 31, 2013, maturing through 2037	80,000,000	80,000,000
Tax-Exempt Variable Rate Revenue Note ("Series 2009"), bearing interest at an adjusted LIBOR rate of 2.2557% at December 31, 2013, maturing in 2014	7,187,000	8,437,000
Tax-Exempt Variable Rate Revenue Note ("Series 2010"), bearing interest at an adjusted LIBOR rate of 1.415% at December 31, 2013, maturing in 2021	30,000,000	30,000,000
Tax-Exempt Fixed Rate Serial Bonds ("Series 2011"), bearing interest rates ranging from 1.70%-2.74%, maturing in 2014 through 2019	28,475,000	34,305,000
Tax-Exempt Fixed Rate Bonds ("Series 2012A"), bearing interest at a rate of 2.26%, maturing in 2020 through 2025	31,935,000	31,935,000
Tax-Exempt Variable Rate Bonds ("Series 2012B"), bearing interest at a rate of 1.012%, maturing in 2022 through 2028	47,265,000	47,265,000
Other debt	9,816,000	8,404,000
	<u>337,348,000</u>	<u>352,596,000</u>
Less unamortized discount	(239,000)	(255,000)
Plus unamortized premium	<u>1,300,000</u>	<u>1,694,000</u>
	338,409,000	354,035,000
Less current maturities	<u>(26,238,000)</u>	<u>(19,096,000)</u>
Total long-term debt — net	<u>\$ 312,171,000</u>	<u>\$ 334,939,000</u>

**Revenue Bonds** — All of the bonds outstanding at December 31, 2013 and 2012, are governed by a Master Trust Indenture (the "Master Indenture") and related agreements. CareAlliance, Roper Hospital, St. Francis Hospital, Mount Pleasant Hospital, and the Physician Partners (the "Obligated Group") are jointly and severally liable for the obligation. The bonds are collateralized by a pledge of the Obligated Group's gross revenue and the funds and accounts established under the Master Indenture. Additionally, the periodic payment of interest and principal is unconditionally guaranteed through municipal bond insurance for all obligations. Among other financial covenants, the Master Indenture requires the Obligated Group to maintain a debt service coverage ratio of not less than 1.1 to 1.0, debt-to-capitalization ratio of no more than 65%, and days cash on hand of not less than 75 days. The

Supplemental Master Indentures for the Series 2004 bonds and after require the Obligated Group to maintain a debt service coverage ratio of 1.25 to 1.0, the Series 2009 and 2010 require a debt service coverage ratio of 1.75 to 1.0. In addition, the supplemental master indentures for each bond series contain certain provisions which provide for establishment of reserve funds, funded by CareAlliance, and collateralization of the bonds through CareAlliance's property and equipment in the event that certain minimum financial covenants and credit ratings are not maintained. The Obligated Group was in compliance with all such provisions of the Master Indenture and related agreements as of and during the year ended December 31, 2013. The net assets of the Obligated Group are in excess of 90% of the net assets of CareAlliance. All of CareAlliance's debt can be prepaid without penalty with the exception of the Series 2012A bonds which, if prepaid, are subject to a redemption premium determined based on the difference between the stated interest rate of the bonds and the bond equivalent yield for United States Treasury securities with similar maturities.

The Series 1999A and 1999B, and Series 2004A and 2004B bonds are limited obligations of Charleston County, South Carolina (the "County"), payable by the County solely from the loan repayments to be made by the Obligated Group. The Series 2007A, 2007B, 2011, and 2012 bonds are limited obligations of the South Carolina Jobs-Economic Development Authority (the "Authority"), payable by the Authority solely from the loan repayments of the Obligated Group.

On September 1, 2012, the Authority issued \$31,935,000 Series 2012A tax-exempt fixed rate revenue bonds pursuant to a Bond Purchase and Loan Agreement (the "Agreement") dated September 1, 2012, among the Authority, TD Bank, N.A., and CareAlliance. The bond proceeds were loaned to the Obligated Group for the purpose of (i) refunding \$31,935,000 of the outstanding principal amount of the Series 1999A bonds, and (ii) to pay costs of issuing the Series 2012A bonds. The bonds bear interest at 2.26% per annum.

On September 1, 2012, the Authority issued \$47,265,000 Series 2012B tax-exempt variable rate revenue bonds pursuant to a Bond Purchase and Loan Agreement dated September 1, 2012, among the Authority, TD Bank, N.A., and CareAlliance. The bond proceeds were loaned to the Obligated Group for the purpose of (i) refunding \$17,265,000 of the outstanding principal amount of the Series 1999A bonds, and defraying the cost of certain capital improvements, and (ii) to pay costs of issuing 2012B bonds. The bonds bear interest at 75% multiplied by the sum of (i) the London InterBank Offered Rate (LIBOR) plus (ii) 1.18% per annum.

As a result of the refunding of the Series 1999A Bonds described above, CareAlliance recorded a loss on extinguishment of debt of \$1,266,000.

On April 23, 2013, CareAlliance redeemed the outstanding Series 1999B bonds, resulting in a loss on extinguishment of debt of \$21,000.

On August 31, 2011, the Authority issued \$39,855,000 Series 2011 tax-exempt fixed rate revenue bonds pursuant to a Note Purchase and Loan Agreement dated August 1, 2011, among the Authority, Wells Fargo Bank, and CareAlliance. The bond proceeds were used for the purpose of refunding that portion of the \$145,910,000 Charleston County, South Carolina Revenue Bonds, Series 1999A maturing on August 15 in the years 2012, 2013, 2014, and 2019.

On February 3, 2011, CareAlliance converted \$20,475,000 of the Series 2004B-1 bonds and \$80,000,000 of the Series 2007B bonds from variable rate demand bonds to direct purchase bonds.

On February 3, 2011, the irrevocable, standby letter of credit agreement with a financial institution to provide credit and liquidity support for the Series 2004B-2 bonds was restated and amended. The

amended letter of credit was renewed in September 2012 for a three-year term expiring in August 2015, and is subject to extension at the option of the financial institution. In the event that any or all of the bonds are tendered for purchase and cannot be remarketed, the letter of credit provides that the financial institution will provide funds to purchase the unremarketed bonds. Bonds purchased with letter of credit funds bear interest during a 120-day remarketing period at a variable rate equal to the Prime Rate per annum during the first 90 days, and at the Prime Rate, plus 2% per annum for days 91 through 120. Bonds that are not remarketed after 120 days (the "Term Loan Conversion Date") convert to a term loan payable to the financial institution with interest at a variable rate equal to the Prime Rate, plus 2% per annum. Principal payments are due in 24 equal monthly installments commencing on the first day of the month beginning 367 days after the Term Loan Conversion Date. The letter of credit has a fee of 88 basis points per annum based on the available commitment and is generally subject to the same financial and operating covenants provisions contained in the Master Trust Indenture, however, the letter of credit requires the Obligated Group to maintain a debt service coverage ratio of 1.75 to 1.0. CareAlliance was in compliance with all such provisions as of December 31, 2013. In the event that the letter of credit is not extended or replaced prior to expiration, the Master Trust Indenture provides for mandatory tender of the bonds.

On August 10, 2010, the Authority issued a \$30,000,000 Series 2010 tax-exempt variable rate revenue note pursuant to a Note Purchase and Loan Agreement dated August 1, 2010, among the Authority, Branch Banking and Trust Company, and CareAlliance. The note proceeds were loaned to CareAlliance for the purpose of partially refunding the \$41,450,000 Charleston County, South Carolina Variable Rate Demand Bonds, Series 1999B (CareAlliance Health Services). The loan bears interest at the Adjusted LIBOR. All outstanding principal and interest are due in full at maturity on August 15, 2021.

On September 1, 2009, the Authority issued a \$12,500,000 Series 2009 tax-exempt variable rate revenue note pursuant to a Note Purchase and Loan Agreement dated September 1, 2009, among the Authority, Branch Banking and Trust Company, and CareAlliance. The note proceeds were loaned to Obligated Group for the purpose of expanding Physician Partners through the acquisition of the assets of Lowcountry Medical Associates. The note bears interest at a variable rate based on LIBOR, with a minimum rate of 2.26%. The principal is payable in fixed monthly installments of \$104,000. All outstanding principal and interest are due in full at maturity on September 15, 2014.

On November 1, 2007, the Authority issued \$130,000,000 of revenue bonds, Series 2007A and 2007B. The bond proceeds were loaned to the Obligated Group for the acquisition, constructing, and equipping of the new 85-bed Mount Pleasant hospital facility in Mount Pleasant, South Carolina.

On July 1, 2004, the County issued \$99,480,000 of Revenue Bonds, Series 2004A, 2004B-1, and 2004B-2. The bond proceeds were loaned to the Obligated Group for construction of a patient care tower and a parking garage at Roper Hospital. The Series 2004B-1 Bonds are subject to mandatory sinking fund payments beginning in 2010. The Series 2004B-2 Bonds are subject to mandatory sinking fund payments beginning in 2030. The Series 2004A Bonds fully matured on August 15, 2013.

On January 26, 1999, the County issued \$187,360,000 of Revenue Bonds, Series 1999A and 1999B. The bond proceeds were loaned to the Obligated Group for hospital construction projects and the defeasance of the outstanding long-term debt of members of the Obligated Group. The Series 1999B bonds of \$0 and \$1,125,000 at December 31, 2013 and 2012, respectively, are subject to mandatory sinking fund payments beginning in 2021 and bear interest at auction rates not to exceed 150% of the index rate on AA rated commercial paper.

**Other Long-Term Debt** — Other long-term debt consists of notes payable and various capital lease obligations. At December 31, 2013 and 2012, notes payable consists of 2.53% to 6.30% notes payable

and a variable rate term loan totaling \$2,419,000 and \$3,903,000, respectively. At December 31, 2013 and 2012, capital lease obligations, which are collateralized by leased equipment, amount to \$7,397,000 and \$4,499,000, respectively, at an interest rate of approximately 6%. CareAlliance's capital lease obligations expire in 2014 through 2016.

Scheduled maturities of all long-term debt as of December 31, 2013, are as follows:

<b>Years Ending December 31</b>	
2014	\$ 26,238,000
2015	20,520,000
2016	19,335,000
2017	17,336,000
2018	15,410,000
Thereafter	<u>238,509,000</u>
 Total	 <u>\$ 337,348,000</u>

During 2013 or 2012, CareAlliance capitalized no interest costs related to borrowings for capital projects.

## 9. DERIVATIVE FINANCIAL INSTRUMENTS

During 2004, CareAlliance entered into an interest rate hedge related to \$19,000,000 of its variable rate debt. The effect of this hedge is to convert the variable rate of this amount of the debt to a fixed rate of 3.81%. At December 31, 2013 and 2012, the fair value of the hedge was \$(3,667,000) and \$(6,302,000), respectively, and is recorded in other liabilities in the accompanying consolidated balance sheets.

During 2006, CareAlliance entered into an interest rate hedge related to \$80,000,000 of the \$130,000,000 debt issued in 2007. The effect of this hedge is to convert the variable rate of this amount of the debt to a fixed rate of 3.56%. At December 31, 2013 and 2012, the fair value of the hedge was \$(12,702,000) and \$(25,555,000), respectively, and is recorded in other liabilities in the accompanying consolidated balance sheets.

During 2010, CareAlliance entered into an interest rate hedge related to the \$30,000,000 debt issued in 2010. The effect of this hedge is to convert the variable rate of this amount of the debt to a fixed rate of 3.06%. At December 31, 2013 and 2012, the fair value of the hedge was \$(795,000) and \$(1,853,000), respectively, and is recorded in other liabilities in the accompanying consolidated balance sheets.

During 2011, CareAlliance entered into interest rate hedges related to the outstanding fixed rate bonds Series 1999A, 2004 B-1, and 2007A. The effect of these hedges is to retain the basis risk between paying a tax-exempt floating rate (SIFMA) and receiving a taxable rate (LIBOR) through a basis swap. At December 31, 2013 and 2012, the fair value of these hedges was \$(97,000) and \$756,000, respectively, and is recorded in other liabilities in the accompanying consolidated balance sheets.

The change in fair value of interest rate hedges for the years ended December 31, 2013 and 2012, was \$15,693,000 and \$2,364,000, and is recorded as a realized gain and included within nonoperating gains (losses) in the accompanying consolidated statements of operations for the years ended December 31, 2013 and 2012, respectively.

Payments of fixed rate interest to be made by CareAlliance under its interest rate hedges are insured by financial guaranty insurance policies issued by Assured Guaranty Ltd (AG). CareAlliance's interest rate hedge agreements contain provisions that require CareAlliance's debt to maintain certain credit ratings from Standard & Poor's Rating Group (S&P) and Moody's Investors Services, Inc ("Moody's"). If the credit ratings for CareAlliance's debt were to fall below "BBB-" for S&P or "Baa3" for Moody's, it would be in violation of these provisions, and the counterparties to the interest rate hedges could demand settlement of the interest rate hedges. In addition, the interest rate hedge agreements contain provisions that require AG to maintain a credit rating of "A-" or higher from S&P or "A3" or higher from Moody's. If AG's credit rating were to fall below these levels, then the counterparties to the interest rate hedges could require CareAlliance to post collateral on interest rate hedges in a net liability position in excess of certain thresholds that are determined based on the credit ratings for CareAlliance's debt. The threshold in effect for each interest rate hedge agreement as of December 31, 2013, is \$2,000,000 based on CareAlliance's credit rating as of December 31, 2013. CareAlliance was not required to post collateral on any of its interest rate hedge agreements as of December 31, 2013 or 2012, based on AG's credit ratings as of those dates.

## 10. LEASE OBLIGATIONS

CareAlliance leases various equipment and buildings used in its operations. Future lease payments on operating leases that have initial or remaining noncancelable lease terms in excess of one year and deemed ownership obligations (Note 6) as of December 31, 2013, are as follows:

<b>Years Ending December 31</b>	<b>Operating Leases</b>	<b>Deemed Ownership Obligations (Note 4)</b>	<b>Total</b>
2014	\$15,257,000	\$ 1,478,000	\$16,735,000
2015	12,447,000	1,507,000	13,954,000
2016	9,193,000	1,536,000	10,729,000
2017	5,895,000	1,566,000	7,461,000
2018	5,285,000	1,596,000	6,881,000
Thereafter	<u>9,640,000</u>	<u>25,609,000</u>	<u>35,249,000</u>
Total minimum future rentals	<u>\$57,717,000</u>	<u>\$ 33,292,000</u>	<u>\$91,009,000</u>

Rent expense for building space for the years ended December 31, 2013 and 2012, was approximately \$18,773,000 and \$16,970,000, respectively.

The future operating lease payments above include approximately \$10,470,000 payable to MSSC under a 10-year master lease for medical office building space that began in fiscal 2010. Also included in the deemed ownership obligations above is approximately \$17,640,000 payable to MSSC under a lease for CareAlliance's data center that began in fiscal 2013.

CareAlliance also leases office space to physicians. The rental income from these leases for the years ended December 31, 2013 and 2012, was approximately \$1,689,000 and \$1,593,000, respectively, and is included in other nonoperating income in the consolidated statements of operations.

## 11. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2013 and 2012, are available for the following purposes

	<b>2013</b>	<b>2012</b>
Building and equipment	\$ 3,592,000	\$ 3,035,000
Indigent care	2,538,000	1,369,000
Hospital service lines	1,540,000	803,000
Education	1,456,000	1,058,000
Community health improvement	766,000	282,000
Sponsorships	<u>257,000</u>	<u>300,000</u>
Total temporarily restricted	<u>\$ 10,149,000</u>	<u>\$ 6,847,000</u>

Net assets were released from temporary restrictions by incurring expenses satisfying the restriction purposes as follows

	<b>2013</b>	<b>2012</b>
Hospital service lines	\$ 631,000	\$ 462,000
Education	441,000	360,000
Indigent care, community health, and other	2,175,000	2,537,000
Other	<u>246,000</u>	<u>323,000</u>
Total net assets released from restrictions	<u>\$ 3,493,000</u>	<u>\$ 3,682,000</u>

## 12. PERMANENTLY RESTRICTED NET ASSETS AND BOARD-DESIGNATED FUNDS

CareAlliance's endowment funds consist of approximately 30 donor-restricted individual funds established for a variety of purposes and board-designated funds set aside for capital expenditures and self-insurance

On an annual basis, CareAlliance requests funds from the Foundation for reimbursement of expenditures incurred specifically related to unrestricted or temporarily restricted purposes. The Foundation has developed an investment policy for all its investable assets whose general purpose is to preserve the capital and purchasing power of the Foundation and to produce sufficient investment earnings for current and future spending needs. The Foundation has adopted a total return strategy whose asset allocation is designed to give balance to the overall structure of the Foundation's investment program over a long-term period.

The endowment net asset composition by fund type as of December 31, 2013, is composed of the following

<b>Endowment Net Asset Composition by Fund Type as of December 31, 2013</b>				
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Board designated —				
Self-insurance trust	\$ 1,504,000	\$ -	\$ -	\$ 1,504,000
Donor-restricted				
Undesignated			440,000	440,000
Building and equipment		199,000	502,000	701,000
Indigent care		68,000	230,000	298,000
Hospital service lines		1,451,000	413,000	5,864,000
Education		1,067,000	1,489,000	2,556,000
Community health improvement		80,000	223,000	303,000
<b>Total funds</b>	<b>\$ 1,504,000</b>	<b>\$ 2,865,000</b>	<b>\$ 7,297,000</b>	<b>\$ 11,666,000</b>

The endowment net asset composition by fund type as of December 31, 2012, is composed of the following

<b>Endowment Net Asset Composition by Fund Type as of December 31, 2012</b>				
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Board designated —				
Self-insurance trust	\$ 1,505,000	\$ -	\$ -	\$ 1,505,000
Donor-restricted				
Undesignated			394,000	394,000
Building and equipment		62,000	504,000	566,000
Indigent care		16,000	230,000	246,000
Hospital service lines		448,000	3,446,000	3,894,000
Education		771,000	1,481,000	2,252,000
Community health improvement		22,000	105,000	127,000
Transfers	(18,000)			(18,000)
<b>Total funds</b>	<b>\$ 1,487,000</b>	<b>\$ 1,319,000</b>	<b>\$ 6,160,000</b>	<b>\$ 8,966,000</b>

Changes in endowment assets for the years ended December 31, 2013 and 2012, consisted of the following

<b>Year Ended December 31, 2013</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets — beginning of year	\$ 1,487,000	\$ 1,319,000	\$ 6,160,000	\$ 8,966,000
Investment (loss) income	(1,000)	1,786,000	19,000	1,804,000
Contributions			503,000	503,000
Appropriations of endowment assets for expenditure		(222,000)		(222,000)
Other changes — change in value of split-interest agreements			31,000	31,000
Transfers	<u>18,000</u>	<u>(18,000)</u>	<u>584,000</u>	<u>584,000</u>
Endowment net assets — end of year	<u>\$ 1,504,000</u>	<u>\$ 2,865,000</u>	<u>\$ 7,297,000</u>	<u>\$ 11,666,000</u>
<b>Year Ended December 31, 2012</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets — beginning of year	\$ 886,000	\$ 932,000	\$ 4,843,000	\$ 6,661,000
Investment income	499,000	947,000	6,000	1,452,000
Contributions			1,312,000	1,312,000
Appropriations of endowment assets for expenditure		(458,000)		(458,000)
Other changes — change in value of split-interest agreements			(11,000)	(11,000)
Transfers	<u>102,000</u>	<u>(102,000)</u>	<u>10,000</u>	<u>10,000</u>
Endowment net assets — end of year	<u>\$ 1,487,000</u>	<u>\$ 1,319,000</u>	<u>\$ 6,160,000</u>	<u>\$ 8,966,000</u>

### 13. RETIREMENT PLANS

CareAlliance has established the FutureSaver 403(b) Retirement Plan, a matching savings plan for all employees who have attained the age of 20-1/2, are paid for 1,000 hours or more, and are employed on December 31 of that plan year. Employer-matching contributions shall be made at a rate equal to 50% of the elective deferrals of each employee, up to 4% of annual compensation, for a total possible matching contribution of 2% of compensation.

The plan administrator is the Retirement Committee. Employer contributions for the FutureSaver 403(b) Retirement Plan for the years ended December 31, 2013 and 2012, were approximately \$10,241,000 and \$10,191,000, respectively, and are included in salaries and employee benefits in the accompanying consolidated statements of operations.

### 14. CONCENTRATION OF CREDIT RISK

Roper Hospital, St. Francis Hospital, and Mount Pleasant Hospital provide services primarily to the residents of the greater Charleston, South Carolina, area without collateral or other proof of ability to pay, most of whom are insured by third-party payor agreements.

The mix of receivables from patients and third-party payors as of December 31, 2013 and 2012, is as follows

	<b>2013</b>	<b>2012</b>
Medicare	34 %	37 %
Medicaid	12	11
Commercial and others	31	30
Patients	<u>23</u>	<u>22</u>
Total	<u>100 %</u>	<u>100 %</u>

## 15. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with GAAP, certain assets and liabilities are required to be measured at fair value on a recurring basis. For CareAlliance, the assets and liabilities that are adjusted at fair value on a recurring basis are short- and long-term investments, assets whose use is limited, and interest rate swaps.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

*Level 1* — Valuations based on unadjusted quoted prices for identical instruments in active markets that are available as of the measurement date.

*Level 2* — Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

*Level 3* — Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

There were no transfers of investments between levels for the years ended December 31, 2013 and 2012.

The fair value hierarchy of investments and assets limited as to use as of December 31, 2013 and 2012, is as follows

	<b>Fair Value Measurement at Reporting Date Using</b>			
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>As of December 31, 2013</b>				
Marketable equity securities	\$ 21,166,000	\$21,166,000	\$ -	\$ -
Debt securities	18,090,000	1,981,000	16,109,000	
Bond trustee held funds — short-term investments	31,148,000		31,148,000	
Investments in common collective trust funds	110,447,000		110,447,000	
Investments in limited partnerships	<u>54,328,000</u>			<u>54,328,000</u>
<b>Total</b>	<u>\$ 235,179,000</u>	<u>\$23,147,000</u>	<u>\$ 157,704,000</u>	<u>\$ 54,328,000</u>

	<b>Fair Value Measurement at Reporting Date Using</b>			
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>As of December 31, 2012</b>				
Marketable equity securities	\$ 15,635,000	\$15,635,000	\$ -	\$ -
Debt securities	16,580,000	1,617,000	14,963,000	
Bond trustee held funds — short-term investments	34,301,000		34,301,000	
Investments in common collective trust funds	93,442,000		93,442,000	
Investments in limited partnerships	<u>46,984,000</u>			<u>46,984,000</u>
<b>Total</b>	<u>\$ 206,942,000</u>	<u>\$17,252,000</u>	<u>\$ 142,706,000</u>	<u>\$46,984,000</u>

CareAlliance estimates the fair value of investments in common collective trust funds, which do not have readily determinable fair values, using the reported net asset value as a practical expedient for fair value. The use of net asset value as a practical expedient for fair value is permitted under GAAP for investments in entities that meet the description of an investment company and whose underlying investments are measured at fair value. The common collective trust funds held by CareAlliance invest primarily in marketable debt and equity securities with readily determinable fair values.

CareAlliance estimates the fair value of its investments in limited partnerships based on information provided by the fund managers. Because CareAlliance's investments in limited partnerships are not readily marketable and do not transact frequently, their estimated fair value is subject to uncertainty and, therefore, may differ from the fair value that would have been used had a ready market for such investments existed. Such differences could be material.

A reconciliation of changes in beginning and ending balances for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2013 and 2012, is as follows

	<b>Fair Value Measurements Using Significant Unobservable Inputs Level 3 — Limited Partnerships</b>	
	<b>2013</b>	<b>2012</b>
Beginning balance — January 1	\$ 46,984,000	\$ 31,253,000
Purchases	1,398,000	13,234,000
Net change in unrealized gains in limited partnerships	<u>5,946,000</u>	<u>2,497,000</u>
Ending balance — December 31	<u>\$ 54,328,000</u>	<u>\$ 46,984,000</u>
The amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	<u>\$ 5,946,000</u>	<u>\$ 2,497,000</u>

The redemption frequency and redemption notice period for investments in common collective trust funds and limited partnerships as of December 31, 2013 and 2012, is as follows

	<b>2013</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Investments in common collective trust funds			
Marketable debt and domestic equity securities	\$ 80,656,000	Daily	1 day
Marketable international equity securities	29,791,000	Daily	1 day
Private real estate fund	16,108,000	Quarterly	60 days
Private hedge fund	23,872,000	Quarterly	70 days
Private hedge fund	<u>14,348,000</u>	Committed through 1/1/2015 with rolling 2 year commitments thereafter	95 days
Total	<u>\$ 164,775,000</u>		
	<b>2012</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Investments in common collective trust funds			
Marketable debt and domestic equity securities	\$ 68,452,000	Daily	1–5 days
Marketable international equity securities	24,990,000	Monthly, Semi-Monthly	5 days
Private real estate fund	13,965,000	Quarterly	45 days
Private hedge fund	20,839,000	Quarterly	70 days
Private hedge fund	<u>12,180,000</u>	Committed through 1/1/2015 with rolling 2 year commitments thereafter	95 days
Total	<u>\$ 140,426,000</u>		

Management estimates the fair value of interest rate hedges based primarily on Level 2 inputs. Management also considers the creditworthiness of CareAlliance and its counterparties in estimating the

fair value of interest rate hedges, however, the effect of credit valuation adjustments was not significant to the fair value measurements as of December 31, 2013 or 2012

As of December 31, 2013 and 2012, the carrying amounts reported in CareAlliance's consolidated balance sheets for cash equivalents, receivables, accounts payable, and accrued expenses approximate fair value. At December 31, 2013 and 2012, the fair value of CareAlliance's long-term debt was approximately \$314,999,000 and \$339,898,000, respectively. Management estimates the fair value of long-term debt based primarily on Level 2 inputs.

## 16. COMMITMENTS AND CONTINGENCIES

CareAlliance is self-insured for professional malpractice claims exposures. The laws of the State currently limit the amount that can be received from certain nonprofit medical facilities for damages for medical services rendered by the facility or the facility's employees to \$300,000 per claim and an aggregate of \$600,000 per occurrence. CareAlliance's provision for estimated medical malpractice claims includes estimates of the ultimate costs for reported claims and claims incurred but not reported. CareAlliance's liability for professional malpractice is based on actuarially projected estimates discounted to present value at a rate of 4% at December 31, 2013.

CareAlliance is also self-insured for employee health insurance claims and employee workers' compensation claims. Liabilities for asserted and unasserted claims under each of these self-insurance programs have been recorded and included in accrued expenses in the consolidated balance sheets.

CareAlliance is involved in litigation arising in the ordinary course of business. It is the opinion of management, based on consultation with legal counsel, that these cases will be resolved without material adverse effect on CareAlliance's financial position, results from operations, or cash flows.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers.

Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that CareAlliance is in compliance with fraud and abuse statutes and regulations, as well as other applicable government laws and regulations.

CareAlliance has entered into an agreement with MSSC which grants CareAlliance the unilateral option, through October 25, 2017, to purchase approximately 66 acres of land in Berkeley County, South Carolina, at an amount equal to the initial purchase price paid by MSSC of \$8,902,700, plus increases of 6% cumulatively on each subsequent anniversary of the purchase date (the "Estimated Projected Value of the Property"). If CareAlliance does not purchase the property by October 25, 2017, MSSC shall have the right to retain or sell the property at its own cost and expense, provided that CareAlliance shall pay MSSC a termination payment equal to the difference between the actual sales price and the Estimated Projected Value of the Property. Management has estimated the value of the termination payment to be approximately \$3,625,000 and \$2,894,000 as of December 31, 2013 and 2012, respectively.

**17. FUNCTIONAL EXPENSES**

CareAlliance provides general health care services to residents within its geographic location. Expenses related to providing these services for the years ended December 31, 2013 and 2012, are as follows:

	<b>2013</b>	<b>2012</b>
Health care services	\$657,620,000	\$638,325,000
Supporting services	<u>81,659,000</u>	<u>77,893,000</u>
Total expenses	<u>\$739,279,000</u>	<u>\$716,218,000</u>

**18. RELATED-PARTY TRANSACTIONS**

Payments to the Founding Members for management fees and services were approximately \$11,632,000 and \$8,701,000 for the years ended December 31, 2013 and 2012, respectively.

At December 31, 2013, CareAlliance had other receivables of \$1,184,000 due from MSSC reflecting unpaid member contributions for reimbursement of expenses. In addition, CareAlliance received \$1,185,000 from MSSC for acquisition of property and equipment during the year ended December 31, 2013.

**19. SUBSEQUENT EVENTS**

The System's Founding Members have entered into a liquidity replenishment agreement whereby the Founding Members agreed to contribute cash to the System if days cash on hand (as defined in the agreement) is below 75 days as of any biannual measurement date (measured as of June 30 and December 31) or if below 85 days as of any biannual measurement date and 90 days thereafter. In either event, the Founding Members agree to contribute cash to the System so that it maintains a minimum of 85 days cash on hand. The Founding Members have also agreed to limit the System's total annual cash contribution to the Founding Members to \$14.8 million. The Medical Society of South Carolina has the right to remove the limit on the annual distribution, but must give the System at least a three-year notice prior to removing the limit on the annual distribution.

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