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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

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 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	C Name of organization MADISON ST JOSEPH HEALTH CENTER Doing Business As Number and street (or P O box if mail is not delivered to street address) Room/suite 2801 FRANCISCAN DRIVE City or town, state or province, country, and ZIP or foreign postal code BRYAN, TX 77802	D Employer identification number 74-2761145 E Telephone number (979) 776-3777 G Gross receipts \$ 17,883,032
F Name and address of principal officer JAMES SCHUESSLER 2801 FRANCISCAN DRIVE BRYAN, TX 77802		H(a) Is this a group return for subordinates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all subordinates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) H(c) Group exemption number ▶ 0928
I 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		
J Website: ▶ WWW ST-JOSEPH ORG		
K Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶		L Year of formation 1995 M State of legal domicile TX

Part I Summary

1	Briefly describe the organization's mission or most significant activities IN THE FRANCISCAN TRADITION, OUT OF REVERENCE FOR THE DIGNITY OF EVERY PERSON, THE HOSPITAL'S MISSION IS TO PROVIDE EXCELLENT HEALTH CARE AND TO PROMOTE WELLNESS THROUGHOUT THE BRAZOS VALLEY			
2	Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets			
3	Number of voting members of the governing body (Part VI, line 1a)	3		16
4	Number of independent voting members of the governing body (Part VI, line 1b)	4		11
5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	5		0
6	Total number of volunteers (estimate if necessary)	6		16
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a		0
b	Net unrelated business taxable income from Form 990-T, line 34	7b		0
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year		Current Year
	9 Program service revenue (Part VIII, line 2g)	125,193		16,650
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	15,924,956		17,735,967
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	0		5
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	110,915		130,410
		16,161,064		17,883,032
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	277,753		0
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0		0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	6,537,498		6,083,249
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0		0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶ 0			
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	9,234,020		9,957,501
18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	16,049,271		16,040,750	
19 Revenue less expenses Subtract line 18 from line 12	111,793		1,842,282	
Net Assets or Fund Balances		Beginning of Current Year		End of Year
	20 Total assets (Part X, line 16)	3,490,623		4,903,036
	21 Total liabilities (Part X, line 26)	1,387,516		968,934
22 Net assets or fund balances Subtract line 21 from line 20	2,103,107		3,934,102	

Part II Signature Block

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

Sign Here	***** Signature of officer	2014-11-10 Date			
	JAMES SCHUESSLER CEO Type or print name and title				
Paid Preparer Use Only	Print/Type preparer's name JEREMY S HERMAN	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN P00745789
	Firm's name ▶ PLANTE & MORAN PLLC			Firm's EIN ▶ 38-1357951	
	Firm's address ▶ 1111 SUPERIOR AVENUE SUITE 1250 CLEVELAND, OH 44114			Phone no (216) 523-1010	

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

1 Briefly describe the organization's mission

IN THE FRANCISCAN TRADITION, OUT OF REVERENCE FOR THE DIGNITY OF EVERY PERSON, THE HOSPITAL'S MISSION IS TO PROVIDE EXCELLENT HEALTH CARE AND TO PROMOTE WELLNESS THROUGHOUT THE BRAZOS VALLEY

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 \$ 3,400,612 including grants of \$ 0) (Revenue \$ 5,100,427)
EMERGENCY SERVICES MADISON ST JOSEPH PROVIDED EMERGENCY CARE TO 8,821 PATIENTS

4b (Code) (Expenses \$ 2,671,931 including grants of \$ 0) (Revenue \$ 542,671)
INPATIENT ACUTE & SWING BED SERVICES MADISON ST JOSEPH PROVIDED INPATIENT CARE TO 347 PATIENTS AND A TOTAL OF 2,549 PATIENT DAYS

4c (Code) (Expenses \$ 1,837,075 including grants of \$ 0) (Revenue \$ 5,089,453)
LABORATORY SERVICES MADISON ST JOSEPH PROVIDED 57,840 LAB PROCEDURES TO INPATIENTS, OUTPATIENTS AND EMERGENCY DEPARTMENT PATIENTS

(Code) (Expenses \$ 4,923,143 including grants of \$ 0) (Revenue \$ 7,026,425)
PROVIDED CARDIOPULMONARY SERVICES TO PATIENTS GENERATING \$826,125 IN REVENUE AT A COST OF \$516,157, PROVIDED IMAGING SERVICES TO PATIENTS GENERATING \$3,700,142 IN REVENUE AT A COST OF \$1,786,166, PROVIDED PHARMACY SERVICES TO PATIENTS GENERATING \$732,793 IN REVENUE AT A COST OF \$537,207, PROVIDED PHYSICAL THERAPY SERVICES TO PATIENTS GENERATING REVENUE OF \$612,811 AT A COST OF \$513,393, PROVIDED SUPPLIES TO PATIENTS GENERATING REVENUE OF \$462,353 AT A COST OF \$237,685, PROVIDED MISCELLANEOUS SERVICES GENERATING \$692,200 AT A COST OF \$1,332,535

4d Other program services (Describe in Schedule O)
(Expenses \$ 4,923,143 including grants of \$) (Revenue \$ 7,026,425)

4e Total program service expenses 12,832,761

Part IV Checklist of Required Schedules

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

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21		No
22	Did the organization report more than \$5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i>	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If so, complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

Table with columns for question number, question text, and Yes/No response boxes. Includes sections for backup withholding, employee reporting, foreign accounts, prohibited tax shelter transactions, deductible contributions, and sponsoring organizations.

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

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

Section A. Governing Body and Management

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

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

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

Section C. Disclosure

- 17** List the States with which a copy of this Form 990 is required to be filed
- 18** Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.
 Own website Another's website Upon request Other (explain in Schedule O)
- 19** Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
- 20** State the name, physical address, and telephone number of the person who possesses the books and records of the organization
 DANIEL GOGGIN CFO 2801 FRANCISCAN DRIVE
 BRYAN, TX 778022544 (979) 776-2553

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

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

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

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

• List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation Enter -0- in columns (D), (E), and (F) if no compensation was paid

• List all of the organization's **current** key employees, if any See instructions for definition of "key employee "

• List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations

• List all of the organization's **former** officers, key employees, or highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations

• List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) GEORGE NELSON CHAIRPERSON	2 00 14 00	X		X			0	0	0	
(2) JAMES E BLAIR III VICE CHAIRPERSON	1 00 6 00	X		X			0	0	0	
(3) BRYAN COLE PHD SECRETARY	1 00 6 00	X		X			0	0	0	
(4) PAUL BATISTA TRUSTEE	1 00 6 00	X					0	0	0	
(5) MARY BROUSSARD TRUSTEE	1 00 6 00	X					0	0	0	
(6) MICHAEL COHEN MD TRUSTEE	1 00 6 00	X					0	0	0	
(7) JOHN GRUBE TRUSTEE	1 00 6 00	X					0	0	0	
(8) CAROLINE MCDONALD TRUSTEE	1 00 6 00	X					0	0	0	
(9) ANTHONY MORELOS TRUSTEE	1 00 6 00	X					0	0	0	
(10) TIMOTHY RABROKER TRUSTEE	1 00 6 00	X					0	0	0	
(11) REBA RAGSDALE TRUSTEE	1 00 6 00	X					0	0	0	
(12) MICHAEL STEINES MD TRUSTEE	1 00 46 00	X					0	615,875	50,242	
(13) ROBERT UPCHURCH TRUSTEE	1 00 6 00	X					0	0	0	
(14) SR NANCY SURMA OSF EX-OFFICIO TRUSTEE	1 00 46 00	X					0	190,666	8,451	
(15) JAMES W POPE EX-OFFICIO TRUSTEE	1 00 46 00	X					0	780,789	72,652	
(16) ODETTE BOLANO PRES/CEO, EX-OFFICIO TRUSTEE	1 00 48 00	X		X			0	0	0	
(17) KATHLEEN KRUSIE COO	1 00 45 00			X			0	376,797	44,290	

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) ALAN TOWNSEND INTERIM CFO THROUGH 1/15/13	1 00 45 00			X				0	37,079	0
(19) DANIEL GOGGIN CFO STARTING 1/21/13	1 00 46 00			X				0	336,705	55,591
(20) REED EDMUNDSON ADMINISTRATOR	20 00 20 00			X				0	205,606	42,625
(21) GARY MARK MONTGOMERY MD SR VP/CMO THROUGH 8/9/13	1 00 45 00				X			0	258,486	17,820
(22) MICHAEL RUSSO VP/INFORMATION SERVICES	1 00 45 00				X			0	223,327	49,432
(23) MICHAEL COSTA VP/HUMAN RESOURCES	1 00 45 00				X			0	208,203	63,923
(24) STEVE CRICHTON VP/SUPPORT SERVICES	1 00 45 00				X			0	186,432	57,779
(25) DONOVAN FRENCH VP STRATEGY & SERVICE LINES	1 00 45 00				X			0	159,062	11,792
(26) ANTHONY PFITZER FORMER CEO	0 00 0 00						X	0	487,989	0
1b Sub-Total								0	4,067,016	474,597
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								0	4,067,016	474,597

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization **0**

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
BRAZOS VALLEY EMERGENCY PHYSICIANS 63 LA CALMA DRIVE AUSTIN TX 78752	ER PHYSICIAN SERVICE	802,801

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization **1**

Part VIII Statement of Revenue

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

			(A)	(B)	(C)	(D)	
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512-514	
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns 1a					
	b	Membership dues 1b					
	c	Fundraising events 1c					
	d	Related organizations 1d	16,050				
	e	Government grants (contributions) 1e					
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	600				
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f		16,650			
Program Service Revenue	2a	PATIENT SERVICES	622110	17,205,278	17,205,278		
	b	ELECTRONIC MED RECORDS	622110	530,689	530,689		
	c						
	d						
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f		17,735,967			
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		5		5
4		Income from investment of tax-exempt bond proceeds					
5		Royalties					
6a		Gross rents	(i) Real	86,648			
			(ii) Personal				
			b Less rental expenses	0			
			c Rental income or (loss)	86,648			
d		Net rental income or (loss)		86,648		86,648	
7a		Gross amount from sales of assets other than inventory	(i) Securities				
			(ii) Other				
			b Less cost or other basis and sales expenses				
			c Gain or (loss)				
d		Net gain or (loss)					
8a		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a				
			b Less direct expenses b				
	c Net income or (loss) from fundraising events						
9a	Gross income from gaming activities See Part IV, line 19	a					
		b Less direct expenses b					
		c Net income or (loss) from gaming activities					
10a	Gross sales of inventory, less returns and allowances	a					
		b Less cost of goods sold b					
		c Net income or (loss) from sales of inventory					
Miscellaneous Revenue		Business Code					
11a	OTHER RELATED REVENUE	900099	25,120	23,009		2,111	
b	CAFETERIA	722210	11,457			11,457	
c	MEDICAL RECORDS COPY FEE	561000	2,545			2,545	
d	All other revenue		4,640			4,640	
e	Total. Add lines 11a-11d		43,762				
12	Total revenue. See Instructions		17,883,032	17,758,976	0	107,406	

Part IX Statement of Functional Expenses

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

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States. See Part IV, line 21.				
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.	203,884		203,884	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).				
7	Other salaries and wages.	4,519,735	3,382,113	1,137,622	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	339,765	243,272	96,493	
9	Other employee benefits.	668,795	478,857	189,938	
10	Payroll taxes.	351,070	246,366	104,704	
11	Fees for services (non-employees)				
a	Management.	79,860		79,860	
b	Legal.				
c	Accounting.	26,640		26,640	
d	Lobbying.				
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.				
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	1,788,004	1,612,152	175,852	
12	Advertising and promotion.	16,493		16,493	
13	Office expenses.	356,888	76,946	279,942	
14	Information technology.	87,191	57,537	29,654	
15	Royalties.				
16	Occupancy.	134,641	8,908	125,733	
17	Travel.	23,630	14,662	8,968	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.				
20	Interest.				
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	216,973	110,591	106,382	
23	Insurance.	79,212		79,212	
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a	BAD DEBT	5,977,707	5,977,707		
b	CORP ASSESSMENT FEES	530,963		530,963	
c	MEDICAL SUPPLIES	446,520	446,520		
d	DRUGS	171,567	171,567		
e	All other expenses	21,212	5,563	15,649	
25	Total functional expenses. Add lines 1 through 24e.	16,040,750	12,832,761	3,207,989	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

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

		(A)		(B)
		Beginning of year		End of year
Assets	1 Cash-non-interest-bearing	188,440	1	484,597
	2 Savings and temporary cash investments		2	
	3 Pledges and grants receivable, net		3	
	4 Accounts receivable, net	1,619,183	4	1,148,815
	5 Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		5	
	6 Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L		6	
	7 Notes and loans receivable, net		7	
	8 Inventories for sale or use	155,928	8	130,966
	9 Prepaid expenses and deferred charges	12,527	9	13,541
	10a Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 4,296,485		
	b Less accumulated depreciation	10b 2,841,324	998,179	10c 1,455,161
	11 Investments—publicly traded securities		11	
	12 Investments—other securities See Part IV, line 11		12	
	13 Investments—program-related See Part IV, line 11		13	
	14 Intangible assets		14	
	15 Other assets See Part IV, line 11	516,366	15	1,669,956
16 Total assets. Add lines 1 through 15 (must equal line 34)	3,490,623	16	4,903,036	
Liabilities	17 Accounts payable and accrued expenses	372,022	17	485,675
	18 Grants payable		18	
	19 Deferred revenue		19	
	20 Tax-exempt bond liabilities		20	
	21 Escrow or custodial account liability Complete Part IV of Schedule D		21	
	22 Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		22	
	23 Secured mortgages and notes payable to unrelated third parties		23	
	24 Unsecured notes and loans payable to unrelated third parties		24	
	25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D	1,015,494	25	483,259
	26 Total liabilities. Add lines 17 through 25	1,387,516	26	968,934
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets	2,023,785	27	3,866,070
	28 Temporarily restricted net assets	79,322	28	68,032
	29 Permanently restricted net assets		29	
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.			
	30 Capital stock or trust principal, or current funds		30	
	31 Paid-in or capital surplus, or land, building or equipment fund		31	
	32 Retained earnings, endowment, accumulated income, or other funds		32	
33 Total net assets or fund balances	2,103,107	33	3,934,102	
34 Total liabilities and net assets/fund balances	3,490,623	34	4,903,036	

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	17,883,032
2	Total expenses (must equal Part IX, column (A), line 25)	2	16,040,750
3	Revenue less expenses Subtract line 2 from line 1	3	1,842,282
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	2,103,107
5	Net unrealized gains (losses) on investments	5	
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-11,287
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	3,934,102

Part XII Financial Statements and Reporting

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

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

SCHEDULE A
(Form 990 or 990EZ)

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.

2013

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

Name of the organization
MADISON ST JOSEPH HEALTH CENTER

Employer identification number
74-2761145

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?
 - (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?

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

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

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

Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public support. Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here <input type="checkbox"/>						

Section C. Computation of Public Support Percentage

14 Public support percentage for 2013 (line 6, column (f) divided by line 11, column (f))	14	
15 Public support percentage for 2012 Schedule A, Part II, line 14	15	
16a 33 1/3% support test—2013. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization <input type="checkbox"/>		
b 33 1/3% support test—2012. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization <input type="checkbox"/>		
17a 10%-facts-and-circumstances test—2013. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization <input type="checkbox"/>		
b 10%-facts-and-circumstances test—2012. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization <input type="checkbox"/>		
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions <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
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public support (Subtract line 7c from line 6)						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						
14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here <input type="checkbox"/>						

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

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

- 19a 33 1/3% support tests—2013.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here**. The organization qualifies as a publicly supported organization
- b 33 1/3% support tests—2012.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here**. The organization qualifies as a publicly supported organization
- 20 Private foundation.** If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions

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

Facts And Circumstances Test

Return Reference

Explanation

SCHEDULE C (Form 990 or 990-EZ)

Political Campaign and Lobbying Activities

OMB No 1545-0047

2013

Open to Public Inspection

Department of the Treasury Internal Revenue Service

For Organizations Exempt From Income Tax Under section 501(c) and section 527. Complete if the organization is described below. Attach to Form 990 or Form 990-EZ. See separate instructions. Information about Schedule C (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

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

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

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

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

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

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

Name of the organization MADISON ST JOSEPH HEALTH CENTER

Employer identification number

74-2761145

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

- 1 Provide a description of the organization's direct and indirect political campaign activities in Part IV
2 Political expenditures
3 Volunteer hours

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

- 1 Enter the amount of any excise tax incurred by the organization under section 4955
2 Enter the amount of any excise tax incurred by organization managers under section 4955
3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year?
4a Was a correction made?
b If "Yes," describe in Part IV

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

- 1 Enter the amount directly expended by the filing organization for section 527 exempt function activities
2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities
3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b
4 Did the filing organization file Form 1120-POL for this year?
5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments

Table with 5 columns: (a) Name, (b) Address, (c) EIN, (d) Amount paid from filing organization's funds, (e) Amount of political contributions received and promptly and directly delivered to a separate political organization.

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

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing organization's totals	(b) Affiliated group totals												
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)														
b Total lobbying expenditures to influence a legislative body (direct lobbying)														
c Total lobbying expenditures (add lines 1a and 1b)														
d Other exempt purpose expenditures														
e Total exempt purpose expenditures (add lines 1c and 1d)														
f Lobbying nontaxable amount Enter the amount from the following table in both columns														
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 35%;">If the amount on line 1e, column (a) or (b) is:</th> <th style="width: 65%;">The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 1e</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000</td> </tr> </tbody> </table>	If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:													
Not over \$500,000	20% of the amount on line 1e													
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000													
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000													
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000													
Over \$17,000,000	\$1,000,000													
g Grassroots nontaxable amount (enter 25% of line 1f)														
h Subtract line 1g from line 1a If zero or less, enter -0-														
i Subtract line 1f from line 1c If zero or less, enter -0-														
j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes <input type="checkbox"/> No												

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2010	(b) 2011	(c) 2012	(d) 2013	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

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

		(a)		(b)
		Yes	No	Amount
<i>For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.</i>				
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		1,833
j	Total Add lines 1c through 1i			1,833
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

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

Return Reference	Explanation
PART II-B, LINE 1	MADISON ST JOSEPH HEALTH CENTER PAID \$6,222 TO THE AMERICAN HOSPITAL ASSOCIATION AND \$2,907 TO THE TEXAS HOSPITAL ASSOCIATION IN 2013 THE PORTION OF DUES THAT WERE USED FOR LOBBYING PURPOSES WERE 23 65% FOR AMERICAN HOSPITAL ASSOCIATION AND 12 42% FOR TEXAS HOSPITAL ASSOCIATION

SCHEDULE D (Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2013

Open to Public Inspection

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.

Department of the Treasury Internal Revenue Service

Name of the organization MADISON ST JOSEPH HEALTH CENTER

Employer identification number

74-2761145

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 rows for total number at end of year, aggregate contributions, aggregate grants, aggregate value, and questions about donor advisement and grant fund usage.

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

Table with 3 columns: Line number, Description, and Held at the End of the Year (2a-2d). Includes questions about conservation easement purposes, monitoring, and expenses.

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.

Table with 3 columns: Line number, Description, and Amount. Includes questions about reporting art and historical treasures for public service and financial gain.

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

Table with 2 columns: Description (1c-1f) and Amount

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.

Table with 6 columns: (a) Current year, (b) Prior year, (c) Two years back, (d) Three years back, (e) Four years back. Rows 1a-1g.

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

Table with 3 columns: Description (3a(i), 3a(ii), 3b), Yes, No

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.

Table with 5 columns: Description of property, (a) Cost or other basis (investment), (b) Cost or other basis (other), (c) Accumulated depreciation, (d) Book value. Rows 1a-1e and Total.

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

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

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

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

Part XIII Supplemental Information

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

Return Reference	Explanation
PART X, LINE 2	THE COMBINED GROUP CONSISTS MOSTLY OF NONPROFIT ORGANIZATIONS AFFILIATED WITH THE SISTERS EACH NONPROFIT MEMBER OF THE COMBINED GROUP HAS BEEN GRANTED AN EXEMPTION FROM FEDERAL INCOME TAXES UNDER SECTION 501(C)(3) OR SECTION 501(A) OF THE INTERNAL REVENUE CODE ALLIANCE HEALTH PROVIDERS OF BRAZOS VALLEY, INC IS A FOR-PROFIT CORPORATION AND FILES A FEDERAL INCOME TAX RETURN ON A SEPARATE-ENTITY BASIS THERE IS PRESENTLY NO PREMIUM, INCOME, OR CAPITAL GAINS TAXES IMPOSED BY THE GOVERNMENT OF THE CAYMAN ISLANDS, AND IF ANY FORM OF TAXATION WERE TO BE ENACTED IN THE FUTURE, SFH ASSURANCE, LTD HAS BEEN GRANTED AN EXEMPTION UNTIL THE YEAR 2032 THERE ARE NO MATERIAL UNRECORDED TAX LIABILITIES OR UNCERTAIN TAX POSITIONS AT DECEMBER, 31, 2013 OR 2012

SCHEDULE H (Form 990)

Hospitals

OMB No 1545-0047

2013

Open to Public Inspection

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.

Department of the Treasury Internal Revenue Service

Name of the organization MADISON ST JOSEPH HEALTH CENTER

Employer identification number 74-2761145

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

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

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

Section B. Medicare

5 Enter total revenue received from Medicare (including DSH and IME)	5	6,042,062	
6 Enter Medicare allowable costs of care relating to payments on line 5	6	6,091,980	
7 Subtract line 6 from line 5. This is the surplus (or shortfall)	7	-49,918	
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 checked="" type="checkbox"/> Cost to charge ratio <input 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				
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)

MADISON ST JOSEPH HEALTH CENTER

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
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	Yes	
a	<input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b	<input checked="" type="checkbox"/> Demographics of the community		
c	<input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	<input checked="" type="checkbox"/> How data was obtained		
e	<input checked="" type="checkbox"/> The health needs of the community		
f	<input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	<input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	<input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i	<input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	<input type="checkbox"/> Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a CHNA <u>20 13</u>		
3	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	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	Yes	
5	Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	Yes	
a	<input checked="" type="checkbox"/> Hospital facility's website (list url) <u>HTTP //WWW ST-JOSEPH ORG/WORKFILES/BVREGI</u>		
b	<input type="checkbox"/> Other website (list url) _____		
c	<input type="checkbox"/> Available upon request from the hospital facility		
d	<input type="checkbox"/> Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply as of the end of the tax year)		
a	<input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	<input checked="" type="checkbox"/> Execution of the implementation strategy		
c	<input type="checkbox"/> Participation in the development of a community-wide plan		
d	<input type="checkbox"/> Participation in the execution of a community-wide plan		
e	<input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans		
f	<input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	<input checked="" type="checkbox"/> Prioritization of health needs in its community		
h	<input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	<input type="checkbox"/> Other (describe in Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs		No
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?		No
8b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?		
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$ _____		

Part V Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9	Did the hospital facility have in place during the tax year a written financial assistance policy that explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9 Yes	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	10 Yes	
11	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>250 000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	11 Yes	
12	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)	12 Yes	
a	<input checked="" type="checkbox"/> Income level		
b	<input checked="" type="checkbox"/> Asset level		
c	<input type="checkbox"/> Medical indigency		
d	<input checked="" type="checkbox"/> Insurance status		
e	<input checked="" type="checkbox"/> Uninsured discount		
f	<input checked="" type="checkbox"/> Medicaid/Medicare		
g	<input checked="" type="checkbox"/> State regulation		
h	<input type="checkbox"/> Residency		
i	<input type="checkbox"/> Other (describe in Part VI)		
13	Explained the method for applying for financial assistance?	13 Yes	
14	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	14 Yes	
a	<input checked="" type="checkbox"/> The policy was posted on the hospital facility's website		
b	<input type="checkbox"/> The policy was attached to billing invoices		
c	<input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d	<input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices		
e	<input checked="" type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility		
f	<input checked="" type="checkbox"/> The policy was available upon request		
g	<input type="checkbox"/> Other (describe in Part VI)		

Billing and Collections			
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	15 Yes	
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP		
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Section C)		
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged	17	No
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<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
19	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

21		No
22		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? _____

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

Part VI Supplemental Information

Provide the following information

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

Form and Line Reference	Explanation
PART I, LINE 6A	ST JOSEPH REGIONAL HEALTH CENTER - EIN 74-1282696
PART I, LINE 7	A COST-TO-CHARGE RATIO WAS USED TO COMPLETE THE CHARITY CARE (LINE 7A) PROGRAM THE COST-TO-CHARGE RATIO WAS DERIVED FROM WORKSHEET 2 THAT ACCOMPANIES THE INSTRUCTIONS TO THIS SCHEDULE COST ACCOUNTING DATA AND GENERAL LEDGER AMOUNTS, LESS BAD DEBT AND COST OF CHARITY CARE, WERE USED TO COMPLETE THE OTHER MEANS TESTED GOVERNMENT PROGRAMS (LINE 7C) LINE THE HOSPITAL'S COST ACCOUNTING RECORDS WERE USED TO COMPLETE THE OTHER BENEFITS SECTION (LINE 7E - 7I)

Form and Line Reference	Explanation
PART I, LN 7 COL(F)	THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 24A - BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE SCHEDULE H, PART I, COLUMN F PERCENTAGE EQUALS \$5,977,707
PART III, LINE 4	<p>ACCOUNTS RECEIVABLE FINANCIAL STATEMENT FOOTNOTE PATIENT RECEIVABLES CONSIST OF AMOUNTS DUE FROM THIRD-PARTY PAYORS, INCLUDING FEDERAL AND STATE INDEMNITY AND MANAGED CARE PROGRAMS, MANAGED CARE HEALTH PLANS AND COMMERCIAL INSURANCE COMPANIES, AND INDIVIDUAL PATIENTS FOR HEALTH CARE SERVICES RENDERED THE SYSTEM DOES NOT REQUIRE COLLATERAL OR OTHER SECURITY ON ITS PATIENT RECEIVABLES PATIENT ACCOUNTS RECEIVABLE ARE REDUCED BY AN ALLOWANCE FOR DOUBTFUL ACCOUNTS IN EVALUATING THE COLLECTABILITY OF ACCOUNTS RECEIVABLE, THE SYSTEM ANALYZES ITS HISTORICAL AND EXPECTED NET COLLECTIONS CONSIDERING BUSINESS AND ECONOMIC CONDITIONS, TRENDS IN HEALTH CARE COVERAGE, AND OTHER COLLECTION INDICATORS FOR EACH OF ITS MAJOR PAYOR SOURCES OF REVENUE TO ESTIMATE THE APPROPRIATE ALLOWANCE FOR DOUBTFUL ACCOUNTS AND PROVISION FOR BAD DEBTS PERIODICALLY THROUGHOUT THE YEAR, MANAGEMENT ASSESSES THE ADEQUACY OF THE ALLOWANCE FOR DOUBTFUL ACCOUNTS BASED UPON SPECIFIC ACCOUNTS, HISTORICAL WRITE-OFF EXPERIENCE, AND CURRENT MARKET CONDITIONS THE RESULTS OF THIS REVIEW ARE THEN USED TO MAKE ANY MODIFICATIONS TO THE PROVISION FOR BAD DEBTS TO ESTABLISH AN APPROPRIATE ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES FOR RECEIVABLES ASSOCIATED WITH SERVICES PROVIDED TO PATIENTS WHO HAVE THIRD-PARTY COVERAGE, THE SYSTEM ANALYZES CONTRACTUALLY DUE AMOUNTS AND PROVIDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS AND A PROVISION FOR BAD DEBTS, IF NECESSARY, FOR EXPECTED UNCOLLECTIBLE DEDUCTIBLES AND COPAYMENTS ON ACCOUNTS FOR WHICH THE THIRD-PARTY PAYOR HAS NOT YET PAID, OR FOR PAYORS WHO ARE KNOWN TO BE HAVING FINANCIAL DIFFICULTIES THAT MAKE REALIZATION OF AMOUNTS DUE UNLIKELY FOR RECEIVABLES ASSOCIATED WITH SELF-PAY PATIENTS, WHICH INCLUDE BOTH PATIENTS WITHOUT INSURANCE AND PATIENTS WITH DEDUCTIBLES AND COPAYMENT BALANCES DUE FOR WHICH THIRD-PARTY COVERAGE EXISTS FOR PART OF THE BILL, THE SYSTEM RECORDS A PROVISION FOR BAD DEBTS ON THE BASIS OF ITS PAST EXPERIENCE THE DIFFERENCE BETWEEN THE STANDARD RATES AND THE AMOUNT ACTUALLY COLLECTED AFTER ALL REASONABLE COLLECTION EFFORTS HAVE BEEN EXHAUSTED IS CHARGED OFF AGAINST THE ALLOWANCE FOR DOUBTFUL ACCOUNTS THE BAD DEBT EXPENSE REPORTED ON PART III, LINE 2, IS THE BAD DEBT EXPENSE REPORTED ON FORM 990, PART IX THE HOSPITAL WAS UNABLE TO MAKE AN ESTIMATE OF THE ORGANIZATION'S BAD DEBT EXPENSE ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER THE ORGANIZATION'S FINANCIAL ASSISTANCE POLICY</p>

Form and Line Reference	Explanation
PART III, LINE 8	<p>THE AMOUNTS REPORTED FOR MEDICARE ARE FROM THE MEDICARE COST REPORT - WHICH IS BASED ON THE METHODOLOGY REQUIRED FOR COMPLETING THE MEDICARE COST REPORT THE MEDICARE SHORTFALL SHOULD BE TREATED AS A COMMUNITY BENEFIT WITHIN THE BRAZOS VALLEY REGION, APPROXIMATELY 27% OF INDIVIDUALS FALL BELOW THE 200% POVERTY LEVEL THIS NUMBER HAS BEEN INCREASED OVER THE YEARS AS A RESULT OF UNDEREMPLOYMENT ADDITIONALLY, MADISON COUNTY REPORTS APPROXIMATELY 24% OF INDIVIDUALS ARE AGED 65 AND ABOVE INDIVIDUALS IN THIS AGE CATEGORY ARE MORE APT TO HAVE CHRONIC PROBLEMS COVERED BY MEDICARE MADISON ST JOSEPH HEALTH CENTER ACCEPTS ALL PATIENTS REGARDLESS OF THEIR ABILITY TO PAY</p>
PART III, LINE 9B	<p>IN ACCORDANCE WITH ST JOSEPH HEALTH SYSTEM POLICY #17 ST JOSEPH HEALTH SYSTEM HAS ESTABLISHED THE FOLLOWING PAYMENT OPTIONS TO ASSIST GUARANTORS OF PATIENT ACCOUNTS IN DISCHARGING THEIR FINANCIAL RESPONSIBILITIES TO THE HOSPITAL A COMPLETED FINANCIAL ASSISTANCE (UNCOMPENSATED SERVICES) APPLICATION ACCOMPANIED BY THE REQUIRED DOCUMENTATION WHICH ESTABLISHED THE QUALIFICATIONS FOR A FINANCIAL ASSISTANCE (CHARITY) DISCOUNT AT OR PRIOR TO THE DELIVERY OF HEALTH CARE SERVICES IF THE SERVICES ARE SCHEDULED IF UNSCHEDULED SERVICES ARE PROVIDED, THE FINANCIAL ASSISTANCE APPLICATION AND DOCUMENTATION MUST BE COMPLETED AND PROVIDED TO A ST JOSEPH HEALTH SYSTEM TEAM MEMBER AT THE DATE DETERMINED BY THE ST JOSEPH HEALTH SYSTEM TEAM MEMBER FINANCIAL ASSISTANCE COLLECTION PROCESS - UNTIL FINANCIAL ASSISTANCE APPLICATION (CHARITY CARE/UNCOMPENSATED CARE) HAS BEEN DETERMINED EITHER BY A COMPLETED AND APPROVED FINANCIAL ASSISTANCE APPLICATION OR BY THE PATIENT/RESPONSIBLE PARTY'S RESIDENCE BEING IN AN IMPOVERISHED ZIP CODE WHICH QUALIFIES FOR FINANCIAL ASSISTANCE PER THE SYSTEM FINANCIAL ASSISTANCE POLICY (SJHS #70), THE STANDARD COLLECTION PROCESS REQUIRING PAYMENT FOR THE ACCOUNT WILL BE ENFORCED LASTLY, A PATIENT MAY QUALIFY AS UN UNINSURED PATIENT AND RECEIVE A DISCOUNT FROM BILLED CHARGES IF THEY ARE NOT CURRENTLY RECEIVING ASSISTANCE UNDER ST JOSEPH HEALTH SYSTEM'S FINANCIAL ASSISTANCE POLICY, AND EITHER THE PATIENT MUST NOT HAVE ANY HEALTH INSURANCE COVERAGE OR THE PROCEDURE TO THE PATIENT MUST NOT BE COVERED BY THE HEALTH INSURANCE BENEFITS, AS CONFIRMED BY THE HEALTH BENEFITS PLAN</p>

Form and Line Reference	Explanation
PART VI, LINE 2	IN SERVING THE COMMUNITY, MADISON ST JOSEPH HEALTH CENTER (MSJHC) REVIEWS COMMUNITY HEALTH NEEDS ON AN ON-GOING BASIS USING A VARIETY OF INFORMATION, ALTHOUGH THE PRIMARY ASSESSMENT TOOL IS THE BRAZOS VALLEY HEALTH ASSESSMENT SURVEY USING INFORMATION FROM NEEDS ASSESSMENTS, THE HOSPITAL WORKS TO IMPROVE THE HEALTH OF THE COMMUNITY THROUGH THE DELIVERY OF CHARITY AND UNREIMBURSED INDIGENT HEALTH CARE, ACCESS TO PRIMARY CARE THROUGH NETWORK DEVELOPMENT IN OUR REGION, AND COMMUNITY-BASED HEALTH EDUCATION AWARENESS AND PREVENTION PROGRAMS COMMUNITY HEALTH INITIATIVES COMPLETED BY MADISON ST JOSEPH IN 2013 WERE BASED ON RESULTS FROM THE 2013 BRAZOS VALLEY REGIONAL HEALTH STATUS ASSESSMENT, AS WELL AS STATE AND NATIONAL DATA THESE SOURCES IDENTIFIED THE LEADING CAUSES OF DEATH IN THE BRAZOS VALLEY AS CORONARY HEART DISEASE, CANCER, STROKE, CHRONIC OBSTRUCTIVE PULMONARY DISEASE, AND DIABETES THE MOST FREQUENTLY REPORTED CHRONIC DISEASES AND CONDITIONS INCLUDED OBESITY, HYPERTENSION, HIGH CHOLESTEROL, ARTHRITIS, RHEUMATISM, DIABETES, CONGESTIVE HEART FAILURE, EMPHYSEMA AND COPD ST JOSEPH REGIONAL HEALTH CENTER REPRESENTATIVES, THROUGH THE BRAZOS VALLEY HEALTH PARTNERSHIP, WERE INVOLVED IN THE UPDATED HEALTH STATUS ASSESSMENT OF THE BRAZOS VALLEY, WHICH WAS COMPLETED IN 2013
PART VI, LINE 3	INFORMATION CONCERNING FINANCIAL ASSISTANCE FOR PATIENTS IS COMMUNICATED VIA CONSENT FOR ADMISSION AND REGISTRATION COMPLETION, SIGNAGE POSTED IN EMERGENCY ROOMS AND OTHER CONSPICUOUS PATIENT TRAFFIC AREAS, FINANCIAL COUNSELORS, PATIENT COMMUNICATIONS, PATIENT BILLS AND THE ST JOSEPH HEALTH SYSTEM WEBSITE

Form and Line Reference	Explanation
PART VI, LINE 4	MADISON ST JOSEPH HEALTH CENTER'S PRIMARY MISSION IS TO PROVIDE HEALTH CARE SERVICES TO THE CITIZENS OF MADISON COUNTY, TEXAS, THROUGH ITS ACUTE CARE AND SPECIALTY CARE FACILITIES ST JOSEPH REGIONAL HEALTH CENTER PROVIDES HEALTH SERVICES TO AN AREA THAT EXCEEDS SEVEN COUNTIES IN THE BRAZOS VALLEY THE SEVEN PRIMARY COUNTIES INCLUDE BRAZOS, LEON, MADISON, BURLESON, GRIMES, WASHINGTON AND ROBERTSON COUNTIES 60% OF THE TOTAL POPULATION SERVED IS LOCATED IN THE BRYAN-COLLEGE STATION METROPOLITAN AREA, MAKING BRAZOS COUNTY THE SYSTEM'S PRIMARY SERVICE AREA THE OTHER SIX COUNTIES CUMULATIVELY ACCOUNT FOR 40% OF THE INPATIENT ADMISSIONS TO THE REGIONAL HEALTH CENTER IN BRYAN
PART VI, LINE 5	APPROXIMATELY 1,500 LIVES ARE TOUCHED BY THE ACTIVITIES SPONSORED BY MADISON ST JOSEPH HEALTH CENTER EACH YEAR DURING 2013, THE ACTIVITIES INCLUDED BLOOD DRIVES, SPEAKING ENGAGEMENTS BY EMPLOYEES TO CIVIC ORGANIZATIONS, CHARITY CARE AND HEALTH FAIRS MADISON ST JOSEPH HEALTH CENTER PROVIDED RENT, UTILITIES, SALARIES AND BENEFITS FOR THE MADISON HEALTH RESOURCE CENTER THE MISSION OF THE MADISON HEALTH RESOURCE CENTER IS TO IMPROVE ACCESS TO CARE AND THE HEALTH STATUS OF MADISON COUNTY RESIDENTS THROUGH COLLABORATION AND COORDINATION OF SERVICES THE MADISON HEALTH RESOURCE CENTER IS A PLACE WHERE MANY DIFFERENT KINDS OF SERVICES ARE OFFERED AND MANY KINDS OF HELP CAN BE FOUND SOME OF THE SERVICES AND PARTNERS ARE - BRAZOS VALLEY COMMUNITY ACTION AGENCY - ENERGY HOUSING - PROVIDES ENERGY ASSISTANCE, WEATHERIZATION, AND AFFORDABLE HOUSING,- MADISON COUNTY COMMUNITY CENTER - PROVIDES PRIMARY CARE TO PEOPLE WITH MEDICARE, MEDICAID, AND NO INSURANCE,- BRAZOS VALLEY COUNCIL ON ALCOHOL & SUBSTANCE ABUSE - SUBSTANCE ABUSE PREVENTION, INTERVENTION, EDUCATION, SCREENING AND REFERRAL SERVICES, - BRAZOS VALLEY AREA AGENCY ON AGING - PROVIDES RIDES FOR HEALTH-RELATED NEEDS,- CHILD CARE MANAGEMENT SERVICES - HELPS WITH CHILD CARE EXPENSES, - COUNTY INDIGENT HEALTH CARE - FINANCIAL ASSISTANCE FOR PHYSICIAN VISITS AND PRESCRIPTIONS,- LONE STAR LEGAL AID - FREE CIVIL LEGAL ASSISTANCE FOR LOW INCOME INDIVIDUALS AND FAMILIES WHO HAVE IMMEDIATE NEEDS AND CAN'T AFFORD AN ATTORNEY,- MEDICATION ASSISTANCE PROGRAM - PROVIDES ASSISTANCE IN OBTAINING PRESCRIPTIONS AT A REDUCED COST BASED ON INCOME,- MHMR EARLY CHILDHOOD INTERVENTION - MENTAL HEALTH SERVICES TO CHILDREN UNDER 3 YEARS OLD,- PHOEBE'S HOME - PROVIDES SERVICES FOR VICTIMS OF DOMESTIC VIOLENCE AND THEIR CHILDREN,- PROJECT UNITY - CASE MANAGEMENT ADDRESSING FAMILY NEEDS INCLUDING HEALTH, MEDICATION ASSISTANCE, EMPLOYMENT, HOUSING AND CHILD CARE,- RONNY BAKER, AUDIOLOGIST - SCREENING AND CARE FOR HEARING NEEDS,- SENIOR MEALS - PROVIDES NUTRITIOUS LUNCH FOR ELIGIBLE SENIORS OVER THE AGE OF 60 THAT ARE HOMEBOUND,- SEXUAL ASSAULT RESOURCE CENTER - PROVIDES SUPPORT SERVICES FOR ALL VICTIMS OF SEXUAL ASSAULT,- TEXAS DEPARTMENT OF STATE HEALTH SERVICES - CHILDREN WITH SPECIAL HEALTH CARE NEEDS, PUBLIC HEALTH NURSING, TEXAS HEALTH STEPS,- TWIN CITY MISSION YOUTH AND FAMILY SERVICES - PROVIDES COUNSELING SERVICES TO AT-RISK YOUTH AGES 0-17,- UNITED WAY OF THE BRAZOS VALLEY - DIAL 211 FROM YOUR TELEPHONE FOR INFORMATION AND REFERRAL SERVICE MADISON ST JOSEPH HEALTH CENTER ALSO COLLECTED AND DISTRIBUTED TOYS IN PARTNERSHIP WITH THE N ZULCH 4H CLUB

Form and Line Reference	Explanation
PART VI, LINE 6	<p>MADISON ST JOSEPH HEALTH CENTER (MSJHC) IS A 25-BED CRITICAL ACCESS HOSPITAL IN MADISONVILLE, TEXAS OFFERING A LEVEL IV TRAUMA CENTER, INPATIENT AND OUTPATIENT SERVICES THE HOSPITAL WAS ESTABLISHED BY MADISON COUNTY AND HAS BEEN AN INTEGRAL PART OF THE COMMUNITY SINCE ITS INCEPTION IT JOINED THE ST JOSEPH HEALTH SYSTEM IN 1995 ST JOSEPH OWNS AND OPERATES THE MADISON ST JOSEPH HEALTH CENTER, WHICH SERVES MADISON AND THE SURROUNDING COUNTIES THE OTHER FACILITIES IN THE ST JOSEPH HEALTH SYSTEM ARE AS FOLLOWS - ST JOSEPH REGIONAL HEALTH CENTER (SJRHC) IS THE ANCHOR FACILITY FOR ST JOSEPH HEALTH SYSTEM, A HEALTH MINISTRY OF THE SISTERS OF ST FRANCIS OF SYLVANIA, OHIO ESTABLISHED IN 1936, SJRHC IS A 255-BED HEALTH CARE CENTER OFFERING THE COMMUNITY'S LEAD LEVEL III TRAUMA CENTER, AN EXTENSIVE INPATIENT AND OUTPATIENT SURGERY PROGRAM, AND IS KNOWN THROUGHOUT THE REGION FOR ITS CARDIAC, CANCER, AND REHABILITATION PROGRAMS - GRIMES ST JOSEPH HEALTH CENTER (GSJHC) IS A 25-BED CRITICAL ACCESS HOSPITAL IN NAVASOTA, TEXAS OFFERING A LEVEL IV TRAUMA CENTER, INPATIENT, OUTPATIENT, AND DAY SURGERY SERVICES THE HOSPITAL WAS ESTABLISHED BY GRIMES COUNTY AND HAS BEEN AN INTEGRAL PART OF THE COMMUNITY SINCE ITS INCEPTION IN 1996 IT BECAME PART OF ST JOSEPH REGIONAL HEALTH CENTER ST JOSEPH HAS A LONG-TERM LEASE TO MANAGE AND OPERATE GSJHC, WHICH IS OWNED BY GRIMES COUNTY - BURLESON ST JOSEPH HEALTH CENTER (BSJHC) IS A 25-BED CRITICAL ACCESS HOSPITAL IN CALDWELL, TEXAS OFFERING A LEVEL IV TRAUMA CENTER, INPATIENT AND OUTPATIENT SERVICES THE HOSPITAL WAS ESTABLISHED BY BURLESON COUNTY AND HAS BEEN AN INTEGRAL PART OF THE COMMUNITY SINCE ITS INCEPTION IT JOINED THE ST JOSEPH HEALTH SYSTEM IN 1995 ST JOSEPH HAS A LONG-TERM LEASE TO MANAGE AND OPERATE BURLESON ST JOSEPH HEALTH CENTER, WHICH IS OWNED BY THE BURLESON COUNTY HOSPITAL DISTRICT AND PROVIDES SERVICES TO AN UNDER-SERVED RURAL COMMUNITY - BELLVILLE ST JOSEPH HEALTH CENTER (BELLVILLE) WAS ACQUIRED IN MARCH 1, 2013 BY ST JOSEPH HEALTH SYSTEM BELLVILLE IS A 32-BED ACUTE CARE FACILITY IN BELLVILLE, TEXAS OFFERING 24-HOUR EMERGENCY CARE, INPATIENT AND OUTPATIENT SERVICES FORMERLY KNOWN AS BELLVILLE GENERAL HOSPITAL, THE FACILITY WAS ESTABLISHED IN 1928 AND PROVIDES THE ONLY HOSPITAL SERVICES WITHIN AUSTIN COUNTY</p>
PART VI, LINE 7, REPORTS FILED WITH STATES	TX

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.**

Department of the Treasury
Internal Revenue Service

Name of the organization
MADISON ST JOSEPH HEALTH CENTER

Employer identification number

74-2761145

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 type="checkbox"/> Compensation committee | <input type="checkbox"/> Written employment contract |
| <input type="checkbox"/> Independent compensation consultant | <input type="checkbox"/> Compensation survey or study |
| <input type="checkbox"/> Form 990 of other organizations | <input 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
1b		
2		
4a	Yes	
4b	Yes	
4c		No
5a		No
5b		No
6a		No
6b		No
7		No
8		No
9		

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

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

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

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

Part III Supplemental Information

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 3	ANY COMPENSATED OFFICERS LISTED ARE EMPLOYEES OF ST JOSEPH REGIONAL HEALTH CENTER (SJRHC) AND ALL COMPENSATION INFORMATION IS REPORT UNDER EIN 74-1282696 THE FILING ORGANIZATION RELIES ON SJRHC WHICH USES (A) COMPENSATION COMMITTEE, (B) WRITTEN EMPLOYEMENT CONTRACT, (C) INDEPENDENT COMPENSATION CONSULTANT, (D) COMPENSATION SURVEY OR SUTDY, AND (E) APPROVAL BY THE BOARD OR COMPENSATION COMMITTEE TO ESTABLISH THE COMPENSATION OF TOP MANAGEMENT OFFICIALS COMPENSATION FOR ALL EMPLOYEES IS PAID BY ST JOSEPH REGIONAL HEALTH CENTER AND ALL COMPENSATION INFORMATION IS REPORTED UNDER EIN 74-1282696 PART II, COMPENSATION OF SR NANCY SURMA SR NANCY SURMA, OSF, PHD WORKS 40 HOURS A WEEK FOR SYLVANIA FRANCISCAN HEALTH BUT DOES NOT RECEIVE A W-2 ALL COMPENSATION EARNED WAS PAID TO THE SISTERS OF ST FRANCIS OF SYLVANIA OHIO'S CONGREGATION IN ACCORDANCE WITH IRS REVENUE RULING 77-290 PART II, COMPENSATION OF ODETTE BOLANO ODETTE BOLANO, PRESIDENT/CEO OF ST JOSEPH REGIONAL HEALTH CENTER RECEIVED COMPENSATION FROM ASCENCION, AN UNRELATED ORGANIZATION
PART I, LINES 4A-B	ANTHONY PFITZER'S SEVERANCE COMPENSATION WAS ACCRUED IN 2012 AND REPORTED AS DEFERRED COMPENSATION ON ST JOSEPH REGIONAL HEALTH CENTER'S 2012 990 HOWEVER, HE RECEIVED PAYMENTS THROUGHOUT 2013 FROM ST JOSEPH REGIONAL HEALTH CENTER IN THE AMOUNT OF \$487,989 THE ORGANIZATION BACKS OUT ACTUAL PAID FROM THE ACCRUED PAYROLL EXPENSE EACH MONTH FOR A ZERO NET EFFECT THE FOLLOWING INDIVIDUALS PARTICIPATE IN A SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN CURRENT YEAR PAYMENTS, REPORTED IN PART II, COLUMN (B)(III), ARE SUMMARIZED BELOW JAMES W POPE \$108,634

Additional Data

Software ID:
Software Version:
EIN: 74-2761145
Name: MADISON ST JOSEPH HEALTH CENTER

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				
MICHAEL STEINES MD TRUSTEE	(i) 0 (ii) 615,875	0 0	0 0	0 37,550	0 12,692	0 666,117	0 0
SR NANCY SURMA OSF EX-OFFICIO TRUSTEE	(i) 0 (ii) 190,666	0 0	0 0	0 0	0 8,451	0 199,117	0 0
JAMES W POPE EX-OFFICIO TRUSTEE	(i) 0 (ii) 656,090	0 0	0 124,699	0 51,000	0 21,652	0 853,441	0 0
KATHLEEN KRUSIE COO	(i) 0 (ii) 325,599	0 51,198	0 0	0 25,550	0 18,740	0 421,087	0 0
DANIEL GOGGIN CFO STARTING 1/21/13	(i) 0 (ii) 291,705	0 45,000	0 0	0 37,517	0 18,074	0 392,296	0 0
REED EDMUNDSON ADMINISTRATOR	(i) 0 (ii) 185,490	0 20,116	0 0	0 22,475	0 20,150	0 248,231	0 0
GARY MARK MONTGOMERY MD SR VP/CMO THROUGH 8/9/13	(i) 0 (ii) 208,980	0 49,506	0 0	0 0	0 17,820	0 276,306	0 0
MICHAEL RUSSO VP/INFORMATION SERVICES	(i) 0 (ii) 196,556	0 26,771	0 0	0 22,907	0 26,525	0 272,759	0 0
MICHAEL COSTA VP/HUMAN RESOURCES	(i) 0 (ii) 188,945	0 19,258	0 0	0 42,329	0 21,594	0 272,126	0 0
STEVE CRICHTON VP/SUPPORT SERVICES	(i) 0 (ii) 167,531	0 18,901	0 0	0 41,983	0 15,796	0 244,211	0 0
DONOVAN FRENCH VP STRATEGY & SERVICE LINES	(i) 0 (ii) 159,062	0 0	0 0	0 4,273	0 7,519	0 170,854	0 0
ANTHONY PFITZER FORMER CEO	(i) 0 (ii) 487,989	0 0	0 0	0 0	0 0	0 487,989	0 487,989

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 MADISON ST JOSEPH HEALTH CENTER

Employer identification number

74-2761145

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) BRAZOS VALLEY PATHOLOGY	BOARD MEMBER MICHAEL COHEN IS A DIRECTOR FOR BRAZOS VALLEY PATHOLOGY	6,000	BRAZOS VALLEY PATHOLOGY SERVICES THAT ARE PAID BY MADISON ST JOSEPH HEALTH CENTER		No

Part V Supplemental Information

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

Return Reference	Explanation

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.**

2013

**Open to Public
Inspection**

Name of the organization
MADISON ST JOSEPH HEALTH CENTER

Employer identification number

74-2761145

Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 6	THE MEMBERSHIP OF THE CORPORATION SHALL CONSIST OF ONE (1) CLASS AND THE ONLY MEMBER OF THE CORPORATION SHALL BE ST JOSEPH SERVICES CORPORATION, D/B/A ST JOSEPH HEALTH SYSTEM, A TEXAS NONPROFIT CORPORATION (HEREINAFTER REFERRED TO AS "ST JOSEPH HEALTH SYSTEM" OR "SJHS" OR THE "MEMBER")

Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7A	THE POWER TO ELECT ALL MEMBERS OF THE BOARD OF TRUSTEES OF BURLISON ST JOSEPH HEALTH CENTER IS RESERVED EXCLUSIVELY TO ST JOSEPH SERVICES CORPORATION AS SOLE MEMBER, BUT SHALL BE SUBJECT TO THE APPROVAL OF THE CORPORATE MEMBER OF ST JOSEPH SERVICES CORPORATION WHEN REQUIRED BY ITS ARTICLES OF INCORPORATION OR BY LAWS

Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7B	<p>ACTION BY THE MEMBER OF THE CORPORATION SHALL BE REQUIRED, AND SHALL BE SUFFICIENT, A) TO ADOPT OR CHANGE THE PHILOSOPHY, OBJECTIVES, PURPOSES OR ETHICAL OR RELIGIOUS STANDARDS OF THE CORPORATION AND OF ORGANIZATIONS CONTROLLED BY THE CORPORATION, B) TO REMOVE THE TRUSTEES AT WILL, WITH OR WITHOUT CAUSE AS PROVIDED IN ARTICLE V, SECTION 2, C) TO ELECT, APPOINT AND REMOVE ANY OFFICER AND CHAIRPERSON OF ANY COMMITTEE OF THE CORPORATION, D) TO AMEND OR REPEAL THE ARTICLES OF INCORPORATION AND THE BYLAWS OF THE CORPORATION AS PROVIDED IN ARTICLE XIII, E) TO DISSOLVE OR TERMINATE THE EXISTENCE OF THE CORPORATION OR TO REVOKE ANY PROCEEDING FOR ITS VOLUNTARY DISSOLUTION AND TO DETERMINE THE DISTRIBUTION OF ASSETS UPON ANY APPROVED DISSOLUTION OR TERMINATION IN ACCORDANCE WITH THE ARTICLES OF INCORPORATION, F) TO SATISFY ALL REQUIREMENTS APPLICABLE TO NON-PROFIT CORPORATIONS UNDER STATE LAW, G) TO TAKE ANY ACTION NECESSARY TO CONFORM THE PURPOSES AND ACTIVITIES OF THE CORPORATION AND OF ORGANIZATIONS CONTROLLED BY THE CORPORATION WITH THE TRADITIONS, TEACHINGS AND CANON LAW OF THE ROMAN CATHOLIC CHURCH AS THEY MAY BE IN EFFECT FROM TIME TO TIME, H) TO APPROVE ANY TRANSACTION, AGREEMENT, ARRANGEMENT OR CLAIM TO WHICH THE CORPORATION IS A PARTY THAT INVOLVES A POTENTIAL CONFLICT OF INTEREST AS DEFINED IN ARTICLE IX, I) TO APPROVE ANY MERGER OR CONSOLIDATION OF THE CORPORATION AND ANY SALE OF SUBSTANTIALLY ALL OF ITS ASSETS, J) TO AUTHORIZE THE CREATION OF ANY SUBSIDIARY ORGANIZATION OR THE AFFILIATION OF THE CORPORATION WITH ANY OTHER ENTITY FOR THE PURPOSE OF THE JOINT CONDUCT OF BUSINESS OR OTHER PROGRAMS, WHETHER IN THE FORM OF PARTICIPATION IN A CORPORATION, PARTNERSHIP, JOINT VENTURE, CO-TENANCY OR ANY OTHER FORM OF OWNERSHIP OF CONTROL, K) TO APPROVE THE CONVEYANCE OF REAL PROPERTY OR THE GRANTING OF MORTGAGES OR TRUST DEEDS OR THE CREATION OF OTHER LIENS UPON ANY REAL PROPERTY OWNED BY THE CORPORATION, L) TO APPROVE CONVEYING ANY TANGIBLE PERSONAL PROPERTY, INCURRING ANY DEBT OR SERIES OF DEBTS, GUARANTEEING OF ANY DEBT OR SERIES OF DEBTS, OR THE GRANTING OF ANY SECURITY INTEREST OR OTHER LIEN IN THE PROPERTY OF THE CORPORATION IN EXCESS OF THE AMOUNT PRESCRIBED FROM TIME TO TIME BY THE MEMBER, M) TO APPROVE ANY CAPITAL EXPENDITURE OR GRANT, OR SERIES OF CAPITAL EXPENDITURES OF GRANTS IN EXCESS OF THE AMOUNT PRESCRIBED FROM TIME TO TIME BY THE MEMBER, N) TO APPROVE THE ANNUAL OPERATING AND CAPITAL BUDGETS OF THE CORPORATION AND RELATED ORGANIZATION, O) TO APPROVE THE ADDITION OR TERMINATION OF SERVICES, P) TO APPROVE THE CORPORATION'S AUDITOR, Q) TO APPROVE THE CORPORATION'S STRATEGIC PLAN, R) TO EXERCISE THE POWER OF APPROVAL RESERVED BY THE CORPORATION OVER ACTIONS OF THE GOVERNING BODIES OF ITS SUBSIDIARY ORGANIZATIONS OR AFFILIATED ENTITIES, AND S) TO APPROVE ANY OTHER ACT FOR WHICH MEMBERSHIP APPROVAL IS REQUIRED UNDER APPLICABLE CANON OR CIVIL LAW, THE ARTICLES OF INCORPORATION, OR THESE BYLAWS THE MEMBERS OF THE BOARD OF TRUSTEES SHALL BE RELIEVED FROM LIABILITY FOR MANAGERIAL ACTS OR OMISSIONS IMPOSED UPON MEMBERS OF BOARDS OF TRUSTEES BY LAW, TO THE EXTENT THAT, AND AS LONG AS, ANY DISCRETIONARY POWER IN THE MANAGEMENT OF CORPORATE AFFAIRS IS EXERCISED BY THE MEMBER PURSUANT TO THIS SECTION AND THE ARTICLES OF INCORPORATION</p>

Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11	THE FORM 990 AND ACCOMPANYING SCHEDULES WERE MADE AVAILABLE TO ALL TRUSTEES EITHER ELECTRONICALLY OR BY HARD COPY, DEPENDING UPON THE TRUSTEES PREFERENCE, BEFORE THE COMPANY FINALIZED AND SENT THE DOCUMENTS TO THE IRS THIS DRAFT WAS ALSO AVAILABLE AT THE ADMINISTRATIVE OFFICES OF THE REPORTING ENTITY FOR TRUSTEES'S REVIEW BEFORE THE FINAL FORM 990 AND ACCOMPANYING SCHEDULES WERE FINALIZED AND SENT TO THE IRS THE REVIEW WAS UNDER THE DIRECTION OF THE CFO AND/OR TAX RETURN PREPARERS, PLANTE & MORAN, PLLC, IF REQUESTED BY THE TRUSTEES

Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 12C	<p>DESCRIPTION OF PERSONS COVERED UNDER THE CONFLICT OF INTEREST POLICY IN ACCORDANCE WITH THE ST JOSEPH HEALTH SYSTEM POLICY NO 38, "CONFLICT OF INTEREST" ANY BOARD MEMBER, TRUSTEE, GOVERNANCE COUNCIL MEMBER, BOARD COMMITTEE MEMBER, CORPORATE OFFICER, EXECUTIVE, MEDICAL STAFF MEMBER, LICENSED INDEPENDENT PRACTITIONER (LIP), DEPARTMENT DIRECTOR, SUPERVISOR, OR OTHER INDIVIDUAL THAT HAS A FINANCIAL INTEREST</p> <p>DESCRIPTION OF PROCESS TO MONITOR TRANSACTION FOR CONFLICTS OF INTEREST IN ACCORDANCE WITH THE ST JOSEPH HEALTH SYSTEM POLICY NO 38, "CONFLICT OF INTEREST", SECTION 6, DISCLOSURE STATEMENT "A CONFLICT OF INTEREST SHALL BE RETAINED BY THE CORPORATION IN ITS ADMINISTRATIVE OFFICE. THIS STATEMENT SHALL BE RENEWED AT LEAST ANNUALLY AT THE REQUEST OF THE CORPORATION AND AT ANY TIME THAT A CONFLICT OF INTEREST MAY ARISE" TO HELP ENSURE THAT DISCLOSURE STATEMENTS ARE COMPLETED ANNUALLY BY ALL BOARD OF TRUSTEE MEMBERS, THE CEO'S OFFICE SUMMARIZES ALL CONFLICTS OF INTEREST DISCLOSED BY EACH ENTITY'S TRUSTEES IN 2012, THE SUMMARY WAS PRESENTED AS AN AGENDA ITEM AT EACH ENTITY'S BOARD OF TRUSTEES MEETINGS HELD IN APRIL 2012, THE AGENDA ITEM WAS TITLED, "CONFLICT OF INTEREST DISCLOSURE REVIEW" OR SIMILAR DESCRIPTION THE REVIEW IS PERFORMED BY THE OFFICE OF THE CEO WHERE DISCLOSURE STATEMENTS ARE ALSO FILED FOR TRUSTEES OTHER DESIGNATED PERSONS DISCLOSURE STATEMENTS ARE FILED IN INDIVIDUAL PERSONNEL FILES IF EMPLOYED BY ST JOSEPH REGIONAL HEALTH CENTER WHEN A CONFLICT OF INTEREST IS IDENTIFIED, THE INTERESTED PERSON SHALL LEAVE THE MEETING AT WHICH THE DETERMINATION OF A CONFLICT OF INTEREST IS DISCUSSED AND VOTED UPON</p>

Return Reference	Explanation
FORM 990, PART VI, SECTION C, LINE 19	GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY & FINANCIAL STATEMENTS ARE NOT MADE AVAILABLE TO THE PUBLIC

Return Reference	Explanation
FORM 990, PART VI, LINES 13 AND 14	WHISTLEBLOWER POLICY AND DOCUMENT RETENTION AND DESTRUCTION POLICY THE ORGANIZATION FOLLOWS THE POLICIES OF THE ST JOSEPH HEALTH SYSTEM TO WHICH IT IS AN AFFILIATE THE POLICY INCLUDES THE WHISTLEBLOWER POLICY AND THE DOCUMENT RETENTION POLICY, WHICH ARE DOCUMENTED AND APPROVED BY THE PRESIDENT AND CEO OF THE SYSTEM THE BYLAWS OF ST JOSEPH STATE "THE PRESIDENT/CEO SHALL HAVE ALL AUTHORITY AND RESPONSIBILITY NECESSARY TO OPERATE THE CORPORATION IN ALL ITS ACTIVITIES AND DEPARTMENTS, SUBJECT ONLY TO SUCH POLICIES AS MAY BE ISSUED BY THE BOARD THE PRESIDENT/CEO SHALL ACT AS A DULY AUTHORIZED REPRESENTATIVE OF THE BOARD AND OF THE CORPORATION IN ALL MATTERS IN WHICH IT HAS NOT DESIGNATED SOME OTHER PERSON TO ACT " THEREFORE, THE PRESIDENT/CEO, BY THE AUTHORITY GRANTED TO HIM IN THE ABOVE PARAGRAPH, APPROVES THE POLICIES THE TWO POLICIES WERE APPROVED BY THE ST JOSEPH HEALTH SYSTEM BOARD AT THE LAST 2012 BOARD MEETING

Return Reference	Explanation
FORM 990, PART IX, LINE 11G	PURCHASED SERVICES AND MAINTENANCE PROGRAM SERVICE EXPENSES 585,207 MANAGEMENT AND GENERAL EXPENSES 163,518 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 748,725 PHYSICIAN FEES PROGRAM SERVICE EXPENSES 1,026,945 MANAGEMENT AND GENERAL EXPENSES 12,334 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 1,039,279

Return Reference	Explanation
FORM 990, PART XI, LINE 9	CHANGE IN BENEFICIAL INTEREST IN NET ASSETS OF FOUNDATION -11,289 ROUNDING 2

Return Reference	Explanation
FORM 990, PART XII, LINE 2C	THE COMMITTEE THAT ASSUMES RESPONSIBILITY FOR OVERSIGHT OF THE AUDIT AND SELECTION OF THE INDEPENDENT ACCOUNTANT HAS NOT CHANGED ITS OVERSIGHT PROCESS OR SELECTION PROCESS FROM THE PRIOR YEAR

Return Reference	Explanation
FORM 990, SCHEDULE R, PART II	THE RELATED TAX EXEMPT ORGANIZATIONS ARE ALL MEMBERS OF GROUP EXEMPTION #0928

**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.

Department of the Treasury
Internal Revenue Service

Name of the organization
MADISON ST JOSEPH HEALTH CENTER

Employer identification number

74-2761145

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

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) ST LEONARD LIMITED PARTNERSHIP 88 EAST BROAD STREET SUITE 1800 CENTERVILLE, OH 45458 31-1481761	LOW INCOME RENTAL RESIDENTIAL	OH	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) ALLIANCE HEALTH PROVIDERS OF BRAZOS VALLEY 2801 FRANCISCAN DRIVE BRYAN, TX 77802 74-2466914	PHYSICIAN HOSPITAL ORGANIZATION	TX	N/A	C				Yes	
(2) ST LEONARD CENTER 1 INC (DISSOLVED IN 2013) 8100 CLYO ROAD CENTERVILLE, OH 45458 31-1481764	LOW INCOME RENTAL RESIDENTIAL	OH	N/A	C				Yes	
(3) SFH ASSURANCE LTD SUITE 6 GRAND PAVILION COMMERCIAL GRAND CAYMAN KY1-CJ 98-1056892	INSURANCE	CJ	N/A	C				Yes	

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

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

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

- a** Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties or **(iv)** rent from a controlled entity
- b** Gift, grant, or capital contribution to related organization(s)
- c** Gift, grant, or capital contribution from related organization(s)
- d** Loans or loan guarantees to or for related organization(s)
- e** Loans or loan guarantees by related organization(s)

- f** Dividends from related organization(s)
- g** Sale of assets to related organization(s)
- h** Purchase of assets from related organization(s)
- i** Exchange of assets with related organization(s)
- j** Lease of facilities, equipment, or other assets to related organization(s)

- k** Lease of facilities, equipment, or other assets from related organization(s)
- l** Performance of services or membership or fundraising solicitations for related organization(s)
- m** Performance of services or membership or fundraising solicitations by related organization(s)
- n** Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)
- o** Sharing of paid employees with related organization(s)

- p** Reimbursement paid to related organization(s) for expenses
- q** Reimbursement paid by related organization(s) for expenses

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

	Yes	No
1a		No
1b		No
1c	Yes	
1d		No
1e		No
1f		No
1g		No
1h		No
1i		No
1j		No
1k		No
1l		No
1m		No
1n		No
1o	Yes	
1p	Yes	
1q		No
1r		No
1s		No

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

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) ST JOSEPH REGIONAL HEALTH CENTER	O	5,859,205	CASH
(2) ST JOSEPH REGIONAL HEALTH CENTER	P	72,036	CASH
(3) ST JOSEPH SERVICES CORPORATION	P	530,963	CASH

Part VII Supplemental Information

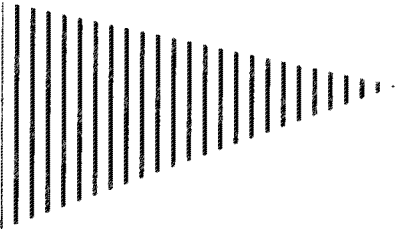
Provide additional information for responses to questions on Schedule R (see instructions)

Return Reference**Explanation**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)
Years Ended December 31, 2013 and 2012
With Report of Independent Auditors**

Ernst & Young LLP



**Building a better
working world**

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Consolidated Financial Statements
and Supplementary Information

Years Ended December 31, 2013 and 2012

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Report of Independent Auditors

The Board of Trustees
St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

We have audited the accompanying financial statements of St. Joseph Services Corporation (dba St. Joseph Health System and Subsidiaries) (the System), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System at December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Supplementary Information

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

Ernst & 

April 28, 2014

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Consolidated Balance Sheets

	December 31	
	2013	2012
Assets		
Current assets:		
Cash	\$ 12,877,255	\$ 6,613,318
Accounts receivable:		
Patient and third-party payors, net of allowance for uncollectible accounts (2013 – \$46,371,652; 2012 – \$31,749,670)	63,998,050	52,813,111
Pledges, net of allowance for uncollectible accounts (2013 – \$38,584; 2012 – \$45,079)	371,229	449,912
Other receivables	10,566,258	3,819,179
Due from affiliates	1,385,370	2,478,537
Supplies	5,794,445	6,609,495
Prepaid expenses	3,328,884	3,249,148
Current portion of assets limited as to use	7,292,138	4,971,553
Total current assets	105,613,629	81,004,253
Pledges receivable, net of current portion and discounts	445,180	479,149
Due from affiliates	6,158,573	6,039,585
Investments	178,590,366	158,579,889
Assets limited as to use:		
Under indenture agreements, less current portion	11,842,462	12,040,326
Property, plant, and equipment, net	177,685,048	183,793,784
Other assets:		
Deferred costs, net of amortization	2,997,651	3,039,062
Other	344,702	447,332
	3,342,353	3,486,394
Total assets	\$ 483,677,611	\$ 445,423,380

	December 31	
	2013	2012
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 22,303,618	\$ 18,691,703
Payroll and related accruals	11,557,061	10,281,806
Due to affiliates	1,259,794	369,912
Accrued interest	3,643,318	3,666,807
Payable to health insurance programs, net	5,534,105	7,844,706
Current portion of insurance claims reserves	1,385,373	1,509,897
Current maturities of long-term debt	6,298,970	2,175,534
Total current liabilities	<u>51,982,239</u>	<u>44,540,365</u>
Other long-term liabilities	2,522,226	2,240,673
Reserve for insurance claims	5,541,492	6,039,585
Derivative liability	9,660,174	13,290,750
Long-term debt, less current portion	136,543,102	140,937,640
Total liabilities	<u>206,249,233</u>	<u>207,049,013</u>
Net assets:		
Unrestricted	274,219,071	235,508,099
Board-designated endowments	215,585	215,585
Total unrestricted	<u>274,434,656</u>	<u>235,723,684</u>
Temporarily restricted	2,993,722	2,650,683
Total net assets	<u>277,428,378</u>	<u>238,374,367</u>
Total liabilities and net assets	<u><u>\$ 483,677,611</u></u>	<u><u>\$ 445,423,380</u></u>

See accompanying notes.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Consolidated Statements of Operations and Changes in Net Assets

	Year Ended December 31	
	2013	2012
Unrestricted revenue, gains, and other support:		
Patient service revenue, net of contractual allowances and discounts	\$ 390,816,896	\$ 358,590,015
Less provision for bad debts	43,369,753	32,364,532
Net patient service revenue, less provision for bad debts	347,447,143	326,225,483
Other revenue	13,484,204	8,126,593
Total unrestricted revenue, gains, and other support	360,931,347	334,352,076
Expenses:		
Salaries and wages	148,220,784	141,026,033
Employee benefits	35,818,233	38,904,313
Professional fees	12,735,375	11,762,205
Supplies and pharmaceuticals	48,789,352	47,681,875
Purchased services, utilities, and other	73,965,276	64,304,044
Provision for bad debts	272,281	(4,819)
Depreciation and amortization	19,350,856	18,693,605
Interest	7,343,535	7,563,003
Management fees	2,299,355	2,111,153
Fundraising and grants	323,454	282,260
Total operating expenses	349,118,501	332,323,672
Income from operations	11,812,846	2,028,404
Nonoperating gains (losses):		
Investment income	21,295,280	13,132,209
Gains under interest rate swap agreements	5,998,268	1,855,110
Gain (loss) on disposal of assets	2,543	(94,023)
Unrestricted contributions received (made)	218,295	(326,348)
Net assets acquired in acquisition of Bellville St. Joseph	(1,036,934)	-
Total nonoperating gains, net	26,477,452	14,566,948
Revenues in excess of expenses	38,290,298	16,595,352

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Consolidated Statements of Operations and Changes in Net Assets (continued)

	Year Ended December 31	
	2013	2012
Changes in unrestricted net assets:		
Revenues in excess of expenses	\$ 38,290,298	\$ 16,595,352
Net assets released from restriction for property and equipment and other	200,213	692,148
Equity transfers to affiliates	220,461	20,000
Grant proceeds received and used in the current year for property and equipment	-	50,000
Increase in unrestricted net assets	38,710,972	17,357,500
Temporarily restricted:		
Restricted contributions and grant proceeds	1,051,994	980,996
Restricted investment income	4,844	7,096
Net assets released from restrictions	(713,799)	(992,406)
Increase (decrease) in temporarily restricted net assets	343,039	(4,314)
Increase in net assets	39,054,011	17,353,186
Net assets, beginning of year	238,374,367	221,021,181
Net assets, end of year	\$ 277,428,378	\$ 238,374,367

See accompanying notes.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Consolidated Statements of Cash Flows

	Year Ended December 31	
	2013	2012
Operating activities		
Increase in net assets	\$ 39,054,011	\$ 17,353,186
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized gain on investments, net	(17,015,291)	(364,962)
Net assets acquired in acquisition of Bellville	1,036,934	-
(Gain) loss on disposal of assets	(2,543)	94,023
Depreciation and amortization	19,350,856	18,693,605
Provision for bad debts	43,642,034	32,359,713
Change in value of interest rate swap agreements	3,630,576	23,085
Restricted contributions and investment income received	(1,056,838)	(988,092)
Changes in operating assets and liabilities:		
Accounts receivable, patient, and third-party payors, net of acquisition	(53,677,045)	(34,431,716)
Investments	(2,995,186)	(14,429,173)
Other receivables	(5,553,368)	943,466
Supplies and prepaid expenses, net of acquisition	1,245,962	650,247
Other assets	(283,611)	140,144
Accounts payable and accrued expenses, payroll and related accruals, and accrued interest, net of acquisition	2,683,966	2,316,178
Other long-term liabilities	(5,793,289)	60,324
Payable to health insurance programs	(2,310,601)	(349,671)
Net cash provided by operating activities	21,956,567	22,070,357
Investing activities		
Change in assets limited as to use	(2,122,721)	(922,689)
Purchases of property, plant, and equipment	(10,617,390)	(18,313,230)
Net cash used in investing activities	(12,740,111)	(19,235,919)
Financing activities		
Repayment of long-term debt	(4,009,357)	(1,321,302)
Restricted contributions and investment income received	1,056,838	988,092
Net cash used in financing activities	(2,952,519)	(333,210)
Increase in cash	6,263,937	2,501,228
Cash at beginning of year	6,613,318	4,112,090
Cash at end of year	\$ 12,877,255	\$ 6,613,318
Supplemental cash flow information		
Interest paid	\$ 7,315,514	\$ 7,610,770
Net assets acquired in acquisition of Bellville	\$ (1,036,934)	\$ -

See accompanying notes

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements

December 31, 2013

1. Organization and Significant Accounting Policies

Organization

St. Joseph Services Corporation (dba St. Joseph Health System and Subsidiaries) (the System) is a nonprofit corporation engaged in providing health care and related services to a 12-county service area in the Brazos Valley. The System is affiliated with Sylvania Franciscan Health, the Sisters of St. Francis of Sylvania, Ohio (the Sisters), and the corporate entities affiliated with these organizations.

Sylvania Franciscan Health (the Corporation) is the formal expression of the sponsored health and human services ministry of the Sisters. Among the member organizations in Ohio, Kentucky, and Texas are seven hospitals, eight long-term care facilities, six assisted living facilities, an independent senior housing facility, a counseling center, a domestic violence shelter, and other supporting organizations.

The accounting principles followed by the System and the methods of applying those principles that materially affect the determination of financial position, results of operations, and cash flows are summarized below.

Mission and Business Statement

The mission of the System is to steward the health ministry of the Sisters of St. Francis in the Brazos Valley by providing governance and direction to all the system organizations that endeavor to be responsive to community health needs.

The System provides health care services to the citizens of Bryan and College Station, Texas, and the 12 counties in the System's Brazos Valley service area through its acute care and specialty care facilities. Only those activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that result in gains or losses unrelated to the System's primary mission are considered to be nonoperating. Nonoperating gains and losses include investment income (loss), the gains and losses on interest rate swap agreements, gains and losses on disposals of assets, and unrestricted contributions.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Consolidation

All significant intercompany accounts and transactions have been eliminated in consolidation. The consolidated financial statements of the System include the accounts of the following entities:

<u>Entity</u>	<u>System's Relationship to Entity</u>
St. Joseph Regional Health Center of Bryan, Texas (the Hospital)	Sole member
St. Joseph Foundation of Bryan, Texas (the Foundation)	Sole member
Burleson St. Joseph Health Center (Burleson)	Sole member
Madison St. Joseph Health Center (Madison)	Sole member
Bellville St. Joseph Health Center (Bellville) (acquired March 1, 2013)	Sole member
St. Joseph Manor (SJM)	Sole member
Burleson St. Joseph Manor (BSJM)	Sole member
St. Joseph Regional Health Partners (SHP)	Sole member
St. Joseph Regional Health Partners ACO	Sole member
St. Joseph Physician Associates (SJPA)	Sole member
Tau Enterprises, Inc. (Tau) (dissolved effective September 30, 2012)	Sole shareholder
Alliance Health Providers of Brazos Valley, Inc. (Alliance)	Sole shareholder

The System acquired Bellville St. Joseph Health Center on March 1, 2013, which is an acute care hospital in Bellville, Texas, for no consideration. The acquisition enabled the System to expand its delivery of health care services in Texas. The significant net assets acquired were \$1,137,820 in accounts receivable, \$249,855 in inventory, \$260,793 in prepaid expenses and other assets, \$2,115,996 in property, plant, and equipment, \$2,945,073 in accounts payable and accruals, and \$1,856,325 in debt. This acquisition resulted in a loss of \$1,036,934 based on the deficit of net assets acquired and has been included in revenues in excess of expenses. All activity since the date of acquisition has been included in the consolidated financial statements.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

Cash consists of currency on hand and demand deposits held at financial institutions. Assets limited as to use by board designation or other arrangements under trust agreements are excluded from cash in the consolidated statements of cash flows.

Charity Care

A patient is classified as a charity patient by reference to certain established policies. Essentially, these policies define charity services as those for which no payment is anticipated. When assessing a patient's inability to pay, the System utilizes the generally recognized poverty income levels and certain other measures of poverty, and also assesses certain cases where charges incurred are significant in comparison to income. Charity care is not reported as revenue in the consolidated statements of operations and changes in net assets.

Income Taxes

The System, the Hospital, the Foundation, SJM, Burluson, BSJM, Madison, Bellville, SHP, ACO, and SJPA are not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Alliance and Tau are for-profit corporations incorporated under the Texas Business Corporation Act. Federal income tax returns are filed on a separate-entity basis. There are no material unrecorded tax liabilities or uncertain tax positions as of December 31, 2013 or 2012.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Investments and Investment Income

Investments, including assets limited as to use, consisting of U.S. government securities, corporate debt securities, mortgage-backed securities, domestic equities, pooled accounts and money market funds are carried at fair market value with gains and losses reported in the consolidated statements of operations and changes in net assets. The pooled asset accounts fair values are calculated by using a net asset value provided by the custodian of the fund. The net asset value is based on the value of the underlying assets owned by the fund. Cash equivalents are primarily money market funds. Investments are classified as noncurrent assets in the consolidated balance sheets.

In December 2012, the Hospital transferred its investments to Sylvania Franciscan Health's master investment pool (Master Investment Pool) in which affiliated organizations participate. The accompanying consolidated financial statements reflect the Hospital's total interest in the net assets and transactions of the Master Investment Pool as allocated by the custodian. Net assets, as well as earnings and losses of the Master Investment Pool, are allocated to the Hospital based on the sum of the individual accounts of the Master Investment Pool's participants.

Investment income on proceeds of borrowings held by a trustee, to the extent not capitalized, is reported as other operating revenue. Investment income from all other investments, including unrealized gains and losses on investments, is reported as nonoperating gains (losses).

Supplies

Supplies are stated at the lower of cost using the first-in, first-out method, or market.

Operating Indicator

For purposes of display, transactions deemed by management to be ongoing and major or central to the missions of the System and its subsidiaries are reported as unrestricted revenue and expenses. Unrestricted revenue includes that generated from direct patient care, related support services, and interest income on trustee-held funds required by bond indenture. Peripheral or incidental transactions are reported as nonoperating gains and losses.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Assets Limited as to Use

Certain funds are trustee-held for retirement of revenue bonds or funding of capital projects. Accordingly, these assets have been classified as noncurrent, except for amounts held for current payments on revenue bonds and payments for capital-related expenditures. The resulting interest and investment income accrues to the funds. Cash equivalents consist primarily of money market funds.

Property, Plant, and Equipment

Property, plant, and equipment acquisitions are recorded at cost or fair value at the date of donation. Property, plant, and equipment donated to the System for operations are recorded as unrestricted support. Depreciation is provided over the estimated useful life of each class of depreciable assets based on expected productive life, and is computed using the straight-line method. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

When events, circumstances, or operating results indicate that the carrying values of certain long-lived assets that are expected to be held and used might be impaired, the System prepares projections of the undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the projections indicate that the recorded amounts are not expected to be recoverable, such amounts are reduced to estimated fair value. Fair value may be estimated based upon internal evaluations of each market that include quantitative analyses of revenues and cash flows, reviews of recent sales of similar facilities, and independent appraisals. For the year ended December 31, 2013 and 2012, no impairments were recognized.

Patient Receivables and Net Patient Service Revenue

Patient receivables consist of amounts due from third-party payors, including federal and state indemnity and managed care programs, managed care health plans and commercial insurance companies, and individual patients for health care services rendered. The System does not require collateral or other security on its patient receivables. Patient accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the System analyzes its historical and expected net collections considering business

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

and economic conditions, trends in health care coverage, and other collection indicators for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Periodically throughout the year, management assesses the adequacy of the allowance for doubtful accounts based upon specific accounts, historical write-off experience, and current market conditions. The results of this review then are used to make any modifications to the provision for bad debts in order to establish an appropriate allowance for uncollectible receivables.

For receivables associated with services provided to patients who have third-party coverage, the System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make realization of amounts due unlikely. For receivables associated with self-pay patients, which include both patients without insurance and patients with deductibles and copayment balances due for which third-party coverage exists for part of the bill, the System records a provision for bad debts on the basis of its past experience. The difference between the standard rates and the amount actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The System's allowance for doubtful accounts and charity allowance for self-pay patients decreased from 89% of self-pay accounts receivable at December 31, 2012, to 84% of self-pay accounts receivable at December 31, 2013. In addition, the System's self-pay bad debt write-offs decreased from \$32,483,774 for fiscal year 2012 to \$29,007,944 for fiscal year 2013. The System has not changed its charity care or uninsured discount policies during fiscal years 2012 or 2013. The System does not maintain a material allowance for doubtful accounts from third-party payors nor did it have significant bad debt write-offs from third-party payors.

A summary of activity in the System's allowance for doubtful accounts is as follows:

	Balances at Beginning of Year	Provision of Bad Debt, Net of Recoveries	Accounts Written Off	Balances at End of Year
Year ended December 31, 2013	\$ 31,749,670	\$ 43,629,926	\$ (29,007,944)	\$ 46,371,652
Year ended December 31, 2012	\$ 31,862,882	\$ 32,370,562	\$ (32,483,774)	\$ 31,749,670

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

The System recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. Net patient service revenue is reported on the accrual basis in the period in which services are provided and is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors (included as a payable to health insurance programs in the accompanying consolidated financial statements). 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. During fiscal years 2013 and 2012, the System recognized adjustments related to prior years that increased net patient service revenue by \$8,204,233 and \$7,332,178, respectively. It is at least reasonably possible that the estimated adjustments could change by material amounts in the near term.

For uninsured patients who do not qualify for charity care, the System recognizes revenue on the basis of its standard rates for services provided, or on the basis of discounted rates, if negotiated. On the basis of historical experience, a significant portion of the System's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the System records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts, recognized in the period from these major payor sources, is approximately as follows:

	<u>Medicare</u>	<u>Medicaid</u>	<u>Commercial</u>	<u>Self-Pay</u>	<u>Other</u>	<u>Total All Payors</u>
2013						
Patient service revenue (net of contractual allowances)	\$ 146,000,000	\$ 26,000,000	\$ 110,000,000	\$ 83,000,000	\$ 26,000,000	\$ 391,000,000
	37.4%	6.7%	28.1%	21.2%	6.6%	100%
2012						
Patient service revenue (net of contractual allowances)	\$ 135,000,000	\$ 21,000,000	\$ 120,000,000	\$ 69,000,000	\$ 14,000,000	\$ 359,000,000
	37.6%	5.9%	33.4%	19.2%	3.9%	100%

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

The 1115 Transformation Waiver is a program that balances payment for uncompensated care costs with the need to improve quality of care for Texas recipients. The program divides the state into 20 Regional Health Partnerships, creating an environment where regional collaboration is essential to earn monies. The System recognized all funds received under the program as operating revenue in the applicable year, and any amounts relating to that year that are not yet received are included in receivables in the accompanying consolidated balance sheets. The Hospital recognized revenue of \$14,043,364 for the year ended December 31, 2013. The System recognized revenue of \$5,386,714 for funds received from the Upper Payment Limit (UPL) programs for the year ended December 31, 2012. The 1115 Transformation Waiver resulted in the discontinuation of the UPL supplemental payment program in the state.

Significant concentrations of accounts receivable from patient and third-party payors include 37% and 43% from government-related programs at December 31, 2013 and 2012, respectively, and 35% and 33% from commercial insurers and managed care organizations at December 31, 2013 and 2012, respectively, with the remaining accounts receivable due directly from patients.

Net revenues from the Medicare and Medicaid programs accounted for approximately 46% and 41% of the System's net patient service revenue for the years ended December 31, 2013 and 2012, respectively.

Deferred Costs

Deferred costs represent costs incurred to issue debt obligations or other financial instruments, net of amortization. Deferred costs are amortized over the period the obligation or financial instrument is outstanding, using the interest method.

Professional Liability Insurance

The System is a participant in the Corporation's Self-Insurance Program (the Insurance Program) for professional and general liability insurance coverage. Effective April 1, 2012, the insurance coverage is provided through SFH Assurance, LTD., a wholly-owned subsidiary of the Corporation. Excess coverage has been purchased in amounts deemed adequate to cover claims in excess of the annual Insurance Program limits. Payment of claims in any one year from the Insurance Program and from excess insurance coverage purchased by the Corporation is subject to certain limitations. Payments made by the System to the Insurance Program, which are based

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

on actuarially determined premiums, and for the System's portion of the Corporation's cost for excess insurance coverage are amortized over the coverage period or plan year. The Insurance Program allocates to the System a portion of the known claims and tail liability, which is recorded on the consolidated balance sheets with an offsetting receivable from the Insurance Program. Any liabilities for claims exceeding coverage limits are recorded at the time these become probable and estimable.

The policies issued by the Self Insurance Program are subject to a retrospective rating plan, under which retrospective premiums are calculated based on any surplus or deficiency resulting from the policy period. Retrospective credits and assessments are included in income in the period in which they are determined.

Electronic Health Record Incentive Payments

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health (HITECH) Act. The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement, or update certified EHR technology. Providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional Medicaid incentive payments. The System accounts for HITECH incentive payments under a grant accounting model. Income from incentive payments is recognized as revenue after the Hospital has demonstrated that it has complied with the meaningful use criteria over the entire applicable compliance period and there is reasonable assurance the grants will be received. Incentive payments totaling \$6,310,597 and \$1,591,675 for the years ended December 31, 2013 and 2012, respectively, are included in total operating revenue in the accompanying consolidated statements of operations and changes in net assets. Income from incentive payments is subject to retrospective adjustment as incentive payments are calculated using Medicare cost report data that is subject to audit. Additionally, the System's compliance with the meaningful use criteria is subject to audit by the federal government.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Contributions and Pledges Receivable

Contributions and pledges receivable are recorded at fair value at the date the pledge is received. Contributions not restricted by donor are included in unrestricted net assets. Contributions and pledges receivable that are received with donor stipulations that limit the use of donated assets are recorded as temporarily restricted net 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 in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Allowances for uncollectible pledges are provided for as deemed necessary.

Net Assets

Unrestricted net assets generally result from revenues from providing services, receiving unrestricted contributions, and receiving dividends or interest from investing in income-producing assets, less expenses incurred in providing services, raising contributions, and performing administrative functions. Temporarily restricted net assets are those whose use has been limited by grant agreements and donors to a specific time period or purpose.

Adoption of New Accounting Pronouncements

In October 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2012-04, *Technical Corrections and Improvements*. The ASU provided source literature amendments, guidance clarifications, reference corrections, and relocated guidance. The amendments that are subject to the transition guidance were effective for fiscal periods beginning after December 15, 2012, and therefore was adopted effective January 1, 2013. The ASU did not have an impact on the consolidated financial statements.

In October 2012, the FASB issued ASU 2012-05, *Statement of Cash Flows, Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*. The amendments require cash receipts from the sale of donated financial assets that had no restrictions and were immediately converted to cash to be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities. The pronouncement is effective for fiscal years beginning after June 15, 2013. The ASU is not expected to have a material impact on the consolidated financial statements.

In February 2013, the FASB issued ASU 2013-04, *Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date*. The amendment requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. The pronouncement is effective for fiscal years beginning after December 15, 2013. The ASU is not expected to have a material impact on the consolidated financial statements.

In April 2013, the FASB issued ASU 2013-06, *Services Received from Personnel of an Affiliate*. The amendment requires a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity and for which the affiliate does not charge the recipient not-for-profit entity. The pronouncement is effective for fiscal years beginning after June 15, 2014. The ASU is not expected to have a material impact on the consolidated financial statements.

2. Net Patient Service Revenue

Government-Sponsored Programs

The Hospital, Burluson, Madison, SJM, Bellville, and BSJM have agreements with third-party payors that provide for payments at amounts different from their established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare

For the Hospital and Bellville, inpatient services rendered to Medicare program beneficiaries are primarily 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. Outpatient services are paid based on a prospective payment system. The Hospital is reimbursed for certain services at a tentative rate, with final settlement determined after submission of annual cost

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

2. Net Patient Service Revenue (continued)

reports and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through 2009 and Bellville's Medicare cost reports have been settled by the Medicare fiscal intermediary through 2010.

Burleson, Madison, and the Grimes unit of the Hospital received the Critical Access Hospital (CAH) designation from the Centers for Medicare and Medicaid Services. The CAH designation increases Medicare reimbursement by allowing hospitals to receive cost-based reimbursement on inpatient discharges and outpatient services, rather than prospectively determined rates per discharge, among other reimbursement changes. These facilities are reimbursed at a tentative rate, with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The Madison, Burleson, and Grimes Medicare cost reports have been settled by the Medicare fiscal intermediary through 2010.

Medicaid

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per discharge. Outpatient services are reimbursed under fee schedules and a cost reimbursement methodology. The Hospital, Burleson, Madison, and Bellville are reimbursed at a tentative rate, with final settlement determined after submission of annual cost reports and audits thereof by the Medicaid fiscal intermediary. The Hospital Medicaid cost report has been settled through 2006 by the Medicaid fiscal intermediary. The Burleson Medicaid cost report has been settled through 2010, the Madison Medicaid cost report has been settled through 2010, the Grimes Medicaid cost report has been settled through 2010, and the Bellville Medicaid cost report has been settled through 2009 by the Medicaid fiscal intermediary.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The System believes that it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Certain payments for services provided under the Medicare and Medicaid programs and other organizations are subject to review of the medical necessity of admission and propriety of discharge, diagnosis, and coding. As part of the Tax Relief and Health Care Act of 2006, Congress directed the expansion of the Recovery Audit Contractors (RAC) reviews.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

2. Net Patient Service Revenue (continued)

Management believes adequate allowance has been provided for possible adjustments that might result from retrospective billing reviews, including the ongoing or future RAC reviews.

Commercial Insurance, Managed Care, and Other Payors

The Hospital, Burlison, Madison, Belville, and SJPA have also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges, fee-for-service, and prospectively determined daily rates.

The Hospital, Burlison, Madison, and Bellville have adopted an uninsured discount policy whereby patients without insurance coverage receive discounts from established charges. The resulting adjustment is recorded as revenue deductions from gross charges to arrive at net patient service revenue. The Hospital, Burlison, and Madison recorded uninsured discounts of \$39,594,200 and \$33,376,029 during the years ended December 31, 2013 and 2012, respectively.

3. Charity Care

The Hospital, Burlison, Madison, Bellville, SJPA, SJM, and BSJM maintain records to identify and monitor the level of charity care they provide. These records include the amount of costs forgone for services and supplies furnished under its charity care policy and equivalent service statistics. The costs of providing care are estimated using the System's internal cost data and are calculated in compliance with guidelines established by both the Catholic Health Association and the Internal Revenue Service. The amount of traditional charity care provided, determined on the basis of estimated cost, was \$20,942,475 and \$17,827,199 for the years ended December 31, 2013 and 2012, respectively.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

4. Investments

Investments at December 31 consist of the following:

	Unrestricted Investments		Assets Limited as to Use	
	2013	2012	2013	2012
Cash equivalents	\$ 34	\$ 65,697	\$ 17,111,152	\$ 5,905,373
Money market pooled asset	792,805	7,875,354	-	-
Domestic equity pooled asset	65,476,002	32,179,820	-	-
International equity pooled asset	37,087,434	7,943,536	-	-
Fixed income pooled asset	65,818,031	110,515,482	-	-
Alternative investment pooled asset	9,416,060	-	-	-
U.S. government securities	-	-	1,424,195	1,431,524
Mortgage-backed securities	-	-	-	9,091,973
Corporate debt securities	-	-	599,253	583,009
Total	178,590,366	158,579,889	19,134,600	17,011,879
Less current portion	-	-	(7,292,138)	(4,971,553)
Noncurrent portion	\$ 178,590,366	\$ 158,579,889	\$ 11,842,462	\$ 12,040,326

Investment return consists of the following for the years ended December 31:

	2013	2012
Operating investment income	\$ 73,037	\$ 403,892
Nonoperating investment income	21,295,280	13,132,209
Restricted income	4,844	7,096
	\$ 21,373,161	\$ 13,543,197

Nonoperating investment income includes net realized gains of \$4,279,989 and \$12,767,247 for the years ended December 31, 2013 and 2012, respectively, and net unrealized gains of \$17,015,291 and \$364,962 for the years ended December 31, 2013 and 2012, respectively.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

5. Property, Plant, and Equipment

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

	<u>2013</u>	<u>2012</u>
Land and improvements	\$ 18,702,710	\$ 18,518,943
Buildings and improvements	198,702,911	194,564,859
Fixed equipment	7,429,674	7,410,364
Major movable equipment	131,959,682	115,232,422
Allowance for depreciation and amortization	<u>(180,494,727)</u>	<u>(161,907,272)</u>
	176,300,250	173,819,316
Construction in progress	<u>1,384,798</u>	<u>9,974,468</u>
	<u>\$177,685,048</u>	<u>\$183,793,784</u>

Estimated costs to complete construction projects approximate \$22,046,300 at December 31, 2013. At December 31, 2013, major moveable equipment includes \$11,862,792 in capitalized software costs and \$862,356 was expensed due to amortization. At December 31, 2012, construction in progress includes \$3,208,314 in capitalized software costs. The System capitalized interest cost of \$179,895 and \$144,500 during 2013 and 2012, respectively.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

6. Long-Term Debt

Long-term debt consists of the following as of December 31:

	2013	2012
Brazos County Health Facilities Development Corporation Franciscan Services Corporation Revenue Refunding Bonds, Series 1993B (St. Joseph Regional Health Center of Bryan, Texas)	\$ 16,772,200	\$ 17,057,800
Brazos County Health Facilities Development Corporation Franciscan Services Corporation Obligated Group Revenue Bonds, Series 1997A (St. Joseph Regional Health Center of Bryan, Texas)	47,152,000	47,672,000
Brazos County Health Facilities Development Corporation Franciscan Services Corporation Obligated Group Revenue Bonds, Series 1997B (St. Joseph Manor)	13,895,000	13,895,000
Brazos County Health Facilities Development Corporation Franciscan Services Corporation Obligated Group Revenue Bonds, Series 2002 (St. Joseph Regional Health Center of Bryan, Texas)	27,500,000	27,500,000
Brazos County Health Facilities Development Corporation Franciscan Services Corporation Obligated Group Revenue Bonds, Series 2008 (St. Joseph Regional Health Center of Bryan, Texas)	27,545,000	28,090,000
Brazos County Health Facilities Development Corporation Burluson St. Joseph Manor Revenue Bonds, Series 2009	6,825,000	7,140,000
Note payable to financial institution, interest payable quarterly, annual interest of 3.25%, collateralized by certain property	1,800,000	—
Notes payable to financial institutions, payable monthly, annual interest of 3.75%, collateralized by certain property	1,978,492	2,437,523
Charitable gift annuity liability	128,512	150,450
	143,596,204	143,942,773
Less current maturities	6,298,970	2,175,534
Less discounts on bonds	754,132	829,599
Long-term debt, less current portion	\$ 136,543,102	\$ 140,937,640

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

6. Long-Term Debt (continued)

The Hospital, SJM, SJPA (effective June 30, 2012), and the corporate office of Sylvania Franciscan Health are members of the Sylvania Franciscan Health Obligated Group (the Obligated Group), which has adopted a common plan of financing under a master trust indenture.

The Obligated Group has issued several series revenue bonds through Brazos County Health Facilities Development Corporation in connection with various financing and construction projects. Under a master trust indenture, each member of the Obligated Group is jointly and severally liable for payment of Series 1993B, 1997A, 1997B, 2002, and 2008 Bonds as a result of each having pledged to meet the principal and interest on each note for so long as any bonds are outstanding. In addition, the Obligated Group has agreed to certain operational and financial restrictions to limit additional indebtedness and guarantees, maintain specific financial ratios, and fulfill sinking fund requirements in various trustee accounts, among other covenants, of which they are in compliance. The total amount of Obligated Group bonds outstanding at December 31, 2013 and 2012, is \$132,864,200 and \$134,214,800, respectively. Additionally, the Obligated Group has guaranteed the debt of certain affiliates. The total amount of debt outstanding at December 31, 2013 and 2012, guaranteed by the Obligated Group, is \$61,640,000 and \$51,377,000, respectively.

The Series 1993B Bonds consist of term bonds that mature in varying amounts through January 1, 2019, with annual interest ranging from 4.875% to 6% payable semiannually. Bonds outstanding may be redeemed at par.

The Series 1997A Bonds consist of term bonds that mature in varying amounts annually through January 1, 2028, and bear annual interest ranging from 4.30% to 5.37%, payable semiannually. Outstanding bonds maturing on or after January 1, 2017, are subject to optional redemption equal to the principal plus accrued interest, if any, to the redemption date.

The Series 1997B Bonds consist of term bonds that mature in varying amounts annually through January 1, 2028, and bear annual interest at 5.37%, payable semiannually. Outstanding bonds maturing on or after January 1, 2022, are subject to optional redemption equal to the principal plus accrued interest.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

6. Long-Term Debt (continued)

The Series 2002 Bonds consist of term bonds that mature in varying amounts annually beginning January 1, 2029 through January 1, 2032, and bear annual interest at 5.38% payable semiannually. Bonds outstanding on or after January 1, 2014, may be redeemed at par plus accrued interest.

The Series 2008 Bonds consist of term bonds that mature in varying amounts annually through January 1, 2038, and bear annual interest at a fixed rate ranging from 4.00% to 5.50%.

In conjunction with a refinancing, BSJM issued the Series 2009 Bonds, which mature on July 1, 2029. The Series 2009 Bonds were issued pursuant to a trust indenture between the Brazos County Health Facilities Development Corporation, as issuer, and Wells Fargo Bank, N.A. (Wells Fargo), as trustee. The proceeds from the sale of the Series 2009 Bonds were borrowed by BSJM, pursuant to a loan agreement with the issuer under which BSJM agrees to make payments sufficient to pay the principal and interest as they become due. The Hospital is named as a guarantor pursuant to the loan agreement. The Series 2009 Bonds are supported by a letter of credit issued by Wells Fargo. The letter of credit expires on February 26, 2015. As of December 31, 2013, there have been no draws on the letter of credit. The interest rate for the 2009 Bonds, which is determined weekly, averaged approximately .20% for 2013, and was .16% at December 31, 2013. BSJM may select other interest rate modes for the 2009 Bonds, subject to certain limitations. Outstanding bonds are subject to optional redemption at a price equal to par plus accrued interest to the date of redemption.

Bellville has a note payable to a financial institution, interest payable quarterly and bearing annual interest at 3.25%, collateralized by certain property that matures on January 23, 2014.

The System has four notes payable to financial institutions, payable monthly and bearing annual interest at 3.75%, collateralized by certain property with varying maturity dates from September 2015 to September 2024.

In 2002, the Hospital received an office building and land valued at \$400,000 in exchange for an annuity with monthly payments of \$2,376 through 2018, bearing annual interest at 4.6%.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

6. Long-Term Debt (continued)

The following is a schedule of future minimum payments at December 31, 2013, by year and in the aggregate, under long-term debt agreements:

2014	\$ 6,298,970
2015	4,363,854
2016	4,538,511
2017	4,434,008
2018	4,182,462
Thereafter	<u>119,778,399</u>
Total	<u>\$ 143,596,204</u>

7. Other Financial Instruments and Obligations

The System has an interest rate swap program that utilizes swap transactions to improve the Hospital's capital structure, potentially including net interest cost reduction, hedging, cash flow performance, enhancement of fixed income, and other direct and indirect benefits.

Effective February 3, 2004, the Hospital and Merrill Lynch Capital Services, Inc. (MLCS) entered into a basis swap agreement (the 2004 Swap). The 2004 Swap provides that the Hospital will receive from MLCS a variable amount of interest at a rate of 76.75% of the London Interbank Offered Rate (LIBOR) and pay to MLCS a variable rate of interest based on the SIFMA index on the notional amount of \$13,750,000.

Effective August 30, 2005, the Hospital and MLCS entered into a total return swap agreement (the 2005 Swap). The 2005 Swap provides that the Hospital will receive from MLCS a fixed amount of interest of 5.0% and pay to MLCS a variable rate of interest based upon the SIFMA index on the initial notional amount of \$16,555,000. These notional amounts decline each year by the same amount as the amortization of the Series 1993B Bonds.

Effective August 16, 2007, the Hospital and MLCS entered into five total return swaps and one fixed-payor swap (the 2007 Swaps) related to the outstanding 1997A and 1997B Bonds. The five total return swaps provide that the Hospital will receive from MLCS a fixed amount of interest of 4.945% on a notional amount of \$57,957,000 and 4.375% on a notional amount of \$3,090,000, and pay to MLCS a variable rate of interest based upon the SIFMA Index on each notional amount. The fixed payor swap provides that the Hospital will receive from MLCS a variable rate

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

7. Other Financial Instruments and Obligations (continued)

of interest of 67% of three-month LIBOR and pay to MLCS a fixed rate of interest of 3.864% on the notional amount of \$48,090,000. The value of the 2007 Swaps and related income activity is allocated between the Hospital and SJM based on the percentage of the 1997A and 1997B Bonds held.

Effective March 12, 2008, the Hospital and MLCS entered into a fixed spread basis swap related to the outstanding 2008 Bonds (the 2008 Swap). The 2008 Swap provides that the Hospital will receive from MLCS a variable rate of interest based upon 67% of one-month LIBOR plus 0.42%, and pay to MLCS a variable rate of interest based upon the SIFMA index on the initial notional amount of \$30,000,000.

Effective September 21, 2009, BSJM and Wells Fargo entered into a fixed-payor swap related to the outstanding 2009 Bonds (the 2009 Swap). The 2009 Swap provides that BSJM will receive from Wells Fargo a variable rate of interest based upon the SIFMA index and pay to Wells Fargo a fixed annual rate of interest of 2.427% on the initial notional amount of \$8,025,000. The notional amount of the swap is reduced each year consistent with the principal payments made on the 2009 Bonds, and the notional amount at December 31, 2013, is \$6,825,000.

Interest rate swap contracts between the System and the swap counterparties expose the System to market risk and credit risk. Credit risk is the risk that contractual obligations of the counterparty will not be fulfilled. Counterparty credit risk is managed by requiring high credit standards for the System's counterparty. The counterparty to these contracts is a financial institution that carries investment-grade credit ratings. The interest rate swap contracts contain certain collateral provisions applicable to both parties to mitigate credit risk. The System has complied with these provisions as required. The System was not required to post collateral at December 31, 2013 and 2012. The System may be required to post additional collateral to secure obligations that would be owed to the counterparty under the agreements if terminated, regardless of whether the agreements are actually terminated. The System does not anticipate nonperformance by its counterparty. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degrees of market risk that may be undertaken. Management also mitigates risk through periodic reviews of its derivative positions in the context of its blended cost of capital.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

7. Other Financial Instruments and Obligations (continued)

The following table summarizes the fair value of the System's interest rate swaps at December 31:

Description	Termination Date	Notional Amount	Asset (Liability) Fair Value at December 31	
			2013	2012
Variable basis – 2004				
Swap	Feb 2014	\$ 13,750,000	\$ 1,259	\$ 923
Total return – 2007 Swaps	Oct 2014	3,090,000	(91,955)	(107,181)
Total return – 2007 Swaps	Feb 2018	13,985,000	(416,842)	(410,418)
Total return – 2007 Swaps	Feb 2022	30,077,000	(896,486)	(882,671)
Total return – 2007 Swaps	May 2018	3,870,000	(115,351)	(113,573)
Total return – 2007 Swaps	Feb 2022	10,025,000	(298,809)	(294,205)
Fixed payer – 2007 Swaps	Jan 2028	48,090,000	(7,141,612)	(11,249,908)
Fixed payer – 2009 Swap	Sep 2014	6,825,000	(102,307)	(250,135)
Fixed spread basis –				
2008 Swap	Mar 2028	30,000,000	(598,071)	16,418
Total return– 2005 Swap	Aug 2015	16,555,000	–	–
			\$ 176,267,000	\$ (9,660,174)
			\$ (13,290,750)	\$ (13,290,750)

At December 31, 2013 and 2012, the market value of all the interest rate swap agreements was a net liability of \$9,660,174 and \$13,290,750, respectively, which is included in other long-term liabilities in the accompanying consolidated financial statements. The change in the value of the interest rate swap agreements as of December 31, 2013 and 2012, was an unrealized gain of \$3,630,576 and unrealized loss of \$23,085, respectively. The activity related to the interest rate swap agreements as of December 31, 2013 and 2012, was a net gain of \$2,367,692 and \$1,878,195, respectively. These amounts are included as a component of nonoperating gains (losses) in the accompanying consolidated financial statements.

8. Fair Value Measurements

The System discloses information about its financial assets and liabilities using a fair value hierarchy that is intended to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy is based on inputs to valuation techniques that

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

8. Fair Value Measurements (continued)

are used to measure fair value, and that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources, while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions. The fair value hierarchy consists of the following three levels:

Level 1 – Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities that are not active, inputs other than quoted prices that are observable, and market-corroborated inputs that are derived principally from, or corroborated by, observable market data.

Level 3 – Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The following table represents the System's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2013, and the basis for that measurement:

	Total Fair Value Measurement at December 31, 2013	Fair Value Measurement at December 31, 2013, Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Master Investment Pool holdings				
Money market pooled asset	\$ 792,805	\$ –	\$ 792,805	\$ –
Domestic equity pooled asset	65,476,002	–	65,476,002	–
International equity pooled asset	37,087,434	–	37,087,434	–
Fixed income pooled asset	65,818,031	–	65,818,031	–
Alternative investment pooled asset	9,416,060	–	9,416,060	–
Cash equivalents	17,111,186	17,111,186	–	–
U S government securities	1,424,195	–	1,424,195	–
Corporate debt securities	599,253	–	599,253	–
	<u>\$ 197,724,966</u>	<u>\$ 17,111,186</u>	<u>\$ 180,613,780</u>	<u>\$ –</u>
Interest rate swaps	\$ (9,660,174)	\$ –	\$ (9,660,174)	\$ –

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

8. Fair Value Measurements (continued)

	Total Fair Value Measurement at December 31, 2012	Fair Value Measurement at December 31, 2012, Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Master Investment Pool holdings				
Cash equivalents	\$ 65,697	\$ 65,697	\$ -	\$ -
Domestic equity securities	650,682	650,682	-	-
Money market pooled asset	7,875,354	-	7,875,354	-
Domestic equity pooled asset	31,529,138	-	31,529,138	-
International equity pooled asset	7,943,536	-	7,943,536	-
Fixed income pooled asset	110,515,482	-	110,515,482	-
Cash equivalents	5,905,373	5,905,373	-	-
U S government securities	1,431,524	-	1,431,524	-
Mortgage-backed securities	9,091,973	-	9,091,973	-
Corporate debt securities	583,009	-	583,009	-
	<u>\$ 175,591,768</u>	<u>\$ 6,621,752</u>	<u>\$ 168,970,016</u>	<u>\$ -</u>
Interest rate swaps	\$ (13,290,751)	\$ -	\$ (13,290,751)	\$ -

The valuation methodologies used for instruments measured at fair value as presented in the table above are as follows:

Investments

Investments valued at quoted prices available in an active market are classified within Level 1 of the valuation hierarchy. Investments valued based on evaluated bid prices provided by third-party pricing services, for which quoted market prices are not available, and investments valued based on net asset value provided by the custodian of the Master Investment Pool are both classified within Level 2 of the valuation hierarchy. The net asset value is based on the value of the underlying assets owned by the fund.

Interest Rate Swap Agreements

The fair values of interest rate swap agreements are determined based on the present value of expected future cash flows using discount rates appropriate with the risks involved and are classified within Level 2 of the valuation hierarchy.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

8. Fair Value Measurements (continued)

Debt

The estimated fair value of the System's outstanding revenue bonds is \$141,352,792 and \$144,162,689 at December 31, 2013 and 2012, respectively, based on broker quoted market prices. For all other debt the carrying value approximates fair value at December 31, 2013 and 2012.

9. Commitments and Contingencies

The System is involved in litigation arising in the course of business. In the opinion of management, the liability, if any, arising from such litigation is adequately covered by the Program or other insurance as mentioned in Note 1, and is not expected to have a material adverse effect on the System's consolidated financial position.

The System has guaranteed the debt of certain affiliates as disclosed in Note 6. The System may be required to post additional collateral to secure obligations that would be owed to the counterparty under the interest rate swap agreements, as discussed in Note 7.

On October 5, 1995, Burleson executed an operating lease agreement with Burleson County Hospital District to lease substantially all of the property, plant, and equipment of the acute care facility located in Caldwell, Texas, for five years, with three renewal terms of five years each. Effective October 1, 2005, the Hospital executed a second lease renewal that extended the lease for eight years, with one renewal option for an additional period of eight years. Effective October 1, 2013, the Hospital executed a new lease for five years, with three renewal options of five years each.

On March 17, 1996, the Hospital executed an operating lease agreement with Grimes County to lease substantially all the plant, property, and equipment of the acute care facility located in Navasota, Texas, for seven years, with two renewal terms of seven years each. The lease was renewed for a seven-year term effective September 17, 2010.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

9. Commitments and Contingencies (continued)

The following is a schedule of future minimum payments at December 31, 2013, by year and in the aggregate, under noncancelable operating leases and medical agreements:

2014	\$ 19,714,714
2015	11,434,933
2016	6,780,001
2017	6,355,794
2018	5,727,900
Total	<u>\$ 50,013,342</u>

Expense for operating leases and medical agreements for the years ended December 31, 2013 and 2012, was \$24,585,048 and \$19,550,720, respectively.

10. Retirement Plans

Defined Benefit Plan

The System participates with other affiliated organizations in the Sisters of St. Francis Lay Employees' Retirement Plan (the Sisters' Plan), which is a noncontributory defined benefit retirement plan covering eligible lay employees. The Sisters' Plan provides for retirement and disability retirement benefits based on years of service and an employee's highest consecutive three-year average earnings. In addition, the Sisters and the System intend, but do not guarantee, to continue to make annual contributions to the fund in an amount equal to a percentage of projected covered compensation. Effective December 31, 2013, the Sisters' Plan was frozen and all pension plan benefits earned through that date were immediately vested for all participants who were actively employed with the System on December 31, 2013. The defined benefit plan will be replaced with a defined contribution pension plan as of January 1, 2014.

The Sisters' Plan is accounted for as a multiemployer pension plan. Accordingly, the System records its required contributions to the Sisters' Plan as net periodic pension expense. Participating employers will continue to contribute an amount equal to a percentage of projected covered compensation.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

10. Retirement Plans (continued)

The System recognized net periodic pension expense of \$7,644,412 and \$7,352,211 for the years ended December 31, 2013 and 2012, respectively, based on amounts funded to the Sisters' Plan. The projected and accumulated benefit obligation exceeded the fair value of plan assets by approximately \$84,700,000 and \$58,200,000, respectively, at December 31, 2013, using a weighted-average discount rate of 4.95%, an expected long-term rate of return on plan assets of 8.0%, and an expected rate of compensation increase of 3.5%.

Defined Contribution Plan

The Hospital employees are eligible to participant in a defined contribution employee benefit plan. All employees of the Hospital are eligible to participate upon the date of employment. The System may elect to make discretionary matching contributions of \$.50 for every \$1.00 of an employee's elective deferrals, up to 2% of an employee's compensation. Employees become 100% vested in the employer's contribution after three years of service. The System contributed approximately \$841,730 and \$681,091 during the years ended December 31, 2013 and 2012, respectively. Effective January 1, 2014, the System will provide employees with an employer basic contribution equal to 1% of compensation, plus a matching contribution equal to 50% of the first 6% that employees contribute, resulting in a maximum matching contribution of 3% of compensation. Employees will become 100% vested in the 1% basic contribution after three years of service and are immediately vested in the matching contribution.

11. Transactions With Affiliates

The System paid Sylvania Franciscan Health approximately \$4,440,543 and \$3,589,971 for various expenses during 2013 and 2012, respectively. Additionally, under the Program (see Note 1), the System paid premiums of \$2,750,909 and \$0 to the Program for professional and general liability insurance coverage during 2013 and 2012, respectively. The System has recorded a receivable from Sylvania Franciscan Health at December 31, 2013 and 2012, of \$617,081 and \$968,640, respectively, which was included in due from affiliates in the accompanying consolidated financial statements. This receivable represented a refund of premiums paid and was recorded as a reduction of premium expense in 2011.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

12. Functional Expenses

The System and its subsidiaries provide general health care services to residents within their geographic locations. Expenses related to providing these services at December 31 are as follows:

	<u>2013</u>	<u>2012</u>
Fundraising	\$ 83,917	\$ 145,040
Grants	239,537	137,220
General and administrative	137,072,341	131,458,860
Health care	<u>211,722,706</u>	<u>200,582,552</u>
	<u>\$349,118,501</u>	<u>\$332,323,672</u>

13. Subsequent Events

The System evaluates subsequent events, which are events that occur after the balance sheet date but before the financial statements are issued, for potential recognition in the financial statements as of the balance sheet date. For the year ended December 31, 2013, the System evaluated the impact of subsequent events through April 28, 2014, representing the date on which the financial statements were available to be issued. Certain non-recognized subsequent events were identified for disclosure in Note 10 in the accompanying notes to the consolidated financial statements.

Supplementary Information

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Consolidating Balance Sheet

December 31, 2013

	St. Joseph Services Corporation (dba St. Joseph Health System)	Alliance Health Promoters of Brazos Valley, Inc.	Consolidation and Eliminations	St. Joseph Services Corporation (dba St. Joseph Health System)	St. Joseph Regional Center of Bryan, Texas	Madison St. Joseph Health Center	Bartlesville St. Joseph Health Center	Hospitals' Subtotal	St. Joseph Foundation of Bryan, Texas	St. Joseph Regional Health Partners	St. Joseph Physicians Associates	Bartlesville St. Joseph Manor	St. Joseph Manor	Consolidation and Eliminations	Consolidated St. Joseph Services Corporation (dba St. Joseph Health System)
Assets															
Current assets															
Cash and cash equivalents	\$ -	\$ 221,816	\$ -	\$ 223,816	\$ 10,686,998	\$ 484,595	\$ 284,519	\$ 11,549,563	\$ 707,907	\$ -	\$ -	\$ 31,707	\$ 66,388	\$ -	\$ 12,877,255
Accounts receivable	-	-	-	-	56,929,424	1,148,816	1,530,080	60,610,910	-	-	1,555,636	368,497	1,463,907	-	63,998,050
Patient and third-party payors net	-	-	-	2,315	-	-	-	-	-	-	-	-	-	-	2,315
Trade net	-	2,315	-	-	-	-	-	-	-	-	-	-	-	-	368,894
Pledges net	-	-	-	-	7,281,661	676,212	417,854	10,521,170	368,894	-	-	-	-	-	10,566,258
Other receivables	-	-	-	-	1,216,529	44,276	39,715	1,317,213	-	-	-	45,088	27,236	-	1,385,770
Due from affiliate	-	-	-	-	5,305,554	130,966	81,968	5,794,445	-	-	-	20,921	27,236	-	5,794,445
Supplies	-	-	-	-	1,846,593	13,542	28,153	1,944,108	63,696	-	980,913	9,764	8,740	-	3,328,884
Prepaid expenses and other assets	104,126	17,517	-	121,663	6,918,710	2,498,407	2,379,287	98,676,119	1,140,497	-	2,832,424	373,828	1,983,887	-	7,292,138
Current portion of assets limited as to use	304,126	243,688	-	547,814	90,183,469	2,498,407	2,379,287	98,676,119	1,140,497	-	2,832,424	432,889	1,983,887	-	105,611,629
Total current assets	-	-	-	-	5,528,168	196,491	161,536	5,945,056	445,180	-	-	93,106	120,411	-	6,158,571
Pledges receivable net of current portion	-	-	-	-	777,877	684,945	38,117	802,199	171,643	-	1,100	41,865	125,815	(1,621,201)	178,590,366
Due from affiliate	175,224	305,487	(1,092)	479,619	177,862,188	-	-	177,862,188	728,178	-	-	-	-	-	-
Receivable from related parties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets whose use is limited net of current portion	-	-	-	-	10,296,313	-	-	10,296,313	-	-	-	-	1,546,149	-	11,842,462
Property, plant and equipment net	17,751	-	-	17,751	160,130,134	1,455,162	1,197,923	164,930,525	15,886	-	-	4,345,794	8,355,092	-	177,685,048
Other assets	-	-	-	-	2,370,475	-	-	2,370,475	-	-	-	374,531	252,645	-	2,997,651
Deferred costs net	501,059	-	(501,059)	-	-	-	-	-	-	-	-	-	-	-	-
Investment in subsidiaries	-	-	-	-	1,420,011	68,032	153,256	1,641,399	-	-	1,629	20,366	20,827	(1,684,221)	-
Beneficial interest in the assets of the Foundation	-	-	-	-	189,701	-	-	189,701	-	-	-	155,001	-	-	-
Other	-	-	-	-	3,980,187	68,032	153,256	4,201,575	-	-	1,629	549,898	273,472	(1,684,221)	344,702
Total assets	\$ 1,018,160	\$ 549,175	\$ (502,151)	\$ 1,065,184	\$ 447,958,336	\$ 4,903,037	\$ 3,930,319	\$ 462,712,915	\$ 2,501,184	\$ -	\$ 2,835,153	\$ 5,463,572	\$ 12,404,826	\$ (3,305,422)	\$ 481,677,631

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Consolidating Balance Sheet (continued)

Year Ended December 31, 2013

	St. Joseph Services Corporation (dba St. Joseph Health System)	Alliance Health Providers of Bryan, Inc.	Consolidation Eliminations	St. Joseph Health System and Subsidiaries	St. Joseph Health System of Bryan, Texas	Mediana St. Joseph Health Center	Berlesea St. Joseph Health Center	Bethville St. Joseph Health Center	Hospital of Subtotal	St. Joseph Foundation of Bryan, Texas	St. Joseph Regional Health Partners	St. Joseph Physicians Associates	Berlesea St. Joseph Manor	St. Joseph Manor	Consolidation Eliminations	Consolidated St. Joseph Services Corporation (dba St. Joseph Health System)
Liabilities and net assets																
Current liabilities																
Accounts payable and accrued expenses	\$ 477,170	\$ 47,026	\$ -	\$ 524,196	\$ 20,097,011	\$ 205,615	\$ 166,883	\$ 283,128	\$ 20,755,637	\$ 673	\$ 59,028	\$ 729,516	\$ 51,258	\$ 184,290	\$ -	\$ 22,303,618
Payroll and related accruals	577,193	-	-	577,193	9,750,024	235,784	165,198	278,173	10,429,179	-	10,125	138,403	92,138	109,623	-	11,557,061
Due to affiliates	131,878	-	-	131,878	84,064	-	1,041,852	1,125,916	-	-	-	-	-	-	-	1,259,794
Accrued interest	-	-	-	-	3,228,710	-	-	10,919	3,239,649	-	-	-	30,241	373,428	-	1,643,318
Payable to Health Insurance Programs	-	-	-	-	4,879,275	-	434,653	222,293	5,536,221	-	-	-	(2,116)	-	-	5,514,105
Current maturities of long-term debt	-	-	-	-	4,173,970	-	1,800,000	5,973,970	-	-	-	-	325,000	-	-	6,298,970
Current portion of insurance claims reserves	-	-	-	-	1,216,531	44,277	15,693	19,715	1,317,216	-	-	-	20,921	27,236	-	1,385,373
Total current liabilities	1,188,241	47,026	-	1,235,267	43,429,585	485,676	807,427	2,614,448	47,353,136	673	69,153	1,067,919	519,642	694,577	-	51,982,239
Payable to related party	77,877	1,092	(1,092)	77,877	1,348,288	11,948	94,676	1,436	1,458,118	2,401	-	-	29,307	53,298	(1,621,201)	-
Due to affiliates	-	-	-	-	4,866,119	177,105	146,776	158,861	5,348,861	-	-	-	83,684	108,947	-	5,541,492
Long-term debt less current portion	-	-	-	-	116,297,062	-	-	-	116,297,062	-	-	-	6,590,000	17,746,040	-	136,543,102
Derivative liability	-	-	-	-	7,496,824	-	-	-	7,496,824	-	-	-	102,307	2,061,043	-	9,660,174
Other long-term liabilities	-	-	-	-	1,634,972	292,196	-	-	1,927,168	-	-	-	-	595,058	-	2,522,226
Shareholders equity (deficit)	-	143	(143)	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock	-	715,177	(715,177)	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional contributed capital	-	(214,463)	214,463	-	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings (deficit)	-	301,057	(301,057)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders equity (deficit)	-	301,057	(301,057)	-	-	-	-	-	-	-	-	-	-	-	-	-
Net assets																
Unrestricted	(247,958)	-	(1)	(247,961)	270,969,173	1,866,070	2,719,224	2,084,526	279,651,993	890	(69,153)	1,765,585	(1,791,734)	(4,874,964)	-	274,434,656
Temporarily restricted	-	-	-	-	1,916,313	68,032	153,256	100	2,137,701	2,497,420	1,629	1,629	20,766	20,827	(1,684,231)	2,993,222
Total net assets	(247,958)	-	(1)	(247,961)	272,885,486	3,934,102	2,872,480	2,084,626	281,789,694	2,498,310	(69,153)	1,767,214	(1,771,368)	(4,854,137)	(1,684,231)	277,438,778
Total liabilities and net assets	\$ 1,018,160	\$ 549,175	\$ (502,151)	\$ 1,065,184	\$ 44,728,136	\$ 4,903,077	\$ 3,910,319	\$ 5,921,231	\$ 462,712,915	\$ 2,501,344	\$ (69,153)	\$ 2,835,153	\$ 3,463,272	\$ 12,404,826	\$ (1,305,422)	\$ 483,677,111

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Consolidating Statement of Operations and Changes in Net Assets
Year Ended December 31, 2013

	St. Joseph Services Corporation (dba St. Joseph Health System) and Non-Profit Subsidiaries	Alliander Health Providers of Brescia Valley, LLC	Consolidation and Eliminations	St. Joseph Corporation (dba St. Joseph Health System)	St. Joseph Regional Health Center of Brescia, Texas	St. Joseph Health Center	Beth-El St. Joseph Health Center	Hemphill Memorial Hospital	St. Joseph Foundation of Brescia, Texas	St. Joseph Regional Health Partners	St. Joseph Physicians Associates	Bureau St. Joseph (dba)	St. Joseph Manor	Consolidation and Eliminations	Consolidated St. Joseph Services Corporation (dba St. Joseph Health System)
Unrestricted revenue gains and other support															
Gross patient service revenue	\$ 12,772,940	\$ 279,067	\$ (67,304)	\$ 12,984,611	\$ 9,014,484	\$ 661,100	\$ 1,545,512	\$ 11,687,086	\$ 598,988	\$ 598,988	\$ 59,415	\$ 15,919	\$ 1,561,616	\$ (160,715)	\$ 1,561,616
Deductions: patient service revenues															
Allowances and contractual adjustments															
Charity Care															
Total deductions															
Net patient service revenue (net of CA and discounts)	\$ 12,772,940	\$ 279,067	\$ (67,304)	\$ 12,984,611	\$ 9,014,484	\$ 661,100	\$ 1,545,512	\$ 11,687,086	\$ 598,988	\$ 598,988	\$ 59,415	\$ 15,919	\$ 1,561,616	\$ (160,715)	\$ 1,561,616
Provision for bad debts															
Net patient service revenue less provision for bad debts	\$ 12,772,940	\$ 279,067	\$ (67,304)	\$ 12,984,611	\$ 9,014,484	\$ 661,100	\$ 1,545,512	\$ 11,687,086	\$ 598,988	\$ 598,988	\$ 59,415	\$ 15,919	\$ 1,561,616	\$ (160,715)	\$ 1,561,616
Expenses:															
Salaries and wages	4,057,864	17,580		4,075,444	97,961,471	4,803,484	4,178,557	110,010,103	306,130	270,556	27,743,542	2,596,547	2,288,463	30,080	148,220,784
Contract labor	1,068,661			1,068,661	3,084,287	72,321	723,375	1,880,751	17,208	67,175	2,596,547	266	266		5,054,203
Employee benefits	731,272	942		732,214	27,605,892	1,359,631	1,328,393	30,771,019	38,970	49,570	2,640,910	704,321	905,754	(24,485)	35,818,231
Professional fees	122,561			122,561	19,925,840	1,023,251	4,222,214	22,419,894			50,533	18,870	15,237	(9,891,720)	12,735,275
Supplies	2,510			2,510	43,884,562	458,771	312,604	678,867			559,776	341,109	210,781	(47,106)	8,201,864
Travel	2,657,697	148,807		2,806,504	6,848,141	446,756	6,848,141	13,492,727			1,840,148	405,322	2,542,437	(105,578)	36,517,786
Professional services	1,807,094	8,509		1,815,603	26,335,977	848,756	829,426	38,402,747			1,840,148	405,322	2,542,437	(105,578)	36,517,786
Utilities and other					19,280,233	402,269	809,957	22,852,510			3,414,081	301,920	577,244	(401,023)	29,715,887
Provision for bad debts					17,154,671	216,973	117,273	17,906,775	12,108	12,108	38,103	222,070	272,381		19,350,856
Depreciation and amortization	5,089			5,089	6,496,143		62,449	6,496,592	1,106		843,823	212,406	781,057		7,243,535
Insurance	10,977	16,089		26,066	2,528,638		87,067	2,793,281	520		777,555	87,404	761,539		3,637,496
Interest	2,279,355	7,512		2,286,867	10,763,417	330,961	57,118	11,653,914	24,748		740,823	36,108	781,684	(12,765,457)	1,637,496
Grants					1,602,147		439,748	2,041,895	439,748		129,128	226,144			2,206,968
Fundraising							83,917		83,917						230,537
Total operating expenses	\$ 12,772,940	\$ 236,259	\$ (67,304)	\$ 12,941,905	\$ 275,721,067	\$ 10,063,043	\$ 9,150,880	\$ 9,107,775	\$ 30,942,765	\$ 1,24,640	\$ 829,763	\$ 4,353,506	\$ 9,381,259	\$ (23,415,511)	\$ 349,118,301
Income (loss) from operations		2,708		2,708	17,748,120	1,825,626	649,771	2,298,410	(525,612)	(829,763)	(8,279,981)	(147,719)	71,388		11,812,846
Nonrecurring gains (losses)															
Investment income															
Net realized gain on investments															
Net unrealized gain/loss on investments															
Gain under interest rate swap agreements															
Chain under interest rate swap agreements															
Royalty income															
Unrealized gain/loss on investments															
Other															
Gain on disposal of assets															
Equity in gain/loss of subsidiaries															
Total nonrecurring gains (losses) net	\$ 2,707	\$ 2,708	\$ (2,708)	\$ (1)	\$ 25,972,093	\$ 608	\$ 69	\$ 24,984,531	\$ 91,214	\$ (829,763)	\$ (3,089)	\$ (14,078)	\$ 1,418,875	\$ (4,624)	\$ 26,477,452
Revenues in excess (deficit) of expenses	\$ 2,707	\$ 2,708	\$ (2,708)	\$ (1)	\$ 47,720,111	\$ 1,826,234	\$ 649,840	\$ 23,073,017	\$ (434,398)	\$ (829,763)	\$ (8,279,981)	\$ (16,797)	\$ 1,499,262	\$ (4,624)	\$ 38,290,296

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Consolidating Balance Sheet

December 31, 2012

	St. Joseph Services Corporation (dba St. Joseph Health System)	Alliance Health Providers of Brazos Valley, Inc.	Tan Enterprises, Inc.	Consolidation and Eliminations	St. Joseph Services Corporation (dba St. Joseph Health System) Subsidiaries	St. Joseph Regional Health Center of Bryan, Texas	Madison St. Joseph Health Center	Burleson St. Joseph Health Center	Hospital Subtotal	St. Joseph Foundation of Bryan, Texas	St. Joseph Health Partners	St. Joseph Physicians Associates	Burleson St. Joseph Manor	St. Joseph Manor	Consolidation and Eliminations	Consolidated St. Joseph Services Corporation (dba St. Joseph Health System)
Assets																
Current assets																
Cash	\$ -	\$ 105,736	\$ -	\$ -	\$ 105,736	\$ 5,224,650	\$ 188,438	\$ 75,946	\$ 5,489,074	\$ 62,672	\$ -	\$ 295,076	\$ 49,164	\$ 47,587	\$ -	\$ 6,613,718
Accounts receivable	-	-	-	-	-	45,922,163	1,619,183	1,211,473	48,222,819	-	-	3,489,785	297,175	803,132	-	52,813,111
Patient and third-party payors, net	-	-	-	-	-	3,771,866	-	-	3,771,866	449,912	-	-	-	45,088	-	449,912
Pledges, net	-	-	-	-	107	2,343,882	47,434	36,116	2,427,432	-	-	-	2,118	45,088	-	1,819,179
Other receivables	-	-	-	-	-	6,343,126	155,928	110,441	6,609,495	-	-	-	23,054	28,051	-	2,478,537
Due from affiliates	-	-	-	-	-	1,949,382	12,528	188,519	2,150,429	59,920	80,872	619,577	21,404	21,169	-	6,609,495
Supplies	285,944	9,833	-	-	295,777	4,596,685	-	-	4,596,685	-	-	-	1,440	373,428	-	1,249,148
Prepaid expenses and other assets	-	-	-	-	-	69,621,754	2,023,511	1,622,495	73,267,760	1,136,553	80,872	4,404,438	394,355	1,318,655	-	81,064,253
Current portion of assets limited as to use	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current assets	285,944	115,676	-	-	401,620	69,621,754	2,023,511	1,622,495	73,267,760	1,136,553	80,872	4,404,438	394,355	1,318,655	-	81,064,253
Pledges receivable, net of current position	-	-	-	-	-	5,900,967	189,778	144,462	5,832,167	479,149	-	-	92,216	112,202	-	479,149
Due from affiliates	895,215	460,669	-	(2,060)	1,553,824	-	199,872	249,469	1,579,341	131,518	-	167	-	-	(1,914,850)	6,039,385
Receivables from related parties	-	-	-	-	-	157,949,336	-	-	157,949,336	630,553	-	-	-	-	-	158,579,889
Investments	-	-	-	-	-	10,494,570	-	-	10,494,570	-	-	4,812,454	4,493,530	8,640,457	-	12,040,326
Assets whose use is limited, net of current portion	33,805	-	-	-	33,805	163,847,389	998,180	950,977	165,796,546	16,992	-	-	998,694	270,693	-	181,793,784
Property, plant, and equipment, net	-	-	-	-	-	2,369,677	-	-	2,369,677	-	-	-	-	-	-	3,039,162
Other assets	498,352	-	-	(498,352)	-	1,300,621	79,322	152,316	1,532,259	-	-	1,177	23,635	20,787	(1,577,058)	447,332
Investment in subsidiaries	-	-	-	-	-	282,311	-	-	282,311	-	-	-	164,903	164,903	-	447,216
Beneficial interest in the assets of the Foundation	-	-	-	-	-	3,652,639	79,322	152,316	4,184,267	-	-	1,177	23,635	20,787	(1,577,058)	3,486,338
Other	498,352	-	-	(498,352)	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 1,713,516	\$ 576,345	\$ -	\$ (300,412)	\$ 1,789,249	\$ 411,566,645	\$ 3,490,621	\$ 3,139,719	\$ 417,976,987	\$ 2,394,765	\$ 80,872	\$ 9,218,416	\$ 5,566,431	\$ 11,908,548	\$ (3,511,908)	\$ 445,423,380

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Consolidating Balance Sheet (continued)

	St. Joseph Services Corporation (dba St. Joseph Health System)	Alliance Health Providers of Brazos Valley, Inc.	Tan Enterprises, Inc.	Consolidation and Eliminations	St. Joseph Health and For-Profit Subsidiaries	St. Joseph Regional Center of Health, Bryson, Texas	Mediana St. Joseph Health Center	Baytown Health Center	Hospitals' Subtotal	St. Joseph Foundation of Bryson, Texas	St. Joseph Health Partners	St. Joseph Physician Associates	Baytown St. Joseph Manor	St. Joseph Manor	Consolidation and Eliminations	Consolidated St. Joseph Services Corporation (dba St. Joseph Health System)
Liabilities and net assets																
Current liabilities																
Accounts payable and accrued expenses	\$ 940,752	\$ 75,917	\$ -	\$ -	\$ 1,066,685	\$ 16,161,576	\$ 173,808	\$ 191,029	\$ 16,528,413	\$ -	\$ -	\$ 829,489	\$ 186,582	\$ 78,543	\$ -	\$ 18,691,703
Payroll and related accruals	697,903	-	-	-	697,903	8,705,328	198,215	132,711	9,016,276	-	2,590	371,293	82,376	91,368	-	10,281,806
Due to affiliates	109,174	-	-	-	109,174	260,538	-	-	260,538	-	-	-	-	-	-	169,912
Accrued interest	-	-	-	-	-	1,261,685	-	-	3,261,685	-	-	-	31,694	373,428	-	1,666,807
Payable to Health Insurance Programs	-	-	-	-	-	7,117,142	409,651	299,599	7,846,192	-	-	-	(1,686)	-	-	7,844,706
Current portion of insurance claims reserves	-	-	-	-	-	1,375,242	47,434	36,116	1,458,792	-	-	-	23,054	28,051	-	1,509,897
Current maturities of long-term debt	1,798,029	75,917	-	-	1,873,946	38,762,045	829,108	661,477	1,860,574	-	2,590	1,200,773	315,000	571,390	-	2,175,514
Total current liabilities																
Other long-term liabilities	-	-	-	-	-	853,141	275,657	-	1,128,998	-	-	-	-	1,111,675	-	2,240,673
Due to affiliates	-	-	-	-	-	5,500,967	189,738	144,462	5,835,167	-	-	-	92,216	112,202	-	6,039,585
Payable to related party	165,952	2,060	-	(2,060)	165,952	865,577	93,013	79,081	1,017,671	20,149	252,165	162,286	286,627	286,627	(1,914,850)	-
Derivative liability	-	-	-	-	-	10,017,284	-	-	10,017,284	-	-	-	250,156	5,003,330	-	11,290,750
Long-term debt less current portion	-	-	-	-	-	120,377,241	-	-	120,377,241	-	-	-	6,482,000	33,735,399	-	149,937,640
Shareholders' Equity (deficit)																
Common stock	-	143	-	(143)	-	-	-	-	-	-	-	-	-	-	-	-
Additional combined capital	-	715,177	-	(715,177)	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings (deficit)	-	(213,172)	-	213,172	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity (deficit)																
Total liabilities and net assets																
Net assets	(250,665)	-	-	(250,665)	231,391,723	2,021,785	2,082,383	2,082,383	237,497,891	(213,806)	78,282	7,764,121	(2,424,862)	(6,942,862)	-	215,508,099
Unrestricted	(250,665)	-	-	(250,665)	231,391,723	2,023,785	2,082,383	2,082,383	237,497,891	213,585	78,282	7,764,121	(2,424,862)	(6,942,862)	-	215,508,099
Restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Temporarily restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total net assets	(250,665)	-	-	(250,665)	231,391,723	2,023,785	2,082,383	2,082,383	237,497,891	(213,806)	78,282	7,764,121	(2,424,862)	(6,942,862)	-	215,508,099
Total liabilities and net assets	\$ 1,713,316	\$ 576,345	\$ -	\$ (500,412)	\$ 1,789,249	\$ 411,386,645	\$ 3,490,623	\$ 3,119,719	\$ 417,916,987	\$ 2,934,765	\$ 80,872	\$ 9,218,316	\$ 5,286,431	\$ 11,908,548	\$ (3,511,908)	\$ 445,423,380

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Consolidating Statement of Operations and Changes in Net Assets

Year Ended December 31, 2012

	St. Joseph Services Corporation	St. Joseph Health System and For-Profit Subsidiaries	St. Joseph Health Center of Bryan, Texas	Mediana St. Joseph Health Center	Bartons St. Joseph Health Center	Hopstak' Subtotal	St. Joseph Foundations in Bryan, Texas	St. Joseph Health Partners	St. Joseph Physicians Associates	Bartons St. Joseph Manor	St. Joseph Manor	Consolidations and Eliminations	Consolidated St. Joseph Services Corporation (dba St. Joseph Health System)
Unrestricted revenue gains and other support													
Patient service revenue (net of contractual allowances and discounts)													
Provision for bad debts													
Net patient service revenue less provision for bad debts													
Other revenue													
Total unrestricted revenue gains and other support													
Expenses													
Salaries and wages													
Employee benefits													
Professional fees													
Supplies and pharmaceuticals													
Purchased services utilities and other													
Provision for bad debts													
Depreciation and amortization													
Interest													
Management fees													
Fundraising and grants													
Total operating expenses													
Income (loss) from operations													
Nonoperating gains (losses)													
Interest income (loss)													
Gain (loss) under interest rate swap agreements													
Gain (loss) on disposal of assets													
Unrestricted contributions													
Total nonoperating gains (losses) net													
Revenues in excess of (less than) expenses													

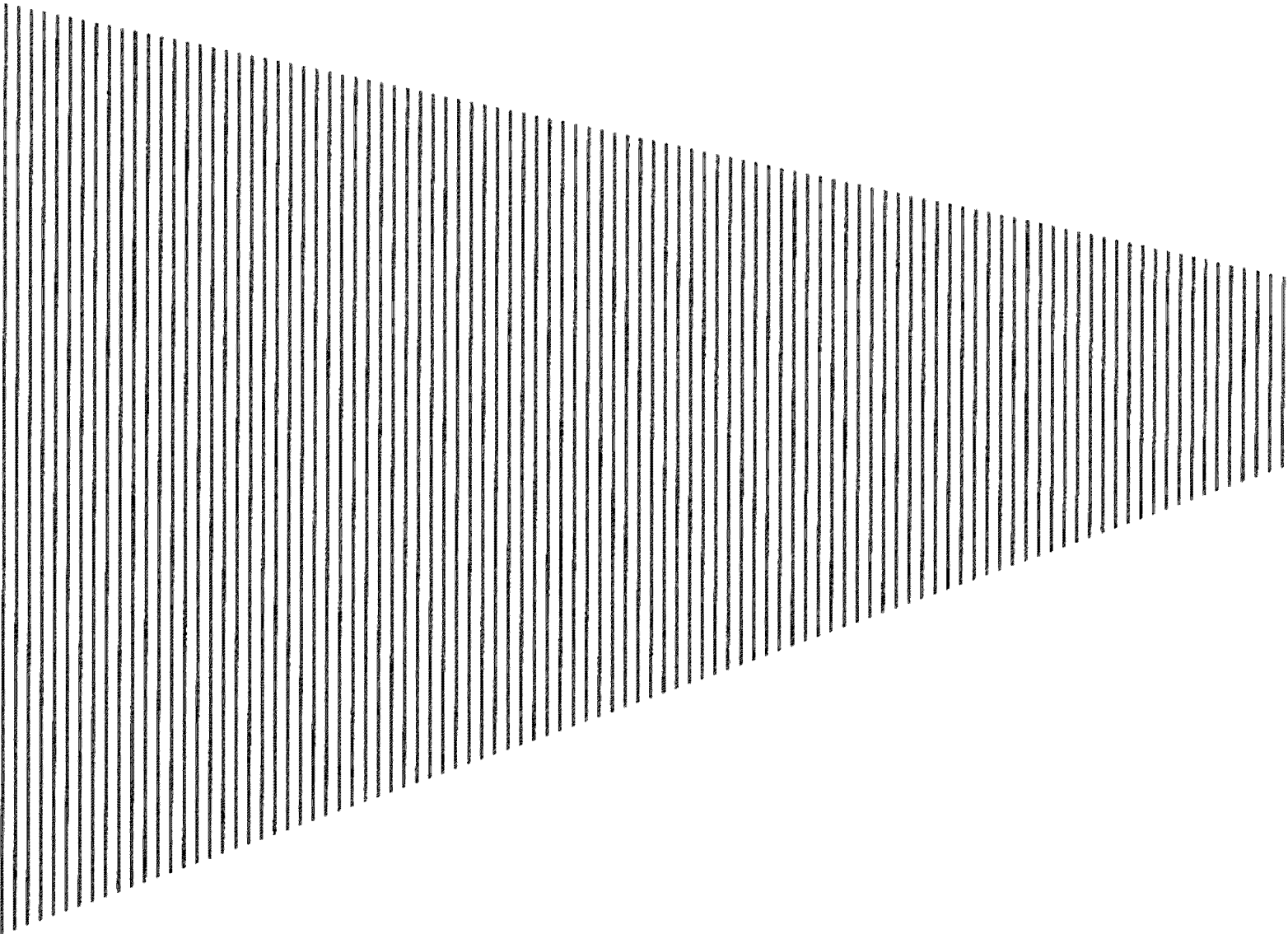
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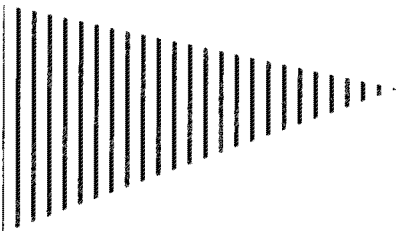
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COMBINED FINANCIAL STATEMENTS AND
OTHER SUPPLEMENTARY INFORMATION

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio
Years Ended December 31, 2013 and 2012
With Reports of Independent Auditors

Ernst & Young LLP



Building a better
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Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Combined Financial Statements and
Other Supplementary Information

Years Ended December 31, 2013 and 2012

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Report of Independent Auditors

The Board of Trustees
Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

We have audited the accompanying combined financial statements of Sylvania Franciscan Health and subsidiaries, which comprise the combined statements of financial position as of December 31, 2013 and 2012, and the related combined statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Sylvania Franciscan Health and Subsidiaries at December 31, 2013 and 2012, and the combined results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Adoption of ASU 2012-01, Health Care Entities, Continuing Care Retirement Communities – Refundable Advance Fees

As discussed in Note 2 to the consolidated financial statements, the Company changed its method for accounting for refundable advance fees for continuing care retirement communities as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update 2012-01, Health Care Entities, Continuing Care Retirement Communities – Refundable Advance Fees, effective January 1, 2012. Our opinion is not modified with respect to this matter.

Ernst & Young LLP

May 6, 2014

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Combined Statements of Financial Position

	December 31	
	2013	2012
	<i>(As Adjusted)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 37,646,141	\$ 36,464,001
Investments	6,234,414	144,062
Current portion of trustee-held funds	8,108,841	5,777,015
Accounts and notes receivable:		
Patients and residents	156,546,705	128,246,635
Less allowances for doubtful accounts	59,432,079	42,701,911
	97,114,626	85,544,724
Other receivables	12,676,093	5,992,856
	109,790,719	91,537,580
Due from affiliates	643,461	811,346
Inventories	9,425,150	10,893,816
Prepaid expenses and other	6,201,429	5,288,322
Total current assets	178,050,155	150,916,142
Assets whose use is limited:		
Board-designated and restricted funds	93,013,922	81,204,180
Trustee-held funds, less current portion	26,767,540	56,151,002
Self-Insurance Program	20,550,681	18,303,190
Foundation investments	41,655,971	37,943,310
Other investments	1,579,803	1,476,283
	183,567,917	195,077,965
Net property and equipment	394,327,439	379,516,002
Other assets:		
Financing costs, net of amortization	5,553,234	5,672,058
Notes and other receivables	1,030,298	3,979,736
Goodwill	3,873,161	3,873,161
Certificate of need, net of amortization	3,575,238	3,451,995
Long-term investments	238,608,898	217,171,484
Other	773,803	1,071,287
	253,414,632	235,219,721
Total assets	\$ 1,009,360,143	\$ 960,729,830

	December 31	
	2013	2012
	<i>(As Adjusted)</i>	
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses:		
Accounts payable	\$ 39,143,143	\$ 44,611,629
Compensation, fees, and amounts withheld from compensation	19,833,113	17,600,179
Accrued interest	5,070,646	4,927,176
Other	643,730	1,380,730
	<hr/>	<hr/>
	64,690,632	68,519,714
Deferred revenue	260,407	119,383
Settlements payable under third-party reimbursement contracts	7,780,631	10,879,065
Lines of credit	2,763,635	2,778,635
Current portion of reserve for insurance claims	2,065,937	2,205,135
Current portion of retirement and post-retirement benefit obligations	198,377	245,421
Current portion of refundable and non-refundable entrance fees	1,082,898	1,302,265
Current portion of long-term debt and capital lease obligations	10,942,953	5,815,908
Total current liabilities	<hr/>	<hr/>
	89,785,470	91,865,526
Long-term liabilities:		
Retirement plans	13,302,497	25,406,885
Post-retirement benefit obligations	666,710	1,088,548
Reserve for insurance claims	8,263,743	8,820,542
Derivative liability, net	10,205,399	14,048,674
Refundable and non-refundable entrance fees, less current portion	22,112,939	22,553,222
Long-term debt and capital lease obligations, less current portion	313,915,901	320,456,825
Other	2,642,238	2,337,738
Total liabilities	<hr/>	<hr/>
	460,894,897	486,577,960
Net assets:		
Unrestricted	532,483,628	459,486,405
Temporarily restricted	11,770,192	10,465,778
Permanently restricted	4,211,426	4,199,687
Total net assets	<hr/>	<hr/>
	548,465,246	474,151,870
Total liabilities and net assets	<hr/> <hr/>	<hr/> <hr/>
	\$ 1,009,360,143	\$ 960,729,830

See accompanying notes

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Combined Statements of Operations

	Year Ended December 31	
	2013	2012
	<i>(As Adjusted)</i>	
Revenue, gains, and other support		
Net patient service revenue, net of contractual allowances and discounts	\$ 679,002,547	\$ 634,065,518
Provision for bad debts	58,393,617	46,922,880
Net patient service revenue, less provision for bad debts	620,608,930	587,142,638
Other revenue	25,245,915	20,742,256
Rental revenue	10,752,154	9,264,796
Net assets released from restrictions	478,731	321,331
Total revenue, gains, and other support	657,085,730	617,471,021
Expenses		
Salaries and wages	278,086,079	258,357,724
Employee benefits	74,482,998	75,941,595
Purchased services, utilities, and other	121,670,817	112,399,595
Supplies and pharmaceuticals	101,175,685	98,155,211
Provision for bad debts	868,641	271,348
Depreciation and amortization	37,383,137	35,265,594
Professional fees	21,408,597	20,794,934
Interest	13,577,028	13,341,586
Total expenses	648,652,982	614,527,587
Operating income	8,432,748	2,943,434
Nonoperating gains (losses)		
Investment income	18,938,641	20,958,882
Net unrealized gains on investments	27,890,877	8,078,703
Contributions	1,321,001	1,759,658
Fund-raising expenses	(1,585,601)	(1,342,357)
Gains under interest rate swap agreements	6,086,113	2,074,264
Losses on disposal of assets	(142,981)	(95,438)
Gain from insurance proceeds	-	613,572
Other	608	(520,431)
Loss on acquisition of Bellville St. Joseph Health Center	(1,036,934)	-
Nonoperating gains, net	51,471,724	31,526,853
Excess of revenue over expenses	\$ 59,904,472	\$ 34,470,287

See accompanying notes.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Combined Statements of Changes in Net Assets

	Year Ended December 31	
	2013	2012
	<i>(As Adjusted)</i>	
Unrestricted net assets		
Excess of revenue over expenses	\$ 59,904,472	\$ 34,470,287
Other changes:		
Change in pension liability	12,824,810	(3,801,639)
Net assets released from restrictions	267,941	1,065,399
Increase in unrestricted net assets	72,997,223	31,734,047
Temporarily restricted net assets		
Contributions	1,770,162	1,388,945
Investment income	71,547	198,059
Net unrealized gains on investments	767,024	265,630
Net assets released from restrictions	(1,304,319)	(1,471,818)
Increase in temporarily restricted net assets	1,304,414	380,816
Permanently restricted net assets		
Investment income (loss)	14,579	(1,424)
Net unrealized gains on investments	580	366
Donations and other, net	(3,420)	15,951
Increase in permanently restricted net assets	11,739	14,893
Increase in net assets	74,313,376	32,129,756
Net assets at beginning of year, as adjusted	474,151,870	442,022,114
Net assets at end of year	\$ 548,465,246	\$ 474,151,870

See accompanying notes

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Combined Statements of Cash Flows

	Year Ended December 31	
	2013	2012
	<i>(As Adjusted)</i>	
Operating activities and nonoperating (losses) gains		
Increase in net assets	\$ 74,313,376	\$ 32,129,756
Adjustments to reconcile increase in net assets to net cash provided by operating activities and nonoperating (losses) gains:		
Loss on acquisition of Bellville St. Joseph Health Center	1,036,934	-
Write-off of financing costs	-	238,109
Amortization of entrance fees	(863,385)	(1,058,327)
Change in fair value of interest rate swaps	(3,718,421)	(196,069)
Change in unrealized gains on investments	(28,658,481)	(8,344,699)
Provision for bad debts	59,262,258	47,194,228
Restricted contributions and investment income received	(1,856,288)	(1,424,019)
Depreciation and amortization	37,383,137	35,265,594
Losses on disposal of assets	142,981	95,438
Gain from insurance proceeds	-	(613,572)
Changes in operating assets and liabilities:		
Patients and residents accounts receivable	(69,693,822)	(51,249,639)
Inventories and other current assets	(5,436,189)	769,307
Other assets	172,630	693,675
Investments	(3,389,056)	(28,207,713)
Accounts payable and other current liabilities	(7,149,829)	6,328,995
Net settlements from third party	(3,098,434)	485,046
Reserve for insurance claims	(695,997)	921,178
Other liabilities	(6,949,961)	7,084,343
Net cash provided by operating activities and nonoperating (losses) gains	40,801,453	40,111,631
Investing activities		
Payments received on notes receivable	546,602	19,729,967
Purchases of property and equipment	(46,572,283)	(52,807,826)
Purchases of certificate of needs	(221,127)	(433,316)
Decrease (increase) in assets whose use is limited	13,807,993	(36,911,933)
Cash received upon acquisitions	123,994	-
Acquisition of physician practice	-	(1,300,000)
Proceeds from insurance claim	-	613,572
Net cash used in investing activities	(32,314,821)	(71,109,536)

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Combined Statements of Cash Flows (continued)

	Year Ended December 31	
	2013	2012
	<i>(As Adjusted)</i>	
Financing activities		
Payments on capital leases	\$ (369,079)	\$ (582,692)
Entrance obligation remitted	(4,781,114)	(3,354,442)
Repayments of long-term debt	(6,514,344)	(11,444,944)
Proceeds from issuance of long-term debt	2,570,515	49,280,000
Net proceeds from line of credit	(15,000)	779,667
Restricted contributions and investment income received	1,856,288	1,424,019
Financing costs paid	(51,758)	(404,180)
Net cash (used in) provided by financing activities	(7,304,492)	35,697,428
Increase in cash and cash equivalents	1,182,140	4,699,523
Cash and cash equivalents at beginning of year	36,464,001	31,764,478
Cash and cash equivalents at end of year	\$ 37,646,141	\$ 36,464,001

See accompanying notes.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements

December 31, 2013

1. Basis of Presentation

Sylvania Franciscan Health (the Combined Group or Corporation) is the formal expression of the sponsored health and human services ministry of the Sisters of St. Francis of Sylvania, Ohio (the Sisters). Among the member organizations in Ohio, Kentucky, and Texas are seven hospitals, eight long-term care facilities, six assisted-living facilities, independent senior housing, a counseling center, domestic violence shelter, and other supporting organizations.

The Combined Group includes the accounts of the following:

- Sylvania Franciscan Health (corporate office; Franciscan Services Self-Insurance Program, which was dissolved in November 2012; SFH Assurance, LTD.; and SFH Foundation)
- Franciscan Shelters (d.b.a. Bethany House)
- Sophia Center
- Franciscan Living Communities (corporate office; Providence Care Centers and subsidiaries, which include Providence Care Centers, The Commons of Providence, Providence Residential Community, and The Providence Care Centers; Franciscan Care Center; Rosary Care Center; St. Leonard and subsidiaries, which includes St. Leonard, Joseph Bernadine Residence, LLC., and St. Leonard Foundation; Franciscan Properties; Madonna Manor, Inc.; St. Clare Commons; Franciscan Homecare Services of NW Ohio; and Franciscan Homecare Services of Miami Valley). Effective April 1, 2012, Rosary Care Center was no longer a wholly owned subsidiary of Franciscan Living Communities and instead became a member of the Corporation. On March 26, 2013, all of the St. Leonard Center Limited Partnership net assets were acquired and merged into Joseph Bernardin Residence, LLC. With this transaction, amounts Communities had previously loaned in the past in the amount of \$2,402,000 were converted to equity, and no further cash was exchanged. In addition, Communities assumed debt in the amount of \$849,769 (which approximated fair value) and recorded other assets acquired and liabilities assumed at fair value.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

1. Basis of Presentation (continued)

St. Joseph Services Corporation d.b.a. St. Joseph Health System and subsidiaries (St. Joseph Regional Health Center of Bryan, Texas (St. Joseph); St. Joseph Foundation of Bryan, Texas; Burleson St. Joseph Health Center; Madison St. Joseph Health Center; Bellville St. Joseph Health Center (acquired March 1, 2013), Alliance Health Providers of Brazos Valley, Inc.; St. Joseph Regional Health Partners; St. Joseph Regional Health Partners ACO; St. Joseph Physician Associates; Tau Enterprises, Inc. (dissolved effective September 30, 2012); St. Joseph Manor; and Burleson St. Joseph Manor). The Corporation acquired Bellville St. Joseph Health Center on March 1, 2013, which is an acute care hospital in Bellville, Texas for no consideration. The acquisition enabled the Corporation to expand its health care services in Texas. The significant net assets acquired were \$1,137,000 in accounts receivable; \$2,115,000 in property, plant, and equipment; \$2,945,000 in accounts payables and accruals; and \$1,856,000 in debt. This acquisition resulted in a loss of \$1,036,000 based on the deficit of net assets acquired and has been included in excess of revenue over expenses. All activity since the date of acquisition has been included in the combined financial statements.

- Trinity Health System Corporation and subsidiaries (Trinity Hospital Holding Company, including Trinity East and Trinity West; Trinity Health Foundation; and its wholly owned for-profit subsidiary, Trinity Management Services Organization, Inc.).

- Trinity Hospital Twin City

All of the assets, liabilities, revenues, expenses, nonoperating gains and losses, and other changes in net assets of Trinity Health System Corporation and subsidiaries (collectively, Trinity Health System) are reflected in the combined statement of financial position. The Corporation maintains a 50% ownership interest in Trinity Health System.

Significant intercompany balances and transactions between these entities have been eliminated in combination.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

2. Significant Accounting Policies

The accounting principles followed by the Combined Group and the methods of applying those principles that materially affect the determination and reporting of the combined financial position, results of operations, and cash flows are summarized below.

Operating Activity

The Combined Group's primary mission is to provide health care services through its acute care, specialty care facilities, and other organizations. Only those activities directly associated with the furtherance of this purpose are considered to be operating activities.

Other activities that result in gains and losses unrelated to the Combined Group's primary mission are considered to be nonoperating. Nonoperating gains and losses include investment income, net realized and unrealized gains and losses on sale of investments other than trustee-held investments related to borrowed funds, unrestricted contributions, fund-raising expenses, change in the fair value of interest rate swaps, gains and losses from insurance proceeds, gains and losses from acquisitions, gains and losses on disposals of property and equipment, and other extraordinary items.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Adjustments to estimates are recorded, as appropriate, in the periods in which they are determined.

Cash and Cash Equivalents

Cash and cash equivalents include currency on hand, demand deposits with financial institutions, and liquid investments with a maturity of three months or less. Assets whose use is limited by board designation or other arrangements under trust agreements are excluded from cash and cash equivalents in the combined statements of cash flows.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

2. Significant Accounting Policies (continued)

Investments

Investments are carried at fair value and accounted for as trading securities. Investment income, including realized gains and losses and unrealized gains and losses, is included in excess of revenues over expenses unless restricted by the donor in connection with a gift. In December 2012, the Corporation established a master investment pool (Master Investment Pool) in which certain affiliated organizations participate. The accompanying combined financial statements reflect the total net assets and transactions of the Master Investment Pool. At December 31, 2013 and 2012, certain investments totaling \$1,380,000 are carried at cost, adjusted for impairment deemed to be other than temporary, and are included in long-term investments. Management deemed it not practical to estimate the fair value of these investments.

Patient Accounts Receivable and Net Patient Service Revenue

Patient accounts receivable consist of amounts due from third-party payors, including federal and state indemnity and managed care programs, managed care health plans and commercial insurance companies, and individual patients for health care services rendered. The Corporation does not require collateral or other security on its patient receivables. Patient accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the Corporation analyzes its historical and expected net collections, considering business and economic conditions, trends in health care coverage, and other collection indicators for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Periodically throughout the year, management assesses the adequacy of the allowance for doubtful accounts based upon specific accounts, historical write-off experience, and current market conditions. The results of this review are then used to make any modifications to the provision for bad debts to establish an appropriate allowance for uncollectible receivables.

For receivables associated with services provided to patients who have third-party coverage, the Corporation analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary, for expected uncollectible deductibles and co-payments on accounts for which the third-party payor has not yet paid or for payors who are known to be having financial difficulties that make realization of amounts due unlikely. For receivables associated with self-pay residents, which includes both residents without insurance and residents with deductibles and co-payment balances due for which third-party coverage

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

2. Significant Accounting Policies (continued)

exists for part of the bill, the Corporation records a provision for bad debts on the basis of its past experience. The difference between the standard rates and the amount actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Corporation's allowance for doubtful accounts increased from 33% of accounts receivable at December 31, 2012, to 38% of accounts receivable at December 31, 2013. In addition, the Corporation's self-pay write-offs decreased approximately \$3 million from \$48 million in fiscal year 2012 to \$45 million in fiscal year 2013. This decrease was mainly the result of a shift from bad debt to charity in fiscal year 2013. The Corporation has not changed its charity care policy or uninsured discount policies during fiscal years 2012 or 2013. The Corporation does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors.

The provision for bad debts is included with net patient service revenue for the Corporation's acute care facilities as they do not assess the patient's ability to pay prior to providing the service, while the long-term care facilities' provision for bad debts is presented as an operating expense as they do assess the residents' ability to pay prior to providing the services and therefore the subsidiaries' presentation is retained in the combined financial statements.

The reimbursement of certain inpatient services under the Medicare and Medicaid programs is subject to final determination by the respective agencies. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Provision is made currently in the combined financial statements for estimated settlements under third-party reimbursement contracts and adjusted in future periods as final settlements are determined. These provisions and settlements are included in net patient service revenue. Management is of the opinion that adequate provision has been made for unsettled cost reports and for any adjustments that may result from settlements. Prior year settlements increased the excess of revenues over expenses by \$8,224,100 in 2013 and \$7,373,200 in 2012.

For uninsured residents who do not qualify for charity care, the Corporation recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates if negotiated. On the basis of historical experience, a significant portion of the Corporation's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Corporation records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

2. Significant Accounting Policies (continued)

Patient service revenue, net of contractual allowances and discounts, recognized as of December 31, 2013 and 2012, from these major payor sources approximates the following:

2013	Medicare	Medicaid	Commercial	Self-Pay	Other	Total All Payors
Patient service revenue (net of contractual allowances and discounts)	\$ 256,000,000	\$ 60,000,000	\$ 148,000,000	\$ 134,000,000	\$ 81,000,000	\$ 679,000,000
	37.6%	8.9%	21.8%	19.8%	11.9%	100.0%
2012						
Patient service revenue (net of contractual allowances and discounts)	\$ 243,000,000	\$ 52,000,000	\$ 155,000,000	\$ 113,000,000	\$ 71,000,000	\$ 634,000,000
	38.3%	8.2%	24.5%	17.8%	11.2%	100.0%

The 1115 Transformation Waiver is a program that balances payment for uncompensated care costs with the need to improve quality of care for Texas recipients. The program divides the state into 20 Regional Health Partnerships, creating an environment where regional collaboration is essential to earn monies. The Corporation recognized all funds received under the program as operating revenue in the applicable year, and any amount relating to that year that is not yet received is included in receivables in the accompanying statements of financial position. The Corporation recognized revenue of \$14,043,000 for the year ended December 31, 2013. The Corporation recognized revenue of \$5,386,000 for funds received from the upper payment limit (UPL) programs for the year ended December 31, 2012. The 11105 Transformation Waiver resulted in the discontinuation of the UPL supplemental payment program in the state.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Corporation believes that it is in compliance with all applicable laws and regulations. Noncompliance with such laws and regulation can be subject to regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Charity Care

The members of the Corporation accept all patients regardless of their ability to pay. A patient is determined to be a charity patient by reference to certain established policies of the hospitals. Essentially, these policies define charity services as those services for which no payment is anticipated. In assessing a patient's inability to pay, the members utilize generally recognized

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

2. Significant Accounting Policies (continued)

poverty income level but also include certain cases where incurred charges are significant when compared to income. Charity care is reported as an adjustment to revenue in the combined statements of operations.

The Ohio Hospital Care Assurance Program (HCAP) provides some reimbursement to the Corporation for services provided to qualified persons who cannot afford to pay. The amount of HCAP reimbursements received by the Corporation was approximately \$2,074,000 and \$1,042,000 for the years ended December 31, 2013 and 2012, respectively.

Contributions and Pledges

Contributions and pledges are recorded at fair value. Contributions not restricted by donors are included in unrestricted net assets. Contributions that are received with donor stipulations that limit the use of the donated asset are recorded as temporarily restricted net 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 in the combined statements of operations as net assets released from restrictions. Allowances for uncollectible pledges are provided for as deemed necessary.

Inventories

Inventories of supplies are stated at the lower of cost, using the first-in, first-out method, or market.

Assets Whose Use Is Limited

Certain funds are board designated for acquisition of property and equipment. Trustee-held funds are for the retirement of revenue bonds and to fund construction programs. The funds for the Self-Insurance Program, as defined in Note 6, are for current and future malpractice claims. Accordingly, these assets have been classified as noncurrent, except for amounts held for current payments on revenue bonds and payments for capital-related expenditures. Foundation investments are used to fund special projects and support the Corporation's activities.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

2. Significant Accounting Policies (continued)

Financing Costs

Financing costs are primarily amortized over the period the obligations are outstanding.

Certificates of Need

The certificates of need relate to Franciscan Living Communities and Rosary Care Center and are recorded at cost. Amortization is based on the straight-line method over the estimated useful life.

Goodwill

Goodwill is the excess of the acquisition cost of a business over the fair value of the identifiable net assets acquired. Goodwill is subject to annual impairment assessments.

Impairment of Long-Lived Assets

When events, circumstances, or operating results indicate that the carrying value of certain long-lived assets that are expected to be held and used might be impaired, the Corporation prepares projections of the undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the projections indicate that the recorded amounts are not expected to be recoverable, such amounts are reduced to estimated fair value.

Fair value may be estimated based upon internal evaluations of each market that include quantitative analyses of revenues and cash flows, review of recent sales of similar facilities, and independent appraisals.

Property and Equipment

Property and equipment are carried at cost or fair value at date of gift. Expenditures for renewals or betterments are capitalized, and expenditures for maintenance and repairs are charged to expense. Depreciation of property and equipment and amortization of assets acquired under capital leases are provided by the straight-line method at rates based on the estimated lives or the

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

2. Significant Accounting Policies (continued)

terms of the leases. Amortization of assets under capital leases is included with depreciation expense. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Entrance Fees

Residents of Providence Residential Community and St. Leonard may pay an entrance fee prior to occupancy. The residency agreements provide that 90% or 50% of entrance fees for Providence Residential Community and 100% or 75% of entrance fees for St. Leonard are refunded after the death or departure of a resident. Refunds are paid to the former resident within 90 days of departure for Providence Residential Community, and the refundable portion of the entrance fee is recorded as a liability. Refunds are paid to the former resident once the unit has been reoccupied for St. Leonard, and for certain residential contracts, the refundable portion of the entrance fee is amortized on the straight-line method over the expected remaining life of the facility while others are recorded as a liability based on the nature of the contract. The nonrefundable portion of entrance fees (10% or 50% for Providence Residential Community and 25% for St. Leonard) and rental fees paid in advance are deferred and amortized into revenue using the straight-line method over the estimated lives of the residents. In 2013, the Corporation was required to adopt Accounting Standards Update (ASU) 2012-01, *Continuing Care Retirement Communities – Refundable Advance Fees*. See the adoption of the new accounting standards section of Note 2 for the resulting effect on the combined financial statements.

Net Assets

Unrestricted net assets generally result from revenues derived from providing services, producing and delivering goods, receiving unrestricted contributions, and receiving dividends or interest from investing in income-producing assets, less expenses incurred in providing services, producing and delivering goods, raising contributions, and performing administrative functions.

Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Temporarily restricted net assets are \$11,770,000 and \$10,465,000 as of December 31, 2013 and 2012, respectively, and are mainly for the Corporation's operations and capital initiatives. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. Permanently restricted net assets are \$4,211,000 and \$4,199,000 as of December 31, 2013 and 2012, respectively, and are endowment funds.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

2. Significant Accounting Policies (continued)

Net assets were released from temporary restriction from continuing operations by incurring expenses and purchasing assets to satisfy the restrictions in the amounts of \$1,304,319 and \$1,471,818 during the years ended December 31, 2013 and 2012, respectively.

Derivatives

The Corporation uses derivatives to modify the interest rates and manage risks associated with its outstanding debt. The Corporation recognizes all derivatives on the combined statements of financial position at fair value and changes in fair value are recorded through income in excess of revenue over expenses.

Income Taxes

The Combined Group consists mostly of nonprofit organizations affiliated with the Sisters. Each nonprofit member of the Combined Group has been granted an exemption from federal income taxes under Section 501(c)(3) or Section 501(a) of the Internal Revenue Code. Alliance Health Providers of Brazos Valley, Inc. is a for-profit corporation and files a federal income tax return on a separate-entity basis. There is presently no premium, income, or capital gains taxes imposed by the government of the Cayman Islands, and if any form of taxation were to be enacted in the future, SFH Assurance, LTD has been granted an exemption until the year 2032. There are no material unrecorded tax liabilities or uncertain tax positions at December 31, 2013 or 2012.

Electronic Health Record Incentive Payments

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments depends on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement, or update certified EHR technology. Providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional Medicaid incentive payments.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

2. Significant Accounting Policies (continued)

The Corporation accounts for HITECH incentive payments under a grant accounting model. Income from Medicare incentive payments is recognized as revenue after the Corporation has demonstrated that it complied with the meaningful use criteria over the entire applicable compliance period and there is reasonable assurance the grants will be received. The Corporation recognized revenue from Medicaid incentive payments after it has demonstrated compliance with the meaningful use criteria. Incentive payments totaling approximately \$8,962,000 and \$6,325,000 for the years ended December 31, 2013 and 2012, respectively, are included in total other operating revenue in the accompanying combined statement of operations and changes in net assets. Income from incentive payments is subject to retrospective adjustment as incentive payments are calculated using Medicare cost report data that is subject to audit. Additionally, the Corporation's compliance with the meaningful use criteria is subject to audit by the federal government.

Adoption of New Accounting Standard

In July 2012, the Financial Accounting Standards Board (FASB) issued ASU 2012-01, which clarifies that a continuing care retirement community should classify a refundable advance fee as deferred revenue only when its resident contract provides for repayment of the fee upon reoccupancy and repayment is limited to the proceeds it receives from the new occupant; otherwise the advance fee is classified as a liability. The pronouncement is effective for fiscal periods beginning after December 15, 2012, and must be adopted retrospectively and, therefore, was adopted January 1, 2013, with an effective date of January 1, 2012. The adoption of this ASU decreased net assets by \$3,855,000 as of January 1, 2012, decreased operating income by \$261,000, and increased refundable entrance fees by \$4,117,000 for the year ending December 31, 2012. Lastly, the impact of adopting this ASU resulted in a decrease in operating income of \$287,000 for the year ending December 31, 2013.

In October 2012, the FASB issued ASU 2012-04, *Technical Corrections and Improvements*. The ASU provided source literature amendments, guidance clarifications, reference corrections, and relocated guidance. The amendments that are subject to the transition guidance will be effective for fiscal periods beginning after December 15, 2012, and therefore, was adopted effective January 1, 2013. The ASU did not have an effect on the combined financial statements.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

2. Significant Accounting Policies (continued)

In October 2012, the FASB issued ASU 2012-05, *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*. The amendments require cash receipts from the sale of donated financial assets that had no restrictions and were immediately converted to cash to be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities. The pronouncement is effective for fiscal years beginning after June 15, 2013. The ASU is not expected to have a material effect on the combined financial statements.

In February 2013, the FASB issued ASU 2013-04, *Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date*. The amendment requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. The pronouncement is effective for fiscal years beginning after December 15, 2013. The ASU is not expected to have a material effect on the combined financial statements.

In April 2013, the FASB issued ASU 2013-06, *Services Received from Personnel of an Affiliate*. The amendment requires a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity and for which the affiliate does not charge the recipient not-for-profit entity. The pronouncement is effective for fiscal years beginning after June 15, 2014. The ASU is not expected to have a material effect on the combined financial statements.

Subsequent Events

The Combined Group evaluates subsequent events, which are events that occur after the balance sheet date but before the combined financial statements are issued, for potential recognition in the combined financial statements as of the balance sheet date. For the year ended December 31, 2013, the Combined Group evaluated the impact of subsequent events through May 6, 2014, representing the date on which the combined financial statements were available to be issued. No recognized subsequent events were identified for recognition or disclosure in the combined statements of financial position or the accompanying notes to the combined financial statements. Certain non-recognized subsequent events were identified for disclosure in Note 9 in the accompanying notes to the combined financial statements.

Sylvania Franciscan Health and Subsidiaries
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Notes to Combined Financial Statements (continued)

3. Charity Care

The members of the Combined Group maintain records to identify and monitor the level of charity care they provide. These records include the amount of costs for services and supplies furnished under their charity care policy and equivalent service statistics. The costs of providing care is estimated using the Combined Group's internal cost data and is calculated in compliance with guidelines established by both the Catholic Health Association and the Internal Revenue Service. The amount of traditional charity care provided, determined on the basis of cost, was approximately \$26,917,000 and \$23,159,000 for the years ended December 31, 2013 and 2012, respectively.

4. Assets and Liabilities Measured at Fair Value

Assets whose use is limited are recorded at fair value and consist of the following:

	December 31	
	2013	2012
Board-designated funds	\$ 93,013,922	\$ 81,204,180
Trustee-held funds, including current portion of \$8,108,841 and \$5,777,015 for 2013 and 2012, respectively	34,876,381	61,928,017
Self-Insurance Program	20,550,681	18,303,190
Foundation investments	41,655,971	37,943,310
Other investments	1,579,803	1,476,283
Total	191,676,758	200,854,980
Less amounts in current assets	8,108,841	5,777,015
Total assets whose use is limited	\$ 183,567,917	\$ 195,077,965
Cash and cash equivalents	\$ 24,116,692	\$ 24,659,818
U.S. government securities	13,520,661	34,110,946
Corporate bonds	1,267,521	32,726,884
Mutual funds	77,810,522	80,541,824
Equities	74,053,587	27,992,063
Other	797,775	823,445
Certificate of deposit	110,000	-
Total	\$ 191,676,758	\$ 200,854,980

Sylvania Franciscan Health and Subsidiaries
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Notes to Combined Financial Statements (continued)

4. Assets and Liabilities Measured at Fair Value (continued)

Long-term investments consist of the following:

	December 31	
	2013	2012
Cash and cash equivalents	\$ 921,554	\$ 20,658,451
U.S. government securities	166	1,524,025
Corporate bonds	–	5,884,238
Mutual funds	116,245,066	138,902,144
Equities	126,295,769	48,862,857
Other	1,380,757	1,483,831
Total investments	244,843,312	217,315,546
Less amounts in current assets	6,234,414	144,062
Total long-term investments	\$ 238,608,898	\$ 217,171,484

The following schedule summarizes the investment return and its classification in the combined statements of operations and changes in unrestricted net assets from continuing operations:

	Year Ended December 31	
	2013	2012
Income:		
Interest and dividends	\$ 6,293,452	\$ 7,820,354
Net realized gains	12,874,729	13,829,376
Net unrealized gains	28,658,481	8,344,699
Total investment return	\$ 47,826,662	\$ 29,994,429
Interest income included in operations	\$ 143,414	\$ 494,213
Nonoperating investment income and realized and unrealized gains	47,683,248	29,500,216
Total investment return	\$ 47,826,662	\$ 29,994,429

The Combined Group designates investment return on trustee-held funds related to borrowed funds for support of current operations. The remainder is classified as nonoperating.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

4. Assets and Liabilities Measured at Fair Value (continued)

Accounting Standards Codification 820, *Fair Value Measurement*, includes a fair value hierarchy that is intended to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that is either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources, while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions. The fair value hierarchy consists of the following three levels:

- Level 1 – Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities that are not active, inputs other than quoted prices that are observable, and market-corroborated inputs that are derived principally from or corroborated by observable market data.
- Level 3 – Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

As of December 31, 2013 and 2012, the assets and liabilities listed in the fair value hierarchy tables below utilize the following valuation techniques and inputs:

U.S. government securities – The fair value of investments in U.S. government, state, and municipal obligations is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

4. Assets and Liabilities Measured at Fair Value (continued)

Corporate bonds – The fair value of investments in U.S. and international corporate bonds is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker-dealer quotes, issuer spreads, and security-specific characteristics, such as redemption options.

Equities – The fair value of investments in U.S. and international equity securities is based on the closing price reported on the active market on which the individual securities are traded.

Mutual funds – The fair value of mutual funds is primarily determined using the calculated net asset value. The values of the underlying investments are fair value estimates determined by external fund managers.

Certificates of deposit – The fair value of certificates of deposit is primarily based on cost plus accrued interest.

Derivatives – The fair value of the Corporation's derivatives is determined based on the present value of expected future cash flows using discount rates appropriate with the risks involved.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

4. Assets and Liabilities Measured at Fair Value (continued)

The following tables represent the Combined Group's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2013 and 2012, and the basis for that measurement:

	Fair Value Measurement at December 31, 2013, Using:			
	Total Fair Value Measurement	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets whose use is limited:				
Cash and cash equivalents	\$ 24,116,692	\$ 22,520,903	\$ 1,595,708	\$ -
U.S. government securities	13,520,661	-	13,520,661	-
Fixed income:				
International	18,382	-	18,382	-
Domestic	1,249,139	-	1,249,139	-
Mutual funds:				
International	25,226,164	25,226,164	-	-
Domestic	46,845,312	46,845,312	-	-
Alternative	5,739,046	5,739,046	-	-
Equities				
International	19,136,702	19,136,702	-	-
Domestic	54,916,885	54,916,885	-	-
Certificate of deposit	110,000	-	110,000	-
Other	797,775	598,960	108,020	90,795
	<u>191,676,758</u>	<u>174,984,053</u>	<u>16,601,910</u>	<u>90,795</u>
Other investments:				
Cash and cash equivalents	921,554	921,554	-	-
U.S. government securities	166	-	166	-
Mutual funds:				
International	40,678,214	40,678,214	-	-
Domestic	57,484,990	57,484,990	-	-
Alternative	18,081,862	11,990,217	6,091,645	-
Equities				
International	36,894,338	36,894,338	-	-
Domestic	89,401,431	89,401,431	-	-
	<u>243,462,555</u>	<u>237,370,744</u>	<u>6,091,811</u>	<u>-</u>
Total investments	<u>\$ 435,139,313</u>	<u>\$ 412,354,797</u>	<u>\$ 22,693,721</u>	<u>\$ 90,795</u>
Other assets:				
Derivative asset	\$ 254,101	\$ -	\$ 254,101	\$ -
Other long-term liabilities				
Derivative obligation	\$ 10,205,399	\$ -	\$ 10,205,399	\$ -

Sylvania Franciscan Health and Subsidiaries
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Notes to Combined Financial Statements (continued)

4. Assets and Liabilities Measured at Fair Value (continued)

	Fair Value Measurement at December 31, 2012, Using:			
	Total Fair Value Measurement	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets whose use is limited:				
Cash and cash equivalents	\$ 24,659,818	\$ 24,659,818	\$ —	\$ —
U.S. government securities	34,110,946	—	34,110,946	—
Corporate bonds:				
International	1,419	—	1,419	—
Domestic	32,725,465	—	32,725,465	—
Mutual funds:				
International	8,867,130	8,867,130	—	—
Domestic	71,674,694	71,674,694	—	—
Equities:				
International	2,242,851	2,242,851	—	—
Domestic	25,749,212	25,749,212	—	—
Other	823,445	313,916	82,423	427,106
	<u>200,854,980</u>	<u>133,507,621</u>	<u>66,920,253</u>	<u>427,106</u>
Other long-term investments:				
Cash and cash equivalents	20,658,451	20,658,451	—	—
U.S. government securities	1,524,025	—	1,524,025	—
Corporate bonds:				
Domestic	5,884,238	—	5,884,238	—
International				
Mutual funds:				
International	58,681	58,681	—	—
Domestic	138,843,463	138,843,463	—	—
Equities:				
International	9,935,887	9,935,887	—	—
Domestic	38,926,970	38,926,970	—	—
Certificate of deposits	103,074	—	103,074	—
	<u>215,934,789</u>	<u>208,423,452</u>	<u>7,511,337</u>	<u>—</u>
Total investments	<u>\$ 416,789,769</u>	<u>\$ 341,931,073</u>	<u>\$ 74,431,590</u>	<u>\$ 427,106</u>
Other assets:				
Derivative asset	\$ 378,955	\$ —	\$ 378,955	\$ —
Other long-term liabilities:				
Derivative obligation	\$ 14,048,674	\$ —	\$ 14,048,674	\$ —

Sylvania Franciscan Health and Subsidiaries
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Notes to Combined Financial Statements (continued)

4. Assets and Liabilities Measured at Fair Value (continued)

The carrying value of cash and cash equivalents, accounts receivable, and accounts payable are reasonable estimates of fair value due to the short-term nature of these financial instruments. Investments are recorded at fair value. The carrying value and fair value of the Combined Group's long-term debt, as estimated by discounted cash flow analyses using the current borrowing rate for similar types of borrowing arrangements and adjusted for credit, respectively, were approximately \$324,859,000 and \$319,909,000, respectively, at December 31, 2013, and approximately \$326,273,000 and \$336,367,000, respectively, at December 31, 2012. Other financial instruments reported as noncurrent assets and liabilities have carrying values that approximate fair value.

5. Net Property and Equipment

Net property and equipment consist of the following:

	December 31	
	2013	2012
Land and land improvements	\$ 40,031,370	\$ 39,095,993
Buildings and fixed equipment	514,317,697	464,375,533
Major movable equipment	240,968,121	217,200,614
Construction in progress	2,208,368	27,220,580
	797,525,556	747,892,720
Less allowances for depreciation	(403,198,117)	(368,376,718)
Totals	\$ 394,327,439	\$ 379,516,002

The estimated cost to complete construction in progress projects was approximately \$25,139,000 and \$37,700,000 at December 31, 2013 and 2012, respectively. At December 31, 2013, major movable equipment includes \$11,862,000 in capitalized software costs, and \$862,000 was expensed due to amortization. At December 31, 2012, construction in progress includes \$3,208,000 in capitalized software costs.

Sylvania Franciscan Health and Subsidiaries
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Notes to Combined Financial Statements (continued)

6. Professional Liability Insurance

SFH Assurance, LTD (the Self-Insurance Program) was established by the Corporation to provide up to \$4 million of professional liability for acute care entities and \$2 million for long-term care entities (\$9 million in aggregate), \$1 million for each employers' liability claim, \$1 million for each employee benefits liability claim, and \$2 million for each general liability claim (\$6 million aggregate) to the affiliated entities of the Combined Group. The Corporation has also purchased excess coverage insurance. The Self-Insurance Program has a claims-made policy and provides for primary-level funding. Each affiliated entity makes an annual contribution to the Self-Insurance Program based upon a liability risk analysis study for each policy year, which is actuarially determined. The policies issued by the Self-Insurance Program are subject to a retrospective rating plan, under which retrospective premiums are calculated based on any surplus or deficiency resulting from the policy period. Retrospective credits and assessments are included in income in the period in which they are determined.

Losses are paid from the Self-Insurance Program for covered claims on behalf of each participant in any policy year, assuming the policy limit is not exceeded. Also, if the Self-Insurance Program contains insufficient amounts to pay the maximum that can be paid in any policy year, each participant will be assessed the amount of the shortfall based on its historical contributions to the Self-Insurance Program. The Self-Insurance Program accrues for estimated losses attributable to reported claims, the development of these known claims, incurred but not reported claims, and legal expenses for periods covered by the claims-made insurance using a discount rate of 3.0%. The Self-Insurance Program accrued approximately \$10,330,000 and \$11,026,000 at December 31, 2013 and 2012, respectively, related to amounts that potentially will be paid from assets presently held in the Self-Insurance Program. Although management believes that the Self-Insurance Program's reserves are adequate, there can be no assurance that the reserves will not require material adjustment in future years. Changes in estimates of outstanding losses resulting from the continuous review process and differences between estimates and payments for losses are recognized as income or expense in the period in which the estimates are changed or payments are made.

The policies issued by the Self-Insurance Program are subject to a retrospective rating plan, under which retrospective premiums are calculated based on any surplus or deficiency resulting from the policy period. Retrospective credits and assessments are included in income in the period in which they are determined.

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Notes to Combined Financial Statements (continued)

7. Lines of Credit

The Corporation has an unsecured \$10 million line of credit through May 31, 2013, with a local bank of which the outstanding balance was approximately \$963,000 and \$703,000 at December 31, 2013 and 2012. The interest rate was 1.19% and 1.25% at December 31, 2013 and 2012, respectively.

Trinity Hospital Twin City has an unsecured \$2,000,000 line of credit with a local bank, of which the outstanding balance was \$1,800,000 and \$2,000,000 at December 31, 2013 and 2012, respectively. The interest rate was 1.25% and 1.70% at December 31, 2013 and 2012, respectively. Rosary has a \$100,000 line of credit with a bank at an interest rate of prime (3.25% at December 31, 2012) and secured by the assets of Rosary. The amount outstanding as of December 31, 2013 and 2012, is \$0 and \$75,000, respectively.

The Trinity Hospital Twin City and Rosary lines of credit are guaranteed by the Corporation.

Sylvania Franciscan Health and Subsidiaries
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Notes to Combined Financial Statements (continued)

8. Long-Term Debt and Interest Rate Swaps

Long-term debt and capital lease obligations consist of the following:

	December 31	
	2013	2012
Revenue bonds		
Brazos County (Texas) Health Facilities Development Corporation.		
Series 1993B – St. Joseph Regional Health Center	\$ 16,772,200	\$ 17,057,800
Series 1997A – St. Joseph Regional Health Center	47,152,000	47,672,000
Series 1997B – St. Joseph Manor	13,895,000	13,895,000
Series 2002 – St. Joseph Regional Health Center	27,500,000	27,500,000
Series 2008 – St. Joseph Regional Health Center	27,545,000	28,090,000
Series 2009 – Burlison St. Joseph Manor	6,825,000	7,140,000
County of Erie, Ohio:		
Series 1996A – Providence Care Centers	460,000	895,000
Series 2009C – Providence Care Centers	4,480,000	4,505,000
Series 2009B – The Commons of Providence	3,465,000	3,484,250
Series 2009A – Providence Residential Community Corporation	7,280,000	7,315,000
Series 2009B – The Commons of Providence	2,805,000	2,850,750
County of Montgomery, Ohio:		
Series 2010 – St. Leonard	40,005,000	40,575,000
St. Clare Commons 2012A Project	33,200,000	33,200,000
Village of Botkins, Ohio:		
Series 2012 – Franciscan Care Center	9,605,000	9,760,000
Kentucky Economic Development Finance Authority:		
Series 2010 – Madonna Manor, Inc.	28,440,000	28,440,000
City of Steubenville, Ohio:		
Series 2010 – Trinity	39,560,000	41,085,000
County of Tuscarawas, Ohio:		
Trinity Hospital Twin City	5,520,000	5,760,000
City of Sylvania, Ohio:		
Series 2012 – Rosary Care Center	4,325,000	4,395,000
Other		
Notes and mortgages payable to financial institutions, various interest rates with final installments due at various dates from 2014 to 2025	7,741,898	4,202,096
Other notes payable	175,000	175,000
Charitable gift annuity	128,512	150,450
Capital lease obligations collateralized by equipment	172,802	541,881
	327,082,412	328,689,227
Less current portion	(10,942,953)	(5,815,908)
Less original discount	(2,223,558)	(2,416,494)
Total long-term debt and capital lease obligations	\$ 313,915,901	\$ 320,456,825

Sylvania Franciscan Health and Subsidiaries
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Notes to Combined Financial Statements (continued)

8. Long-Term Debt and Interest Rate Swaps (continued)

The current members of the Obligated Group are St. Joseph Regional Health Center of Bryan, Texas (St. Joseph); the corporate office of the Corporation; St. Joseph Manor; and St. Joseph Physician Associates (SJPA) effective June 30, 2012, which have adopted a common plan of financing under a Master Trust Indenture.

Under the Master Trust Indenture, each member of the Obligated Group is jointly and severally liable for payment of debt issued pursuant to the Master Trust Indenture. The Obligated Group has issued several series of revenue bonds through Brazos County (Texas) Health Facilities Development Corporation (BCHFDC) in connection with various financing and construction projects. Under the Master Trust Indenture, the Obligated Group is jointly and severally liable for payment of Series 1993B, 1997A, 1997B, 2002, and 2008 Bonds, as a result of each having pledged to meet the principal and interest on each note for so long as any bonds are outstanding. In addition, the Obligated Group has agreed to certain operational and financial restrictions to limit additional indebtedness and guarantees, maintain specified financial ratios, and fulfill sinking fund requirements in various trustee-held accounts, among other covenants. The assets and other accounts of SFH Assurance, Ltd. are not subject to the provisions of the Master Trust Indenture.

In addition, the Obligated Group has issued notes to secure the guaranty by St. Joseph of obligations under the reimbursement agreement relating to the letter of credit securing the BCHFDC Series 2009 Burleson St. Joseph Manor Bonds and the guaranty by Sylvania Franciscan Health of the Kentucky Economic Development Finance Authority Madonna Manor Series 2010 Bonds and the St. Clare Commons direct financing.

The Series 1993B Bonds consist of term bonds that mature in varying amounts through January 1, 2019, with interest ranging from 4.875% to 6.00% payable semiannually. Bonds outstanding may be redeemed at par.

The Series 1997A Bonds consist of term bonds that mature in varying amounts annually through January 1, 2028, and bear interest ranging from 4.30% to 5.37%, payable semiannually. Outstanding bonds maturing on or after January 1, 2017, are subject to optional redemption equal to the principal plus accrued interest, if any, to the redemption date.

Sylvania Franciscan Health and Subsidiaries
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Notes to Combined Financial Statements (continued)

8. Long-Term Debt and Interest Rate Swaps (continued)

The Series 1997B Bonds consist of term bonds that mature in varying amounts annually beginning January 1, 2020 through January 1, 2028, and bear interest at 5.37%, payable semiannually. Outstanding bonds maturing on or after January 1, 2022, are subject to optional redemption equal to the principal plus accrued interest.

The Series 2002 Bonds consist of term bonds that mature in varying amounts annually beginning January 1, 2029 through January 1, 2032, and bear interest at 5.38%, payable semiannually. Bonds outstanding on or after January 1, 2014, may be redeemed at par plus accrued interest.

The Series 2008 Bonds consist of term bonds that mature in varying amount annually through January 1, 2038, and bear interest at a fixed rate ranging from 4.0% to 5.5%.

In connection with the refinancing of its Series 1999 Bonds, BCHFDC issued the Series 2009 Bonds on behalf of Burleson St. Joseph Manor (BSJM), which mature on July 1, 2029, and bear interest at a variable rate. Bond proceeds were borrowed under a loan agreement, with the issuer under which BSJM agrees to make payments sufficient to pay principal and interest as they become due. St. Joseph has been named as guarantor pursuant to the loan agreement. The Series 2009 Bonds are supported by a letter of credit issued by Wells Fargo Bank, N.A. (Wells Fargo). The letter of credit expires on February 26, 2015. As of December 31, 2013, there have been no draws on the letter of credit. The interest rate for the 2009 Bonds, which is determined weekly, averaged approximately .20% for 2013 and was .16% at December 31, 2013. BSJM may select other interest rate modes for the 2009 Bonds, subject to certain limitations. Outstanding bonds are subject to optional redemption at a price equal to par plus accrued interest to the date of redemption.

Effective February 3, 2004, St. Joseph and Merrill Lynch Capital Services, Inc. (MLCS) entered into a basis swap agreement. The basis swap provides that St. Joseph will receive from MLCS a variable amount of interest at a rate of 76.75% of the London Interbank Offered Rate (LIBOR) and pay MLCS a variable rate of interest based upon the Securities Industry and Financial Markets Association (SIFMA) index on the notional amount of approximately \$13,750,000.

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Notes to Combined Financial Statements (continued)

8. Long-Term Debt and Interest Rate Swaps (continued)

Effective August 30, 2005, St. Joseph and MLCS entered into a total return swap agreement (the 2005 Swap). The 2005 Swap provides that St. Joseph will receive from MLCS a fixed amount of interest of 5.0% and pay to MLCS a variable rate of interest based upon the SIFMA index on the initial notional amount of \$16,555,000. This notional amount declines each year by the same amount as the amortization of the Series 1993B Bonds.

Effective August 16, 2007, St. Joseph and MLCS entered into five total return swaps and one fixed-payor swap (the 2007 Swaps) related to the outstanding 1997A and 1997B Bonds. The total return swaps provide that St. Joseph will receive from MLCS a fixed amount of interest of 4.945% on a notional amount of \$57,957,000 and 4.375% on a notional amount of \$3,090,000 and pay to MLCS a variable rate of interest based upon the SIFMA index on each notional amount. The fixed payor swap expires on January 1, 2028, and provides that St. Joseph will receive from MLCS a variable rate of interest of 67% of three-month LIBOR and pay to MLCS a fixed rate of interest of 3.864% on the notional amount of \$48,090,000. Effective March 12, 2008, St. Joseph and MLCS entered into a fixed spread basis swap (2008 Swap) related to the outstanding 2008 Bonds. The 2008 Swap expires on March 1, 2028, and provides that St. Joseph will receive from MLCS a variable rate of interest based upon 67% of one-month LIBOR plus 0.42% and pay to MLCS a variable rate of interest based upon the SIFMA index on the initial notional amount of \$30,000,000. On September 21, 2009, BSJM entered into a swap agreement with respect to the Series 2009 Bonds (the 2009 Swap) with Wells Fargo Bank N.A. The 2009 Swap, which is scheduled to mature on September 1, 2014, provides that BSJM will receive from Wells Fargo a variable rate of interest based upon the SIFMA index and pay to Wells Fargo a fixed rate of interest of 2.42% on the initial notional amount of \$8,025,000. The notional amount of the swap is reduced each year consistent with the principal payments made on the 2009 Bonds, and the notional amount at December 31, 2013, is \$6,825,000.

Interest rate swap contracts between St. Joseph and swap counterparties expose St. Joseph to market risk and credit risk. Credit risk is the risk that contractual obligations of the counterparty will not be fulfilled. Counterparty credit risk is managed by requiring high credit standards for the St. Joseph's counterparty. The counterparty to these contracts is a financial institution that carries investment-grade credit ratings. The interest rate swap contracts contain certain collateral provisions applicable to both parties to mitigate credit risk; collateral was not required at December 31, 2013 and 2012. St. Joseph may be required to post additional collateral to secure obligations that would be owed to the counterparty under the agreements if terminated,

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Notes to Combined Financial Statements (continued)

8. Long-Term Debt and Interest Rate Swaps (continued)

regardless of whether the agreements are actually terminated. St. Joseph does not anticipate nonperformance by its counterparty. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degrees of market risk that may be undertaken. Management also mitigates risk through periodic reviews of its derivative positions in the context of its blended cost of capital.

At December 31, 2013 and 2012, the market value of these interest rate swap agreements was a liability of \$9,660,000 and \$13,290,000, respectively.

The County of Erie, Ohio, issued its Series 1996A Bonds on behalf of Providence Care Centers. Payments consist of serial bonds that are subject to the final mandatory redemption of \$460,000 on October 1, 2014, bearing interest at a variable rate (.13% and .20% at December 31, 2013 and 2012, respectively). The bonds are supported by an irrevocable letter of credit by JPMorgan Chase Bank, N.A., which expires on October 15, 2014. The Series 1996A Bonds are secured by property.

The Series 2009A, B, and C bonds consist of serial bonds, which are subject to mandatory redemption on each October 15 in increasing annual amounts through October 5, 2034, bearing interest at a variable rate (2.12% and 2.15% at December 31, 2013 and 2012, respectively). Each Series of the 2009 bonds is secured by the property of Providence Care Centers, a pledge of the gross revenues of accounts receivable, inventory, equipment, and an assignment of lease rentals and is cross-collateralized by a grant of subordinate interests in the real property and a pledge of personal properties of the other subsidiaries of Providence Care Centers. The bondholder has agreed that it will not elect its right to tender the Series 2009 bonds for purchase until at least October 1, 2015.

Providence Care Centers has an interest rate swap agreement for \$9,263,000 of the total borrowings outstanding. The swap is recorded at fair value, which is a liability of \$545,000 and \$757,000 at December 31, 2013 and 2012, respectively.

In June 2010, the County of Montgomery, Ohio, issued \$41.1 million Demand Revenue Bonds, Series 2010 (Series 2010 Bonds) on behalf of St. Leonard. In connection with the issuance of the Series 2010 Bonds, St. Leonard entered into lease and sublease agreements with Montgomery County, which extend through the term of the bonds. Payments under the sublease are equal to

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

8. Long-Term Debt and Interest Rate Swaps (continued)

the principal and interest on the bonds. The 2010 bonds are secured by the property of St. Leonard and a pledge of the gross revenues of St. Leonard. The Series 2010 Bonds consist of serial bonds, which are subject to mandatory redemption on each April 1 in increasing annual amounts through April 1, 2040, bearing interest at a fixed rate ranging from 6% to 6.625%. To secure its obligation under the sublease, St. Leonard delivered to the Trustees its Series 2010 Note in the amount of \$41.1 million issued pursuant to the St. Leonard Master Indenture, payable in installments and bearing interest in the amounts equal to the principal interest on the Series 2010 Bonds. St. Leonard is the only current member of the Obligated Group under the St. Leonard Master Indenture. The Series 2010 note is secured by the property of St. Leonard.

On June 15, 2012, St. Clare Commons financed \$33.2 million to construct a new continuing care retirement community in Perrysburg, Ohio. St. Clare Commons leased to Fifth Third Bank its interest in this project, and in turn, Fifth Third Bank leased this project to the County of Wood, Ohio, for sublease to St. Clare Commons. This financing is secured by a pledge of St. Clare Commons revenues. All liability associated to this agreement is fully guaranteed by the Obligated Group. St. Clare Commons has agreed to make rental payments back to Fifth Third Bank, which consists of monthly interest payments beginning August 1, 2012, based on a 3.17% rate through June 1, 2022, and quarterly principal payments beginning September 1, 2014 through June 1, 2042.

On March 1, 2012, the Village of Botkins, Ohio, issued \$9,760,000 of HealthCare Revenue Bonds, Series 2012 (Series 2012 Bonds) and obtained a direct loan in the amount of \$1,925,000. The Series 2012 Bonds are subject to redemption semiannually in varying amounts through March 1, 2038. In connection with the issuance of the Series 2012 Bonds, the Franciscan Care Center entered into lease and sublease agreements with the Village of Botkins, which extend through the terms of the series 2012 Bonds. The Series 2012 Bonds are secured by a first mortgage lien on the property. Interest and principal are due semiannually until maturity on March 1, 2038. The interest rate in effect at December 31, 2013, was 1.61%. The direct loan will be paid in equal monthly installments of \$16,043 over the next ten years beginning April 1, 2012, and is secured by a second mortgage on the real estate of Franciscan Care Center and a lien on its business assets, including equipment, inventory, accounts receivable, general intangibles, and deposits. The amount outstanding at December 31, 2013, is \$1,572,000. The interest rate in effect at December 31, 2013, was 2.12%. This direct loan is fully guaranteed by the Corporation.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

8. Long-Term Debt and Interest Rate Swaps (continued)

On January 5, 2010, the Kentucky Economic Development Finance Authority issued \$28,440,000 Healthcare Facilities Revenue Bonds (Madonna Manor, Inc. Project), Series 2010. Bond proceeds were borrowed under a loan agreement. Under the loan agreement, a note was issued to the Trustee payable in installments and bearing interest in amounts equal to the principal and interest on the bonds. All liability under the loan agreement and note is fully guaranteed by the Obligated Group. The Madonna Manor Series 2010 bonds consist of serial bonds, which are subject to mandatory redemption on each December 1 in increasing annual amounts through December 1, 2039, bearing interest at a rate of 7.00%. The bonds may be redeemed in whole or in part, at a redemption price equal to 100% of the principal amount thereof plus accrued interest thereon to the date of redemption.

In December 2012, Madonna Manor renewed its total return swap with Bank of America Merrill Lynch (Bank of America) for the entire amount of borrowings through January 5, 2016, at a fixed interest rate based on Bank of America's bond rating. In accordance with the agreement, Madonna Manor makes semiannual (May 15 and November 15) variable interest payments at the SIFMA index rate in exchange for a 5.00% fixed rate on the notional amount of outstanding debt. The swap is recorded at its fair value, which is an asset of \$254,000 and \$378,000 at December 31, 2013 and 2012, respectively. Madonna Manor has certain cash collateral requirements associated with this swap. At December 31, 2013 and 2012, collateral was not required to be posted.

In August 2010, Trinity Hospital Holding Company and its subsidiaries, Trinity East and Trinity West, (collectively, Trinity) leased certain facilities to the City of Steubenville, Ohio (the City), through the year 2030. The City then agreed to loan Trinity the proceeds from the sale by the City of \$43,930,000 of Hospital Facilities Revenue Refunding and Improvement Bonds, Series 2010. The City then subleased the facilities to Trinity East and Trinity West for the same term at a rental equal to the debt service on the Series 2010 Bonds. The obligations of Trinity to pay rent under the subleases have been evidenced and secured by the Series 2010 Note issued to The Bank of New York Mellon Trust Company, N.A. (Master Trustee) by Trinity pursuant to the terms of the Trinity Master Indenture dated August 1, 2010.

Trinity has assigned and granted an assignment of and a security interest in all present and future gross receipts of Trinity to secure payment of principal and interest on Series 2010 Bonds and the observance and performance of each member of Trinity of all of its covenants, agreements,

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

8. Long-Term Debt and Interest Rate Swaps (continued)

and obligations under the Trinity Master Indenture. The security interest does not include any interest in the net assets of the Foundation, which aggregated \$17,282,000 and \$15,006,000 at December 31, 2013 and 2012, respectively, nor any income generated from that interest. As security for its obligations under the Series 2010 Bonds, both Trinity East and Trinity West, have granted to the Trinity Master Trustee pursuant to the Trinity Master Indenture for the benefit of the bondholders a first mortgage lien on the real property and fixtures constituting the existing facilities.

The Trinity Series 2010 Bonds consist of serial bonds, which are subject to mandatory redemption on each October 1 in increasing annual amounts through October 1, 2030, bearing interest at a fixed rate ranging from 2% to 5%.

During September 2011, the County of Tuscarawas, Ohio, entered into a \$6 million lease financing agreement with a local bank, and Trinity Hospital Twin City became the sublessee under the agreement in order to finance the acquisition of the hospital. Payments under the sublease are equal to principal and interest which through October 1, 2036, in a semiannual amount of \$120,000, bearing interest at a variable rate (1.9% at December 31, 2013 and 2012).

In March 2012, the City of Sylvania, Ohio, issued \$4,395,000 of City of Sylvania, Ohio Health Care Revenue Bonds, Series 2012 (Rosary Series 2012 Bonds). Subsequent to this, these bonds were purchased by Huntington National Bank. The site of these facilities has been leased to Rosary by the Sisters, who fully guarantee this liability. These improvements will then be sub-leased to Rosary. The Rosary Series 2012 Bonds are subject to redemption semiannually in varying amounts, with the final payment due on March 1, 2038. The interest rate in effect at December 31, 2013, was 1.61%.

The Corporation also has certain entities that have various outstanding notes and mortgages payable as of December 31, 2013 and 2012, of \$5,506,000 and \$2,612,000, respectively. Interest rates range from 1.82% to 3.75% on these notes and mortgages at December 31, 2013.

Required principal payments of the Combined Group's long-term debt, excluding capital lease obligations, in each of the five years subsequent to December 31, 2013, are as follows: 2014 – \$10,770,000; 2015 – \$9,736,000; 2016 – \$10,109,000; 2017 – \$10,240,000; 2018 – \$10,025,000; and thereafter \$276,028,000.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

8. Long-Term Debt and Interest Rate Swaps (continued)

Required principal payments of the Combined Group's capital lease obligations, in each of the years subsequent to December 31, 2013, are as follows: 2014 – \$172,000.

In addition, the Obligated Group and various subsidiaries of the Corporation have agreed to certain operational and financial restrictions to limit additional indebtedness and guarantees and to maintain specified financial ratios among other covenants. As of December 31, 2013, the Corporation met all of its required covenants. Interest paid in 2013 and 2012, was \$13,872,800 and \$14,261,000, respectively. The Combined Group capitalized interest of \$622,000 and \$923,000 during 2013 and 2012, respectively.

9. Retirement and Post-Retirement Benefit Plans

The Corporation participates with other affiliated organizations in the Sisters of St. Francis Lay Employees' Retirement Plan (the Sisters' Plan), which is a noncontributory, defined benefit retirement plan covering eligible lay employees. The Sisters' Plan provides for retirement and disability retirement benefits based on years of service and an employee's highest consecutive three-year average earnings.

In addition, the Sisters and the Corporation intend, but do not guarantee, to continue to make annual contributions to the fund in an amount equal to a percentage of projected covered compensation. Effective December 31, 2013, the Sisters' Plan was frozen, and all pension plan benefits earned through that date were immediately vested for all participants who were actively employed with the System on December 31, 2013. The defined benefit plan will be replaced with a defined contribution pension plan as of January 1, 2014.

The Sisters' Plan is accounted for as a multiemployer pension plan. Accordingly, the Corporation records its required contributions to the Sisters' Plan as net periodic pension expense. The Corporation recognized net periodic pension expense of \$13,105,000 and \$12,427,000 for the years ended December 31, 2013 and 2012, respectively, based on amounts funded to the Sisters' Plan. The projected and accumulated benefit obligation exceeded the fair value of plan assets by approximately \$84.7 million and \$58.2 million, respectively, at December 31, 2013, using a weighted average discount rate of 4.95%, an expected long-term rate of return on plan assets of 8.0%, and an expected rate of compensation increase of 3.5%.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

9. Retirement and Post-Retirement Benefit Plans (continued)

Trinity East has three defined benefit pension plans. Benefits under the pension plans are generally based on years of service and the employees' average annual compensation in five of the last ten years prior to retirement in which such earnings are the highest. Trinity East funds at least the amount necessary to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974, as amended, and the Internal Revenue Code. Effective June 1, 2014, the Trinity East plans will be frozen, and all pension plan benefits earned through that date will be immediately vested for all participants who were actively employed with Trinity on that date.

Trinity East and Trinity West have other post-retirement benefits relating to health insurance coverage for employees who participated in an early retirement program in a prior year. These post-retirement benefits are not impacted by the Medicare Prescription Drug Improvement and Modernization Act of 2003 as health care coverage terminates once retirees are Medicare eligible. The Corporation has also assumed a previously owned hospital's post-retirement benefit plan. Post-retirement benefit costs are funded as incurred.

Amounts included in unrestricted net assets at December 31, 2013, that have not yet been recognized in net periodic pension cost is the net unrecognized actuarial losses of \$12,668,000. The net actuarial loss included in net periodic pension costs during the year ending December 31, 2013, is \$587,000.

The table below sets forth the change in the plan assets and benefit obligation of the Trinity East pension plans and the Trinity East, Trinity West, and Providence Hospital post-retirement plans for the years ended December 31, 2013 and 2012. The table also reflects the funded status of the plans, as well as recognized and unrecognized amounts in the combined statements of financial position at December 31, 2013 and 2012.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

9. Retirement and Post-Retirement Benefit Plans (continued)

	Trinity East Pension Benefits		Post-Retirement Benefits	
	2013	2012	2013	2012
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 63,092,182	\$ 55,478,119	\$ 1,208,925	\$ 1,188,005
Service cost	1,221,915	1,051,464	-	-
Interest cost	2,349,995	2,498,612	41,202	51,877
Participant contributions	-	-	6,638	7,593
Plan curtailment	(989,881)	-	-	-
Actuarial loss	(6,540,274)	6,028,187	(475,482)	86,565
Benefits paid	(2,097,820)	(1,964,200)	(37,906)	(125,115)
Benefit obligation at end of year	57,036,117	63,092,182	743,377	1,208,925
Change in plan assets:				
Fair value of plan assets at beginning of year	41,049,139	36,659,861	-	-
Actual return on plan assets	6,463,315	3,833,478	-	-
Employer contribution	2,520,000	2,520,000	31,268	117,522
Participant contributions	-	-	6,638	7,593
Benefits paid	(2,097,820)	(1,964,200)	(37,906)	(125,115)
Fair value of plan assets at end of year	47,934,634	41,049,139	-	-
Accrued benefit cost	\$ (9,101,483)	\$ (22,043,043)	\$ (743,377)	\$ (1,208,925)

The accumulated benefit obligation for all pension plans was \$56,938,000 and \$61,758,000 at December 31, 2013 and 2012, respectively.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

9. Retirement and Post-Retirement Benefit Plans (continued)

The Trinity East plan assets are invested in an actively managed portfolio that integrates asset allocation strategies across equity and debt markets within the United States. The portfolio objectives are long-term growth balanced with moderate variability with an expected shift to assets with a more fixed income allocation as the plan population ages and nears retirement. The use of an appropriate asset management policy combines the various asset pools to ensure flexibility and to adapt to the changing retirement needs of the plan participants. The plan's objective is to have 45% to 65% invested in equities and 30% to 50% invested in fixed income securities. For the long-term, the primary investment objective for the portfolio is to earn the highest possible total return consistent with prudent levels of risk. The overall primary objective is to enable the three pension plans to meet their future obligations for employee retirement.

The weighted average asset allocations by asset category of the Trinity East plans are as follows:

	December 31	
	2013	2012
Asset category:		
Equity securities	41%	56%
Debt securities	37	44
Other	22	-
Total	100%	100%

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

9. Retirement and Post-Retirement Benefit Plans (continued)

The following table summarizes the Trinity East pension assets measured at fair value on a recurring basis as of December 31, 2013 and 2012, aggregated by the level in the fair value hierarchy within which those measurements are determined:

	Total Fair Value Measurement at December 31, 2013	Fair Value Measurement at December 31, 2013, Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	\$ 10,875,194	\$ 10,875,194	\$ -	\$ -
U.S. government and agency obligations	8,626,212	-	8,626,212	-
Corporate bonds:				
Domestic	7,867,072	-	7,867,072	-
International	839,677	-	839,677	-
Revenue bonds:				
Domestic	280,286	-	280,286	-
Mutual funds:				
Domestic	8,757,631	8,757,631	-	-
International	10,688,562	10,688,562	-	-
	<u>\$ 47,934,634</u>	<u>\$ 30,321,387</u>	<u>\$ 17,613,247</u>	<u>\$ -</u>

	Total Fair Value Measurement at December 31, 2012	Fair Value Measurement at December 31, 2012, Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	\$ 1,065,110	\$ 1,065,110	\$ -	\$ -
U.S. government and agency obligations	6,635,592	-	6,635,592	-
Equities:				
International	4,684,791	4,684,791	-	-
Corporate bonds:				
Domestic	9,836,769	-	9,836,769	-
International	418,382	-	418,382	-
Mutual funds:				
Domestic	18,408,495	18,408,495	-	-
	<u>\$ 41,049,139</u>	<u>\$ 24,158,396</u>	<u>\$ 16,890,743</u>	<u>\$ -</u>

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

9. Retirement and Post-Retirement Benefit Plans (continued)

Trinity East expects to contribute \$2,520,000 to its pension plans in fiscal 2014. The Corporation expects to contribute \$70,500 to its post-retirement plan in 2014.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the Trinity East pension plans and the Trinity East and West and Providence Hospital other benefits during the years ending December 31:

	<u>Pension Benefits</u>	<u>Post-Retirement Benefits</u>
2014	\$ 2,511,738	\$ 76,667
2015	2,616,745	67,862
2016	2,754,758	68,861
2017	2,898,792	69,065
2018	3,083,048	68,410
2019–2023	17,783,011	303,586

The components of net periodic benefit cost for the pension plans and other post-retirement benefit plans for the years ended December 31, 2013 and 2012, were as follows:

	<u>Pension Benefits</u>		<u>Post-Retirement Benefits</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Service cost	\$ 1,221,915	\$ 1,051,464	\$ —	\$ —
Interest cost	2,349,995	2,498,612	41,202	51,877
Expected return on plan assets	(3,042,832)	(2,951,732)	—	—
Recognized net actuarial loss (gain)	1,872,570	1,343,200	(17,314)	(32,587)
Curtailment loss recognized	482	—	—	—
Amortization of prior service cost	1,602	1,602	—	—
Net periodic benefit cost	<u>\$ 2,403,732</u>	<u>\$ 1,943,146</u>	<u>\$ 21,888</u>	<u>\$ 19,290</u>

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

9. Retirement and Post-Retirement Benefit Plans (continued)

Actuarial assumptions for the Trinity East pension plans are as follows:

	December 31	
	2013	2012
Weighted average assumptions used to determine net periodic benefit cost for years ended December 31:		
Discount rate	3.8%	3.8%
Expected long-term rate of return on plan assets	7.4	7.5
Expected rate of compensation increase	3.0	3.0
Weighted average assumptions used to determine benefit obligation for years ended December 31:		
Discount rate	4.7	4.6
Rate of compensation increase	3.0	3.0

In selecting the expected long-term return on plan assets, Trinity East pension plans considered the average rate of earnings on the funds invested or to be invested to provide for the benefits of these plans. This included considering the asset allocation and the expected returns likely to be earned over the life of the plans. This basis is consistent with prior year.

Actuarial assumptions for the Providence Hospital plan are as follows:

	December 31	
	2013	2012
Weighted average assumptions used to determine net periodic benefit cost for years ended December 31:		
Discount rate	3.62%	4.67%
Weighted average assumptions used to determine benefit obligation for years ended December 31:		
Discount rate	4.45	3.62

An increase of 8.5% in the health care cost trend rate was assumed for Providence Hospital plan next year. This rate is assumed to decrease gradually to 5% in 2021 and remain at that level thereafter. A 1% increase in the health care cost rate would increase the accumulated post-retirement benefit obligation by \$53,668 and the net periodic cost by \$4,100. A 1% decrease in the health care cost rate would decrease the accumulated post-retirement benefit obligation by \$48,310 and the net periodic cost by \$3,656.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

9. Retirement and Post-Retirement Benefit Plans (continued)

Trinity Hospital Holding Company has supplemental pension and welfare agreements with certain key executives that provide for fixed payments at the date of retirement, death, or disability and lump-sum life insurance benefits. Trinity Hospital Holding Company is providing for these benefits over the estimated term of employment of the employees to age 65. The present value of these benefits of approximately \$1,352,000 and \$1,001,000 at December 31, 2013 and 2012, respectively, has been included in the combined statements of financial position as long-term post-retirement benefit obligations payable. Approximately \$235,000 and \$293,000 was charged to expense for these benefits for the years ended December 31, 2013 and 2012, respectively. Trinity Hospital Holding Company has purchased life insurance contracts on certain employees, which, upon the death of the employee, may be used to fund the supplemental pension and welfare arrangements with the key executives.

The Corporation has a supplemental retirement plan for former key employees. The Corporation recognizes expense on a prorated basis over the expected service period of the participants. The plan is funded with investments held in a rabbi trust. The plan assets are included with assets whose use is limited on the combined statements of financial position and totaled \$1,067,386 and \$1,123,035 at December 31, 2013 and 2012, respectively. At December 31, 2013 and 2012, respectively, the Corporation has a supplemental retirement obligation of \$1,645,645 and \$1,728,481.

The Corporation is the sponsor of the Sylvania Franciscan Sponsored Ministries 457(b) plan, which was established in 2011 to provide deferred compensation for a select group of management or highly compensated employees. At December 31, 2013 and 2012, respectively, the plan assets of \$1,324,782 and \$759,355 are included in assets whose use is limited, and a corresponding retirement obligation is recorded.

The Sisters of St. Francis 403(b) Voluntary Employee Deferral Plan is a single-employer, defined contribution employee benefit plan. All entities of the Corporation who have adopted the plan are eligible to participate upon the date of employment. In addition, St. Joseph may elect to make discretionary matching contributions of \$.50 for every \$1.00 of an employee's elective deferrals, up to 2% of an employee's compensation. Employees become 100% vested in the employer's contribution after three years of service. The Corporation contributed \$1,077,461 and \$681,091 during the years ended December 31, 2013 and 2012, respectively.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

9. Retirement and Post-Retirement Benefit Plans (continued)

Effective January 1, 2014, all of the Corporation's employees, except Trinity East employees, will be eligible to participate in the Sisters of St. Francis 403(b) Voluntary Employer Deferral Plan. Trinity East employees will be eligible effective June 1, 2014. The Corporation will provide employees with an employer basic contribution equal to 1% of compensation, plus a matching contribution equal to 50% of the first 6% that employees contribute, resulting in a maximum matching contribution of 3% of compensation. Employees become 100% vested in the 1% basic contribution after three years of service and are immediately vested in the matching contribution.

10. Related-Party Transactions

Rosary Care Center entered into a lease agreement with the Sisters, which provides monthly rental payments and payments for expenses in connection with the maintenance and operation of the leased premises. Rental expenses amounted to \$157,800 for the years ended December 31, 2013 and 2012. The monthly rental payments under the operating lease are \$13,150 plus interest on the Sisters debt instrument and expenses relating to maintenance and operating of the premises.

Trinity Health System has transactions with Tri-State, a co-sponsor with the Corporation of Trinity Health System, which relate primarily to the rental of office space and the purchase of employee time, which are not material. Net amounts due from Tri-State of \$356,000 and \$525,000, respectively, at December 31, 2013 and 2012, are included in due from and to affiliates. The Corporation also has other amounts included in due to/from affiliates relating to transactions with the Sisters and related physician practices.

11. Contingencies

The Corporation is party to several lawsuits incidental to its operations. It is not possible at the present time to estimate the ultimate legal and financial liability, if any, of the Corporation with respect to such lawsuits. In the opinion of management, after consultation with legal counsel, adequate insurance exists to cover significant financial exposure, in the event there is any, to the Corporation. Accordingly, in the opinion of management, resolution of those matters is not expected to have a material adverse effect on the combined financial position.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

11. Contingencies (continued)

On October 5, 1995, St. Joseph executed an operating lease agreement with Burleson County Hospital District to lease substantially all of the property, plant, and equipment of the acute care facility located in Caldwell, Texas, for five years with three renewal terms of five years each. Effective October 1, 2013, St. Joseph executed a new lease for five years, with three renewal options of five years each.

On March 17, 1996, St. Joseph executed an operating lease agreement with Grimes County to lease substantially all the plant, property, and equipment of the acute care facility located in Navasota, Texas, for seven years with two renewal terms of seven years each. The lease was renewed for a seven-year term effective September 17, 2010.

At December 31, 2012, future minimum lease payments under noncancelable operating leases, with initial lease terms of greater than one year aggregate as follows: 2014 – \$20,045,300; 2015 – \$11,480,723; 2016 – \$6,713,387; 2017 – \$6,289,180; 2018 – \$5,382,286.

Rental expenses for operating leases and medical equipment for the years ended December 31, 2013 and 2012, amounted to \$25,532,141 and \$21,745,011, respectively.

12. Concentrations of Credit Risk

The members of the Combined Group grant credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors is as follows:

	December 31	
	2013	2012
Government-related programs	37%	43%
Patients	35	32
Other third-party payors	28	25
	100%	100%

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

13. Functional Expenses

The members of the Combined Group provide general health care services to residents within their geographic locations, including medical/surgical, pediatric, critical, emergency care, and post-acute residential care. Expenses from continuing operations relating to providing these services are as follows:

	Year Ended December 31	
	2013	2012
Health care services	\$ 457,735,654	\$ 435,580,274
General and administrative	190,917,328	178,947,313
	<u>\$ 648,652,982</u>	<u>\$ 614,527,587</u>

Other Supplementary Information



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Report of Independent Auditors on Other Supplementary Information

The Board of Trustees
Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The following combining statements of financial position, operations, and changes in net assets as of and for the year ended December 31, 2013, are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Ernst + Young LLP

May 6, 2014

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Combining Statement of Financial Position - Assets

December 31, 2013

	Corporate Office	SFH Assurance, LTD	SFH Foundation	Combining Adjustments	Subtotal Sylvania Franciscan Health	Franciscan Shelters	Sophia Center	Franciscan Living Communities	St. Joseph Services Corporation and Subsidiaries	Trinity Health System Corporation and Subsidiaries (Ohio)	Trinity Hospital Twin City	Roseary Care Center	Combination Adjustments	Combined
Assets														
Current assets														
Cash and cash equivalents	\$ 1,369,873	\$ 35,196	\$ 121,781	\$ -	\$ 1,526,850	\$ 198,760	\$ 43,056	\$ 15,183,141	\$ 12,877,255	\$ 7,460,922	\$ 355,872	\$ 285	\$ -	\$ 37,646,141
Investments	-	-	-	-	-	142,769	-	-	7,292,138	6,091,645	-	-	-	6,234,414
Current portion of trustee-held funds	-	-	-	-	-	-	-	-	-	8,116,703	-	-	-	8,116,703
Accounts and notes receivable	-	-	-	-	-	-	-	7,539,905	110,369,702	31,881,386	6,037,108	581,554	-	156,546,705
Patents and residuals	-	-	-	-	-	-	64,615	660,097	46,371,652	8,916,654	3,386,600	32,461	-	59,532,079
Less allowances for doubtful accounts	-	-	-	-	-	-	72,435	6,879,808	63,094,050	22,964,732	2,650,508	549,093	-	97,114,626
Other receivables	15	-	-	-	15	15,411	-	347,149	10,937,487	1,298,252	77,779	-	-	12,076,093
Due from affiliates	2,025,184	-	-	(234,833)	1,790,351	15,411	72,435	7,226,957	74,935,537	24,262,984	2,728,287	549,093	-	109,990,719
Inventories	-	-	-	-	-	-	-	150,704	1,385,370	1,186,989	48,159	3,344	(3,921,456)	643,461
Prepaid expenses and other	97,092	-	173,750	-	270,842	16	1,695	140,599	5,794,445	3,111,187	351,291	27,628	-	9,425,150
Total current assets	3,492,164	35,196	295,531	(234,833)	3,588,058	356,956	117,186	23,282,835	105,613,629	44,775,574	3,620,881	616,492	(3,921,456)	178,050,155
Assets whose use is limited														
Bond-designated and restricted funds	1,324,782	-	-	-	1,324,782	700,000	-	3,883,357	-	85,410,068	736,839	958,876	-	93,013,922
Trustee-held funds, less current portion	1,067,386	-	-	-	1,067,386	-	-	9,930,660	11,842,462	3,701,899	-	225,133	-	26,767,540
Self-insurance Program	-	20,550,681	-	-	20,550,681	-	-	-	-	-	-	-	-	20,550,681
Foundation investments	-	-	25,041,648	-	25,041,648	-	-	-	-	16,614,323	-	-	-	41,655,971
Other investments	-	-	-	-	-	-	-	-	-	1,579,803	-	-	-	1,579,803
Net property and equipment	2,392,168	20,550,681	25,041,648	-	47,984,497	700,000	-	13,814,017	11,842,462	107,306,093	736,839	1,184,009	-	183,547,917
	177,506	-	-	-	177,506	60,235	2,531	146,327,654	177,685,048	51,598,176	14,102,491	4,373,798	-	394,327,439
Other assets														
Financing costs net of amortization	-	-	-	-	-	-	-	2,145,578	2,997,651	252,547	59,484	97,974	-	5,553,234
Notes and other receivables	-	-	-	-	-	-	-	18,174	445,180	566,944	-	-	-	1,030,298
Due from affiliates	902,610	-	-	(902,610)	-	-	-	424,280	6,158,573	2,330,681	207,378	52,161	(9,173,073)	-
Goodwill	-	-	-	-	-	-	-	-	-	3,873,161	-	-	-	3,873,161
Certificates of need net of amortization	-	-	-	-	-	-	-	3,205,275	-	-	-	369,903	-	3,575,238
Long-term investments	31,848,375	-	-	-	31,848,375	-	-	28,170,157	178,590,366	-	-	-	-	238,608,908
Other	-	-	-	-	-	-	254,101	34,217,365	188,536,472	7,198,333	266,862	520,098	(9,173,073)	773,803
Total assets	32,750,985	20,583,877	25,337,179	(1,137,443)	83,598,436	1,117,191	119,717	217,642,071	483,627,611	210,828,176	18,272,073	6,694,397	(13,094,520)	1,009,360,143

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Combining Statement of Financial Position – Liabilities and Net Assets

December 31, 2013

	Corporate Office	SFH Assurance, LTD	SFH Foundation	Combining Adjustments	Subtotal Sylvania Franciscan Health	Franciscan Shelters	Sophia Center	Franciscan Living Communities	St. Joseph Services Corporation and Subsidiaries	Trinity Health System Corporation and Subsidiaries (Ohio)	Trinity Hospital Twin City	Rosary Care Center	Combination Adjustments	Combined
Liabilities and net assets														
Current liabilities														
Accounts payable and accrued expenses	\$ 369,245	\$ 50,824	\$ 46,458	\$ -	\$ 466,527	\$ 5,839	\$ 16,031	\$ 4,368,560	\$ 22,303,618	\$ 10,578,752	\$ 1,097,189	\$ 405,730	\$ (99,103)	\$ 39,143,143
Accounts payable	672,506	-	-	-	672,506	5,480	4,040	1,991,009	11,557,061	4,992,789	480,264	130,044	-	19,833,113
Compensation fees, and amounts withheld from compensation	48,847	232	234,601	(234,833)	48,847	-	-	1,010,744	3,643,318	416,584	31,551	79,022	(1,618,139)	5,070,646
Accrued interest	-	-	-	-	-	-	-	184,640	1,259,794	13,685	-	-	-	643,730
Due to affiliate	-	-	-	-	-	-	-	-	643,730	-	-	-	-	-
Other	1,090,598	51,036	281,059	(234,833)	1,187,860	11,239	20,071	7,554,953	38,763,791	16,645,540	1,609,004	615,396	(1,717,242)	64,690,632
Deferred revenue	-	-	-	-	-	-	32,762	227,645	-	-	-	-	-	260,407
Settlements payable under third-party reimbursement contracts	-	-	-	-	-	-	-	314,380	5,534,105	1,227,002	648,987	56,157	-	7,780,631
Lines of credit	963,635	-	-	-	963,635	-	-	-	-	-	1,800,000	-	(145,000)	2,763,635
Note payable	-	-	-	-	-	-	-	145,000	-	-	-	-	-	-
Current portion of reserve for insurance claims obligations	-	2,065,935	-	-	2,065,935	-	-	96,834	1,385,373	525,851	48,159	9,720	(2,065,935)	2,065,937
Current portion of retirement and post-retirement obligations	198,377	-	-	-	198,377	-	-	-	-	-	-	-	-	198,377
Current portion of refundable and non-refundable entrance fees	-	-	-	-	-	-	-	1,082,898	-	-	-	-	-	1,082,898
Current portion of long-term debt and capital lease obligations	2,252,610	2,116,991	281,059	(234,833)	4,415,827	11,239	52,833	11,547,502	51,982,239	20,522,111	4,350,623	831,273	(3,928,177)	10,942,953
Total current liabilities	6,664,427	11,283,343	281,059	(1,137,443)	17,091,386	11,239	52,833	164,556,485	206,240,233	71,147,938	9,835,160	5,045,152	(13,094,529)	466,894,897
Long-term liabilities														
Due to affiliates	902,610	902,610	-	(902,610)	902,610	-	-	-	-	-	-	-	(902,610)	-
Retirement plans	2,842,497	-	-	-	2,842,497	-	-	-	-	10,460,000	-	-	-	13,302,497
Post-retirement benefit obligations	666,710	-	-	-	666,710	-	-	-	-	-	-	-	-	666,710
Reserve for insurance claims	-	8,263,742	-	-	8,263,742	-	-	387,335	5,541,492	2,103,402	192,635	38,879	(8,263,742)	8,263,743
Derivative liability, net	-	-	-	-	-	-	-	545,225	9,660,174	-	-	-	-	10,205,399
Refundable and non-refundable entrance fees, less current portion	-	-	-	-	-	-	-	22,112,939	-	-	-	-	-	22,112,939
Long-term debt and capital lease obligations, less current portion	-	-	-	-	-	-	-	129,843,472	136,543,102	38,062,425	5,291,902	4,175,000	-	313,915,901
Other	-	-	-	-	-	-	-	120,012	2,522,226	-	-	-	-	2,642,238
Total liabilities	6,664,427	11,283,343	281,059	(1,137,443)	17,091,386	11,239	52,833	164,556,485	206,240,233	71,147,938	9,835,160	5,045,152	(13,094,529)	466,894,897
Net assets														
Unrestricted	32,148,396	9,302,534	25,056,120	-	66,507,050	1,096,194	66,884	49,446,993	274,434,656	130,427,531	8,855,075	1,649,245	-	532,483,628
Temporarily restricted	-	-	-	-	-	9,758	-	1,554,961	2,993,722	7,174,913	36,838	-	-	11,770,192
Permanently restricted	-	-	-	-	-	-	-	-	-	2,127,794	-	-	-	4,211,426
Total net assets	32,148,396	9,302,534	25,056,120	-	66,507,050	1,105,952	66,884	53,085,586	277,428,378	139,730,238	8,891,913	1,649,245	-	548,465,246
Total liabilities and net assets	\$ 38,812,823	\$ 20,585,877	\$ 25,337,179	\$ (1,137,443)	\$ 83,598,436	\$ 1,117,191	\$ 119,717	\$ 217,642,071	\$ 483,671,611	\$ 210,878,176	\$ 18,727,073	\$ 6,694,397	\$ (13,094,529)	\$ 1,009,360,143

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Combining Statement of Operations

Year Ended December 31, 2013

	Corporate Office	SFH Assurance, L.T.D.	SFH Foundation	Combining Adjustments	Subtotal Sylvania Franciscan Health	Franciscan Shelters	Sophia Center	Franciscan Living Communities	St. Joseph Services Corporation and Subsidiaries	Trinity Health System Corporation and Subsidiaries (Ohio)	Trinity Hospital Twin City	Rosary Care Center	Combination Adjustments	Combined
Revenues, gains, and other support														
Net patient service revenue, net of contractual allowances and discounts														
Provision for bad debts														
Net patient service revenue, less provision for bad debts														
Other revenue														
Rental revenue														
Net assets released from restrictions														
Total revenue, gains and other support	3,652,321	3,308,570		(26,964)	6,933,927	301,089	392,348	66,190,018	360,332,359	206,890,527	19,318,580	4,635,073	(6,908,791)	657,085,730
Expenses														
Salaries and wages	2,710,240				2,710,240	211,363	252,109	25,189,101	152,931,649	84,283,185	9,977,523	2,530,909		278,086,079
Employee benefits	860,998				860,998		56,414	6,537,339	35,759,263	28,806,192	2,093,259	428,885	(59,352)	74,482,998
Purchased services, utilities, and other	3,144,046			(104,055)	6,258,917	98,128	109,784	14,201,992	71,049,972	31,679,682	3,604,618	1,417,163	(6,840,439)	121,670,817
Supplies and pharmaceuticals	30,021				30,021	671	3,216	5,467,013	48,789,352	44,670,458	1,853,926	361,028		101,175,685
Provision for bad debts									260,173			9,004		868,641
Depreciation and amortization	68,509				68,509	12,676	1,300	6,610,763	19,350,856	10,038,820	1,095,807	204,406		37,383,137
Professional fees	457,097			(26,964)	1,495,186	9,561	5,548	1,063,123	12,355,375	3,919,058	2,115,544	65,202		21,408,597
Interest	524				524			4,188,970	7,343,535	1,826,838	142,656	74,505		13,577,028
Total expenses	7,271,435	3,415,480	968,499	(131,019)	11,524,395	332,399	428,371	63,857,665	348,220,175	205,224,233	20,883,333	5,091,102	(6,908,791)	648,652,982
Operating (loss) income	(3,619,114)	(106,910)	(968,499)	104,055	(4,590,468)	(31,310)	(36,023)	2,332,253	12,112,184	1,666,294	(2,564,753)	(455,429)		8,432,748
Nonoperating gains (losses)														
Investment income (loss)	1,541,912	1,439,133	593,456		3,574,501	1,975		689,327	4,279,381	10,393,585	(128)			18,938,641
Net unrealized gains on investments	2,463,054	622,761	3,049,566		6,135,381	15,147		1,996,616	17,015,291	2,728,442				27,890,877
Contributions, net	14,900				14,900			152,785	817,283	254,568	43,018	17,139		1,331,001
Fund-raising expenses								(277,414)	(898,326)	(404,434)				(1,585,601)
Gains under interest rate swap agreements								87,845	5,998,268					6,086,113
Gains (losses) on disposal of assets								1,577	2,543	(123,457)	(23,644)			(142,981)
Other									608					(1,036,934)
Net assets acquired in acquisitions														
Nonoperating gains, net	4,019,866	2,061,894	3,643,022		9,724,782	17,122	15,881	2,650,736	26,178,114	12,848,704	19,246	17,139		(1,036,934)
Excess (deficit) of revenues over expenses	\$ 400,752	\$ 1,954,984	\$ 2,674,523	\$ 104,055	\$ 5,134,314	\$ (14,188)	\$ (20,142)	\$ 4,992,989	\$ 38,290,298	\$ 14,514,998	\$ (2,545,507)	\$ (438,290)	\$	\$ 59,904,472

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Combining Statement of Changes in Net Assets

Year Ended December 31, 2013

	Corporate Office	SFH Assurance, LTD	SFH Foundation	Combining Adjustments	Subtotal Sylvania Franciscan Health	Franciscan Shelters	Sophia Center	Franciscan Living Communities	St. Joseph Services Corporation and Subsidiaries	Trinity Health System Corporation and Subsidiaries (Ohio)	Trinity Hospital Twin City	Resary Care Center	Combined
Unrestricted net assets	\$ 400,752	\$ 1,954,984	\$ 2,674,523	\$ 104,055	\$ 5,134,314	\$ (14,188)	\$ (20,142)	\$ 4,982,989	\$ 38,290,298	\$ 14,514,998	\$ (2,545,507)	\$ (438,290)	\$ 59,904,472
Excess (deficit) of revenue over expenses	-	-	-	-	-	-	-	-	-	12,824,810	-	-	12,824,810
Other changes	-	-	-	-	-	-	-	-	-	67,728	-	-	67,728
Change in pension liability	-	-	-	-	-	-	-	-	200,213	-	-	-	200,213
Net assets released from restriction	(7,278,682)	-	-	(104,055)	(7,301,971)	709,480	20,000	2,138,708	220,461	-	2,978,913	1,234,409	267,941
Transfer of equity	(6,877,930)	1,954,984	2,755,289	-	(2,167,657)	695,292	(142)	7,121,697	38,710,972	27,407,536	433,406	796,119	72,997,223
(Decrease) increase in unrestricted net assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Temporarily restricted net assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	32,950	-	114,433	1,051,994	468,879	101,906	-	1,770,162
Investment income	-	-	-	-	-	-	-	57,395	4,844	9,308	-	-	71,547
Net unrealized gains on investments	-	-	-	-	-	-	-	238,024	-	529,000	-	-	767,024
Net assets released from restrictions	-	-	-	-	-	(32,501)	-	(271,313)	(713,799)	(111,789)	(174,917)	-	(1,304,319)
Increase (decrease) in temporarily restricted net assets	-	-	-	-	-	440	-	138,539	343,039	895,398	(73,011)	-	1,304,414
Permanently restricted net assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	109	-	14,470	-	-	14,579
Net unrealized gains on investments	-	-	-	-	-	-	-	580	-	-	-	-	580
Donations and other, net	-	-	-	-	-	-	-	-	-	(3,420)	-	-	(3,420)
Increase in permanently restricted net assets	-	-	-	-	-	-	-	689	-	11,050	-	-	11,739
(Decrease) increase in net assets	(6,877,930)	1,954,984	2,755,289	-	(2,167,657)	695,741	(142)	7,260,925	39,054,011	28,313,984	360,395	796,119	74,313,376
Net assets at beginning of year	39,026,326	7,347,530	22,300,831	-	68,674,707	410,211	67,026	45,824,661	238,374,367	111,416,254	8,531,518	853,126	474,151,870
Net assets at end of year	\$ 32,148,396	\$ 9,302,514	\$ 25,056,120	\$ -	\$ 66,507,050	\$ 1,105,952	\$ 66,884	\$ 53,085,586	\$ 277,428,378	\$ 139,730,238	\$ 8,891,913	\$ 1,649,245	\$ 548,465,246

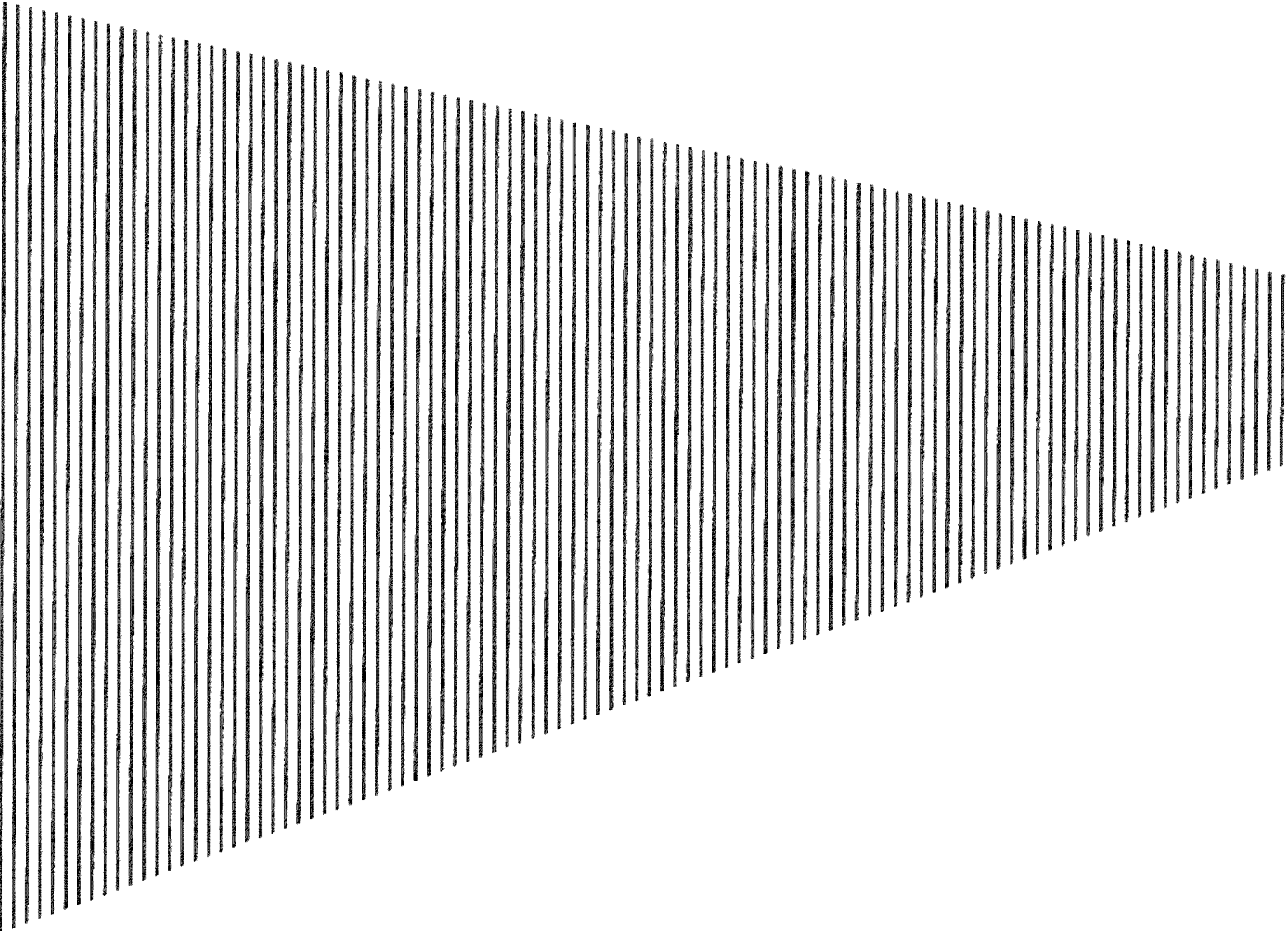
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SJHS Community Benefit Plan 2014-2016

Background

As outlined in its Mission statement, St. Joseph Health System (SJHS) works to improve the health status of residents across the Brazos Valley. Additionally, as a Not-For-Profit Health Care provider, SJHS meets state and federal requirements regarding the assessment of community needs and the delivery of community benefits to the communities we serve. SJHS has a Community Benefit structure and process it follows in meeting both its Mission and regulatory requirements.

Through our community benefit program, St. Joseph Health System works to fulfill our mission of community service by improving the health of the community, increasing access to health care services, partnering with others to reduce disparities, and achieving other community benefit objectives.

Community Needs Assessment

A needs assessment (Regional Health Partnership 17 Health Assessment) is conducted every three years by the Center for Community Health Development, a part of the Texas A&M Health Science Center's School of Rural Public Health. The Director of Community Outreach and Community Benefits Officer serve on the survey development committee for the health needs assessment. In September of 2013, SJHS received the results of the 2013 Community Needs Assessment, which includes Brazos, Burleson, Grimes, Leon, Madison, Robertson and Washington counties.

The extensive report outlined a wide variety of health needs across the region, as well as transportation and other needs. The focus of the SJHS Community Benefit planning was health status and health issues across the Brazos Valley. Key health issues/illnesses in the region include: obesity, hypertension, high cholesterol, depression and Emphysema/COPD. A summary of the needs assessment is located in Attachment 1.

Community Benefit Planning Process

The process for developing the 2014-2016 Community Benefit Plan included: 1) Assessment of Needs; 2) Identification of potential community partners and discussion with those partners; 3) Designing a plan to address those identified needs; 4) Setting measurable goals; and 5) Ongoing evaluation of the community benefit plan.

Community organizations providing input to the 2014-2016 plan include: SJHS, Health For All; Brazos Valley Community Action Agency; RHP 17 leadership; TAMU School of Public Health; and the Burleson and Grimes Health Resource Centers.

2014-2016 Community Benefits Overarching Goal

Given the broad scope of community health issues and the tremendous differences in health resources available in each community, SJHS sought to identify goals that would impact as many of the health needs as possible with the resources most commonly available in all communities.

The 2013 Community Needs Assessment identified the following issues:

- The rural communities, the low-income, and those of a minority population continue to face substantial disparities in access to resources and services, as well as in health outcomes.
- A greater proportion of those who were uninsured did not have a regular health provider, delayed medical care because of cost, and rated their access to care as fair, poor, or very poor.
- Seven of the eight counties that make of the primary services area for SJHS are designated by the federal Health Resources and Services Administration (HRSA) as a Health Professional Shortage Area (HPSA) wholly or in part.

One of the recommendations in the Needs Assessment was for providers to collaborate and leverage resources, which can be accomplished through the expansion of a true medical Home Model where one provider coordinate the care so that patients get the right resources at the right time to keep them healthy.

Following discussions with key partners, it was determined that the wide variety of key health issues impacting residents across the Brazos Valley would best be collectively addressed through 1) Expanding Population Health Initiatives aimed at preventing the chronic health issues; and 2) by improving primary care access & coordination through access to a true medical home.

2014-16 Community Benefit Goals

Improving Primary Care Access & Coordination

Goal 1: Support expansion of the Medical Home capacity of key partners (Health For All, Brazos Valley Community Action Agency HealthPoint Clinics, St. Joseph Physician Associates)

2014 Tactics

Tactic 1: Grow Medical Home patient capacity among key partners over 2013 capacity

Measure 5 = Over 8^o % growth

Measure 4 = 6.1 - 8^o % growth

Measure 3 = 4 - 6^o % growth

Measure 2 = 2 - 3.9^o % growth

Measure 1 = Less than 2^o % growth

Goal 2: Support uninsured/underinsured patient access to Medical Homes

2014 Tactics

Tactic 1: Support local enrollment into federal insurance exchanges for 2015 Plan Year, increasing enrollment by 15^o % over the 2014 year

Measure 5 = 20^o % or greater increase over 2014 enrollment

Measure 4 = 16.1 – 20^o % increase over 2014 enrollment

Measure 3 = 12.1 – 16^o % increase over 2014 enrollment

Measure 2 = 8.1 – 12^o % increase over 2014 enrollment

Measure 1 = Less than 8^o % increase over 2014 enrollment

Tactic 2: Identify and complete one pilot project to improve Medical Home Access

Measure 5 = More than 80 people enrolled

Measure 4 = 61 – 80 people enrolled

Measure 3 = 41 – 60 people enrolled

Measure 2 = 21 – 40 people enrolled

Measure 1 = Less than 20 people enrolled

Expand Population Health Initiatives

Goal 3: Participate in and complete a master planning study of a health and wellness district in Bryan, Texas

Tactic 1: Complete a master planning study for a health and wellness district in Bryan, Texas

Measure 5 = Study Report Completed before October 2014

Measure 4 = Study Report Completed by November 2014

Measure 3 = Study Report Completed by December 2014

Measure 2 = Study Report Completed by January 2015

Measure 1 = Study Report Completed after January 2015