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Part III

Statement of Program Service Accomplishments

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

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1

Briefly describe the organization's mission

To own, manage and lease hospitals in Central Oregon, as well as the care of sick, injured and infirm and the carrying on, participation in and sponsorship of health-related services and activities in the communities

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 \$ 296,570,202 including grants of \$ 681,781) (Revenue \$ 397,998,627)

St Charles BendSCMC-B provided services for 15,052 Inpatients, 1,646 births, 15,343 surgical cases, 34,804 Emergency Room visits, and 115,829 Other Outpatient visits in 2013 As one of the Pacific Northwest's leading regional health care facilities, St Charles Bend provides services typically found in markets many times its size For over 90 years, St Charles Bend has taken responsibility for the health and well-being of generations of Oregonians, developing into a Level II Regional Trauma Center with specialized partnerships in heart, cancer, orthopedics and neurosurgery

4b

(Code) (Expenses \$ 42,293,785 including grants of \$) (Revenue \$ 63,694,234)

St Charles RedmondSCMC-R provided services for 2,258 inpatients, 375 births, 3,310 surgical cases, 18,323 Emergency Room visits, and 42,526 Other Outpatient Visits in 2013 At St Charles Redmond, the patient experience remains at the center of all we do and each patient is empowered to play an active role in his or her own care and healing Surgeries are performed in four of Oregon's newest and most advanced surgical suites Patients and their families enjoy the comfort of state-of-the-art patient rooms Everyone receives the level of care that is expected of a leading regional health care facility

4c

(Code) (Expenses \$ 33,485,240 including grants of \$) (Revenue \$ 22,040,228)

St Charles Medical Group (SCMG)SCMG is a group of medical clinics owned and operated by St Charles Health System These clinics are located throughout the region and provide outpatient services such as primary care, cancer care, OB/GYN, pulmonary care, sleep disorder resources, and primary care SCMG provided 58,499 visits in Bend clinics, 49,235 visits in Redmond clinics, 5,495 visits in Sisters clinics and 24,915 visits in Prineville clinics in 2013 SCMG also operates an immediate care clinic to provide low-cost urgent care services to the community, the immediate care clinic provided services for 12,936 patient visits in 2013

4d

Other program services (Describe in Schedule O)

(Expenses \$ 52,376,978 including grants of \$) (Revenue \$ 76,074,042)





















4e

Total program service expenses

424,726,205

Form 990 (2013)

Part IV Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b	Yes	
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	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	Yes	
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c	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	Yes	
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b		No
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

☐

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	551	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		1c	Yes
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2a	3,852
b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).		2b	Yes
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?		3a	Yes
b If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation in Schedule O.		3b	
4a At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		4a	No
b If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.			
5a Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		5a	No
b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		5b	No
c If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		5c	
6a Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		6a	No
b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		6b	
7 Organizations that may receive deductible contributions under section 170(c).			
a Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		7a	No
b If "Yes," did the organization notify the donor of the value of the goods or services provided?		7b	
c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		7c	No
d If "Yes," indicate the number of Forms 8282 filed during the year.		7d	0
e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		7e	No
f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		7f	No
g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		7g	No
h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		7h	No
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8	No
9 Sponsoring organizations maintaining donor advised funds.			
a Did the organization make any taxable distributions under section 4966?		9a	No
b Did the organization make a distribution to a donor, donor advisor, or related person?		9b	No
10 Section 501(c)(7) organizations. Enter			
a Initiation fees and capital contributions included on Part VIII, line 12.		10a	
b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		10b	
11 Section 501(c)(12) organizations. Enter			
a Gross income from members or shareholders.		11a	
b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		11b	
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		12a	No
b If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		12b	
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
a Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.		13a	No
b Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.		13b	
c Enter the amount of reserves on hand.		13c	
14a Did the organization receive any payments for indoor tanning services during the tax year?		14a	No
b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		14b	

Part VI

Governance, Management, and Disclosure

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

Check if Schedule O contains a response 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	11	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
b	Enter the number of voting members included in line 1a, above, who are independent	9	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
a	The governing body?	8a	Yes
b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed▶
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)
19	Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶JENNIFER WELANDER 2500 NE Neff Rd BEND, OR 97701 (541) 706-2917

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) Gardner Mack Director	10 00 0 00	X						5,500	0	0
(2) Sayeg Thomas Chairman	10 00 0 00	X		X				22,000	0	0
(3) Schuette Dan VICE CHAIR	10 00 0 00	X		X				24,500	0	0
(4) Hakala Robert MD Director	4 00 0 00	X						8,000	0	0
(5) Dempsey Dennis Director	10 00 0 00	X						26,000	0	0
(6) Downer Doug Director	5 00 0 00	X						24,500	0	0
(7) Miller Laun Director	4 00 0 00	X						24,000	0	0
(8) Hoggard-Green Jill Director	5 00 0 00	X						0	0	0
(9) Cook Josh MD Director	5 00 0 00	X						11,000	0	0
(10) Buehler Knute MD Director	8 00 0 00	X						12,500	0	0
(11) Haase Megan Director	4 00 0 00	X						13,500	0	0
(12) Diegel James A President/CEO	60 00 1 00	X		X				969,763	0	137,954
(13) Shepard Karen M Exec VP Finance	50 00 1 00			X				588,525	0	79,130
(14) Bryant Ron Corporate Secre	3 00 0 00			X				0	0	0
(15) Henry James CEO SCMC-Bend	50 00 0 00				X			418,645	0	76,797
(16) Winnenberg William CIO	50 00 0 00				X			460,048	0	37,946
(17) Boileau Michel MD EVP/CCO	50 00 0 00				X			680,733	0	45,536

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) Absalon Jeffrey MD Chief Physician Officer	50 00 0 00				X			415,973	0	80,431
(19) Gomes Bob CEO SCMC-R & PMH	50 00 0 00				X			393,511	0	69,725
(20) Schueler Kirk EVP/Chief Admin Officer	50 00 0 00				X			334,080	0	73,885
(21) Martin Richard VP Service Lines	50 00 0 00				X			320,336	0	39,386
(22) Steinke Pamela VP Quality/Chief Nursing Exec	50 00 0 00				X			384,318	0	72,012
(23) Eixenberger Tim D Chief Nursing Officer - Bend	50 00 0 00				X			256,064	0	29,223
(24) Vlessis Angelo Physician	50 00 0 00					X		1,123,640	0	43,984
(25) Blizzard John D Physician	50 00 0 00					X		938,540	0	39,625
(26) Kornfeld Steve Physician	50 00 0 00					X		764,625	0	39,967
(27) Martin William Physician	50 00 0 00					X		757,469	0	44,191
(28) Boone Rob Physician	50 00 0 00					X		728,801	0	38,231

1b	Sub-Total		
c	Total from continuation sheets to Part VII, Section A		
d	Total (add lines 1b and 1c)	9,706,571	948,023

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▶398

		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>		No
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>	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>	Yes	

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
CASCADE MEDICAL IMAGING LLC 1460 NE MEDICAL CENTER DR BEND OR 97701	Imaging Services	14,112,907
HOWARD S WRIGHT CONSTRUCTORS LLP 425 NW 10TH AVE SUITE 200 PORTLAND OR 97209	CONSTRUCTION	4,015,022
CENTRAL OREGON MRI LLC PO BOX 6059 BEND OR 97708	MRI services	2,649,234
CARDIOVASCULAR CONSULTANTS OF THE CASCADES PO BOX 6419 BEND OR 97708	MEDICAL SERVICES	2,320,664
ONCOLOGY ASSOCIATES 2500 NE NEFF ROAD BEND OR 97701	RADIOLOGY SERVICES	1,553,392
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 ▶59	

Part VIII

Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns 1a				
	b	Membership dues 1b				
	c	Fundraising events 1c				
	d	Related organizations 1d	1,508,178			
	e	Government grants (contributions) 1e				
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	722,203			
	g	Noncash contributions included in lines 1a-1f \$	24,748			
	h	Total. Add lines 1a-1f	2,230,381			
Program Service Revenue	2a	Pioneer Memorial Hospital	Business Code			
				22,903,750	22,903,750	
	b	St Charles Medical Group		22,040,228	22,040,228	
	c	St Charles Bend		397,998,627	397,998,627	
	d	St Charles Madras		26,918,860	26,918,860	
	e	St Charles Redmond		63,694,234	63,694,234	
	f	All other program service revenue		26,251,432	26,251,432	
	g	Total. Add lines 2a-2f	559,807,131			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)	8,340,255			8,340,255
	4	Income from investment of tax-exempt bond proceeds	149,261			149,261
	5	Royalties	0			
	6a	Gross rents	(i) Real	(ii) Personal		
			131,543			
			2,254			
			129,289			
	b	Less rental expenses				
	c	Rental income or (loss)				
	d	Net rental income or (loss)	129,289		3,353	125,936
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other		
			10,138,056	786,349		
			8,038,961	554,599		
			2,099,095	231,750		
	b	Less cost or other basis and sales expenses				
	c	Gain or (loss)				
	d	Net gain or (loss)	2,330,845			2,330,845
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18				
		a				
	b	Less direct expenses b				
	c	Net income or (loss) from fundraising events	0			
	9a	Gross income from gaming activities See Part IV, line 19				
		a				
	b	Less direct expenses b				
	c	Net income or (loss) from gaming activities	0			
	10a	Gross sales of inventory, less returns and allowances				
		a	615,170			
	b	Less cost of goods sold b	223,490			
	c	Net income or (loss) from sales of inventory	391,680	391,680		
	Miscellaneous Revenue		Business Code			
	11a	Healthcare JV Income (Los	900099	34,778,113	34,778,113	
	b	MVHD Contrib,Educ, Etc	900099	19,714,933	19,714,933	
	c	Reimbursed Salaries	446110	3,166,613	3,166,613	
	d	All other revenue		879,688	664,676	215,012
	e	Total. Add lines 11a-11d	58,539,347			
	12	Total revenue. See Instructions	631,918,189	618,523,146	218,365	10,946,297

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.	681,781	681,781		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.	0			
4	Benefits paid to or for members.	0			
5	Compensation of current officers, directors, trustees, and key employees.	6,135,520		6,135,520	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	0			
7	Other salaries and wages.	222,286,193	178,061,816	43,755,268	469,109
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	8,048,124	6,674,117	1,355,391	18,616
9	Other employee benefits.	46,385,611	34,020,085	12,270,389	95,137
10	Payroll taxes.	16,281,659	12,170,299	4,078,436	32,924
11	Fees for services (non-employees):				
a	Management.	0			
b	Legal.	505,912		505,912	
c	Accounting.	424,115		424,115	
d	Lobbying.	0			
e	Professional fundraising services. See Part IV, line 17.	0			
f	Investment management fees.	102,472		102,472	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	62,330,714	46,469,075	15,819,282	42,357
12	Advertising and promotion.	1,673,122	48,448	1,595,676	28,998
13	Office expenses.	28,914,948	24,144,588	4,730,035	40,325
14	Information technology.	9,251,080	913,108	8,326,970	11,002
15	Royalties.	0			
16	Occupancy.	8,441,661	3,209,871	5,167,419	64,371
17	Travel.	1,441,495	774,935	659,121	7,439
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	1,380,895	451,380	926,313	3,202
20	Interest.	12,171,011		12,171,011	
21	Payments to affiliates.	1,302,563	276,773	1,018,586	7,204
22	Depreciation, depletion, and amortization.	29,959,804	7,970,562	21,989,242	
23	Insurance.	5,044,050	70,154	4,973,896	
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a	MEDICAL SUPPLIES	80,841,472	80,841,472		
b	BAD DEBT EXPENSE	27,778,636	27,778,636		
c	PROVIDER TAX EXPENSE	19,507,409		19,507,409	
d	GENERAL SUPPLIES	289,595	169,105	111,926	8,564
e	All other expenses	0			
25	Total functional expenses. Add lines 1 through 24e.	591,179,842	424,726,205	165,624,389	829,248
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

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				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		25,842,934	1	7,537,843
	2	Savings and temporary cash investments		4,929,216	2	721,026
	3	Pledges and grants receivable, net			3	0
	4	Accounts receivable, net		67,419,888	4	98,710,075
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L.		105,000	5	105,000
	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	0
	7	Notes and loans receivable, net		3,255,247	7	3,079,547
	8	Inventories for sale or use		8,934,610	8	10,305,451
	9	Prepaid expenses and deferred charges		7,220,763	9	7,335,999
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D.	10a450,611,041			
	b	Less: accumulated depreciation	10b226,768,679	211,062,402	10c	223,842,362
	11	Investments—publicly traded securities		236,884,306	11	290,177,935
	12	Investments—other securities. See Part IV, line 11.		20,809,993	12	20,339,738
	13	Investments—program-related. See Part IV, line 11.		5,802,563	13	1,090,265
	14	Intangible assets		4,704,494	14	4,504,494
	15	Other assets. See Part IV, line 11.			15	9,289,599
	16	Total assets. Add lines 1 through 15 (must equal line 34).		596,971,416	16	677,039,334
Liabilities	17	Accounts payable and accrued expenses		45,536,592	17	63,472,167
	18	Grants payable			18	
	19	Deferred revenue		409,071	19	1,138,406
	20	Tax-exempt bond liabilities		157,523,135	20	146,483,845
	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		14,234,278	23	16,760,091
	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.		12,726,415	25	14,469,724
	26	Total liabilities. Add lines 17 through 25.		230,429,491	26	242,324,233
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		366,541,925	27	434,715,101
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		366,541,925	33	434,715,101
	34	Total liabilities and net assets/fund balances		596,971,416	34	677,039,334

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	631,918,189
2	Total expenses (must equal Part IX, column (A), line 25)	2	591,179,842
3	Revenue less expenses Subtract line 2 from line 1	3	40,738,347
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	366,541,925
5	Net unrealized gains (losses) on investments	5	30,895,777
6	Donated services and use of facilities	6	190,710
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-3,651,658
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	434,715,101

Part XII Financial Statements and Reporting

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

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

SCHEDULE A

(Form 990 or 990EZ)

Department of the
Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2013

Open to Public
Inspection

Name of the organization St Charles Health System Inc	Employer identification number 93-0602940
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Part I

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

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

1	<input type="checkbox"/>	A church, convention of churches, or association of churches described in section 170(b)(1)(A)(i).
2	<input type="checkbox"/>	A school described in section 170(b)(1)(A)(ii). (Attach Schedule E)
3	<input checked="" type="checkbox"/>	A hospital or a cooperative hospital service organization described in section 170(b)(1)(A)(iii).
4	<input type="checkbox"/>	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	<input type="checkbox"/>	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	<input type="checkbox"/>	A federal, state, or local government or governmental unit described in section 170(b)(1)(A)(v).
7	<input type="checkbox"/>	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	<input type="checkbox"/>	A community trust described in section 170(b)(1)(A)(vi) (Complete Part II)
9	<input type="checkbox"/>	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	<input type="checkbox"/>	An organization organized and operated exclusively to test for public safety See section 509(a)(4).
11	<input type="checkbox"/>	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 <input type="checkbox"/> Type I b <input type="checkbox"/> Type II c <input type="checkbox"/> Type III - Functionally integrated d <input type="checkbox"/> Type III - Non-functionally integrated
e	<input type="checkbox"/>	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	<input type="checkbox"/>	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	<input type="checkbox"/>	Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons? (i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization? (ii) A family member of a person described in (i) above? (iii) A 35% controlled entity of a person described in (i) or (ii) above?
h	<input type="checkbox"/>	Provide the following information about the supported organization(s)

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

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

Part II

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

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

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

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

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

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public support (Subtract line 7c from line 6.)						

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

Section C. Computation of Public Support Percentage		
15 Public support percentage for 2013 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2012 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2013 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2012 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2013. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
b 33 1/3% support tests—2012. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶		

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

Facts And Circumstances Test

Return Reference	Explanation	
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SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

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

OMB No 1545-0047

2013

Open to Public
Inspection

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

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

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

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

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

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

Name of the organization St Charles Health System Inc	Employer identification number 93-0602940
--	--

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

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

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

1	Enter the amount of any excise tax incurred by the organization under section 4955	▶ \$
2	Enter the amount of any excise tax incurred by organization managers under section 4955	▶ \$
3	If the organization incurred a section 4955 tax, did it file Form 4720 for this year?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
4a	Was a correction made?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
b	If "Yes," describe in Part IV	

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

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

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

Part II-A

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

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

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

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

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

Part II-B

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a)		(b)	
		Yes	No	Amount	
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of				
	a Volunteers?		No		
	b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	Yes			
	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?	Yes			11,200
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No		
	i Other activities?	Yes			35,814
j	Total Add lines 1c through 1i			47,014	
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?		No		

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 1i - Other Activities Description	ST CHARLES UNDERTAKES LIMITED LOBBYING ACTIVITIES AIMED AT INFLUENCING STATE AND FEDERAL OFFICIALS ON HELATHCARE MATTERS AFFECTING THE PROVISION AND FINANCING OF HEALTHCARE SERVICES BY NON-PROFIT HEALTH SYSTEMS IN OREGON

[illegible]

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ **Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b**
▶ **Attach to Form 990.** ▶ **See separate instructions.** ▶ **Information about Schedule D (Form 990) and its instructions is at www.irs.gov/form990.**

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization St Charles Health System Inc	Employer identification number 93-0602940
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Part I

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

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

Part II

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

1

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

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

2

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

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

3

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

4

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

5

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

☐ **Yes**☐ **No**

6

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

7

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

8

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

☐ **Yes**☐ **No**

9

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

Part III

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

1a

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

b

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

(i)

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

(ii)

Assets included in Form 990, Part X

▶ \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

b

Assets included in Form 990, Part X

▶ \$ _____

Part III

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

- 3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other
- 4

Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII
- 5

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

☐ Yes

☐ No

Part IV

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

- 1a

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

☐ Yes

☐ No
- b

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

	Amount
1c	
1d	
1e	
1f	
- 2a

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

☐ Yes

☐ No
- b

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

☐

Part V

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a Beginning of year balance	3,228,519	2,990,165	3,134,186	2,769,986	1,574,536
b Contributions		50		91,464	113,584
c Net investment earnings, gains, and losses	362,452	309,578	-49,509	307,398	82,254
d Grants or scholarships	79,512	55,000	19,250	21,613	
e Other expenditures for facilities and programs		1,883	59,790		
f Administrative expenses	15,498	14,394	15,472	13,049	
g End of year balance	3,495,961	3,228,519	2,990,165	3,134,186	2,769,986

- 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 83 000 %

c

Temporarily restricted endowment 17 000 %

The percentages in lines 2a, 2b, and 2c should equal 100%

3a

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

(i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

b

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

3b

Yes

4

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

Land, Buildings, and Equipment. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. See Form 990, Part X, line 10.
- | Description of property | (a) Cost or other basis (investment) | (b)Cost or other basis (other) | (c) Accumulated depreciation | (d) Book value |
|--|--------------------------------------|--------------------------------|------------------------------|----------------|
| 1a Land | | 4,860,306 | | 4,860,306 |
| b Buildings | | 255,710,915 | 100,563,482 | 155,147,433 |
| c Leasehold improvements | | 1,189,856 | 636,707 | 553,149 |
| d Equipment | | 159,694,233 | 117,498,529 | 42,195,704 |
| e Other | | 29,155,731 | 8,069,961 | 21,085,770 |
| Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).) | | | | 223,842,362 |
- Schedule D (Form 990) 2013

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 V, Line 4 Intended uses of the endowment fund	Endowment Funds are reported in this section because they are held by St. Charles Foundation, Inc., a related entity of SCHS. Permanently restricted endowment funds are primarily to be used for continuing education scholarships for caregivers and the professional medical community, support of SCHS' Community Benefit Programs, and in the area of greatest need. The Floyd Dement Hospital Trust Fund Testamentary Trust is administered by the Union Bank of California under a trust agreement which provides that the annual income be distributed to the Foundation for charity care to be provided to St. Charles Bend.
Part X FIN48 Footnote	The audited financial statements contain the following footnote: Accounting principles generally accepted in the United States of America require SCHS' management to evaluate tax positions taken by the Corporation and recognize a tax liability (or asset) if the Corporation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed tax positions taken by the Corporation and has concluded that as of December 31, 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Corporation is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The Corporation's management believes it is no longer subject to income tax examinations for years prior to 2010.

[illegible]

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

► Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
► Attach to Form 990. ► See separate instructions.
► Information about Schedule H (Form 990) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
St Charles Health System Inc

Employer identification number
93-0602940

Part I

Financial Assistance and Certain Other Community Benefits at Cost

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

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)		17,148	18,038,978		18,038,978	3 200 %
b Medicaid (from Worksheet 3, column a)		88,582	136,693,655	66,187,301	70,506,354	12 510 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs		105,730	154,732,633	66,187,301	88,545,332	15 710 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)		9,828	1,243,494	4,500	1,238,994	0 220 %
f Health professions education (from Worksheet 5)		3,807	1,075,998	381,174	694,824	0 120 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)		15,304	859,997	1,301	858,696	0 150 %
j Total Other Benefits		28,939	3,179,489	386,975	2,792,514	0 490 %
k Total . Add lines 7d and 7j		134,669	157,912,122	66,574,276	91,337,846	16 200 %

Part IICommunity Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development						
3Community support						
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development		328	178,563		178,563	0.030 %
9Other						
10Total		328	178,563		178,563	0.030 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

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

1

Yes

2

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

2

27,778,636

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

128,096,282

6

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

6

161,682,332

7

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

7

-33,586,050

8

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

Section C. Collection Practices

9a

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

9a

Yes

b

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

9b

Yes

Part IVManagement Companies and Joint Ventures

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

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1 Cascade Medical Imaging LLC	CT, Mammography and Other	70.000 %		30.000 %
2 Central Oregon Magnetic Res	Magnetic Resonance Imaging	33.300 %		66.700 %
3 Heart Center of the Cascade	Owns & manages a medical bu	50.000 %		50.000 %
4 Cascade SurgiCenter LLC	Outpatient surgery	50.000 %	2.780 %	45.650 %
5 Institute of the Cascades L	Administration & Marketing	50.000 %		50.000 %
6 Cascade Medical Buildings L	Owns & manages a medical bu	50.000 %	3.270 %	50.000 %
7 Cascade Property Holdings L	Owns bare land for investme	50.000 %	2.703 %	50.000 %
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?
4

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

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
	See Additional Data Table										

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

St Charles Bend

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)	1 Yes	
a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b <input checked="" type="checkbox"/> Demographics of the community		
c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input checked="" type="checkbox"/> How data was obtained		
e <input checked="" type="checkbox"/> The health needs of the community		
f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j <input type="checkbox"/> Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>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	3 Yes	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4 Yes	
5 Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5 Yes	
a <input checked="" type="checkbox"/> Hospital facility's website (list url) <u>http //www stcharleshealthcare org/</u>		
b <input type="checkbox"/> Other website (list url) _____		
c <input checked="" 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 type="checkbox"/> Execution of the implementation strategy		
c <input checked="" 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 type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g <input checked="" type="checkbox"/> Prioritization of health needs in its community		
h <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	No
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	No
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>100 0000</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>300 0000</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 checked="" type="checkbox"/> Medical indigency					
d <input type="checkbox"/> Insurance status					
e <input type="checkbox"/> Uninsured discount					
f <input type="checkbox"/> Medicaid/Medicare					
g <input type="checkbox"/> State regulation					
h <input checked="" 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 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 type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms					
d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices					
e <input 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 checked="" 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?				17	No
If "Yes," check all actions in which the hospital facility or a third party engaged					
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

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

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

20		
Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	<input type="checkbox"/>	The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
b	<input type="checkbox"/>	The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
c	<input type="checkbox"/>	The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
d	<input checked="" type="checkbox"/>	Other (describe in Part VI)
21		No
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		No
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		

Part V

Facility Information (continued)

Section B. Facility Policies and Practices

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

St Charles Redmond

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)

2

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1 Yes	
a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b <input checked="" type="checkbox"/> Demographics of the community		
c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input checked="" type="checkbox"/> How data was obtained		
e <input checked="" type="checkbox"/> The health needs of the community		
f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j <input type="checkbox"/> Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>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	3 Yes	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4 Yes	
5 Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5 Yes	
a <input checked="" type="checkbox"/> Hospital facility's website (list url) <u>http //www stcharleshealthcare org/</u>		
b <input type="checkbox"/> Other website (list url) _____		
c <input checked="" 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 type="checkbox"/> Execution of the implementation strategy		
c <input checked="" 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 type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g <input checked="" type="checkbox"/> Prioritization of health needs in its community		
h <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	No
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	No
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>100 0000</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>300 0000</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 checked="" type="checkbox"/> Medical indigency					
d <input type="checkbox"/> Insurance status					
e <input type="checkbox"/> Uninsured discount					
f <input type="checkbox"/> Medicaid/Medicare					
g <input type="checkbox"/> State regulation					
h <input checked="" 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 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 type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms					
d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices					
e <input 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 checked="" 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?					No
If "Yes," check all actions in which the hospital facility or a third party engaged					
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

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

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

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

Part V Facility Information (continued)

Section 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)

Pioneer Memorial Hospital

Name of hospital facility or facility reporting group

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

3

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1 Yes	
a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b <input checked="" type="checkbox"/> Demographics of the community		
c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input checked="" type="checkbox"/> How data was obtained		
e <input checked="" type="checkbox"/> The health needs of the community		
f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j <input type="checkbox"/> Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>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	3 Yes	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4 Yes	
5 Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5 Yes	
a <input checked="" type="checkbox"/> Hospital facility's website (list url) <u>http //www stcharleshealthcare org/</u>		
b <input type="checkbox"/> Other website (list url) _____		
c <input checked="" 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 type="checkbox"/> Execution of the implementation strategy		
c <input checked="" 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 type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g <input checked="" type="checkbox"/> Prioritization of health needs in its community		
h <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	No
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	No
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>100 0000</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>300 0000</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 checked="" type="checkbox"/> Medical indigency			
d <input type="checkbox"/> Insurance status			
e <input type="checkbox"/> Uninsured discount			
f <input type="checkbox"/> Medicaid/Medicare			
g <input type="checkbox"/> State regulation			
h <input checked="" 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 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 type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
e <input 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 checked="" 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

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

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

20		
Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	<input type="checkbox"/>	
b	<input type="checkbox"/>	
c	<input type="checkbox"/>	
d	<input checked="" type="checkbox"/>	
The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
Other (describe in Part VI)		
21		No
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		No
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		

Part V

Facility Information (continued)

Section B. Facility Policies and Practices

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

St Charles Madras

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)

4

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1 Yes	
a	<input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b	<input checked="" type="checkbox"/> Demographics of the community		
c	<input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	<input checked="" type="checkbox"/> How data was obtained		
e	<input checked="" type="checkbox"/> The health needs of the community		
f	<input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	<input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	<input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i	<input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	<input type="checkbox"/> Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a CHNA 20 <u>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	3 Yes	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4 Yes	
5	Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5 Yes	
a	<input checked="" type="checkbox"/> Hospital facility's website (list url) <u>http //www stcharleshealthcare org/</u>		
b	<input type="checkbox"/> Other website (list url) _____		
c	<input checked="" 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 type="checkbox"/> Execution of the implementation strategy		
c	<input checked="" 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 type="checkbox"/> Inclusion of a community benefit section in operational plans		
f	<input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	<input checked="" type="checkbox"/> Prioritization of health needs in its community		
h	<input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	<input type="checkbox"/> Other (describe in Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	No
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	No
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 free care? If "Yes," indicate the FPG family income limit for eligibility for free care 100 0000% If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 0000% 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 checked="" type="checkbox"/> Medical indigency			
d	<input type="checkbox"/> Insurance status			
e	<input type="checkbox"/> Uninsured discount			
f	<input type="checkbox"/> Medicaid/Medicare			
g	<input type="checkbox"/> State regulation			
h	<input checked="" 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 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 type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d	<input type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
e	<input 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 checked="" 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

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

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

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

Part V

Facility Information (continued)

Section C. Supplemental Information for Part V, Section B.Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

Form and Line Reference	Explanation

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? 24

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

Part VI

Supplemental Information

Provide the following information

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

Form and Line Reference	Explanation
Part I, Line 7 - Explanation of Costing Methodology	The costing methodology used was derived from SCHS's financial and cost accounting systems, which address all hospital-based patient segments and other services provided A cost-to-charge ratio from these financial systems was used to calculate the cost of Financial Assistance in line 7a Numbers reported in column (b) in lines 7a and 7b refer to the number of patient encounters
Part I, Line 7, Column F - Explanation of Bad Debt Expense	27,778,636

Form and Line Reference	Explanation
Part III, Line 2 - Methodology Used To Estimate Bad Debt Expense	When SCHS provides care to patients, it does not require collateral, however, it maintains an estimated allowance for doubtful accounts. The primary collection risks relate to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but patient responsibility amounts (generally deductibles and copayments) remain outstanding. The allowance for doubtful accounts is estimated based primarily upon SCHS historical collection experience, the age of the patients account, managements estimate of the patients economic ability to pay, and the effectiveness of collection efforts. Patient accounts receivable balances are routinely reviewed in conjunction with historical collection rates and other economic conditions that might ultimately affect the collectibility of patient accounts when considering the adequacy of the amounts recorded in the allowance for doubtful accounts. Actual write offs have historically been within managements expectations.
Part III, Line 3 - Methodology of Estimated Amount & Rationale for Including in Community Benefit	SCHS currently has no reasonable way to track or estimate the amount of bad debt expense attributable to charity care, and accordingly this line has been left blank.

Form and Line Reference	Explanation
Part III, Line 4 - Bad Debt Expense	See page 10, footnote 1 (g) "Patient Accounts Receivable, Allowance for Doubtful Accounts, and Other Receivables", in the attached Audited Financial Statements
Part III, Line 8 - Explanation Of Shortfall As Community Benefit	As a response to efforts to improve the health and quality of life of people living in the community, SCHS provided \$33,586,050 in unreimbursed services to patients enrolled in Medicare programs SCHS believes that the Medicare shortfall should be treated as a community benefit since it has a clear mission to serving and improving the health status of the elderly If SCHS should cease to exist, this shortfall would have to be absorbed by another health care provider Costs are from the financial and cost accounting system using cost-to-charge ratios, but none of these costs are being claimed as a community benefit in Part I, line 7

Form and Line Reference	Explanation
Part III, Line 9b - Provisions On Collection Practices For Qualified Patients	Collection policies are the same for all patients. Patients are screened for eligibility for financial assistance before collection procedures begin. If at any point in the collection process documentation is received that indicates the patient is potentially eligible for financial assistance but has not applied for it, the account is referred back for a financial assistance review.
Part VI - Needs Assessment	<p>St. Charles Health System (SCHS) assesses the needs of each of our communities in many different ways other than the facility community health needs assessments. SCHS partners with Healthy Communities Institute (HCI) to purchase a dashboard of each community and populations risk profiling data that is continuously updated, accessible to the community, easy to understand and directly embeddable in our existing website. This information helps SCHS to keep a finger on the pulse of each population's many health indicators, helping us to continually assess each community's needs, positive changes and/or opportunities for improvement. This information can be found at http://www.stcharleshealthcare.org/Healthy-Communities/CHNA. We also have partnered with the three local health departments and PacificSource Health Plan to fund Healthier Central Oregon, a Healthy Communities Network dashboard (another HCI product) similar to the SCHS purchased dashboard, with enhancements such as local news, BMI calculator, a walk score and website survey. To view this information, please go to http://www.healthiercentraloregon.org/. Each year St. Charles also produces the St. Charles Health System Annual Report. This report is comprised of a summary of each of the following: Community Benefit, Financial Overview, Days cash on hand, Operating margin, Excess margin, Full-time employee count, Each health system facility (St. Charles Bend, St. Charles Redmond, Pioneer Memorial Hospital and St. Charles Madras), Births, Discharges, In-patient cases, Out-patient cases, Emergency visits, St. Charles Medical Group, Patient visits for each clinic, St. Charles Foundation, Distributions (amount and to which service line). The 2013 Annual Report will be posted online on the St. Charles Health System website at https://www.stcharleshealthcare.org/About-Us/Reports. This report and the primary data collected for its creation let us know what the trends are for different hospital stays, conditions and out-patient visits, helping to decide what services we offer and where the needs are. St. Charles also plays a big role in local, regional and State groups in order to stay abreast of the newest information, trends, health data and best practices. SCHS has representation on the Central Oregon Health Council, the governance entity over the region's Coordinated Care Organization, PacificSource Community Solutions, alongside representatives from the three counties, PacificSource Health Plan, county commissioners, local medical clinics and regional dental clinic. By participating on this council, St. Charles is able to hear from the experts in each of the three counties to hear firsthand how each community is doing and what their health needs are. St. Charles also sits on different committees for the Oregon Association for Hospitals and Health Systems (OAHHS), local non-profits and is a strategic partner with the Institute for Healthcare Improvement (IHI). Being part of these groups helps St. Charles to better understand the needs of our communities while also learning how to better collect, track, report and improve upon collected information.</p>

Form and Line Reference	Explanation
Part VI - Patient Education of Eligibility for Assistance	Financial assistance policy is posted on the SCHS websiteFinancial counselors and registration staff in our facilities & primary care clinics offer FAP to patients, both upon request and by design when patients are uninsured or underinsuredChamberlin-Edmonds (CE) - Chamberlin-Edmonds has a contractual arrangement with SCHS to identify patients who may qualify for coverage through the following government programs (uninsured patients seen in our Emergency departments & those admitted to all of our facilities are automatically referred to CE by report) Cobra (these are referred to Financial Counselors)Crime Victims AssistanceEmergency Medicaid for Aliens Medicaid for pregnant women and children Medicaid, Medicare Supplemental Security Income (SSI)Temporary Aid for Needy Families (TANF) VeteransChamberlin-Edmonds will work with these individuals through the process of qualifying for coverage until SCHS receives reimbursement from any of the above referenced programs for the services we have rendered to patients Patients working with Chamberlin-Edmonds have their accounts put on hold from collections activities during these activities Only Chamberlin-Edmonds will work with these patients Patients that Chamberlin-Edmonds cannot help will be referred to Patient Access Services Financial Counseling for follow-up
Part VI - Community Information	<p>DESCHUTES COUNTY (St Charles Bend and St Charles Redmond) from HCI unless otherwise noted UrbanPopulation 160,140 (Oregon Employment Department, 2012 http://www.olmis.org/pubs/pop/population12.pdf)Median Household Income \$51,468 (2008-2012) Percentage living below FPL Families 9.7 percent (2008-2012) People 13.1 percent (2008-2012) Children 18.3 percent (2008-2012)Adults with health insurance 78 percent (2012) Children with health insurance 91.1 percent (2013)Median Age 39.7 (The Central Oregon Regional Health Assessment, www.cohealthcouncil.org)Population by Race (United States Census Bureau http://quickfacts.census.gov/gfd/states/41/41017.html) White alone, not Hispanic 88.2 percentHispanic or Latino 7.6 percentTwo or more races 2.4 percentAmerican Indian and Alaska Native 1.1 percentAsian 1 percentBlack or African American .4 percentNative Hawaiian or other Pacific Islander .1 percentCommunity Partners/Assets in Deschutes County (outside St Charles Bend and Redmond) Mosaic Medical Clinic, Bend and Redmond (FQHC)Lynch Community Clinic (partnership between Mosaic Medical, Redmond School District and Deschutes County)Ensworth Community School-Based Health Center (partnership between Mosaic Medical, Bend LaPine School District and Deschutes County)Bend Memorial Clinic, Bend, Redmond and SistersCROOK COUNTY (Pioneer Memorial Hospital-Prineville) from HCI unless otherwise noted RuralMedically underserved area (MUA)Population 20,650 (Oregon Employment Department, 2012 http://www.olmis.org/pubs/pop/population12.pdf)Median Household Income \$40,263 (2008-2012) Percentage living below FPL Families 13.3 percent (2008-2012)People 17.4 percent (2008-2012) Children 26.1 percent (2008-2012)Adults with health insurance 78 percent (2012)Children with health insurance N/AMedian Age 43.6 (The Central Oregon Regional Health Assessment, www.cohealthcouncil.org)Population by Race (United States Census Bureau http://quickfacts.census.gov/gfd/states/41/41013.html) White alone, not Hispanic 88.9 percentHispanic or Latino 7.5 percentTwo or more races 2.0 percentAmerican Indian and Alaska Native 1.4 percentAsian .6 percentBlack or African American .2 percentNative Hawaiian or other Pacific Islander .1 percentCommunity Partners/Assets in Deschutes County (outside Pioneer Memorial Hospital) Mosaic Medical (FQHC) Crook Kids Clinic (partnership between Mosaic Medical and Crook County School District)JEFFERSON COUNTY (St Charles Madras) from HCI unless otherwise noted RuralMedically underserved area (MUA)Population 21,940 (Oregon Employment Department, 2012 http://www.olmis.org/pubs/pop/population12.pdf)Median Household Income \$43,330 (2008-2012)Percentage living below FPL Families 13.5 percent (2008-2012)People 19.2 percent (2008-2012)Children 30 percent (2008-2012)Adults with health insurance 69.8 percent (2012)Children with health insurance (N/A)Median Age 39.1 (The Central Oregon Regional Health Assessment, www.cohealthcouncil.org)Population by Race (United States Census Bureau http://quickfacts.census.gov/gfd/states/41/41031.html) White alone, not Hispanic 60.8 percentHispanic or Latino 19.8 percentAmerican Indian and Alaska Native 18.4 percentTwo or more races 3.2 percentBlack or African American 1 percentAsian .5 percentNative Hawaiian or other Pacific Islander .2 percentCommunity Partners/Assets in Deschutes County (outside St Charles Madras) Mosaic Medical (FQHC) Confederated Tribes of Warm Springs</p>

Form and Line Reference	Explanation
Part VI - Community Building Activities	Our community building activities focused on workforce development activities which support the community by offering the expertise and resources of our hospital systems caregivers for the betterment of the community. Specifically these programs address community-wide workforce issues, potentially providing health care workers for promoting the health of the community.
Part VI - Explanation Of How Organization Furthers Its Exempt Purpose	SCHS provides services without charge, or at amounts less than its established rates, to patients who meet the criteria of its charity care policy. SCHS criteria for the determination of charity care include the patients or other responsible party's annual household income, number of people in the home and claimed on taxes, assets, credit history, existing medical debt obligations, and other indicators of the patients ability to pay. Generally, those individuals with an annual household income at or less than 100% of the Federal Poverty Guidelines (the Guidelines) qualify for charity care under SCHS policy. In addition, SCHS provides discounts on a sliding scale to those individuals with an annual household income of between 100% and 300% of the Guidelines. Since SCHS does not pursue collection of amounts determined to qualify as charity care, those amounts are not reported as net patient service revenue. Because both Madras and Prineville are located in medically underserved areas (MUAs), the resources used for provider recruitment in those communities are counted as community benefit. St. Charles also allows nursing students, high school students and other providers to partake in job-shadowing with our paid caregivers to help them complete their course work and/or earn credits, without restrictions related to future employment.

Form and Line Reference	Explanation
Part VI - States Where Community Benefit Report Filed	OR

Additional Data

Software ID: 13000170

Software Version: 2013v3.1

EIN: 93-0602940

Name: St Charles Health System Inc

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

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

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

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

Name and address	Type of Facility (describe)
1 St Charles Cancer Center 2100 NE Wyatt Ct Bend, OR 97701	Outpatient Cancer Center
2 Cascade Medical Imaging 1460 NE Medical Center Dr Bend, OR 97701	Outpatient Cancer Center
3 Sage View Psychiatric Center 1885 NE Purcell Blvd Bend, OR 97701	Outpatient Cancer Center
4 St Charles Cardiothoracic Surgery 2500 NE Neff Rd Bend, OR 97701	Outpatient Cancer Center
5 Cascade SurgiCenter 2200 NE Neff Rd 100 Bend, OR 97701	Outpatient Cancer Center
6 Central Oregon Magnetic Resonance Imaging 1460 NE Medical Center Dr Bend, OR 97701	Outpatient Cancer Center
7 St Charles Family Care - Redmond 211 NW Larch Ave Redmond, OR 97756	Outpatient Cancer Center
8 St Charles Family Care Prineville 1103 NE Elm St Prineville, OR 97754	Outpatient Cancer Center
9 St Charles Sleep Center - Bend 2042 Williamson Ct Bend, OR 97701	Outpatient Cancer Center
10 St Charles Hospice - Prineville 1201 NE Elm St Prineville, OR 97754	Outpatient Cancer Center
11 St Charles Family Care - Bend 2965 NE Conners Ave Ste 127 Bend, OR 97701	Outpatient Cancer Center
12 St Charles OBGYN Redmond 213 NW Larch Ste A Redmond, OR 97756	Outpatient Cancer Center
13 St Charles Pulmonary Clinic 2275 NE Doctors Dr Bend, OR 97701	Outpatient Cancer Center
14 St Charles Immediate Care 2600 NE Neff Rd Bend, OR 97701	Outpatient Cancer Center
15 Behavioral Health - Bend 2542 Courtney Dr Bend, OR 97701	Outpatient Cancer Center
16 St Charles Family Care - Sisters 615 Arrowleaf Trail Sisters, OR 97759	Outpatient Cancer Center
17 St Charles Sleep Center - Redmond 655 NW Jackpine Ave Redmond, OR 97756	Outpatient Cancer Center
18 St Charles Paliative Care 2500 NE Neff Rd Bend, OR 97701	Outpatient Cancer Center
19 St Charles Anticoagulation Clinic 2100 NE Wyatt Ct Bend, OR 97701	Outpatient Cancer Center
20 St Charles Preoperative Medicine 2500 NE Neff Rd Bend, OR 97701	Outpatient Cancer Center
21 St Charles Medical Supply 2042 NE Williamson Ct Bend, OR 97701	Outpatient Cancer Center
22 St Charles Infectious Disease 2965 NE Conners Ave Suite 127 Bend, OR 97701	Outpatient Cancer Center
23 St Charles Pulmonary Clinic - Redmond 655 NW Jackpine Ave Redmond, OR 97756	Outpatient Cancer Center
24 MSA Madras 480 NE A St Madras, OR 97741	Outpatient Cancer Center

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
St Charles Health System Inc

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

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

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

OMB No 1545-0047

2013

Open to Public
Inspection

Employer identification number
93-0602940

Part I

General Information on Grants and Assistance

- 1

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

☐ Yes

☒ No
- 2

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

Part II

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
See Additional Data Table							

2

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

16

3

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

0

Part III

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

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

Part IV

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

Return Reference	Explanation
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Additional Data

Software ID: 13000170
Software Version: 2013v3.1
EIN: 93-0602940
Name: St Charles Health System Inc

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
BESTCARE TREATMENT SERVICES po box 1710 redmond,OR 97756	93-1269087	501(C)(3)	0	104,056	RATE COMPARISON	SUBSIDIZED RENT	TREATMENT & PREVENTION OF ADDICTION

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
BETHLEHEM INN 3705 N HWY 97 BEND, OR 97701	93-1323419	501(C)(3)	10,000	0			HOMELESS SHELTER AND SERVICES

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
CENTER FOUNDATION 2200 NE NEFF ROAD BEND, OR 97701	83-1296341	501(C)(3)	32,200	0			PROVISION OF NO COST MEDICAL CARE

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
CO COMMUNITY COLLEGE 2600 NW COLLEGE WAY BEND, OR 97701	93-0505827	501(C)(3)	32,000	0			COLLEGE NURSING PROGRAM

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
DESCHUTES COUNTY HEALTH DEPT 2577 NE COURTNEY DRIVE BEND, OR 97701	93-6002292		25,000	0			COMMUNITY HEALTH

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
HEALTHY BEGINNINGS 1029 NW 14TH STREET BEND, OR 97701	93-1234708	501(C)(3)	7,300	0			HEALTH SCREENINGS FOR CHILDREN

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
KIDS CENTER 1375 NW KINGSTON AVE BEND, OR 97701	94-3169200	501(C)(3)	20,000	0			CHILD ABUSE PREVENTION & TREATMENT

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
KIDS IN THE GAME 1500 NE BUTLER MARKET RD BEND, OR 97701	27-1723872	501(C)(3)	19,500	0			LOW INCOME CHILDREN SPORTS FUNDING

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
OR ASSOC OF HOSPITALS RESEARC 400 KRUSE WAY PLACE LAKE OSWEGO,OR 97035	94-3098610	501(C)(3)	19,033	0			SUSTAINING RURAL HOSPITALS

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
OR ST UNIVERSITY FOUNDATION 850 SW 35TH STREET CORVALLIS,OR 97333	93-6022772	501(c)(3)	25,000	0			CAMPUS EXPANSION FUND

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
PRINEVILLE HOSPITAL FNDTN PO BOX 5969 PRINEVILLE,OR 97754	93-0796407	501(C)(3)	0	5,104	RATE COMPARISON	SUBSIDIZED RENT	RAISING FUNDS FOR THE HOSPITAL

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
RONALD MCDONALD HOUSE 1700 NE PURCELL BLVD BEND, OR 97701	93-1125838	501(C)(3)	3,000	50,781	RATE COMPARISON	SUBSIDIZED RENT	LODGING FOR FAMILIES W/ MEDICAL NEE

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
UNITED WAY OF DESCHUTES PO BOX 5969 BEND, OR 97708	93-6012576	501(C)(3)	20,000	0			SUPPORT LOCAL HUMAN SERVICES

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
VOLUNTEERS IN MEDICINE 2300 NE NEFF ROAD BEND, OR 97701	93-1327847	501(C)(3)	25,000	30,769	RATE COMPARISON	SUBSIDIZED RENT	FREE MEDICAL CARE

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
VOUNTEER CONNECT 404 NE Norton Ave BEND, OR 97701	81-0652187	501(C)(3)	9,000	0			CONNECT PEOPLE TO VOLUNTEER

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
WESTERN UNIVERSITY 200 MULLINS DRIVE LEBANON, OR 97355	95-3127273		200,000	0			FUND STUDENT RESEARCH PROGRAM

Schedule J
(Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
St Charles Health System Inc

Employer identification number
93-0602940

Part I

Questions Regarding Compensation

	Yes	No
<div><div>1a</div><div>Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.</div><div><div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div></div><div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div></div></div>		
<div><div>b</div><div>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.</div></div>	1b	
<div><div>2</div><div>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?</div></div>	2	
<div><div>3</div><div>Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III.</div><div><div><input checked="" type="checkbox"/> Compensation committee</div><div><input checked="" type="checkbox"/> Independent compensation consultant</div><div><input checked="" type="checkbox"/> Form 990 of other organizations</div><div><input checked="" type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div></div>		
<div><div>4</div><div>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:</div></div>		
<div><div>a</div><div>Receive a severance payment or change-of-control payment?</div></div>	4a	No
<div><div>b</div><div>Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div></div>	4b	Yes
<div><div>c</div><div>Participate in, or receive payment from, an equity-based compensation arrangement?</div><div>If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.</div></div>	4c	No
<div><div></div><div>Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.</div></div>		
<div><div>5</div><div>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:</div></div>		
<div><div>a</div><div>The organization?</div></div>	5a	No
<div><div>b</div><div>Any related organization?</div><div>If "Yes," to line 5a or 5b, describe in Part III.</div></div>	5b	No
<div><div>6</div><div>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:</div></div>		
<div><div>a</div><div>The organization?</div></div>	6a	No
<div><div>b</div><div>Any related organization?</div><div>If "Yes," to line 6a or 6b, describe in Part III.</div></div>	6b	No
<div><div>7</div><div>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.</div></div>	7	No
<div><div>8</div><div>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.</div></div>	8	No
<div><div>9</div><div>If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?</div></div>	9	No

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
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Additional Data

Software ID: 13000170
Software Version: 2013v3.1
EIN: 93-0602940
Name: St Charles Health System Inc

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
Absalon Jeffrey MD Chief Physician Officer	(i) (ii)	326,715	58,138	31,120	50,387	30,044	496,404	
Blizzard John D Physician	(i) (ii)	920,154		18,386	15,300	24,325	978,165	
Boileau Michel MD EVP/CCO	(i) (ii)	439,192	86,450	155,091	15,300	30,236	726,269	
Boone Rob Physician	(i) (ii)	704,580		24,221	15,300	22,931	767,032	
Diegel James A President/CEO	(i) (ii)	578,918	117,691	273,154	105,452	32,502	1,107,717	
Eixenberger Tim D Chief Nursing Officer - Bend	(i) (ii)	217,938		38,126	15,300	13,923	285,287	
Gomes Bob CEO SCMC-R & PMH	(i) (ii)	284,111	47,199	62,201	41,454	28,271	463,236	
Henry James CEO SCMC-Bend	(i) (ii)	289,173	55,016	74,456	46,825	29,972	495,442	
Kornfeld Steve Physician	(i) (ii)	746,892		17,733	15,300	24,667	804,592	
Martin Richard VP Service Lines	(i) (ii)	221,600	42,102	56,634	15,300	24,086	359,722	
Martin William Physician	(i) (ii)	739,404	25	18,040	15,300	28,891	801,660	
Schueler Kirk EVP/Chief Admin Officer	(i) (ii)	280,129	53,297	654	44,015	29,870	407,965	19,920
Shepard Karen M Exec VP Finance	(i) (ii)	369,306	69,817	149,402	54,640	24,490	667,655	21,372
Steinke Pamela VP Quality/Chief Nursing Exec	(i) (ii)	260,802	49,416	74,100	42,273	29,739	456,330	23,736
Vlessis Angelo Physician	(i) (ii)	1,122,754		886	15,300	28,684	1,167,624	
Winnenberg William CIO	(i) (ii)	273,640	54,817	131,591	15,300	22,646	497,994	

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
St Charles Health System Inc

Employer identification number
93-0602940

Part I

Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	HOSPITAL FACILITY AUTHORI	93-0991182	250336CV4	12-23-2008	101,284,231	SEE PART VI		X		X		X
B	HOSPITAL FACILITY AUTHORI	93-0991182	250336BY9	12-21-2005	51,800,000	SEE PART VI		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	1,420,000		6,125,000					
2	Amount of bonds legally defeased								
3	Total proceeds of issue	109,098,333		53,449,239					
4	Gross proceeds in reserve funds	10,128,423							
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrows								
7	Issuance costs from proceeds	2,025,685		489,902					
8	Credit enhancement from proceeds	1,021,665		1,021,665					
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	51,937,672		51,937,672					
11	Other spent proceeds	96,944,226							
12	Other unspent proceeds								
13	Year of substantial completion	2007		2007		YesNoYesNo			
		Yes	No	Yes	No				
14	Were the bonds issued as part of a current refunding issue?	X			X				
15	Were the bonds issued as part of an advance refunding issue?		X		X				
16	Has the final allocation of proceeds been made?	X		X					
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X					

Part III

Private Business Use

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

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?	X		X					
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X		X					
c	Are there any research agreements that may result in private business use of bond-financed property?	X		X					
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?	X		X					
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 400 %		1 500 %					
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government								
6	Total of lines 4 and 5	0 400 %		1 500 %					
7	Does the bond issue meet the private security or payment test?								
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X				
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of								
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?	X		X					

Part IV

Arbitrage

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

Part IV Arbitrage (Continued)

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

Part V Procedures To Undertake Corrective Action

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

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

Return Reference	Explanation
Part VI	DIFFERENCE BETWEEN PART 1 (e) AND PART II, Line 3 IS DUE TO INTEREST EARNINGS ON BOND PROCEEDS PART I (A), COL (f) CURRENTLY REFUND PRIOR BONDS, AND PAY A SWAP TERMINATION PAYMENT PART I (B), COL (f) CAPITAL ADDITIONS AND IMPROVEMENTS OF BORROWER FACILITIES PART I (A), COL (f) The bonds currently refunded the Series 2005A Bonds which were issued on December 21, 2005 PART III, QUESTION 7 AS PROVIDED IN TREASURY REGULATION SECTION 1.141-4(C)(2)(i)(B), THE AMOUNT OF PRIVATE PAYMENTS TAKEN INTO ACCOUNT UNDER THE PRIVATE PAYMENT TEST MAY NOT EXCEED THE AMOUNT OF PRIVATE BUSINESS USE AND/OR UNRELATED TRADE OR BUSINESS USE ACCORDINGLY, THE AMOUNT OF PRIVATE PAYMENTS FOR THE REPORTING PERIOD DOES NOT EXCEED THE AMOUNT STATED IN PART III, LINE 6 THE ORGANIZATION HAS NOT UNDERTAKEN AN ANALYSIS OF THE PRIVATE SECURITY TEST WITH RESPECT TO THE BONDS, AS THE LEVEL OF PRIVATE BUSINESS USE AND/OR UNRELATED TRADE OR BUSINESS REPORTED IN PART III, LINE 6, IS NOT IN EXCESS OF AMOUNTS PERMITTED UNDER SECTION 145 OF THE CODE (2005B)PART IV, LINE 2(B) THE BONDS MET THE 2-YEAR EXPENDITURE EXCEPTION (2008)PART IV, LINE 2(B) THE PORTION OF THE PROCEEDS OF THE BONDS USED FOR CURRENT REFUNDING MET THE 6-MONTH EXPENDITURE EXCEPTION (2008)PART IV, LINE 2(C) THE REBATE COMPUTATION WAS PERFORMED AS OF JANUARY 1, 2014

Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2013

Open to Public
Inspection

Name of the organization
St Charles Health System Inc

Employer identification number

93-0602940

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

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

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

- 2 Enter the amount of tax incurred by organization managers or disqualified persons during the year under section 4958 ▶ \$
- 3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization ▶ \$

Part II Loans to and/or From Interested Persons.

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

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization?		(e) Original principal amount	(f) Balance due	(g) In default?		(h) Approved by board or committee?		(i) Written agreement?	
			To	From			Yes	No	Yes	No	Yes	No
(1) DR WILLIAM MARTIN	EMPLOYEE	RECRUIT		X	235,000	35,000		No		No	Yes	
(2) DR STEVE KORNFELD	EMPLOYEE	RECRUIT		X	235,000	35,000		No		No	Yes	
(3) DR ROB BOONE	EMPLOYEE	RECRUIT		X	235,000	35,000		No		No	Yes	
Total ▶ \$						105,000						

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV Business Transactions Involving Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) MARIAN BOILEAU	EMPLOYEE	105,177	COMPENSATION		No
(2) NEUROMUSCULOSKELETAL CENT	VENDOR	413,515	PRO FEES, RENT		No

Part V Supplemental Information

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

Return Reference	Explanation
Schedule L, Part V Supplemental Information	Part II SCHS paid certain expenses on behalf of physicians upon employment and made further retention payments These retention payments were treated as loans, which will be forgiven as long as the physicians remain employed in good standing over the forgiveness period This method is consistent with SCHS's normal business practices The Board has delegated the authority to executive management to make such loans to physicians, the loans are reviewed by legal counsel The forgiveness of these loans will be reported in Form 990 Part VII and Schedule J Drs Martin, Kornfeld, and Boone are current highest compensated employees Part IV Marian Boileau is employed at St Charles Health System Inc and she is the spouse of a Michel Boileau, a key employee of St Charles listed on Form 990, Part VII Part IV Neuromusculoskelatal Center of the Cascades is a regional orthopedic surgeons group which is a vendor of St Charles Health System Inc and is an entity of which Knute Buehler, MD who is listed on Form 990, Part VII is a greater than 5% partner in

2013

**Open to Public
Inspection**

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.**

Name of the organization
St Charles Health System Inc

Employer identification number

93-0602940

**Return
Reference**

Explanation

Form 990, Part III,
Line 4d Other
Program Services
Description

OTHER PROGRAM SERVICES 4 Sage View mental health, Community Education and rents from affiliates OTHER
PROGRAM SERVICES 5 Pioneer Memorial Hospital OTHER PROGRAM SERVICES 6 St Charles Medical Group (SCMG)
SCMG is a group of medical clinics owned and operated by St Charles Health System These clinics are located throughout
the region and provide outpatient services such as primary care, cancer care, OB/GYN, pulmonary care, sleep disorder
resources, and primary care SCMG provided 58,499 visits in Bend clinics, 49,235 visits in Redmond clinics, 5,495 visits in
Sisters clinics and 24,915 visits in Prineville clinics in 2013 SCMG also operates an immediate care clinic to provide low-
cost urgent care services to the community, the immediate care clinic provided services for 12,936 patient visits in 2013
OTHER PROGRAM SERVICES 7 Home Health/Hospice

Return Reference	Explanation
Form 990, Part VI, Line 11b Form 990 Review Process	The 990 was prepared internally and reviewed by an external consultant. It was reviewed by the organization's Director of Finance and the Exec VP of Finance/CFO, both CPAs. It was also sent to each Board member and an acknowledgment of receipt and review is required by each member. It was presented to the Audit Committee on behalf of the Board of Directors for final review and approval before filing.

Return Reference	Explanation
Form 990, Part VI, Line 12c Explanation of Monitoring and Enforcement of Conflicts	The policy covers any SCHS director, principal officer, or member of a committee with powers delegated by the SCHS Board of Directors (the Board) who has a direct or indirect financial interest in SCHS or any entity within SCHS. Each interested person shall annually complete the Conflict of Interest Questionnaire. This completed form is automatically submitted to the SCHS Compliance Officer and/or Senior Internal Auditor who will evaluate the completed forms and present a report to the Governance Committee. In addition, should a subsequent conflict arise after the submission of the previously completed Conflict of Interest Questionnaire, each interested person shall orally disclose, prior to the Board's or the relevant committee's consideration of a proposed transaction or arrangement, the existence of any financial interest that he or she may have with respect to the transaction or arrangement. The board will then review the transaction or arrangement to determine if it is in SCHS's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination, it shall make its decision as to whether to enter into the transaction or arrangement.

Return Reference	Explanation
Form 990, Part VI, Line 15a Compensation Review & Approval Process - CEO, Top Management	SCHS utilizes an independent outside consultant to provide comparability data regarding compensation for the CEO and top management officials. The analysis covers all elements of total compensation. The CEO compensation is reviewed and approved by the Board of Directors following an annual performance evaluation and compensation review. The evaluation and review process is prescribed in an internal policy and the process is documented. The most recent study for the CEO and top management officials was performed in November of 2013.

Return Reference	Explanation
Form 990, Part VI, Line 19 Other Organization Documents Publicly Available	Governing documents are available upon request The Conflict of Interest policy is available to employees through a shared document management system Financial reports are shared with employees monthly Audited financial statements are available to the public upon request and on the internet at www DACBond com

Return Reference	Explanation
Other Changes In Net Assets Or Fund Balances - Other Decreases	DISTRIBUTIONS = -\$3651658

Return Reference	Explanation
Other Changes In Net Assets Or Fund Balances - Other Decreases	ROUNDING = -\$0

Return Reference	Explanation
Other Changes In Net Assets Or Fund Balances - Other Decreases	UNRESTRICTED NET ASSETS NON CONTROLLING = -\$0

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule R (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
St Charles Health System Inc

Employer identification number
93-0602940

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
(1) ST CHARLES MANAGEMENT SERVICES ORGANIZA 2500 NE NEFF RD BEND, OR 97701 20-5310273	PHYS BUS SCVS SEE PART VII	OR	-18,042		SCHS

Part II Identification of Related Tax-Exempt Organizations Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.							
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) CASCADIA INSURANCE CO INC 1123 11TH AVE 403-A HONOLULU, HI 96816 87-0757855	PROVIDES MALPRACTICE INSURANCE FOR SCHS	HI	501(C)(3)	11-TYPE I	SCHS	Yes	
(2) ST CHARLES FOUNDATION 2500 NE NEFF ROAD BEND, OR 97701 94-3076293	RAISES FUNDS FOR SCHS & CMNTY PROGRAMS	OR	501(C)(3)	7	SCHS	Yes	

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) Dispropportionate 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) CASCADE MEDICAL IMAGING LLC 1460 NE MEDICAL CENTER DRIVE BEND, OR 97701 93-1320712	IMAGING SERVICES	OR	SCHS	related	8,664,435	12,314,961		No		Yes		70 000 %
(2) HEART CENTER OF THE CASCADES 2500 NE NEFF RD BEND, OR 97701 38-3724947	MEDICAL BUILDING	OR	NA	excluded	56,418	-1,713,519		No		Yes		50 000 %

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end- of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No

Part V

Transactions With Related Organizations

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

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

1

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

a

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

b

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

c

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

d

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

e

Loans or loan guarantees by related organization(s)

f

Dividends from related organization(s)

g

Sale of assets to related organization(s)

h

Purchase of assets from related organization(s)

i

Exchange of assets with related organization(s)

j

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

k

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

l

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

m

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

n

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

o

Sharing of paid employees with related organization(s)

p

Reimbursement paid to related organization(s) for expenses

q

Reimbursement paid by related organization(s) for expenses

r

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

s

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

Yes

No

1a

No

1b

No

1c

Yes

1d

Yes

1e

No

1f

No

1g

No

1h

No

1i

No

1j

Yes

1k

Yes

1l

No

1m

Yes

1n

Yes

1o

Yes

1p

No

1q

Yes

1r

Yes

1s

Yes

2

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

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

Schedule R (Form 990) 2013

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

[illegible]

Part VII

Supplemental Information

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

Return Reference	Explanation
PART I	ST CHARLES MANAGEMENT SERVICES ORGANIZATION (SCMSO) INCLUDES BOTH MANAGEMENT SERVICES AND PHYSICIAN CLINICS SCMSO FINANCIAL STATEMENTS ARE FULLY CONSOLIDATED WITH SCHS END-OF-YEAR ASSETS FOR SCMSO ARE NOT REPORTED IN PART I BECAUSE SEPARATE BALANCE SHEETS WERE NOT MAINTAINED FOR THIS ORGANIZATION

Additional Data

Software ID: 13000170
Software Version: 2013v3.1
EIN: 93-0602940
Name: St Charles Health System Inc

Form 990, Schedule R, Part V - Transactions With Related Organizations

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
CASCADIA INSURANCE CO INC	q	88,733	CASH
ST CHARLES FOUNDATION	c	1,508,178	BOOK VALUE
ST CHARLES FOUNDATION	n	67,295	BOOK VALUE
ST CHARLES FOUNDATION	o	615,787	BOOK VALUE
ST CHARLES FOUNDATION	r	146,187	BOOK VALUE
CASCADE MEDICAL IMAGING LLC	j	182,497	BOOK VALUE
CASCADE MEDICAL IMAGING LLC	k	499,454	BOOK VALUE
CASCADE MEDICAL IMAGING LLC	m	13,835,639	BOOK VALUE
CASCADE MEDICAL IMAGING LLC	q	2,071,378	BOOK VALUE
CASCADE MEDICAL IMAGING LLC	s	8,520,535	CASH DIST REC
HEART CENTER OF THE CASCADES	d	4,529,000	LOAN DOCUMENT
HEART CENTER OF THE CASCADES	k	1,166,000	CASH
HEART CENTER OF THE CASCADES	m	303,894	BOOK VALUE
HEART CENTER OF THE CASCADES	s	325,000	CASH DIST REC



ST. CHARLES HEALTH SYSTEM, INC.

Consolidated Financial Statements
and Supplementary Schedules

December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

ST. CHARLES HEALTH SYSTEM, INC.

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KPMG LLP
Suite 3800
1300 South West Fifth Avenue
Portland, OR 97201

Independent Auditors' Report

The Board of Directors
St Charles Health System, Inc

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of St Charles Health System, Inc. as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information included in schedules I and II is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Portland, Oregon
March 18, 2014

ST. CHARLES HEALTH SYSTEM, INC.

Consolidated Balance Sheets

December 31, 2013 and 2012

Assets	2013	2012
Current assets		
Cash and cash equivalents	\$ 9,440,000	27,017,000
Assets limited as to use, current portion	7,734,000	7,671,000
Patient accounts receivable, net of reserves for uncollectible accounts of \$23,588,000 and \$16,492,000 at December 31, 2013 and 2012, respectively	89,219,000	61,990,000
Other receivables, net	15,753,000	9,706,000
Supplies inventory	10,305,000	8,935,000
Prepaid expenses and other current assets	7,418,000	7,225,000
Total current assets	139,869,000	122,544,000
Assets limited as to use, net of current portion	308,418,000	259,098,000
Property and equipment, net	223,842,000	211,063,000
Other assets	12,497,000	13,051,000
Total assets	\$ 684,626,000	605,756,000
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 24,627,000	19,023,000
Accrued liabilities	40,982,000	35,579,000
Estimated third-party payor settlements payable, net	5,467,000	5,058,000
Deferred revenue	366,000	349,000
Current portion of long-term obligations	12,471,000	9,707,000
Total current liabilities	83,913,000	69,716,000
Long-term obligations, net of current portion	145,509,000	156,723,000
Other liabilities	8,290,000	3,929,000
Total liabilities	237,712,000	230,368,000
Net assets		
Unrestricted, SCHS	434,560,000	367,414,000
Unrestricted, noncontrolling interests	4,315,000	2,959,000
Temporarily restricted	6,556,000	3,581,000
Permanently restricted	1,483,000	1,434,000
Total net assets	446,914,000	375,388,000
Total liabilities and net assets	\$ 684,626,000	605,756,000

See accompanying notes to consolidated financial statements

ST. CHARLES HEALTH SYSTEM, INC.

Consolidated Statements of Operations

Years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues		
Net patient service revenue prior to provision for bad debts	\$ 559,028,000	504,986,000
Provision for bad debts	<u>27,779,000</u>	<u>24,216,000</u>
Net patient service revenue	531,249,000	480,770,000
Other revenue	<u>25,684,000</u>	<u>24,367,000</u>
Total operating revenues	<u>556,933,000</u>	<u>505,137,000</u>
Expenses		
Salaries and wages	233,361,000	198,999,000
Employee benefits	72,843,000	65,034,000
Professional fees	38,896,000	36,205,000
Depreciation and amortization	29,853,000	31,175,000
Interest	12,171,000	13,020,000
Medical supplies, drugs, and other	<u>157,874,000</u>	<u>139,783,000</u>
Total expenses	<u>544,998,000</u>	<u>484,216,000</u>
Excess of revenues over expenses from operations	<u>11,935,000</u>	<u>20,921,000</u>
Other income (losses)		
Investment income, net	41,971,000	27,421,000
Contribution from Mountain View Hospital District	16,796,000	—
Other, net	<u>1,641,000</u>	<u>107,000</u>
Total other income, net	<u>60,408,000</u>	<u>27,528,000</u>
Excess of revenue over expenses	72,343,000	48,449,000
Gain on discontinued operations	—	2,499,000
Net assets released from restriction for capital	81,000	516,000
Capital contributions	341,000	43,000
Other transfers	(611,000)	(20,000)
Distributions	<u>(3,652,000)</u>	<u>(2,424,000)</u>
Increase in unrestricted net assets	<u>\$ 68,502,000</u>	<u>49,063,000</u>

See accompanying notes to consolidated financial statements

ST. CHARLES HEALTH SYSTEM, INC.

Consolidated Statements of Changes in Net Assets

Years ended December 31, 2013 and 2012

	Unrestricted – SCHS	Unrestricted noncontrolling interests	Temporarily restricted	Permanently restricted	Total
Net assets at December 31, 2011	\$ 318,617,000	2,693,000	3,662,000	1,375,000	326,347,000
Excess of revenue over expenses	45,759,000	2,690,000	—	—	48,449,000
Gain on discontinued operations	2,499,000	—	—	—	2,499,000
Restricted contributions	—	—	1,760,000	—	1,760,000
Net assets released from restriction	516,000	—	(1,978,000)	—	(1,462,000)
Other transfers	(20,000)	—	2,000	18,000	—
Distributions	—	(2,424,000)	—	—	(2,424,000)
Other changes in net assets	43,000	—	135,000	41,000	219,000
Change in net assets	48,797,000	266,000	(81,000)	59,000	49,041,000
Net assets at December 31, 2012	367,414,000	2,959,000	3,581,000	1,434,000	375,388,000
Excess of revenue over expenses	67,335,000	5,008,000	—	—	72,343,000
Restricted contributions	—	—	3,449,000	—	3,449,000
Net assets released from restriction	81,000	—	(1,222,000)	—	(1,141,000)
Other transfers	(611,000)	—	611,000	—	—
Distributions	—	(3,652,000)	—	—	(3,652,000)
Capital contributions	341,000	—	—	—	341,000
Other changes in net assets	—	—	137,000	49,000	186,000
Change in net assets	67,146,000	1,356,000	2,975,000	49,000	71,526,000
Net assets at December 31, 2013	\$ 434,560,000	4,315,000	6,556,000	1,483,000	446,914,000

See accompanying notes to consolidated financial statements

ST. CHARLES HEALTH SYSTEM, INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Increase in net assets	\$ 71,526,000	49,041,000
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	29,853,000	31,524,000
Net gain on investments	(33,539,000)	(20,440,000)
Gain on sale of property and equipment	(223,000)	(3,384,000)
Accretion of debt obligation	211,000	313,000
Restricted contributions	(954,000)	(1,760,000)
Contribution from Mountain View Hospital District	(13,651,000)	—
Distributions to noncontrolling owners	3,652,000	2,424,000
Changes in certain operating assets and liabilities		
Patient accounts receivable	(24,026,000)	14,782,000
Other receivables, net	(5,507,000)	(2,784,000)
Supplies inventory	(1,370,000)	430,000
Other assets	(2,698,000)	(2,325,000)
Accounts payable	5,936,000	(2,154,000)
Accrued liabilities	5,403,000	3,781,000
Estimated third-party payor settlements payable, net	1,115,000	1,509,000
Deferred revenue	17,000	(719,000)
Other liabilities	4,361,000	(770,000)
Net cash provided by operating activities	<u>40,106,000</u>	<u>69,468,000</u>
Cash flows from investing activities		
Purchases of investments	(32,968,000)	(90,992,000)
Proceeds from sales and maturities of investments	17,124,000	56,197,000
Distributions received from joint ventures	3,059,000	2,655,000
Proceeds from sale of property and equipment	786,000	3,064,000
Purchases of property and equipment	(29,788,000)	(21,706,000)
Net cash used in investing activities	<u>(41,787,000)</u>	<u>(50,782,000)</u>
Cash flows from financing activities		
Payments on long-term obligations	(13,198,000)	(9,482,000)
Proceeds from restricted contributions	954,000	1,760,000
Distributions paid to noncontrolling owners	(3,652,000)	(2,424,000)
Net cash used in financing activities	<u>(15,896,000)</u>	<u>(10,146,000)</u>
Net (decrease) increase in cash and cash equivalents	<u>(17,577,000)</u>	<u>8,540,000</u>
Cash and cash equivalents at beginning of year	<u>27,017,000</u>	<u>18,477,000</u>
Cash and cash equivalents at end of year	\$ <u><u>9,440,000</u></u>	<u><u>27,017,000</u></u>
Supplemental disclosures		
Cash paid for interest	\$ 12,304,000	13,108,000
Change in property and equipment in accounts payable	(1,149,000)	(553,000)
Increase in notes receivable upon disposition of property and equipment	—	2,904,000

See accompanying notes to consolidated financial statements

ST. CHARLES HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(1) Business, Organization, and Summary of Significant Accounting Policies

(a) *Business and Organization*

St Charles Health System, Inc (SCHS or the Corporation) is an Oregon nonprofit corporation that operates a healthcare delivery system, which includes four hospitals in Central Oregon: St Charles Bend, St Charles Redmond, St Charles Madras, and Pioneer Memorial Hospital in Prineville (PMH), as well as several other lines of healthcare-related businesses. Effective January 1, 2013, SCHS assumed substantially all of the assets and operations of Mountain View Hospital District (MVHD), and assumed substantially all of their liabilities, resulting in the creation of St Charles Madras as discussed in note 1(b). Prior to 2013, SCHS provided management services to MVHD including strategic support, management personnel, and information technology support. SCHS provides healthcare and healthcare-related services primarily to residents in Central, Southeastern, and Eastern Oregon. In addition, SCHS is the sole member of Cascadia Insurance Company, Inc (CICI), a captive insurance company domiciled in Hawaii, established for the purpose of providing malpractice insurance coverage for SCHS. Effective June 30, 2013, CICI was dissolved and the Corporation began contributing actuarially determined amounts to a self-insurance trust established to fund estimated ultimate losses. SCHS is also the sole member of St Charles Management Services Organization LLC (SCMSO), a limited liability company that provides billing services to physicians and medical clinics. These healthcare businesses and subsidiaries, along with the Corporation's home office, form the obligated group. The assets of any one are available for the satisfaction of debts of the others within the obligated group (subject to certain contractual limitations).

The St Charles Foundation, Inc (SCF), an Oregon nonprofit corporation, was established to engage in and conduct charitable, educational, and scientific activities and to raise funds in support of SCHS. The Corporation is the sole member of SCF, and SCF is included in the consolidated financial statements of SCHS but is not a member of the obligated group. The net assets of SCF are reported as unrestricted, temporarily restricted, or permanently restricted, according to donor or legal restrictions, in the accompanying consolidated financial statements.

SCHS also has a controlling interest in Cascade Medical Imaging, LLC (CMI). CMI is a limited liability corporation whose two members are SCHS (70% ownership interest) and Central Oregon Radiology Associates, P.C. (CORA) (30% ownership interest). CMI provides positron emission tomography (PET) scanning, computer-assisted tomography (CT) scanning, nuclear medicine, mammography, and picture archiving and communications system (PACS) services in Central, Southeastern, and Eastern Oregon. CMI has been consolidated into the financial statements of SCHS but is not part of the obligated group.

(b) *Mountain View Hospital District Asset Purchase*

On January 1, 2013, SCHS assumed the operations and substantially all of the assets of MVHD, located in Madras, Oregon, in exchange for the assumption of substantially all of MVHD's liabilities and payment of certain outstanding MVHD debt obligations. The financial position and results of operations of St Charles Madras have been included in the consolidated financial statements of the Corporation since that date. The facility was renamed St Charles Madras and SCHS continues to offer substantially the same healthcare services to the community of Madras and the surrounding Jefferson County area.

ST. CHARLES HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

The transaction has been accounted for as an acquisition under ASC 958-805, *Not-for-Profit Entities – Business Combinations*. No consideration was paid by the Corporation to acquire the net assets of St. Charles Madras. The fair value of the assets acquired in excess of the liabilities assumed, resulted in an inherent contribution of MVHD to the Corporation of approximately \$16,796,000. The inherent contribution is unrestricted and included in other income in the accompanying consolidated statement of operations.

The following table summarizes the fair value estimates of the St. Charles Madras assets and liabilities assumed as of January 1, 2013:

Cash assumed	\$ 3,145,000
Tangible assets assumed, net of cash	18,230,000
Liabilities assumed	<u>(4,579,000)</u>
Inherent contribution	<u>\$ 16,796,000</u>

The following are the financial results of St. Charles Madras included in the Corporation's 2013 consolidated statement of operations since January 1, 2013 through the fiscal year-end:

Total revenues	\$ 25,776,000
Deficit of revenues over expenses from operations	(1,494,000)
Deficit of revenues over expenses	(1,516,000)

The following pro forma financial information presents the Corporation's results as if MVHD had been consolidated as of the beginning of fiscal 2012:

	2012	
	Actual	Pro forma
Net patient service revenue	\$ 480,770,000	507,370,000
Excess of revenues over expenses from operations	20,921,000	21,703,000
Excess of revenues over expenses	27,528,000	25,536,000
Total assets	605,756,000	620,650,000

(c) Principles of Consolidation

The accompanying consolidated financial statements include the accounts and transactions of SCHS, CICI, SCMSO, SCF, and CMI. All material intercompany accounts and transactions have been eliminated in consolidation.

(d) Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of

ST. CHARLES HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

revenue, income, gains, expenses, and losses during the reporting period. Actual results could differ from those estimates. The significant estimates in the Corporation's consolidated financial statements include accounts receivable allowances, third-party payor settlement liabilities, valuation of investments, liabilities related to self-insurance programs, and the contribution from MVHD.

(e) *Cash and Cash Equivalents*

Cash and cash equivalents consist of petty cash and cash in demand bank accounts. Amounts held in demand bank accounts are often in excess of Federal Deposit Insurance Corporation (FDIC) coverage levels.

(f) *Assets Limited as to Use*

Assets limited as to use primarily consist of assets internally designated for future capital acquisitions and operating purposes (over which SCHS retains control and may, at its discretion, subsequently use for other purposes), assets held by a trustee under bond indenture agreements and temporarily and permanently restricted funds held by SCF. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value based on quoted market prices in the accompanying consolidated financial statements.

The investment in the Oregon Community Foundation (OCF) represents a beneficial interest in a recipient organization. SCHS established an interest in OCF by contributing funds to its investment portfolio. The value of this interest is then adjusted at a rate proportional to its investment returns obtained by OCF on their investment portfolio. SCHS recognizes their interest in the net assets of OCF and adjusts that interest for its share of the change in the value of the investment portfolio using a method that is similar to the equity method of accounting for investments in common stock.

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

Investment income or loss (including interest, dividends, realized gains and losses, and unrealized gains and losses) is included in the excess of revenue over expenses unless the income or loss is restricted by donor or law.

Trading securities are debt and equity securities that are bought and held principally for the purpose of selling them in the near term. The Corporation classifies all of its investments in internally designated assets as trading securities, based on the nature of trading activity in its portfolio by the Corporation's investment manager.

As of December 31, 2013 and 2012, the Corporation had investments in equity and fixed-income mutual funds, corporate stock and obligations, U.S. government agency and treasury securities, commercial paper, and an interest in the OCF. Management believes that the Corporation's credit risk with respect to these investments is minimal due to the diversity of the individual investments and the financial strength of the entities, which have issued the securities or instruments. However,

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due to changes in economic conditions, interest rates, and common stock prices, the fair value of the Corporation's investments can be volatile. Consequently, the fair value of the Corporation's investments can significantly change in the near term as a result of such volatility.

(g) *Patient Accounts Receivable, Allowance for Doubtful Accounts, and Other Receivables*

The collection of receivables from third-party payors and patients is SCHS' primary source of cash and is critical to its operating performance. When SCHS provides care to patients, it does not require collateral; however, it maintains an estimated allowance for doubtful accounts. Additionally, SCHS adjusts accounts receivable balances to estimated collectible balances based on the terms of contracts in place with third-party payors. The primary collection risks relate to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but patient responsibility amounts (generally deductibles and copayments) remain outstanding. The allowance for doubtful accounts is estimated based upon SCHS' historical collection experience, the age of the patient's account, management's estimate of the patient's economic ability to pay, and the effectiveness of collection efforts. Patient accounts receivable balances are routinely reviewed in conjunction with historical collection rates and other economic conditions that might ultimately affect the collectibility of patient accounts when considering the adequacy of the amounts recorded in the allowance for doubtful accounts. Actual write-offs have historically been within management's expectations. Significant changes in payor mix, business office operations, economic conditions, or trends in federal and state governmental healthcare coverage could affect SCHS' collection of patient accounts receivable, cash flows, and results of operations.

SCHS' write-offs of accounts receivable for which patients have financial responsibility were \$16,793,000 and \$19,041,000 in fiscal 2013 and 2012, respectively. Total bad debt expense, which is a reduction in deriving net patient service revenue, for the years ended December 31, 2013 and 2012 was \$27,779,000 and \$24,216,000, respectively. The Corporation also maintains an allowance for doubtful accounts for third-party payors, which has been determined based on historical bad debt expense on those account types.

Significant concentrations of gross patient accounts receivable as of December 31, 2013 and 2012 were approximately as follows:

	<u>2013</u>	<u>2012</u>
Medicare and Medicare managed care contracts	30%	26%
Medicaid and Oregon Health Plan (OHP)	13	13
Commercial and managed care insurance	36	35
Self-pay	21	26
	<u>100%</u>	<u>100%</u>

(h) *Supplies Inventory*

Supplies inventory is recorded at the lower of cost (first-in, first-out method) or market.

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(i) Property and Equipment

Property and equipment acquisitions are recorded at cost. Donated property and equipment items are recorded on the basis of estimated fair value at the date of donation. Improvements and replacements of property and equipment are capitalized. Maintenance and repairs are charged to expense as incurred.

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Assets under capital lease obligations are amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the asset. Such amortization is included in depreciation expense in the accompanying consolidated financial statements. Net interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets. Estimated useful lives are as follows:

Land improvements	5–25 years
Buildings and fixed equipment	5–40 years
Furniture and moveable equipment	3–20 years

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

(j) Long-Lived Assets

Management reviews property and equipment and other long-term assets, as appropriate, for possible impairment whenever events or circumstances indicate the carrying amount of such assets may not be recoverable. If there is an indication of impairment, management would prepare an estimate of future cash flows (undiscounted and without interest charges) expected to result from the use of the asset and its eventual disposition. If these cash flows were less than the carrying amount of the asset, an impairment loss would be recognized to write down the asset to its estimated fair value.

(k) Contributions and Grants

Unrestricted donations and grants are recorded as other operating revenue. Donor-restricted contributions and grants are recorded as additions to the appropriate class of restricted net assets. When capital expenditures are made consistent with the purpose intended by the donor, a transfer is made from temporarily restricted net assets to unrestricted net assets. If restricted amounts are expended for operations, the amounts are recorded as other revenues in the accompanying consolidated statements of operations.

(l) Other Assets

Other assets include SCHS' investments in various related entities, which are not consolidated. SCHS consolidates such investees if it owns a majority of the investee's stock, is the sole member of the investee, or controls a majority voting interest in the investee's board of directors and has an

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economic interest in such investee. If SCHS owns 50% or less of the voting stock of an investee and can exercise significant influence over the investee's operating and financial policies (generally presumed to be when SCHS owns more than 20% of the voting stock of the investee), SCHS accounts for such investments under the equity method of accounting, whereby SCHS records its proportionate share of the investee's income or loss in the consolidated statements of operations and records distributions received from the investee as a reduction in the related investment balance. If SCHS cannot exercise significant influence over the investee's operating and financial policies (generally presumed to be when SCHS owns less than 20% of the voting stock of the investee), SCHS accounts for such investments at cost and records dividends or distributions from the investee as other income when received.

(m) *Unamortized Bond Discount*

Unamortized bond discount, a component of long-term obligations, is amortized to interest expense over the term of the related bonds using the effective-interest method.

(n) *Net Patient Service Revenue*

SCHS has agreements with third-party payors that provide for payments at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, outpatient case rates, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts due and determined to be collectible from patients, third-party payors, and others for services rendered and includes estimates for potential retroactive revenue adjustments under reimbursement agreements with third-party payors. Such estimates are adjusted in future periods as final settlements are determined.

A significant portion of SCHS' services are provided to Medicare, Medicaid, and Oregon Health Plan (OHP) patients under contractual arrangements. Inpatient acute care services rendered by SCHS to Medicare, Medicaid, and OHP program beneficiaries are generally reimbursed at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors (i.e., Medicare severity-diagnosis related groups or MS-DRGs). Such payments include a capital cost component and may be greater or less than the actual charges for services. Most outpatient services related to Medicare beneficiaries are reimbursed prospectively under the ambulatory payment classifications methodology. Home health services related to Medicare beneficiaries are reimbursed under a prospective payment system methodology. OHP outpatient services are reimbursed based on a percentage of charges. SCHS is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after audits of SCHS' annual cost reports by the Medicare fiscal intermediary and Medicaid. St. Charles Bend's and St. Charles Redmond's cost reports have been audited and final settled by the Medicare fiscal intermediary and Medicaid through December 31, 2011.

St. Charles Madras and PMH are "critical access hospitals" (CAH) for Medicare and Medicaid program purposes. As CAHs, St. Charles Madras and PMH cannot operate more than 25 beds, and the average length of stay for acute care patients cannot exceed 96 hours. As CAHs, St. Charles Madras and PMH are reimbursed for Medicare and Medicaid inpatient and outpatient services under a cost-reimbursement methodology. PMH's cost reports have been audited and final settled by the Medicare fiscal intermediary and Medicaid through December 31, 2011. St. Charles Madras' cost

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reports have been audited and final settled by the Medicare fiscal intermediary and Medicaid through June 30, 2011. Prior to being acquired by SCHS, St. Charles Madras had a June 30 fiscal year-end.

The laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that estimated third-party payor settlements payable, net, will change by a material amount in the near term. Net patient service revenue was increased by approximately \$1,386,000 and \$4,243,000 for the years ended December 31, 2013 and 2012, respectively, as a result of final settlements of prior years cost reports and revisions of estimates for prior years cost report settlements.

SCHS has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations to provide medical services to subscribing participants. The basis for payment to SCHS under these agreements includes prospectively determined rates per discharge, discounts from established charges, prospectively determined fee schedules, and certain capitated per member per month payment arrangements.

(o) Charity Care

SCHS provides services without charge, or at amounts less than its established rates, to patients who meet the criteria of its charity care policy. SCHS' criteria for the determination of charity care include the patient's—or other responsible party's—annual household income, number of people in the home and claimed on taxes, assets, credit history, existing medical debt obligations, and other indicators of the patient's ability to pay. Generally, those individuals with an annual household income at or less than 100% of the Federal Poverty Guidelines (the Guidelines) qualify for charity care under SCHS' policy. In addition, SCHS provides discounts on a sliding scale to those individuals with an annual household income of between 100% and 300% of the Guidelines. Since SCHS does not pursue collection of amounts determined to qualify as charity care, those amounts are not reported as net patient service revenue. The cost of the services and supplies furnished under the charity care policy for the years ended December 31, 2013 and 2012, net of subsidies, was approximately \$18,039,000 and \$16,634,000, respectively. The Corporation uses a ratio of cost to charges based on the direct and indirect costs and gross charges of SCHS to estimate the cost of providing this charity care. The cost to charge ratio is developed separately for each facility by using certain analysis tools. The weighted average cost to charge ratio used in this determination was 47.1% and 46.0% for the years ended December 31, 2013 and 2012, respectively. The amount of subsidies received by SCHS for providing charity care for the years ended December 31, 2013 and 2012 was approximately \$966,000 and \$1,143,000, respectively.

(p) Consolidated Statements of Operations

For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as operating revenue and expenses. SCHS' income from investments in healthcare-related joint ventures recorded on the equity method of accounting is reported as other operating revenue. Peripheral or incidental transactions are reported as other income (losses).

The performance indicator for the accompanying consolidated statements of operations is excess of revenue over expenses. Changes in unrestricted net assets, which are excluded from the excess of

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revenue over expenses, consistent with industry practice, include the change in net assets released from restrictions used for purchases of property and equipment, contributions for property and equipment, distributions to noncontrolling interest, discontinued operations of Airlink, refer to note 11, and net asset transfers

(q) State of Oregon Provider Tax

Effective July 1, 2004, the State of Oregon instituted a provider tax on certain qualifying hospitals. SCHS recorded provider taxes of approximately \$19,507,000 and \$15,708,000 for the years ended December 31, 2013 and 2012, respectively, which are included in medical supplies, drugs, and other expense in the accompanying consolidated statements of operations. The increase in the 2013 tax is attributed primarily to increased gross charges and provider tax rate changes instituted in April 2013 and October 2013 by the State of Oregon. In addition, SCHS has entered into an agreement with the Oregon Association of Hospitals and Health Systems (OAHHS), which provides that all payments owed to SCHS related to beneficiaries of the Oregon Medical Assistance Program are to be remitted directly to OAHHS. OAHHS aggregates these payments, returning a portion to SCHS. The remaining funds are pooled by OAHHS with like amounts received on behalf of other hospitals subject to the provider tax, and OAHHS redistributes such funds to qualifying hospitals on a quarterly basis. The estimate of the amount of receipts via the quarterly redistribution process from OAHHS for the years ended December 31, 2013 and 2012 matches the annual amounts of taxes paid, which is reflected as a component of net patient service revenue in the accompanying consolidated statements of operations.

(r) Income Taxes

The Corporation has received a determination letter from the Internal Revenue Service (IRS) stating that it is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) of the Internal Revenue Code. It is management's belief that none of its activities have produced material unrelated business income, and that SCHS continues to be operated in a manner that qualifies it for tax-exempt status.

Accounting principles generally accepted in the United States of America require SCHS' management to evaluate tax positions taken by the Corporation and recognize a tax liability (or asset) if the Corporation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed tax positions taken by the Corporation and has concluded that as of December 31, 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Corporation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Corporation's management believes it is no longer subject to income tax examinations for years prior to 2010.

(s) Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

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(2) Assets Limited as to Use

The composition of assets limited as to use as of December 31, 2013 and 2012 is set forth in the following table. Investments are carried at fair value.

	<u>2013</u>	<u>2012</u>
Internally designated for capital acquisitions		
Equity mutual funds	\$ 216,388,000	179,111,000
Fixed-income mutual funds	66,759,000	57,773,000
Total internally designated for capital acquisitions	<u>283,147,000</u>	<u>236,884,000</u>
Internally designated for operating purposes		
Cash and cash equivalents	738,000	727,000
Equity mutual funds	1,910,000	385,000
Fixed-income mutual funds	573,000	307,000
Corporate stock	11,000	—
Corporate obligations	—	271,000
U.S. government agency and treasury securities	—	3,938,000
Cash surrender value of life insurance	269,000	248,000
Total internally designated for operating purposes	<u>3,501,000</u>	<u>5,876,000</u>
Total internally designated	<u>286,648,000</u>	<u>242,760,000</u>
Held by trustee		
Cash and cash equivalents	9,223,000	7,671,000
Equity mutual funds	1,682,000	—
Government agencies	9,787,000	—
Corporate obligations	1,474,000	10,132,000
Total held by trustee	<u>22,166,000</u>	<u>17,803,000</u>
Board designated endowment		
Investment in Oregon Community Foundation	1,551,000	1,448,000
Donor restricted – temporarily		
Cash and cash equivalents	—	16,000
Equity mutual funds	2,543,000	1,827,000
Fixed-income mutual funds	1,694,000	1,465,000
Donor restricted – permanently		
Investment in Oregon Community Foundation	768,000	717,000
Cash and cash equivalents	17,000	15,000
Equity mutual funds	410,000	363,000
Fixed-income mutual funds	355,000	355,000
Total assets limited as to use	<u>316,152,000</u>	<u>266,769,000</u>
Less portion reported as current	<u>(7,734,000)</u>	<u>(7,671,000)</u>
Total assets limited as to use, net of current portion	<u>\$ 308,418,000</u>	<u>259,098,000</u>

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Investment income, net, consisted of the following for the years ended December 31, 2013 and 2012

	2013	2012
Interest and dividend income	\$ 8,432,000	6,874,000
Realized gains on sales of securities, net	2,096,000	107,000
Unrealized gains (losses) on trading securities, net	31,443,000	20,440,000
Investment income, net	<u>\$ 41,971,000</u>	<u>27,421,000</u>

SCHS maintains investments with OCF. The investments are used solely to support the endowments of SCHS, and are recorded as a beneficial interest by SCHS, in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-20, *Not-for-Profit Entities – Financially Interrelated Entities*, regarding financially interrelated not-for-profit entities. The investments, which represent an endowment fund that is legally owned by the OCF, primarily include equity securities and fixed-income investments. SCHS' investment in the OCF is recorded based on their initial contribution to the OCF, adjusted for subsequent changes. All earnings of the investments held by the OCF, less investment management fees charged by the OCF, are allocated by OCF, and are recorded by SCHS as investment earnings in the consolidated statements of operations, within the appropriate category of net assets based on related donor restrictions. Earnings consist of interest, dividends, realized gains and losses, and changes in unrealized gains and losses. Funds held by OCF may be distributed once per quarter, subject to approval by the OCF board of directors.

(3) Property and Equipment

Property and equipment consisted of the following at December 31, 2013 and 2012

	2013	2012
Land and improvements	\$ 16,335,000	15,313,000
Buildings and fixed equipment	263,457,000	249,962,000
Furniture and movable equipment	153,138,000	178,870,000
	432,930,000	444,145,000
Less accumulated depreciation	<u>(226,769,000)</u>	<u>(240,172,000)</u>
	206,161,000	203,973,000
Construction in progress	17,681,000	7,090,000
Property and equipment, net	<u>\$ 223,842,000</u>	<u>211,063,000</u>

Construction in progress includes costs incurred in connection with various construction projects and costs incurred related to the acquisition and implementation of various software applications. As of December 31, 2013, management estimates that the remaining cost to complete the construction projects is approximately \$45,286,000, and the remaining cost to complete the software acquisitions and implementations is approximately \$14,928,000.

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(4) Restricted Net Assets

Restricted net assets are held by SCF and are those whose use has been limited by donor-imposed restrictions to a specific time period and/or purpose. SCF also holds funds that are not donor restricted for a specific purpose and are distributed to SCHS in amounts and in periods determined by SCF's board of directors, which are included in unrestricted net assets. SCF's temporarily restricted net assets are distributed to SCHS or other recipients for the purposes specified by the donors. SCF's permanently restricted net assets consist of the principal amount of contributions accepted by SCF with the stipulation from donors that the principal be maintained in perpetuity and only the income from investments thereof be expended to support SCF's general activities or restricted purposes, as stipulated by the respective donors.

During 2013 and 2012, net assets were released from donor restrictions by SCHS incurring operating expenses satisfying the restricted purpose of approximately \$1,141,000 and \$1,462,000, respectively, and are included in other revenue. Further, approximately \$81,000 and \$516,000 were released from restriction to SCHS for capital expenditures made during 2013 and 2012, respectively.

Temporarily and permanently restricted net assets are available for the following purposes at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Temporarily restricted		
Education and research	\$ 755,000	796,000
Indigent care	210,000	150,000
Patient care operating activities	1,706,000	1,531,000
Purchase of property and equipment	3,885,000	1,104,000
Net assets, temporarily restricted	<u>\$ 6,556,000</u>	<u>3,581,000</u>
Permanently restricted		
Education and research	\$ 447,000	447,000
Indigent care	1,036,000	987,000
Net assets, permanently restricted	<u>\$ 1,483,000</u>	<u>1,434,000</u>

SCF has adopted investment and spending policies for endowment assets to provide a predictable stream of funding to programs supported by its endowment and to maintain the value of the endowment assets. Asset allocation is reviewed annually with respect to: i) SCF's tolerance for risk based on its financial condition and need for cash from investments to support operations, ii) expected asset class return, risk, and correlation characteristics, and iii) changes in accounting guidance, tax law, or other restrictions.

SCF's spending practices are intended to comply with donor's wishes and meet all applicable laws and regulations. Spending must be for a purpose that is consistent with the documented intent of the donor, and may not exceed the amounts annually determined by the SCF's board of directors. Factors that are considered in addressing the annual spending allocation are: i) market value of the fund relative to the principal of the gift and ii) the level of spending in prior years.

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From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires SCF to retain as a fund of perpetual duration. Deficiencies of this nature are reported as a reduction to unrestricted net assets and are excluded from the performance indicator.

SCF follows the guidance in the UPMIFA in determining the net asset classification of all donor-restricted endowment funds. In accordance with board policy, assets classified as permanent endowments in accordance with donor intent are only utilized for current period expenditures to the extent that earnings on the endowment exceed the original fair value of the donation. To the extent earnings on endowment funds exceed identified expenditures on which to apply those earnings, the earnings are classified as temporarily restricted net assets. As of December 31, 2013 and 2012, unspent earnings on endowment funds totaling \$304,000 and \$215,000, respectively, were included in temporarily restricted net assets.

(5) Debt Agreements

Long-term obligations consisted of the following at December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Hospital Facility Authority of Deschutes County Oregon (the Authority) Hospital Revenue Refunding Bonds Series 2008 (the 2008 Bonds)	\$ 102,040,000	103,460,000
The Authority Hospital Revenue Bonds Series 2005B (the 2005B Bonds)	45,675,000	46,600,000
Wells Fargo Bank and Wells Equipment Finance Notes Payable	1,827,000	1,151,000
GE Healthcare Financial Notes Payable	—	635,000
Siemens Financial Services Equipment leases	513,000	—
U S Bancorp Technology Leasing Master Lease	—	4,976,000
Bend Ortho Building Associates Lease	8,879,000	8,760,000
Banc of America Leasing Healthcare Finance	277,000	1,901,000
Other	238,000	508,000
Less unamortized discount on bonds, net	<u>(1,469,000)</u>	<u>(1,561,000)</u>
Total long-term obligations	157,980,000	166,430,000
Less current portion	<u>(12,471,000)</u>	<u>(9,707,000)</u>
Long-term obligations, net of current portion	<u>\$ 145,509,000</u>	<u>156,723,000</u>

In December 2008, the Authority issued the 2008 Bonds in the amount of \$103,460,000. The proceeds of the 2008 Bonds were primarily used to advance refund the 2005A Bonds, make the termination payment related to a swap agreement, and establish a debt service reserve fund. The 2008 Bonds bear interest at rates ranging from 5.500% to 8.250% payable semiannually each January 1 and July 1 and require annual principal payments each January 1 (including mandatory redemptions) ranging from \$1,470,000 in 2014 to \$12,000,000 in 2038. The 2008 Bonds maturing on and after January 1, 2020 are subject to optional redemption prior to maturity, at the option of the Authority (such option shall be exercised at the request of the Corporation), at par, plus accrued interest.

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In December 2005, SCHS entered into agreements with the Authority, whereby the Authority issued the 2005B Bonds in the amount of \$51,800,000 (the 2005B Bonds). The proceeds from the 2005B Bonds were primarily used to finance certain capital additions and improvements at St. Charles Bend and St. Charles Redmond. The 2005B Bonds bear interest at rates ranging from 4.000% to 5.375% payable semiannually each January 1 and July 1 and require annual principal payments each January 1 (including mandatory redemptions) ranging from \$1,000,000 in 2014 to \$7,150,000 in 2035.

Under the terms of the agreements (the 2005B Agreement) between SCHS and the Authority related to the 2005B Bonds, SCHS has (1) collateralized the 2005B Bonds with SCHS' gross receivables (as defined in the 2005B Agreement) and (2) obtained bond insurance which unconditionally guarantees payment of principal and interest on the 2005B Bonds. Under the terms of the agreement (the 2008 Agreement) between SCHS and the Authority related to the 2008 Bonds, SCHS has (1) collateralized the 2008 Bonds with SCHS' gross receivables (as defined in the 2008 Agreement) and (2) agreed to grant a leasehold deed of trust on the St. Charles Bend main hospital building and related improvements to the trustee for the 2008 Bonds (the Trustee), as well as entered into a 50-year ground lease related to the underlying land for this property with the Trustee. Additionally, SCHS has agreed to not create or allow any other mortgage, pledge, or security in SCHS' facilities, except as permitted in the Agreements, maintain certain reserve funds with a trustee, and meet certain financial ratios on an annual basis.

In July 2007, SCHS entered into a lease agreement with U.S. Bancorp Technology Leasing (the U.S. Bancorp Master Lease Agreement) to partially finance the acquisition and implementation of an information system. All obligations under this U.S. Bancorp Master Lease Agreement were paid off in 2013.

The Bend Ortho Building Associates lease represents a lease of an approximately 30,000-square-foot building that expires on December 31, 2014, with two 5-year renewal options. Under this agreement, SCHS has the option to purchase the building on December 31, 2014 – or at the end of either of the subsequent renewal periods – at a price determined based on a formula that includes the net operating income of the building and a capitalization rate, all as defined in the lease agreement. In addition, the lessor has the right at any time during the lease term (including renewals) to require SCHS to purchase the building at a price using this same formula. Under the terms of the lease, SCHS is required to make monthly payments of approximately \$68,000. Additionally, SCHS incurs annual interest expense, representing the accretion of the obligation, in order to have the purchase obligation under the lease properly recorded. SCHS has notified the lessor of its intent to exercise the purchase option at the end of the initial term and expects the lessor to require SCHS to purchase the building prior to December 31, 2014, therefore the purchase amount is included in the current portion of long-term liabilities as of December 31, 2013.

In September 2003, SCHS entered into a sublease agreement with the Authority, whereby the Authority financed the construction of a central utility plant and related energy management systems (the Plant) for St. Charles Bend with a lease agreement with Banc of America Healthcare Finance (B of A) (collectively, the B of A Master Lease and Sublease Agreement). Under the terms of the B of A Master Lease and Sublease Agreement, SCHS is required to make monthly payments of \$140,000 through March 2014, including interest at 4.65%. Upon receipt of the final scheduled lease payment, B of A shall terminate and release its security interest in the Plant to SCHS. SCHS has the option to purchase the Plant at any time during the term of the B of A Master Lease and Sublease Agreement by paying the remaining lease

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payments, plus a 1.00% prepayment penalty multiplied by the number of years remaining in the term of the lease

Notes and leases payable to Wells Fargo Bank, Wells Equipment Finance, Siemens Financial Services, and GE Healthcare Financial represent various equipment financing arrangements, generally at CMI. The notes bear interest ranging from 3.50% to 6.41%, mature at various times from 2015 to 2018, and are secured by equipment.

Scheduled principal repayments on long-term debt and payments on capital lease obligations are as follows:

	<u>Long-term debt</u>	<u>Capital lease obligations</u>
2014	\$ 3,154,000	10,363,000
2015	3,122,000	178,000
2016	3,124,000	147,000
2017	3,130,000	44,000
2018	3,181,000	—
Thereafter	134,069,000	—
	<u>\$ 149,780,000</u>	<u>10,732,000</u>
Less amount representing interest under capital lease obligations		(1,063,000)
		<u>\$ 9,669,000</u>

The above described debt instruments carry various financial covenants that the Corporation is required to measure on an annual basis.

As of December 31, 2013 and 2012, SCHS had a \$5,000,000 and \$3,000,000, respectively, unsecured line-of-credit agreement with U.S. Bank. There were no amounts outstanding under this line-of-credit agreement at December 31, 2013 or 2012. Borrowings outstanding under this line-of-credit agreement bear interest at the greater of the U.S. Bank's prime rate plus 0.50% or 3.75%. The line of credit expires on November 30, 2014.

Interest cost incurred during the years ended December 31, 2013 and 2012 was \$12,171,000 and \$13,038,000, respectively. No interest expense or interest income was capitalized during the years ended December 31, 2013 and 2012.

(6) Commitments and Contingencies

(a) Operating Leases

SCHS leases office space and equipment under operating lease agreements, which expire at various dates through 2026. Certain of these lease agreements contain renewal options. A portion of the leased office space has been subleased to unrelated third parties. In addition, effective January 1, 2008, SCHS leased the land, buildings, and equipment of PMH (the PMH Lease) and the lessor is

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Pioneer Memorial Hospital As of December 31, 2013, future minimum rental commitments for the five years subsequent to and thereafter, under noncancelable operating lease agreements, that have initial or remaining lease terms in excess of a year were as follows

2014	\$	5,975,000
2015		5,254,000
2016		3,393,000
2017		2,901,000
2018		2,775,000
Thereafter		<u>14,866,000</u>
Total minimum lease payments		35,164,000
Less total minimum sublease rentals		<u>(476,000)</u>
	\$	<u><u>34,688,000</u></u>

Included in the commitments above are lease payments required under the PMH Lease. Such payments vary by year based on PMH's future required debt and lease payments that were in effect as of January 1, 2008. Such future minimum lease payments total approximately \$7,505,000 and decrease from approximately \$607,000 in 2014 to approximately \$170,000 in 2026 (at which time, all currently outstanding PMH debt and lease payments will have been paid). In addition, the PMH Lease requires SCHS to annually invest a minimum of \$200,000 toward capital purchases and renovations at PMH through the term of the lease (2031), plus certain additional amounts based on PMH's operating results. The PMH Lease may be terminated by either party with 24-month notice as described in the lease. Additionally, the PMH Lease was amended to provide for early termination if SCHS builds a replacement hospital facility in Prineville, Oregon, which is currently planned for completion in 2015.

Certain of the leases above are with related entities. As of December 31, 2013, the total future minimum rental commitments expected to be paid on these related entity leases aggregate approximately \$18,020,000.

Rent expense totaled \$7,292,000 and \$7,638,000 for the years ended December 31, 2013 and 2012, respectively, and is included in medical supplies, drugs, and other in the accompanying consolidated statements of operations.

(b) *Medical Malpractice Insurance*

Effective July 1, 2013, SCHS started a self-insurance program for malpractice and other general liability claims under which the Corporation contributes actuarially determined amounts to a trust to fund estimated ultimate losses. SCHS purchases excess insurance for claims exceeding \$500,000 per occurrence and \$3,000,000 annual in aggregate. Prior to that time, SCHS was self-insured for malpractice and other general liability claims through Cascadia Insurance Company, Inc. (CICI), a captive insurance company wholly owned by SCHS. CICI provided coverage of SCHS' claims up to a \$500,000 per occurrence limit and a \$3,000,000 annual aggregate limit, and SCHS purchased excess insurance for claims exceeding such limits. CICI's coverage for SCHS was retroactive to

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occurrences since July 1, 2004 reported after July 1, 2005. Under SCHS' policy with CICI, medical malpractice claims reported by SCHS to CICI during the policy period were covered, however, any medical malpractice claim that was incurred but not reported (IBNR) to CICI during the policy period is not covered. Upon dissolution of CICI as of June 30, 2013 the liability for all claims covered by CICI was transferred to SCHS.

Based on an actuarial valuation, the Corporation, including CICI, has recorded estimated liabilities for IBNR medical malpractice claims, which, along with deductibles on reported claims, aggregated \$5,832,000 and \$3,855,000 as of December 31, 2013 and 2012, respectively, and are included in other noncurrent liabilities in the accompanying consolidated balance sheets. Management believes that these estimated liabilities are adequate to cover actual ultimate expenses, however, the establishment of estimated liabilities for medical malpractice claims is an inherently uncertain process, and there can be no assurance that currently established liabilities will prove adequate. Subsequent actual experience could result in liabilities being too high or too low, which could positively or negatively impact the Corporation's reported consolidated operations in future periods.

(c) *Self-Insurance*

SCHS is self-insured for medical, dental, and vision benefits provided to its employees for claims up to \$400,000 per employee. SCHS is also self-insured for state unemployment claims. SCHS recognizes self-insurance costs based on claims filed with its third-party administrators and estimates for IBNR claims. Management believes that adequate amounts have been accrued in the accompanying consolidated financial statements to cover any related potential losses.

(d) *Risk Management*

In the ordinary course of business, the Corporation is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets, business interruption, errors and omissions, employee injuries and illnesses, and natural disasters. However, management believes that adequate commercial insurance coverage has been purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage for the years ended December 31, 2013 and 2012.

(e) *Guaranties*

As of December 31, 2013, SCHS is a guarantor of the following loans of certain related entities:

Entity	Loan balances outstanding at December 31, 2013 (unaudited)	SCHS' guaranties	Loan expiration dates
Cascade Medical Buildings, LLC	\$ 20,537,000	10,268,000	April 2021
Heart Center of the Cascades, LLC	9,058,000	4,529,000	December 2015

In the opinion of management, the likelihood that SCHS will be required to make any payments under the guaranties is remote, and the estimated fair value of such guaranties is not significant to the

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accompanying consolidated financial statements, accordingly, no liability related to these guaranties has been recorded in the accompanying consolidated balance sheets

(f) *Regulations and Litigation*

The healthcare industry is subject to various laws and regulations from federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has remained high with respect to investigations and allegations concerning possible violations by healthcare providers of regulations, which could result in the expulsion from government healthcare programs, together with the imposition of significant fines and penalties, as well as significant repayments of patient services previously billed and collected. Management believes that the Corporation is in compliance with the fraud and abuse regulations, as well as other applicable government laws and regulations, however, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

In addition, the Corporation becomes involved in litigation and other regulatory investigations arising in the ordinary course of business. After consultation with legal counsel, management believes that these matters will be resolved without causing a material adverse effect on the Corporation's future consolidated financial position or results of operations.

(g) *Collective Bargaining Agreements*

Approximately 1% of SCHS employees, including nurses and certain professional employees, were covered under collective bargaining agreements at December 31, 2013 that will expire in 2014. An additional 24% are covered under contracts expiring beyond 2014.

(7) *Retirement Plan*

Substantially all employees of SCHS are eligible to participate in SCHS' defined contribution retirement plan (the Plan). Under the Plan, SCHS matches each participant's contributions up to 6% of his or her salary. Employees are eligible to receive SCHS' matching contributions once they achieve at least 21 years of age, work 1,000 hours or more during the year, and have been continuously employed by SCHS for one year or more. SCHS' expense relating to the Plan during the years ended December 31, 2013 and 2012 was \$8,511,000 and \$7,516,000, respectively, and is included in employee benefits in the accompanying consolidated statements of operations.

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(8) Other Related-Party Transactions

The following is a summary of SCHS' primary unconsolidated related-party investments at December 31, 2013 and 2012

Entity	Basis of accounting	Ownership as of December 31, 2013	Investment balance included in the accompanying consolidated balance sheets		SCHS' share of income (loss) included in the accompanying consolidated statements of operations	
			December 31			
			2013	2012	2013	2012
CMB	Equity method	50%	\$ 939,000	680,000	380,000	313,000
CPH	Equity method	50	72,000	162,000	(90,000)	(87,000)
HCC	Equity method	50	(1,714,000)	(1,507,000)	118,000	(65,000)
CS	Equity method	50	525,000	662,000	1,461,000	1,274,000
SCAS	Equity method	49	—	—	—	—
COMRI	Equity method	33	539,000	565,000	976,000	1,209,000
SOLS	Equity method	28	655,000	622,000	46,000	82,000
IOC	Cost method	50	20,000	20,000	—	—
HF	Cost method	14	54,000	54,000	—	—

In addition to SCF, CICI, SCMSO, and CMI, SCHS has investments in the following related entities

(a) Cascade Medical Buildings, LLC (CMB)

CMB is a limited liability company whose two members are SCHS (50% ownership interest) and Deschutes Medical Buildings, LLC (50% ownership interest). CMB was formed to build, own, and manage a medical office building on land leased from SCHS. SCHS rents approximately 9,950 square feet in this building. During the years ended December 31, 2013 and 2012, SCHS received member distributions of \$120,000 and \$395,000, respectively, from CMB. During each of the years ended December 31, 2013 and 2012, SCHS earned rental income from CMB of approximately \$155,000 under the land lease. During the years ended December 31, 2013 and 2012, SCHS incurred rent expense for facilities owned by CMB of \$274,000 and \$218,000, respectively.

(b) Cascade Property Holdings, LLC (CPH)

CPH is a limited liability company whose two members are SCHS (50% ownership interest) and Deschutes Medical Buildings, LLC (50% ownership interest). CPH owns bare land held for investment purposes in Bend, Oregon.

(c) Heart Center of the Cascades, LLC (HCC)

HCC is a limited liability company whose two members are SCHS (50% ownership interest) and CCC Real Properties, LLC (50% ownership interest). CCC Real Properties, LLC is owned by four physicians who are also employees of the Corporation. HCC was formed to build, own, and manage a medical building on land leased from SCHS. During the years ended December 31, 2013 and 2012, SCHS received member distributions of \$325,000 and \$30,000 from HCC, respectively. During the years ended December 31, 2013 and 2012, SCHS earned income from HCC of \$334,000 and \$362,000, respectively, under the land lease and from the provision of certain facility services.

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During the years ended December 31, 2013 and 2012, SCHS incurred rent expense related to a lease with HCC of \$1,166,000 and \$784,000, respectively

HCC entered into an interest rate swap agreement in 2007 with Key Bank. the swap agreement was transferred to U S Bank in November 2010 The swap agreement is considered a cash flow hedge and has been deemed ineffective by management As a result, the changes in fair value in the interest rate swap are included in excess of revenues over expenses As of December 31, 2013 and 2012, HCC had a liability of \$1,203,000 and \$1,707,000, respectively, related to this swap agreement SCHS recorded its share of the changes in the fair value of the swap agreement as a component of other, net in the accompanying consolidated statements of operations

(d) *Cascade Surgicenter, LLC (CS)*

CS is a limited liability company whose two members are SCHS (50% ownership interest) and Deschutes Surgicenter, LLC (50% ownership interest) CS was formed to own, operate, and manage an outpatient surgery center located in facilities owned by CMB SCHS received member distributions of \$1,598,000 and \$1,085,000, respectively, from CS during the years ended December 31, 2013 and 2012 During the years ended December 31, 2013 and 2012, CS incurred rent expense for facilities owned by CMB of \$777,000 and \$777,000, respectively

(e) *St. Charles/AmSurg ASC Partners LLC (SCAS)*

SCAS is a limited liability company, created in July 2013, whose two members are SCHS (49% ownership interest) and AmSurg Holdings, Inc (51% ownership interest) SCAS was formed to acquire, develop, own, and/or operate ambulatory surgery centers or other facilities in Central Oregon SCAS had no operating activities for the year ended December 31, 2013

(f) *Central Oregon Magnetic Resonance Imaging, LLC (COMRI)*

COMRI is a limited liability company, which is owned by SCHS, CORA, and certain physicians SCHS owns a one-third interest in COMRI COMRI owns and operates three magnetic resonance imaging machines located in Bend and Redmond, Oregon During the years ended December 31, 2013 and 2012, SCHS received member distributions of \$1,003,000 and \$1,145,000, respectively, from COMRI During the years ended December 31, 2013 and 2012, SCHS charged COMRI \$392,000 and \$464,000, respectively, for certain staffing services, rent, and supplies In addition, during the years ended December 31, 2013 and 2012, SCHS incurred professional fees expense of \$2,665,000 and \$2,629,000, respectively, for services rendered by COMRI Included in accounts payable in the accompanying consolidated balance sheets are amounts due to COMRI for these services of \$16,000 and \$210,000, as of December 31, 2013 and 2012, respectively

(g) *Southern Oregon Linen Service (SOLS)*

SOLS is an Oregon cooperative corporation that provides laundry, linen, and uniform services to members of the cooperative SCHS owns 28% of the outstanding common stock of SOLS, and St Charles Bend, St Charles Redmond, St Charles Madras, and PMH utilize the laundry and linen services provided by this cooperative SCHS received member distributions of \$14,000 and \$0, respectively, from SOLS during the years ended December 31, 2013 and 2012 SCHS incurred

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laundry and linen expense with SOLS of \$1,426,000 and \$1,176,000, for the years ended December 31, 2013 and 2012, respectively

(h) *Institute of the Cascades (IOC)*

IOC is a limited liability company whose two members are SCHS (50% ownership interest) and The Neuromusculoskeletal Center of the Cascades PC (NCC) (50% ownership interest). IOC provides administration and marketing to promote CMB, CSC, NCC, and SCHS.

(i) *Health Futures (HF)*

Health Futures LLC (HF) is a limited liability company whose members participate in centralized administrative services in Oregon. SCHS owns approximately 14% of HF. Primarily, SCHS benefits from group purchasing agreements. SCHS receives distributions from time to time that are treated as a reduction to purchases and not a return of capital, as they are the result of group purchasing agreements.

(9) Functional Classification of Expenses

Expenses on a functional basis for the years ended December 31, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Healthcare services	\$ 432,488,000	389,629,000
General and administrative	<u>112,510,000</u>	<u>94,587,000</u>
	<u>\$ 544,998,000</u>	<u>484,216,000</u>

(10) Fair Value Measurements

The Corporation applies the provisions of FASB ASC Topic 820, *Fair Value Measurement* (ASC 820) for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

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Notes to Consolidated Financial Statements

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The following table presents assets and liabilities that are measured at fair value on a recurring basis at December 31, 2013

Fair value measurements at reporting date using				
	December 31,	(Level 1)	(Level 2)	(Level 3)
	2013			
Assets				
Assets limited as to use				
Cash and cash equivalents	\$ 9,978,000	9,978,000	—	—
Equity mutual funds				
Medium cap blend	8,642,000	8,642,000	—	—
Medium cap value	11,000	11,000	—	—
Medium cap growth	25,000	25,000	—	—
Small cap blend	217,000	217,000	—	—
Small cap value	8,584,000	8,584,000	—	—
Small cap growth	35,000	35,000	—	—
Large cap growth	19,979,000	19,979,000	—	—
Large cap balanced	58,487,000	58,487,000	—	—
Large cap value	19,656,000	19,656,000	—	—
Large cap blend	1,591,000	1,591,000	—	—
International growth	16,413,000	16,413,000	—	—
International value	16,697,000	16,697,000	—	—
International large cap	92,000	92,000	—	—
International balance	32,332,000	32,332,000	—	—
Market neutral	14,162,000	14,162,000	—	—
REIT sector	26,010,000	26,010,000	—	—
Fixed-income mutual funds				
Treasury intermediate	40,822,000	40,822,000	—	—
Inv grade corp interm	14,586,000	14,586,000	—	—
Inv grade corp short	13,939,000	13,939,000	—	—
High-yield bond	17,000	17,000	—	—
International bond	17,000	17,000	—	—
Corporate stock	11,000	11,000	—	—
Corporate obligations	1,474,000	—	1,474,000	—
U S government agencies	9,787,000	—	9,787,000	—
Cash surrender value of life insurance	269,000	—	269,000	—
	<u>\$ 313,833,000</u>	<u>302,303,000</u>	<u>11,530,000</u>	<u>—</u>

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The following table presents assets and liabilities that are measured at fair value on a recurring basis at December 31, 2012

Fair value measurements at reporting date using				
	December 31, 2012	(Level 1)	(Level 2)	(Level 3)
Assets				
Assets limited as to use				
Cash and cash equivalents	\$ 8,429,000	8,429,000	—	—
Equity mutual funds				
Medium cap blend	6,882,000	6,882,000	—	—
Small cap blend	6,969,000	6,969,000	—	—
Large cap growth	15,889,000	15,889,000	—	—
Large cap balanced	45,966,000	45,966,000	—	—
Large cap value	15,843,000	15,843,000	—	—
Large cap blend	14,000	14,000	—	—
International growth	13,459,000	13,459,000	—	—
International value	13,621,000	13,621,000	—	—
International large cap	47,000	47,000	—	—
International balance	27,570,000	27,570,000	—	—
Market neutral	11,508,000	11,508,000	—	—
REIT sector	23,902,000	23,902,000	—	—
Money market	16,000	16,000	—	—
Fixed-income mutual funds				
Treasury intermediate	35,828,000	35,828,000	—	—
Inv grade corp interm	12,278,000	12,278,000	—	—
Inv grade corp short	11,736,000	11,736,000	—	—
High-yield bond	58,000	58,000	—	—
Corporate obligations	10,403,000	—	10,403,000	—
U S government agencies	1,970,000	—	1,970,000	—
U S government treasuries	1,968,000	1,968,000	—	—
Cash surrender value of life insurance	248,000	—	248,000	—
	<u>\$ 264,604,000</u>	<u>251,983,000</u>	<u>12,621,000</u>	<u>—</u>

The fair value of long-term obligations is estimated using current market activity and discounted cash flow analysis and is considered a Level 2 measurement under ASC 820. The fair value and carrying amount of long-term obligations at December 31, 2013 and 2012 were as follows:

	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term obligations	\$ 157,980,000	175,428,000	166,430,000	197,752,000

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(11) Discontinued Operations

Effective June 1, 2012, SCHS closed its emergency air ambulance transportation business "Airlink." The closure included ceasing all air ambulance operations, transferring all Airlink membership program activities to a new provider and selling the aircraft used to provide the air ambulance transportation services. Airlink had distinct and identifiable assets, liabilities, and cash flows and was considered a component of SCHS. As a result, the closure of Airlink was reported as discontinued operations in these consolidated financial statements. The following table provides summary financial information for Airlink for the year ended December 31, 2012.

	2012
Operating revenues	\$ 2,915,000
Operating expenses	<u>4,109,000</u>
Operating loss	(1,194,000)
Gain on sale of assets	<u>3,693,000</u>
Gain on discontinued operations	<u><u>\$ 2,499,000</u></u>

(12) Subsequent Events

The Corporation has performed an evaluation of subsequent events through March 18, 2014, which is the date these consolidated financial statements were issued.

SUPPLEMENTARY SCHEDULES

ST CHARLES HEALTH SYSTEM, INC.
Supplementary Schedule – Balance Sheet Information
December 31, 2013 and 2012

Assets	Obligated group	Nonobligated group excluding St. Charles Foundation, Inc.	St. Charles Foundation, Inc.	Eliminating and reclassifying entries	2013	2012
Current assets						
Cash and cash equivalents	\$ 6,908,000	630,000	1,902,000	—	9,440,000	27,017,000
Assets limited as to use – current portion	7,734,000	—	—	—	7,734,000	7,671,000
Patient accounts receivable – net of allowance	86,499,000	2,720,000	—	—	89,219,000	61,990,000
Other receivables – net	13,874,000	4,007,000	2,556,000	(4,684,000)	15,753,000	9,706,000
Supplies inventory	10,305,000	—	—	—	10,305,000	8,935,000
Prepaid expenses and other current assets	7,230,000	106,000	82,000	—	7,418,000	7,225,000
Total current assets	132,550,000	7,463,000	4,540,000	(4,684,000)	139,869,000	122,544,000
Assets limited as to use – net of current portion	299,967,000	721,000	7,730,000	—	308,418,000	259,098,000
Property and equipment – net	219,475,000	4,367,000	—	—	223,842,000	211,063,000
Other assets	35,315,000	6,842,000	—	(29,660,000)	12,497,000	13,051,000
Total assets	\$ 687,307,000	19,393,000	12,270,000	(34,344,000)	684,626,000	605,756,000
Liabilities and Net Assets						
Current liabilities						
Accounts payable	\$ 27,786,000	753,000	—	(3,912,000)	24,627,000	19,023,000
Accrued liabilities	40,977,000	5,000	—	—	40,982,000	35,579,000
Estimated third-party payor settlements – net	5,467,000	—	—	—	5,467,000	5,058,000
Deferred revenue	1,138,000	—	—	(772,000)	366,000	349,000
Current portion of long-term obligations	11,746,000	725,000	—	—	12,471,000	9,707,000
Total current liabilities	87,114,000	1,483,000	—	(4,684,000)	83,913,000	69,716,000
Long-term obligations – net of current portion	144,229,000	1,280,000	—	—	145,509,000	156,723,000
Other liabilities	8,219,000	—	71,000	—	8,290,000	3,929,000
Total liabilities	239,562,000	2,763,000	71,000	(4,684,000)	237,712,000	230,368,000
Net assets						
Unrestricted – SCHS	439,706,000	12,315,000	2,450,000	(19,911,000)	434,560,000	367,414,000
Unrestricted – noncontrolling interests	—	4,315,000	—	—	4,315,000	2,959,000
Temporarily restricted	6,556,000	—	6,863,000	(6,863,000)	6,556,000	3,581,000
Permanently restricted	1,483,000	—	2,886,000	(2,886,000)	1,483,000	1,434,000
Total net assets	447,745,000	16,630,000	12,199,000	(29,660,000)	446,914,000	375,388,000
Total liabilities and net assets	\$ 687,307,000	19,393,000	12,270,000	(34,344,000)	684,626,000	605,756,000

See accompanying independent auditors' report

ST CHARLES HEALTH SYSTEM, INC.
Supplementary Schedule – Statement of Operations Information
Years ended December 31, 2013 and 2012
(Dollars in thousands)

	Obligated group	Nonobligated group excluding St. Charles Foundation, Inc.	St. Charles Foundation, Inc.	Eliminating and reclassifying entries	2013	2012
Operating revenue						
Net patient service revenue prior to bad debt adjustments	\$ 547,391,000	31,867,000	—	(20,230,000)	559,028,000	504,986,000
Bad debt adjustments	27,779,000	—	—	—	27,779,000	24,216,000
Net patient service revenue	519,612,000	31,867,000	—	(20,230,000)	531,249,000	480,770,000
Other revenue	40,871,000	—	1,724,000	(16,911,000)	25,684,000	24,367,000
Total operating revenue	560,483,000	31,867,000	1,724,000	(37,141,000)	556,933,000	505,137,000
Expenses						
Salaries and wages	227,967,000	5,394,000	469,000	(469,000)	233,361,000	198,999,000
Employee benefits	74,707,000	—	147,000	(2,011,000)	72,843,000	65,034,000
Professional fees	59,113,000	—	69,000	(20,286,000)	38,896,000	36,205,000
Depreciation	28,631,000	1,222,000	—	—	29,853,000	31,175,000
Interest	12,094,000	77,000	—	—	12,171,000	13,020,000
Medical supplies, drugs, and other	151,326,000	8,479,000	574,000	(2,505,000)	157,874,000	139,783,000
Total expenses	553,838,000	15,172,000	1,259,000	(25,271,000)	544,998,000	484,216,000
Operating income	6,645,000	16,695,000	465,000	(11,870,000)	11,935,000	20,921,000
Other income (losses)						
Investment income, net	41,311,000	—	485,000	175,000	41,971,000	27,421,000
Contribution from Mountain View Hospital District	16,796,000	—	—	—	16,796,000	—
Other, net	1,641,000	—	—	—	1,641,000	107,000
Total other income, net	59,748,000	—	485,000	175,000	60,408,000	27,528,000
Excess of revenue over expenses	66,393,000	16,695,000	950,000	(11,695,000)	72,343,000	48,449,000
Increase (decrease) in interest in net assets of St. Charles Foundation, Inc.	300,000	—	—	(300,000)	—	—
Gain on discontinued operations	—	—	—	—	—	2,499,000
Net assets released from restriction for use	81,000	—	—	—	81,000	516,000
Capital contributions	341,000	—	—	—	341,000	43,000
Transfers (to) from affiliated organizations	—	—	(611,000)	—	(611,000)	(20,000)
Distributions	8,521,000	(12,173,000)	—	—	(3,652,000)	(2,424,000)
Change in unrestricted net assets	\$ 75,636,000	4,522,000	339,000	(11,995,000)	68,502,000	49,063,000

See accompanying independent auditors' report