

























See a Social Security Number? Say Something!
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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	No
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 Yes	
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 Yes	
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? If "Yes," complete Schedule F, Parts II and IV 	15	No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? If "Yes," complete Schedule F, Parts III and IV 	16	No
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)	17	No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18	No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19	No
20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	20b Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	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	Yes	
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	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance			
Check if Schedule O contains a response or note to any line in this Part V <input type="checkbox"/>			
		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	290
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2a	4,482
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	Yes
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a	Yes
b	If "Yes," enter the name of the foreign country: CJ 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	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8	
9 Sponsoring organizations maintaining donor advised funds.			
a	Did the organization make any taxable distributions under section 4966?	9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10 Section 501(c)(7) organizations. Enter			
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11 Section 501(c)(12) organizations. Enter			
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.	13a	
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b	
c	Enter the amount of reserves on hand.	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b	

Part VI

Governance, Management, and Disclosure

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

Check if Schedule O contains a response 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	15	
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O		
1b	Enter the number of voting members included in line 1a, above, who are independent	7	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	a The governing body?	8a	Yes
8b	b Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a	No
10b	b If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b	
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes
	b Describe in Schedule O the process, if any, used by the organization to review this Form 990		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes
12b	b Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes
12c	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?		
15a	a The organization's CEO, Executive Director, or top management official	15a	Yes
15b	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
16b	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 checked="" 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 ▶Jeanne' Wickens 205 N East Avenue Jackson,MI 49201 (517) 788-4800

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

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 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

[illegible]

Part VII

1b	Sub-Total	▼			
c	Total from continuation sheets to Part VII, Section A	▼			
d	Total (add lines 1b and 1c)	▼	8,160,013	0	829,645

2 Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 219

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
St Joseph Mercy Health System PO Box 992 Ann Arbor MI 48106	Healthcare Services	7,435,742
Mckesson Technologies Inc PO Box 98347 Chicago IL 60693	Healthcare Consulting	3,578,739
Independent Emergency Physicians PO Box 100 Royal Oak MI 48068	Healthcare Services	3,555,714
GE Healthcare Services PO Box 96483 Chicago IL 60693	Healthcare Consulting	2,913,195
Cogent Healthcare Management Inc PO Box 645037 Cincinnati OH 45264	Hospitalists	2,800,371

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 ▶244

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	978,310		
	e	Government grants (contributions)	1e	1,051,091		
	f	All other contributions, gifts, grants, and similar amounts not included above	1f			
	g	Noncash contributions included in lines 1a-1f \$				
	h	Total. Add lines 1a-1f		2,029,401		
Program Service Revenue	2a	Patient Services	Business Code 621990	426,553,062	424,661,954	1,891,108
	b	FHC, JCA, and JCMR	621910	1,072,684	1,072,684	
	c					
	d					
	e					
	f	All other program service revenue				
	g	Total. Add lines 2a-2f		427,625,746		
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		6,080,030	
4		Income from investment of tax-exempt bond proceeds		140,312		140,312
5		Royalties				
6a		Gross rents	(i) Real 906,015	(ii) Personal		
b		Less rental expenses	853,613			
c		Rental income or (loss)	52,402			
d		Net rental income or (loss)		52,402		52,402
7a		Gross amount from sales of assets other than inventory	(i) Securities 122,392,012	(ii) Other		
b		Less cost or other basis and sales expenses	101,613,322	605,349		
c		Gain or (loss)	20,778,690	-605,349		
d		Net gain or (loss)		20,173,341		20,173,341
8a		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a			
b		Less direct expenses	b			
c		Net income or (loss) from fundraising events				
9a		Gross income from gaming activities See Part IV, line 19	a			
b		Less direct expenses	b			
c		Net income or (loss) from gaming activities				
10a		Gross sales of inventory, less returns and allowances	a			
b		Less cost of goods sold	b			
c		Net income or (loss) from sales of inventory				
Miscellaneous Revenue		Business Code				
11a	Services to Affiliates	561000	4,167,403	3,179,776	987,627	
b	Cafeteria	722210	1,756,909		1,756,909	
c	Contracted Pharmacy Revenue	621110	1,152,127	1,152,127		
d	All other revenue		2,706,713	2,099,608	607,105	
e	Total. Add lines 11a-11d		9,783,152			
12	Total revenue. See Instructions		465,884,384	432,166,149	3,485,840	28,202,994

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.	610,370	610,370		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.	5,059,045		5,059,045	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	1,278,392	939,421	338,971	
7	Other salaries and wages.	194,517,526	162,045,981	32,471,545	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	9,535,271	7,715,757	1,819,514	
9	Other employee benefits.	21,681,056	17,543,892	4,137,164	
10	Payroll taxes.	13,620,173	11,021,181	2,598,992	
11	Fees for services (non-employees):				
a	Management.	259,328		259,328	
b	Legal.	2,968,429	2,401,995	566,434	
c	Accounting.	358,736		358,736	
d	Lobbying.	148,547		148,547	
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.	331,145		331,145	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	49,811,054	33,154,371	16,656,683	
12	Advertising and promotion.	1,125,813	910,986	214,827	
13	Office expenses.	20,842,334	16,865,214	3,977,120	
14	Information technology.	11,485,288	9,293,673	2,191,615	
15	Royalties.				
16	Occupancy.	8,770,570	7,096,976	1,673,594	
17	Travel.	346,207	280,144	66,063	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.	346,207	280,144	66,063	
20	Interest.	5,849,792	4,733,539	1,116,253	
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	25,716,796	20,809,535	4,907,261	
23	Insurance.	473,532	383,173	90,359	
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	Drugs.	36,666,641	36,666,641		
b	Medical Supplies.	31,291,193	31,291,193		
c	Swap Loss Transaction.	7,104,151		7,104,151	
d	Food.	2,162,932	2,162,932		
e	All other expenses.	5,425,107	1,104,105	4,321,002	
25	Total functional expenses. Add lines 1 through 24e.	457,785,635	367,311,223	90,474,412	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		8,560,443	1	11,037,168
	2	Savings and temporary cash investments		1,980,897	2	1,864,583
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		50,532,032	4	54,353,819
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	75,661
	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		115,000	6	205,009
	7	Notes and loans receivable, net		2,594,211	7	0
	8	Inventories for sale or use		6,874,186	8	6,370,488
	9	Prepaid expenses and deferred charges		9,480,192	9	9,112,567
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a343,562,725			
	b	Less accumulated depreciation	10b196,745,923	154,971,366	10c	146,816,802
	11	Investments—publicly traded securities		249,871,604	11	265,050,768
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		13,230,306	15	16,967,528
	16	Total assets. Add lines 1 through 15 (must equal line 34)		498,210,237	16	511,854,393
Liabilities	17	Accounts payable and accrued expenses		53,947,584	17	60,468,136
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		169,988,808	20	165,047,191
	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		3,367,990	23	3,367,990
	24	Unsecured notes and loans payable to unrelated third parties		18,000,000	24	17,000,000
	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		46,948,528	25	31,307,442
	26	Total liabilities. Add lines 17 through 25		292,252,910	26	277,190,759
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		205,957,327	27	234,663,634
	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		205,957,327	33	234,663,634
	34	Total liabilities and net assets/fund balances		498,210,237	34	511,854,393

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	465,884,384
2	Total expenses (must equal Part IX, column (A), line 25)	2	457,785,635
3	Revenue less expenses Subtract line 2 from line 1	3	8,098,749
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	205,957,327
5	Net unrealized gains (losses) on investments	5	5,076,546
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	15,531,012
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	234,663,634

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		

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
George Hunter	55 00									
VP Human Resources as of 07/08/13	5 00			X				121,456	0	9,038
Kevin Leonard	55 00									
VP Finance	5 00			X				155,355	0	10,129
Vishal Gupta	50 00									
Physician	0 00					X		979,026	0	89,136
Ryan Beekman	50 00									
Physician	0 00					X		882,110	0	71,684
Shawn Obi	50 00									
Physician	0 00					X		648,607	0	9,091
Brian Daly	50 00									
Physician	0 00					X		643,057	0	71,950
Christopher Pfeifer	50 00									
Physician	0 00					X		623,284	0	24,200
Cheryl Lamborn	0 00						X			
VP Human Resources thru 11/12/12	0 00							174,463	0	0

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*.**

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Open to Public Inspection

Name of the organization WA Foote Memorial Hospital	Employer identification number 38-2027689
---	---

Part I

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

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

- 1

☐

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

☐

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

☒

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

An organization that normally receives (1) more than 33¹/₃% 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 33¹/₃% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10

☐

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

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated

e

☐

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

f

☐

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

g

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

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

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

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

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

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

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

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

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

Part IV

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

Facts And Circumstances Test		
Return Reference	Explanation	

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*.**

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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
WA Foote Memorial Hospital

Employer identification number
38-2027689

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?

☐ Yes

☐ No
- 4a

Was a correction made?

☐ Yes

☐ 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?

☐ Yes

☐ 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		148,547
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?		No	
j	Total. Add lines 1c through 1i.			148,547
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912.			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912.			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Return Reference	Explanation
Part II-B, Line 1	Health care is a highly-regulated field, requiring frequent and high-level communication with regulators and elected officials. A small investment in lobbying enables us to remain in contact with legislators and government agencies, maximize the resources with which we are entrusted and assure that we provide the best care to our community. W A Foote Memorial Hospital(also referred to herein as Allegiance Health, Hospital, Corporation or Organization)enlists the services of several lobbying consultants, attorneys and healthcare trade associations. In addition, the Hospital employs a corporate accounts specialist. The specialist spends a portion of his time contacting legislators, participating in grass roots advocacy, and other activities closely related to lobbying.

[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 WA Foote Memorial Hospital	Employer identification number 38-2027689
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Part I

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

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

Part II

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

1

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

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

2

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

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

3

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

4

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

5

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

☐ Yes ☐ No

6

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

7

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

8

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

☐ Yes ☐ No

9

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

Part III

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

1a

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

b

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

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

▶ \$ _____

(ii) Assets included in Form 990, Part X

▶ \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

b

Assets included in Form 990, Part X

▶ \$ _____

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

Cat No 52283D

Schedule D (Form 990) 2013

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

- 3

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

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other
- 4

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

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

☐ Yes

☐ No

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

- 1a

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

☐ Yes

☐ No
- b

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

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance
- | | |
|----|--------|
| | Amount |
| 1c | |
| 1d | |
| 1e | |
| 1f | |
- 2a

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

☐ Yes

☐ No
- b

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

☐

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a Beginning of year balance	1,552,189	1,250,833	1,124,117	642,729	42,176
b Contributions	694,089	671,894	2,790,346	2,045,207	946,077
c Net investment earnings, gains, and losses	75,992		5,025	-5,012	
d Grants or scholarships	1,009,783	370,538	2,015,249	849,502	
e Other expenditures for facilities and programs			653,406		345,524
f Administrative expenses				709,305	
g End of year balance	1,312,487	1,552,189	1,250,833	1,124,117	642,729

- 2

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

Board designated or quasi-endowment
- b

Permanent endowment
- c

Temporarily restricted endowment 100 000 %

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		9,630,527		9,630,527
b Buildings		183,845,674	97,070,172	86,775,502
c Leasehold improvements				
d Equipment		136,745,467	96,246,278	40,499,189
e Other		13,341,057	3,429,473	9,911,584
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				146,816,802

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	The Organization's endowment funds are used for various charitable hospital programs including treatment of uninsured patients and community preventative health education

[illegible]

SCHEDULE F
(Form 990)

Department of the Treasury
Internal Revenue Service

Statement of Activities Outside the United States

► Complete if the organization answered "Yes" to Form 990,
Part IV, line 14b, 15, or 16.

► Attach to Form 990. ► See separate instructions.

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
WA Foote Memorial Hospital

Employer identification number
38-2027689

Part I

General Information on Activities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 14b.

- 1 For grantmakers. Does the organization maintain records to substantiate the amount of its grants and other assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? ☐ Yes ☐ No
- 2 For grantmakers. Describe in Part V the organization's procedures for monitoring the use of its grants and other assistance outside the United States.
- 3 Activities per Region (The following Part I, line 3 table can be duplicated if additional space is needed)

(a) Region	(b) Number of offices in the region	(c) Number of employees, agents, and independent contractors in region	(d) Activities conducted in region (by type) (e g , fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures for and investments in region
(1) Cayman Islands	0	1	Program Services	Self & Malpractice Insurance	2,311,262
(2)					
(3)					
(4)					
(5)					
3a Sub-total	0	1			2,311,262
b Total from continuation sheets to Part I	0	0			0
c Totals (add lines 3a and 3b)	0	1			2,311,262

Part II

Grants and Other Assistance to Organizations or Entities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 15, for any recipient who received more than \$5,000. Part II can be duplicated if additional space is needed.

1	(a) Name of organization	(b) IRS code section and EIN (if applicable)	(c) Region	(d) Purpose of grant	(e) Amount of cash grant	(f) Manner of cash disbursement	(g) Amount of non-cash assistance	(h) Description of non-cash assistance	(i) Method of valuation (book, FMV, appraisal, other)
(1)									
(2)									
(3)									
(4)									

- 2 Enter total number of recipient organizations listed above that are recognized as charities by the foreign country, recognized as tax-exempt by the IRS, or for which the grantee or counsel has provided a section 501(c)(3) equivalency letter ▶
- 3 Enter total number of other organizations or entities ▶

Part III

Grants and Other Assistance to Individuals Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 16.
Part III can be duplicated if additional space is needed.

(a) Type of grant or assistance	(b) Region	(c) Number of recipients	(d) Amount of cash grant	(e) Manner of cash disbursement	(f) Amount of non-cash assistance	(g) Description of non-cash assistance	(h) Method of valuation (book, FMV, appraisal, other)
(1)							
(2)							
(3)							
(4)							
(5)							
(6)							
(7)							
(8)							
(9)							
(10)							
(11)							
(12)							
(13)							
(14)							
(15)							
(16)							
(17)							
(18)							

Part IV Foreign Forms

- 1

Was the organization a U S transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation (see Instructions for Form 926)*

☐ Yes

☒ No
- 2

Did the organization have an interest in a foreign trust during the tax year? *If "Yes," the organization may be required to file Form 3520, Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts, and/or Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner (see Instructions for Forms 3520 and 3520-A)*

☐ Yes

☒ No
- 3

Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons with Respect to Certain Foreign Corporations. (see Instructions for Form 5471)*

☒ Yes

☐ No
- 4

Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see Instructions for Form 8621)*

☐ Yes

☒ No
- 5

Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons with Respect to Certain Foreign Partnerships. (see Instructions for Form 8865)*

☐ Yes

☒ No
- 6

Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see Instructions for Form 5713).*

☐ Yes

☒ No

Additional Data

Software ID:

Software Version:

EIN: 38-2027689

Name: WA Foote Memorial Hospital

Part V Supplemental Information

Provide the information required by Part I, line 2 (monitoring of funds); Part I, line 3, column (f) (accounting method; amounts of investments vs. expenditures per region); Part II, line 1 (accounting method); Part III (accounting method); and Part III, column (c) (estimated number of recipients), as applicable. Also complete this part to provide any additional information (see instructions).

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
WA Foote Memorial Hospital

Employer identification number
38-2027689

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 <div><input 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</div>		
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 <div>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 <div><input type="checkbox"/> 100% <input type="checkbox"/> 150% <input checked="" type="checkbox"/> 200% <input type="checkbox"/> Other _____ %</div></div> <div>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 <div><input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input checked="" type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %</div></div> <div>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</div>	3a Yes	
		3b Yes	
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"?	4 Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b 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?	5c	No
6a	Did the organization prepare a community benefit report during the tax year?	6a Yes	
b	If "Yes," did the organization make it available to the public?	6b Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H		

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)			13,902,789		13,902,789	3 040 %
b Medicaid (from Worksheet 3, column a)			66,262,629	52,381,336	13,881,293	3 030 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			80,165,418	52,381,336	27,784,082	6 070 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			441,512		441,512	0 100 %
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			1,273,793		1,273,793	0 280 %
j Total Other Benefits			1,715,305		1,715,305	0 380 %
k Total. Add lines 7d and 7j			81,880,723	52,381,336	29,499,387	6 450 %

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development			25,000		25,000	0.010 %
3 Community support			251,625		251,625	0.050 %
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 Total			276,625		276,625	0.060 %

Section A. Bad Debt Expense			Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?		1	No
2	Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.	2 40,927,175		
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 0		
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).	5 167,896,943		
6	Enter Medicare allowable costs of care relating to payments on line 5.	6 202,314,740		
7	Subtract line 6 from line 5. This is the surplus (or shortfall).	7 -34,417,797		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used. <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other			
Section C. Collection Practices				
9a	Did the organization have a written debt collection policy during the tax year?		9a	Yes
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.		9b	Yes

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1 1 Foote Health Center Associates	Entity leases medical office space	54 430 %	0 %	45 570 %
2 2 Jackson Community Medical Records	Entity provides electronic medical records to hospital & community doctors	51 000 %	0 %	49 000 %
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V

Facility Information

Section A. Hospital Facilities

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

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

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

Part V Facility Information (continued)

Section B. Facility Policies and Practices

(Complete a separate Section B for each of the hospital facilities or facility reporting groups listed in Part V, Section A)
WA Foote 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)1

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1 Yes	
a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b <input checked="" type="checkbox"/> Demographics of the community		
c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input checked="" type="checkbox"/> How data was obtained		
e <input checked="" type="checkbox"/> The health needs of the community		
f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j <input type="checkbox"/> Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>12</u>		
3 In conducting its most recent CHNA, did the hospital facility take into account input from 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>www.allegiancehealth.org</u>		
b <input checked="" type="checkbox"/> Other website (list url) <u>www.myhio.org</u>		
c <input checked="" type="checkbox"/> Available upon request from the hospital facility		
d <input checked="" type="checkbox"/> Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply as of the end of the tax year)		
a <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b <input checked="" type="checkbox"/> Execution of the implementation strategy		
c <input checked="" type="checkbox"/> Participation in the development of a community-wide plan		
d <input checked="" type="checkbox"/> Participation in the execution of a community-wide plan		
e <input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g <input checked="" type="checkbox"/> Prioritization of health needs in its community		
h <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	No
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No		
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9	Yes		
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 00000000000000</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>350 00000000000000</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 checked="" type="checkbox"/> Insurance status					
e <input type="checkbox"/> Uninsured discount					
f <input checked="" type="checkbox"/> Medicaid/Medicare					
g <input type="checkbox"/> State regulation					
h <input type="checkbox"/> Residency					
i <input type="checkbox"/> Other (describe in Part VI)					
13 Explained the method for applying for financial assistance?		13	Yes		
14 Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		14	Yes		
a <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website					
b <input type="checkbox"/> The policy was attached to billing invoices					
c <input 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	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 checked="" 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 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.

[illegible]

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? **35**

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 6a	The Hospital prepares an annual community benefit report, which can be accessed at allegiancehealth.org/givingback

Form and Line Reference	Explanation
Part I, Line 7	The Hospital used a cost-to-charge ratio to calculate the cost of charity care and Medicaid shortfall Community Health Improvement Services and Cash and In-Kind Contributions are actual amounts

Form and Line Reference	Explanation
Part I, Ln 7 Col(f)	Our total expense from Form 990, Part IX, line 25, column (A) was \$457,785,635 This expense is used as the denominator for purposes of calculating Part I, Line 7, column(f) The denominator does not include bad debt expense Bad debt expense is subtracted from net patient services revenue

Form and Line Reference	Explanation
Part II, Community Building Activities	The Hospital is involved in numerous community building activities. We believe these activities, such as supporting affordable housing, working in partnership with the local community college to develop skilled nurses and supporting economic development programs directly improve the general health and wellness of the community. Also, staff at every level of the organization are encouraged to serve community groups that promote education, health and economic advocacy for the less fortunate.

Form and Line Reference	Explanation
Part III, Line 2	Our total expense from Form 990, Part IX, line 25, column (A) was \$457,785,636. This expense is used as the denominator for purposes of calculating Part I, Line 7, column(f). The denominator does not include bad debt expense. Bad debt expense is subtracted from net patient services revenue.

Form and Line Reference	Explanation
Part III, Line 4	Accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its historical experience and identifies trends for each of its major payor sources to estimate the appropriate allowance for uncollectible accounts and the provision for bad debts. Management regularly reviews data about these major payor sources in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party health care coverage, the Hospital analyzes contractually due amounts and provides an allowance for uncollectible accounts and provision for bad debts. For receivables associated with self-pay accounts (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts. The provision for bad debts has been reported as a deduction from net patient service revenue. The amount of bad debt reported in the fiscal year 2014 audited financial statements was \$40,927,175.

Form and Line Reference	Explanation
Part III, Line 8	The Organization believes the entire Medicare shortfall reported on Line 7 should be treated as Community Benefit. Allegiance Health is nationally recognized by Healthgrades as being in the top five percent nationally for clinical excellence and patient safety. Allegiance Health also benchmarks favorably on overall cost per case and is deemed to be an efficient provider. The Organization is subsidizing a government program and sustaining significant losses in providing health care to Medicare recipients. By continuing to treat patients eligible for Medicare, hospitals alleviate the federal government's burden for directly providing medical services.

Form and Line Reference	Explanation
Part III, Line 9b	The Hospital does not collect from patients known to qualify for charity care or other financial assistance. Patients having difficulty paying their bills are directed to financial counselors. These counselors review the patient's information in order to see if they qualify for assistance. In addition, bills sent to patients include a number to call for help in providing the required financial information to qualify for charity care.

Form and Line Reference	Explanation
Part VI, Line 2	Allegiance Health conducts a telephone survey every three years in order to gather information on the health status of Jackson County Through a statistically valid survey, we collect responses from over 1,000 Jackson County residents age 18 and older to a 180 question survey about their health status, insurance coverage, personal health habits and health care experiences The specific steps involve collecting and analyzing health information for our County (including subpopulations within our County), measuring our health status against other communities, the state and the nation, prioritizing health issues within the community, creating a system for sharing this data with community organizations and residents, initiating strategic planning to address these issues through collaborative activities, and monitoring impact of health initiatives on community health outcomes

Form and Line Reference	Explanation
Part VI, Line 3	Uninsured inpatients and observation patients are referred to a financial counselor (contracted agent/partner) for assistance with Medicaid, SSI, and Allegiance Health program applications. Many outpatients needing or having received hospital services are also referred to the agent/partner for assistance. ER patients are provided with a packet of information at discharge from the department. This packet includes information about how assistance may be obtained through the local Medicaid office and about how to apply for our income structured payment plan and uncompensated care programs. When patients are billed for balances they owe, we solicit them to call the Business Office with any questions or for assistance. Additionally, a series of letters are sent to patients to apprise them of payment and assistance options. Allegiance has a printed brochure that is available through Registration that includes information regarding Medicaid application assistance and our internal programs. The Allegiance Health website includes a series of web pages related to transparency, quality, pricing, and our financial policies, procedures, and programs. Uninsured patients needing mental health services are screened for eligibility through our partnership with the Jackson Community Mental Health Agency, which funds care for indigent, dual diagnosis, and Medicaid patients. Patients seeking substance abuse care are linked with the Mid-South Substance Abuse Commission. Registration and Business Office team members receive direct training on our programs and scripting for ensuring information is provided to the patients and families with whom our staff interact. Education is provided to organizational leaders to ensure that team members outside of Finance are aware of our programs and where to direct patients and families who may need or who are seeking assistance.

Form and Line Reference	Explanation
Part VI, Line 4	<p>Allegiance Health's population is determined geographically by the boundaries of Jackson County. The hospital is a tax exempt Health System that serves the collective health needs of the more than 160,000 residents of Jackson County. The gender distribution of Jackson County residents is 49% female and 51% male. The age distribution of Jackson County is 26% of residents 19 years and under, 18% between 20 and 34 years, 29% between 35 and 54 years, 13% between 55 and 64 years, and 14% of residents are 65 years and older. Racial distribution of Jackson County residents according to the 2011 Census Data is 88.0% as white, 7.9% as African American, 0.7% as Asian, 0.4% as American Indian or Alaska Native, and 3.0% as some other race or two or more races. Of males aged 15 years and over, 33.0% have never married, 50.4% are married, 1.5% are separated, 2.9% are widowed, and 12.3% are divorced. Of females aged 15 and over, 25.0% have never married, 50.4% are married, 1.7% are separated, 9.8% are widowed, and 13.2% are divorced. According to the Bureau of Labor Statistics (2013), Jackson County also experiences a high unemployment rate of 8.8%. With 69,400 individuals in the civilian labor force, 6,100 residents are currently unemployed. Of those employed, major industries represented include educational services, health care, and social assistance (23.9%), manufacturing (18.7%), retail trade (12.1%), professional, scientific, management, administrative, and waste management services (7.7%), and arts, entertainment, recreation, accommodation, and food services (7.5%). Approximately 39% of Allegiance Hospital patients were covered by Medicare, while 17% were on Medicaid and 14% were uninsured. During the 2014 fiscal year, Allegiance Health had 9,158 Medicare discharges and 4,243 Medicaid discharges from inpatient services. Physician practice visits totaled 224,089 during FY 2014, with 123,861 primary care visits and 100,228 visits to specialists. Allegiance Health also provides financial and leadership support of primary care services for the underserved, regardless of their ability to pay, through the Center for Family Health (CFH), a federally qualified health center. In fiscal 2014, CFH saw 27,290 patients, which 64% were on Medicaid, 7% were on Medicare and 12% were uninsured.</p>

Form and Line Reference	Explanation
Part VI, Line 5	<p>Allegiance Health was honored to have received national recognition in recent years, including the American Hospital Associations 2010 Foster G McGaw Prize for excellence in community service, which is presented to only one hospital in the United States each year This award is the ultimate recognition of Allegiance Health's commitment to community health improvement and partnership In 2014, Allegiance Health earned two prestigious awards for patient safety For the third year in a row, Allegiance earned a top rating of A on the Hospital Safety ScoreSM from the Leapfrog Group, an independent national nonprofit organization that monitors hospital safety and quality Allegiance Health also received the 2014 Patient Safety Excellence Award from Healthgrades, a leading online resource for comprehensive information about physicians and hospitals Out of the 131 Michigan hospitals evaluated, Allegiance Health was the only hospital to receive this award for six years in a row 2014 was a year of progress for the Allegiance Health Patient Portal, a website that allows patients to have personalized and secure 24-hour access to portions of their medical records This service allows patients to be more engaged partners in their health care and promotes patient-provider communication The Health Improvement Organization (HIO) was created by Allegiance Health in 2001 to promote a culture of continuous health improvement in our community and integrate wellness and prevention throughout our services The Allegiance Health Department of Prevention and Community Health provides staff and infrastructure to facilitate the coordination of local health improvement activities The HIO Coordinating Council (HIO CC) is a multi-disciplinary stakeholders group led by Allegiance Health with representation from local government, public health, health care, health and human service agencies and nonprofits, school districts, health plans, mental health, employers and the faith community The HIO CC coordinates efforts across community leaders in health to create unprecedented alignment of goals and resources, as well as a strong community platform for advocacy The work of the HIO CC has culminated in the completion of a Community Action Plan including Goals, Objectives and Strategies to address physical activity, nutrition, tobacco, and depression in Jackson County based on assessment and data-driven processes, as well as input from over 30 representatives from local health and human service agencies, and over 100 community stakeholders The overarching tactics that the Community Action Plan relies upon include evidence-based activities to Enhance media attention and public recognition of healthy lifestyle practices Improve access to healthy foods and safe, attractive, affordable places for activity through supportive policies and physical environment changes Provide social support and services that promote consistent screening, referral and supportive relationships for physical activity, nutrition, mental health and smoking behavior change See Form 990, Schedule O, Program Service Accomplishments for more detail</p>

Form and Line Reference	Explanation
Part VI, Line 6	The Hospital's sole corporate member is Allegiance Health Services, a 501(c)(3) organization. Other affiliates include a Foundation, a Hospice, a Long Term Acute Care Hospital (LTACH), a Volunteer Organization and a Home Health Care company, all 501(c)(3) organizations. Additionally, the Hospital recently formed a clinically integrated network. The Hospital, Hospice, LTACH and Home Health Care organization work together to provide necessary medical services to the Jackson Community. The Foundation and the Volunteer Organization work closely with Allegiance Health Services and the Hospital in raising funds for projects and services that would benefit the overall well-being of the community. The most recent campaign is raising funds for a Graduate Medical Education program. Previous campaigns successfully raised funds to expand and improve our cancer care service line and provided free medical care to indigent patients. The clinically integrated network works to improve patient clinical outcomes thru coordinated care and lowering overall health care costs.

Additional Data

Software ID:
Software Version:
EIN: 38-2027689
Name: WA Foote Memorial Hospital

990 Schedule H, Supplemental Information

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
W A Foote Memorial Hospital	
W A Foote Memorial Hospital	Part V, Section B, Line 4 CareLink of Jackson, a Community Owned Specialty Hospital
W A Foote Memorial Hospital	Part V, Section B, Line 5d The CHNA is posted on several websites, presented at public forums, and hard copies of the assessment are available upon request
W A Foote Memorial Hospital	Part V, Section B, Line 7 Allegiance Health and their community partners have a comprehensive implementation strategy to meet needs identified in the Community Health Needs Assessment (CHNA) The CHNA implementation strategy is rolled out in stages A need not yet addressed is developing tools and resources accessible to local employers, schools, and restaurants for on-site health promotion The organization did not have the resources to work on all community needs addressed in the first year the implementation strategy was adopted Steps were taken in the 2nd year to address this need These steps include advertising free wellness challenges to the community and working with local school districts to offer healthy concession stand options
W A Foote Memorial Hospital	Part V, Section B, Line 14g Invoice provides patient with a number to call if they believe they may qualify for financial assistance Patients calling the number are guided through the financial assistance application process by hospital representatives

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)
Allegiance Hematology Oncology 1100 E Michigan Avenue Jackson, MI 49201	Cancer Treatment
Allegiance Vascular Health 300 W Washington Avenue Jackson, MI 49201	Cancer Treatment
Allegiance Orthopaedics 1201 E Michgan Avenue Jackson, MI 49201	Cancer Treatment
Allegiance Gastroenterology 1100 E Michigan Avenue Ste 310 Jackson, MI 49201	Cancer Treatment
Allegiance General Surgery 300 W Washington Avenue Jackson, MI 49201	Cancer Treatment
Allegiance Hospitalist Service 205 N East Avenue Jackson, MI 49201	Cancer Treatment
Allegiance Family Medicine - Townsend 400 Hinckley Blvd Jackson, MI 49203	Cancer Treatment
Allegiance Cardio Surgery 1125 E Michigan Avenue Jackson, MI 49201	Cancer Treatment
Allegiance Family Medicine - Leslie 130 N Sherman Leslie, MI 49251	Cancer Treatment
Allegiance Intensivist Services 205 N East Avenue Jackson, MI 49201	Cancer Treatment
Allegiance Behavioral Health 205 N East Avenue Jackson, MI 49201	Cancer Treatment
Allegiance Rheumatology 1201 E Michgan Avenue Ste 100 Jackson, MI 49201	Cancer Treatment
Allegiance Family Medicine - Summit Wood 2585 Spring Arbor Road Jackson, MI 49203	Cancer Treatment
Allegiance Family Medicine - Spring Arbo 7845 Spring Arbor Road Spring Arbor, MI 49283	Cancer Treatment
Allegiance EKG 205 N East Avenue Jackson, MI 49201	Cancer Treatment

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)
Allegiance Family Medicine - Mason 810 Hogsback Road Mason, MI 48854	Cancer Treatment
Allegiance Hearing Center 1111 Teneyck Jackson, MI 49201	Cancer Treatment
Allegiance Family Medicine - Albion 27931 C Drive North Albion, MI 49224	Cancer Treatment
Allegiance Neuropsychiatry 205 N East Avenue Jackson, MI 49201	Cancer Treatment
Allegiance Internal Medicine 900 E Michigan Avenue Jackson, MI 49201	Cancer Treatment
Allegiance Family Medicine - Grass Lake 12369 E Michigan Avenue Grass Lake, MI 49240	Cancer Treatment
Allegiance Family Medicine - Cascade Rd 3333 Spring Arbor Road Ste 100 Jackson, MI 49203	Cancer Treatment
Allegiance Family Medicine - MI CTR 4304 Page Avenue Michigan Center, MI 49254	Cancer Treatment
Allegiance Senior Health Center 205 N East Avenue Jackson, MI 49201	Cancer Treatment
Allegiance Palliative Care 205 N East Avenue Jackson, MI 49201	Cancer Treatment
Allegiance Neurology 1201 E Michigan Avenue Jackson, MI 49201	Cancer Treatment
Allegiance Diabetes Center 817 W High Street Jackson, MI 49203	Cancer Treatment
Allegiance EEG 205 N East Avenue Jackson, MI 49201	Cancer Treatment
Allegiance Occupational Health Urgent Ca One Jackson Square Jackson, MI 49201	Cancer Treatment
Allegiance Family Medicine - North Stree 1401 W North Street Jackson, MI 49202	Cancer Treatment

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)
Allegiance Family Medicine - East Michig 3235 E Michigan Avenue Jackson, MI 49202	Cancer Treatment
Allegiance Family Medicine - Onsted 8958 West M-50 Onsted, MI 49265	Cancer Treatment
Allegiance Family Medicine - Springport 2282 Springport Road Ste B Jackson, MI 49202	Cancer Treatment
Michigan Heart 309 Page Avenue Jackson, MI 49201	Cancer Treatment
Allegiance Digestive Health 4400 Ann Arbor Road Jackson, MI 49202	Cancer Treatment

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
WA Foote Memorial Hospital

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
38-2027689

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) Center for Family Health 2298 Springport Road Jackson, MI 49202	38-3251354	501(c)(3)	500,000	0	N/A		The Center for Family Health grant provides operational support for medically underserved populations
(2) Healthlink 205 N East Avenue Jackson, MI 49201	38-2756425	501(c)(3)	30,000	0	N/A		The Helping Hands Home Care grant supports respite care for families without the financial means to pay for needed assistance
(3) United Way of Jackson County 536 North Jackson Street Jackson, MI 49201	38-1368341	501(c)(3)	7,000	0	N/A		The Great Start grant supported collaborative network training for community partners on systems change
(4) Enterprise Group of Jackson INC One Jackson Square Jackson, MI 49201	38-3326101	501(c)(6)	25,000	0	N/A		Contribution to support the health and economic growth of Jackson County

2

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

3

3

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

1

Part III

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

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

Part IV

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

Return Reference	Explanation
Part I, Line 2	The Organization sends out an award letter to all grantee recipients. The letter outlines what the funding may be used for and requests a final report detailing the year's activities. Further funding is contingent upon satisfactory completion of this report.

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
WA Foote Memorial Hospital

Employer identification number
38-2027689

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 checked="" 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 checked="" 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>	1bYes	
<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>	2Yes	
<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><div><input checked="" type="checkbox"/> Compensation committee</div><div><input checked="" type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Form 990 of other organizations</div></div><div><div><input 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><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>	4aYes	
<div><div>b</div><div>Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div></div>	4bYes	
<div><div>c</div><div>Participate in, or receive payment from, an equity-based compensation arrangement?</div></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>	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> <div>If "Yes," to line 5a or 5b, describe in Part III</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> <div>If "Yes," to line 6a or 6b, describe in Part III</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>	7Yes	
<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	

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

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

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

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

Part III Supplemental Information

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

Return Reference	Explanation
Part I, Line 1a	Georgia Fojtasek flew on a charter plane with a delegation of Michigan hospital delegates to a Regional Policy Board meeting. The hospital paid Georgia's proportionate charter flight cost. Allegiance Health provides a country club membership to two executives. The executives are Georgia Fojtasek and Karen Chaprnka. Executives reimburse the hospital for any personal use of the club. These benefits did not result in taxable compensation during FY 14.
Part I, Line 3	The CEO is accountable for ensuring that Allegiance Health's mission is efficiently carried out with the highest levels of quality, safety and service, while at the same time ensuring that the organization is financially healthy. Executive compensation is reviewed annually by the Executive Compensation Committee of the Board of Trustees. This committee works with an independent compensation consultant to ensure that Allegiance Health compensation practices are consistent with industry standards and that compensation levels are fair compared to similar healthcare organizations nationally. The compensation consultant benchmarks Allegiance Health's positions against data from multiple published surveys of health care executive compensation in the national health care labor market. Based upon the consultants recommendations, the Executive Compensation Committee makes a recommendation to the Board of Trustees for approval of the executive compensation program. Only independent Trustees vote on this recommendation.
Part I, Lines 4a-b	The following former executives received severance payments in calendar year 2013: Cheryl Lamborn \$146,744; Allegiance Health's officers and highest compensated employees participated in a non-qualified deferred compensation plan. The plan which began in 2005 partially vested for some executives in 2013. Payout of vested amounts resulted in an increase of salary for several executives. The calendar year 2013 contribution and payout amounts are as follows: 457(f) Contributions reported in Schedule J, Part II, column (C): Georgia Fojtasek \$24,480, Karen Chaprnka \$21,054, Jeanne Wickens \$22,673, Ray King \$20,635, Richard Warren \$6,204, Kenneth Empey \$13,496, Anthony Gardner \$9,944, Gerald Grannan \$9,921, Beth Smith \$4,049, Kevin Leonard \$4,625, George Hunter \$5,743, Andrea Bates \$5,014, Ryan Beekman \$64,374, Vishal Gupta \$59,260, Brian Daly \$47,628; 457(f) Payouts reported in Schedule J, Part II, column B(III): Georgia Fojtasek \$48,984, Karen Chaprnka \$42,006, Ray King \$27,169, Jeanne Wickens \$34,459, Richard Warren \$113,138, Cheryl Lamborn \$17,801, Anthony Gardner \$9,668, Kenneth Empey \$18,226, Beth Smith \$14,436, Shawn Obi \$205,226, Christopher Pfeifer \$213,443.
Part I, Line 7	Column B(II) of Part II, Schedule J includes non-fixed payments to certain physicians based on their productivity and other performance metrics.

Additional Data

Software ID:
Software Version:
EIN: 38-2027689
Name: WA Foote Memorial Hospital

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				
Georgia Fojtasek President & CEO	(i)	624,547	0	80,196	48,893	20,206	773,842	24,480
	(ii)	0	0	0	0	0	0	0
John Mogerman Chief of Staff	(i)	70,550	277,766	2,941	24,413	24,269	399,939	0
	(ii)	0	0	0	0	0	0	0
Mohan Kulkarni Trustee	(i)	152,735	0	0	0	0	152,735	0
	(ii)	0	0	0	0	0	0	0
Karen Chaprnka SVP & COO	(i)	352,567	0	64,408	42,966	12,373	472,314	42,006
	(ii)	0	0	0	0	0	0	0
Jeanne' Wickens SVP & CFO	(i)	386,908	0	53,669	42,086	25,374	508,037	34,459
	(ii)	0	0	0	0	0	0	0
Richard Warren VP & CIO	(i)	226,925	0	136,142	40,299	21,191	424,557	106,859
	(ii)	0	0	0	0	0	0	0
Kenneth Empey General Counsel	(i)	234,610	0	21,643	34,570	26,797	317,620	18,226
	(ii)	0	0	0	0	0	0	0
Anthony Gardner VP Marketing	(i)	171,655	0	10,963	21,182	9,050	212,850	9,668
	(ii)	0	0	0	0	0	0	0
Beth Smith VP Organizational Excellence	(i)	184,713	0	18,447	19,626	10,760	233,546	8,889
	(ii)	0	0	0	0	0	0	0
Gerald Grannan VP Physician Integrating & Planning	(i)	193,186	0	1,468	28,742	3,342	226,738	0
	(ii)	0	0	0	0	0	0	0
Ray King Chief Medical Officer	(i)	347,030	0	47,765	37,548	26,536	458,879	27,169
	(ii)	0	0	0	0	0	0	0
Kevin Leonard VP Finance	(i)	127,464	21,000	6,891	4,625	5,504	165,484	0
	(ii)	0	0	0	0	0	0	0
Vishal Gupta Physician	(i)	34,655	925,731	18,640	61,172	27,964	1,068,162	0
	(ii)	0	0	0	0	0	0	0
Ryan Beekman Physician	(i)	81,965	781,925	18,220	66,286	5,398	953,794	0
	(ii)	0	0	0	0	0	0	0
Shawn Obi Physician	(i)	35,010	407,672	205,925	1,913	7,178	657,698	0
	(ii)	0	0	0	0	0	0	0
Brian Daly Physician	(i)	94,521	521,885	26,651	49,540	22,410	715,007	0
	(ii)	0	0	0	0	0	0	0
Christopher Pfeifer Physician	(i)	43,450	347,973	231,861	1,913	22,287	647,484	0
	(ii)	0	0	0	0	0	0	0
Cheryl Lamborn VP Human Resources thru 11/12/12	(i)	0	9,918	164,545	0	0	174,463	17,801
	(ii)	0	0	0	0	0	0	0

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
WA Foote Memorial Hospital

Employer identification number
38-2027689

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	County of Jackson Hospital Finance Authority	38-6004845	467148EH1	04-21-2011	65,375,000	See Part VI - Supplemental Information		X		X		X
B	County of Jackson Hospital Finance Authority	38-6004845	467148DC3	11-02-2010	140,238,036	See Part VI - Supplemental Information		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired			76,436,447					
2	Amount of bonds legally defeased								
3	Total proceeds of issue	65,375,000		144,799,531					
4	Gross proceeds in reserve funds			4,811,795					
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrows								
7	Issuance costs from proceeds	540,128		840,059					
8	Credit enhancement from proceeds	18,425		495,263					
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds								
11	Other spent proceeds	64,816,447		137,792,714					
12	Other unspent proceeds			859,700					
13	Year of substantial completion	2011		2010		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 %		0 %					
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	0 %		0 %					
6	Total of lines 4 and 5	0 %		0 %					
7	Does the bond issue meet the private security or payment test?		X		X				
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		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?	X			X				
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	Royal Bank of Canada							
c	Term of hedge	25 000000000000							
d	Was the hedge superintegrated?		X						
e	Was the hedge terminated?		X						

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?								
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
	X		X					

Part VI

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

Return Reference	Explanation
Part I, Line A, Column (f)	Primarily to add marketability to underlying variable rates and refund Bonds The Bonds refunded are as follows \$36,500,000 County of Jackson Hospital Finance Authority Variable Rate Hospital Revenue Refunding Bonds (Allegiance Health, Jackson, Michigan), Series 2011A were issued to refund the Series 2006A bonds \$28,875,000 County of Jackson Hospital Finance Authority Hospital Revenue Refunding Bonds (Allegiance Health, Jackson, Michigan), Series 2011B were issued to refund the Series 2010 bonds

Return Reference	Explanation
Part I, Line B, column (f)	Primarily to obtain traditional fixed interest on bond debt at a time of low prevailing rates and to reissue and refund bonds The bonds reissued and refunded are as follows \$29,925,000 County of Jackson Hospital Finance Authority Hospital Variable Rate Demand Revenue Refunding Bonds (W A Foote Memorial Hospital, Jackson, Michigan), Series 2006B-1, reissued for tax purposes on 11/02/2010 \$8,940,000 County of Jackson Hospital Finance Authority Hospital Revenue Refunding Bonds (W A Foote Memorial Hospital, Jackson, Michigan) Series 2006B-2, reissued for tax purposes on 11/02/2010 \$47,400,000 County of Jackson Hospital Finance Authority Hospital Revenue Refunding Bonds (W A Foote Memorial Hospital, Jackson, Michigan) Series 2006C, reissued for tax purposes on 11/02/2010 \$51,655,000 County of Jackson Hospital Finance Authority Hospital Revenue Refunding Bonds (Allegiance Health, Jackson, Michigan), Series 2010A were issued to refund the Series 2007A and Series 1997A bonds

Return Reference	Explanation
Part II, Line 3, Column B	The difference of \$4,679,592 between Part I, column (e) and Part II, Line 3 is due to net investment losses and investment income

Return Reference	Explanation
Part IV, Line 6	No gross proceeds were invested beyond an available temporary period The box is shown blank due to a software glitch that only allows the answer to be checked yes

Return Reference	Explanation
Part V	The organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program. These written procedures were established in fiscal year 2014.

Schedule L
(Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2013

Open to Public Inspection

► Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b.

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

► Information about Schedule L (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

Name of the organization
WA Foote Memorial Hospital

Employer identification number
38-2027689

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) Patrick Nally	Son of John Nally, Secretary/Treas of Allegiance Health	Employee Recruitment Loan		X	115,000	115,000		No	Yes		Yes	
(2) Mohan Kulkarni	Trustee and Employee	Physician Recruitment Loan		X	79,772	75,661		No	Yes		Yes	
(3) Harish Rawal	Former Trustee (Thru 04/01/13)	Physician Recruitment Loan		X	119,235	90,009		No	Yes		Yes	
Total						280,670						

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) Amy Schultz	Daughter of Larry Schultz, Chairman of Allegiance Health	190,103	Employee Wages		No
(2) Patrick Nally	Son of John Nally, Secretary/Treasurer of Allegiance Health	117,740	Employee Wages		No
(3) Pulmonary Clinics of Southern Michigan	Gregg Patten, Director of Allegiance Health, is an officer of PCSM	2,707,608	Reported amount is payments Allegiance Health made to Pulmonary Clinics of Southern Michigan (PCSM) for medical services		No
(4) Clark & King Investments LLC	Ray King, an Allegiance Health officer, is a partner in Clark & King	412,029	Reported amount is for lease payments made by Allegiance Health to Clark & King Investments LLC (Clark & King) for a medical office building		No
(5) Ambs Call Center	Aaron Boatin, an Allegiance Health Trustee, is an Ambs Call Center Officer	125,500	Reported amount is payments Allegiance Health made to Ambs Call Center for call center services		No

Part V Supplemental Information

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

Return Reference	Explanation
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SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on
Form 990 or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.
▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at
www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public
Inspection

Name of the organization WA Foote Memorial Hospital	Employer identification number 38-2027689
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Return Reference	Explanation
Form 990, Part VI, Section A, line 6	The Corporation is organized on a membership basis. The sole corporate member of the Corporation is Allegiance Health Services.

Return Reference	Explanation
Form 990, Part VI, Section A, line 7a	The sole Member of the organization may elect and remove, with or without cause, the Corporation's Trustees

Return Reference	Explanation
Form 990, Part VI, Section A, line 7b	<p>The following powers are reserved for the sole corporate Member of the hospital: Approve any change in the Articles of Incorporation, purposes or philosophy of the Corporation, Approve changes in those provisions of the Corporation's Bylaws which affect the size, composition, and method of selection of the Board of Trustees, or which affect this Article, Approve plans of merger, consolidation or dissolution of the Corporation, Elect and remove, with or without cause, the Corporation's Trustees, upon a simple majority vote of the Directors then serving on the Board of the Member present at a meeting at which a quorum is present, Approve guarantees by the Corporation of the debt of others in excess of maximum limits established by the Member, upon a simple majority vote of the Directors then serving on the Board of the Member present at a meeting at which a quorum is present, Authorize the sale, lease, mortgage or other disposition of all or substantially all of the assets owned, held or leased by or to the Corporation, approve any decision by the Corporation which would have the net effect of diminution of governance control of the Member, and any decision by the Corporation which would have the net effect of diminution in the Corporation's governance control over its own subsidiary, Ratify or reject operating and capital budgets developed by the Board and any non-budgetary expenditures or creations of debt in excess of an amount designated by the Member from time to time, upon a simple majority vote of the Directors then serving on the Board of the Member present at a meeting at which a quorum is present, and Authorize the formation or acquisition of new subsidiaries of the Corporation or the sale or other disposition of existing subsidiaries</p>

Return Reference	Explanation
Form 990, Part VI, Section B, line 11	Form 990 is reviewed by the Organization's Director and VP of Finance, Chief Executive Officer, Chief Financial Officer, General Counsel, Compliance Officer and its public accounting firm. Final copies of the return are distributed to the Hospital's Board of Trustees before the return is e-filed.

Return Reference	Explanation
Form 990, Part VI, Section B, line 12c	<p>The Board Compliance Committee has ultimate responsibility over the enforcement of the Hospital's Conflict of Interest Policy. When a potential conflict of interest is identified, the Compliance Committee is responsible for review of the conflict of interest for compliance with the policy. Also, General Counsel routinely reviews upcoming Board and Committee meeting agendas to assess potential conflict situations. All employees are responsible to complete a conflict of interest statement. Trustees, directors, and key employees are required to fill out an annual conflict of interest questionnaire. Board Trustees identified as having a conflict of interest are permitted to discuss the potential transaction. They are not allowed to deliberate in the decision or vote on the matter.</p>

Return Reference	Explanation
Form 990, Part VI, Section B, line 15	<p>The Organization performs an annual review and assessment of the compensation of the Chief Executive Officer and each of the executives listed in Part VII of the Form 990. This review includes an independent compensation committee and the engagement of an independent compensation consultant. This process is usually undertaken during the Fall. The Compensation Committee, an independent committee of the Board of Trustees, is responsible for the executive compensation program. This committee performs an annual review of the competitiveness, reasonableness and effectiveness of all executive cash compensation and benefit programs. The committee also leads the Board in evaluating the performance of the Chief Executive Officer and recommends all aspects of the Chief Executive Officer's compensation. The committee reviews the Chief Executive Officer's recommendations regarding the compensation of all other members of executive leadership. The Compensation Committee engages an independent compensation consulting firm to conduct a comprehensive market analysis of total compensation for executive leadership. This firm uses data representing compensation levels and practices from national not-for-profit healthcare markets as Allegiance Health typically competes in the the national healthcare marketplace for executive talent. National data also provides more comparable information for size and operational characteristics so that comparisons are made to organizations with similar scope and complexity.</p>

Return Reference	Explanation
Form 990, Part VI, Section C, line 19	Forms 1023, 990 and 990-T are available upon request. Form 990 and the Organization's conflict of interest policy are posted on the Organization's website.

Return Reference	Explanation
Form 990, Part VII, Section A, Line 1a	Allegiance Health Trustees are not paid to serve on the Board. Compensation listed for Dr. David Halsey, Dr. Gregg Patten, Dr. Allan Tompkins, Dr. Mohan Kulkarni, and Dr. John Mogerman in Part VII of the Form 990 is pay for on call medical service, medical director fees, employment compensation, and/or committee participation.

Return Reference	Explanation
Form 990, Part IX, line 11g	Professional Other Program service expenses 33,154,371 Management and general expenses 7,818,395 Fundraising expenses 0 Total expenses 40,972,766 Non Employed Physician Services Program service expenses 0 Management and general expenses 8,838,288 Fundraising expenses 0 Total expenses 8,838,288

Return Reference	Explanation
Form 990, Part XI, line 9	Transfer to Parent -511,293 Change in Accounting for Pensions SFAS 158 7,606,270 Change in fair value of interest rate sw ap 8,436,035

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 WA Foote Memorial Hospital	Employer identification number 38-2027689
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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) Physicians Choice Network LLC 205 N East Avenue Jackson, MI 49201	Provider Network	MI	659	0	WA Foote Memorial Hospital
(2) Jackson Health Network L3C 205 N East Avenue Jackson, MI 49201 45-3253643	Clinically Integrated Network	MI	-1,648,582	707,643	WA Foote Memorial Hospital

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) Allegiance Health Services 205 N East Avenue Jackson, MI 49201 38-2756428	Exempt Health System	MI	501(c)(3)	Line 11b, II	N/A		No
(2) Allegiance Health Foundation 205 N East Avenue Jackson, MI 49201 38-3607833	Supports Allegiance Health	MI	501(c)(3)	Line 11b, II	Allegiance Health Services	Yes	
(3) Hospice of Jackson dba Allegiance Hospice 205 N East Avenue Jackson, MI 49201 38-2336367	Hospice Care	MI	501(c)(3)	Line 7	Heathlink	Yes	
(4) The Hospice of Jackson Endowment Fund One Jackson Square Jackson, MI 49201 38-3422146	Raise Funds for Allegiance Hospice	MI	501(c)(3)	Line 11c, III-FI	Allegiance Hospice	Yes	
(5) Healthlink 205 N East Avenue Jackson, MI 49201 38-2756425	Home Health Care	MI	501(c)(3)	Line 11a, I	Allegiance Health Services	Yes	
(6) Allegiance Health Volunteers 205 N East Avenue Jackson, MI 49201 38-6082835	Exempt Association	MI	501(c)(3)	Line 11d, III-O	Allegiance Health Services	Yes	
(7) CareLink of Jackson 110 North Elm Avenue Jackson, MI 49202 38-1218485	Long Term Acute Care Hospital	MI	501(c)(3)	Line 3	Allegiance Health Services	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) Disproporionate 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) Jackson Community Medical Records 205 N East Avenue Jackson, MI 49201 37-1502443	Electronic Medical Records	MI	WA Foote Memorial Hospital	Related	410,118			No			No	51 000 %
(2) Foote Health Center Associates 1100 E Michigan Avenue Jackson, MI 49201 38-3017711	Lessor of Medical Condominiums	MI	WA Foote Memorial Hospital	Related	121,871	1,011,093		No			No	54 430 %

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of- year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) Viking Health System Inc 205 N East Avenue Jackson, MI 49201 38-2756161	Idle Healthcare Administration Corporation	MI	WA Foote Memorial Hospital	C			100 000 %	Yes	
(2) Cascades Insurance Company LTD 205 N East Avenue Jackson, MI 49201 98-1132982	Hospital Malpractice Insurance Captive	CJ	WA Foote Memorial Hospital	C	1,715,476	18,151,349	100 000 %	Yes	
(3) Cascades Professional Staffing Corporation 205 N East Avenue Jackson, MI 49201 38-3370242	Idle Staffing Corporation	MI	WA Foote Memorial Hospital	C			100 000 %	Yes	

Part V

Transactions With Related Organizations

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

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

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

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

- f** Dividends from related organization(s)
- g** Sale of assets to related organization(s)
- h** Purchase of assets from related organization(s)
- i** Exchange of assets with related organization(s)
- j** Lease of facilities, equipment, or other assets to related organization(s)
- k** Lease of facilities, equipment, or other assets from related organization(s)
- l** Performance of services or membership or fundraising solicitations for related organization(s)
- m** Performance of services or membership or fundraising solicitations by related organization(s)
- n** Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)
- o** Sharing of paid employees with related organization(s)

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

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

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

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

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

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
------------------	-------------

Additional Data

Software ID:
Software Version:
EIN: 38-2027689
Name: WA Foote Memorial Hospital

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c) (3))	(f) Direct controlling entity	(g) Section 512 (b)(13) controlled entity?	
						Yes	No
(1) Allegiance Health Services 205 N East Avenue Jackson, MI 49201 38-2756428	Exempt Health System	MI	501(c)(3)	Line 11b, II	N/A		No
(1) Allegiance Health Foundation 205 N East Avenue Jackson, MI 49201 38-3607833	Supports Allegiance Health	MI	501(c)(3)	Line 11b, II	Allegiance Health Services	Yes	
(2) Hospice of Jackson dba Allegiance Hospice 205 N East Avenue Jackson, MI 49201 38-2336367	Hospice Care	MI	501(c)(3)	Line 7	Heathlink	Yes	
(3) The Hospice of Jackson Endowment Fund One Jackson Square Jackson, MI 49201 38-3422146	Raise Funds for Allegiance Hospice	MI	501(c)(3)	Line 11c, III-FI	Allegiance Hospice	Yes	
(4) Healthlink 205 N East Avenue Jackson, MI 49201 38-2756425	Home Health Care	MI	501(c)(3)	Line 11a, I	Allegiance Health Services	Yes	
(5) Allegiance Health Volunteers 205 N East Avenue Jackson, MI 49201 38-6082835	Exempt Association	MI	501(c)(3)	Line 11d, III-O	Allegiance Health Services	Yes	
(6) CareLink of Jackson 110 North Elm Avenue Jackson, MI 49202 38-1218485	Long Term Acute Care Hospital	MI	501(c)(3)	Line 3	Allegiance Health Services	Yes	

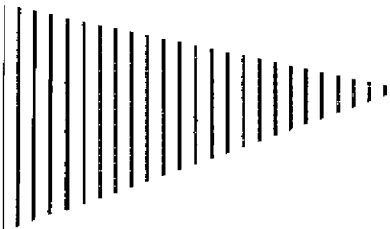
Form 990, Schedule R, Part V - Transactions With Related Organizations

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
Foote Health Center Associates	A	30,000	FMV
Allegiance Health Services	R	511,293	FMV
Hospice of Jackson dba Allegiance Hospice	J	419,037	COST
Hospice of Jackson dba Allegiance Hospice	L	1,243,977	COST
Hospice of Jackson dba Allegiance Hospice	Q	984,297	FMV
Cascades Insurance Company LTD	P	1,902,276	FMV
Cascades Insurance Company LTD	L	1,941,023	FMV
Jackson Community Medical Records	A	8,056	FMV
Jackson Community Medical Records	A	58,687	FMV
Jackson Community Medical Records	L	1,987,856	FMV
Jackson Community Medical Records	M	1,948,823	FMV
Jackson Community Medical Records	D	2,412,889	FMV
Allegiance Health Foundation	C	948,932	FMV
Healthlink	K	618,497	COST
Healthlink	D	531,000	FMV
CareLink of Jackson	Q	4,646,937	COST
CareLink of Jackson	M	775,459	FMV
CareLink of Jackson	K	218,228	COST

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Allegiance Health and Subsidiaries
Years Ended June 30, 2014 and 2013
With Reports of Independent Auditors

Ernst & Young LLP



Building a better
working world

Allegiance Health and Subsidiaries

Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2014 and 2013

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Report of Independent Auditors

The Board of Trustees
W. A. Foote Memorial Hospital
d/b/a Allegiance Health

We have audited the accompanying consolidated financial statements of W. A. Foote Memorial Hospital d/b/a Allegiance Health and Subsidiaries, which comprise the consolidated balance sheets as of June 30, 2014 and 2013, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of W. A. Foote Memorial Hospital d/b/a Allegiance Health and Subsidiaries at June 30, 2014 and 2013, and the consolidated results of their operations and changes in net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

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

Ernst & Young LLP

October 21, 2014

Allegiance Health and Subsidiaries

Consolidated Balance Sheets

	June 30	
	2014	2013
Assets		
Current assets		
Cash and cash equivalents	\$ 13,597,399	\$ 11,028,395
Accounts receivable, less allowance for uncollectible accounts of approximately \$22,083,000 in 2014 and \$21,323,000 in 2013	50,719,664	42,361,035
Amounts due from third-party payors	—	1,741,772
Due from affiliates and other receivables	3,452,217	6,177,732
Inventories	6,370,488	6,874,186
Prepaid expenses and other current assets	8,467,911	8,717,806
Total current assets	82,607,679	76,900,926
Assets whose use is limited		
Board-appropriated investments		
Funded depreciation	255,471,510	240,754,661
Funds held by trustee	9,579,258	9,116,943
Cash and investments related to professional liability insurance	15,766,501	14,803,425
Total assets whose use is limited	280,817,269	264,675,029
Properties		
Land	9,630,527	9,630,527
Buildings and improvements	197,275,548	195,655,633
Equipment	144,834,565	140,236,899
Construction-in-progress	2,454,716	2,709,725
Allowances for depreciation	(204,576,209)	(190,111,233)
Total properties	149,619,147	158,121,551
Other assets		
Unamortized financing costs	2,101,466	2,285,628
Other assets	7,347,904	8,224,746
Other investments	4,356,628	3,604,392
Total other assets	13,805,998	14,114,766
Total assets	\$ 526,850,093	\$ 513,812,272

	June 30	
	2014	2013
Liabilities and net assets		
Current liabilities		
Accounts payable and other current liabilities	\$ 42,447,860	\$ 38,366,054
Compensation, amounts withheld and payroll taxes	17,446,906	16,236,319
Short-term debt	19,112,889	20,412,889
Settlements payable to third-party payors	123,049	—
Accrued interest payable	404,586	508,918
Current portion of long-term debt	5,109,669	4,941,446
Total current liabilities	84,644,959	80,465,626
Noncurrent liabilities		
Amounts related to professional liability insurance	10,301,262	11,786,863
Retirement plan liability	26,563,278	35,084,177
Other liabilities	7,989,105	15,232,341
Long-term debt, less current portion	161,592,793	165,047,362
Total noncurrent liabilities	206,446,438	227,150,743
Total liabilities	291,091,397	307,616,369
Unrestricted net assets	235,758,696	206,195,903

Total liabilities and net assets	<u>\$ 526,850,093</u>	<u>\$ 513,812,272</u>
----------------------------------	-----------------------	-----------------------

See accompanying notes

Allegiance Health and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets

	Year Ended June 30	
	2014	2013
Unrestricted revenue, gains, and other support		
Net patient service revenue	\$ 467,412,505	\$ 446,506,309
Less: provision for bad debts	40,927,175	42,733,028
Net patient service revenue after provision for bad debts	426,485,330	403,833,281
Other revenues	14,129,974	15,743,262
Insurance revenue	890,881	819,205
Total unrestricted revenue, gains, and other support	441,506,185	420,395,748
Expenses		
Routine nursing salaries	38,350,206	38,624,694
Other patient care salaries	123,695,775	112,343,246
General and administrative services salaries	39,714,906	38,334,218
Professional and purchased services	51,965,228	48,067,913
Supplies and other costs	108,205,354	106,937,893
Fringe benefits	45,883,409	42,475,190
Utilities	4,971,251	4,838,244
Depreciation	25,547,907	26,438,523
Insurance	2,468,969	2,528,847
Interest	5,954,221	7,586,790
Amortization	847,745	666,895
Miscellaneous	4,270,943	4,671,271
Total operating expense	451,875,914	433,553,404
Operating loss	(10,369,729)	(12,157,656)
Nonoperating revenue and expenses		
Investment income	26,456,461	19,678,855
Net unrealized appreciation in fair value of investments	6,400,495	19,054,829
Change in fair value of interest rate swaps	8,436,035	11,182,743
Loss from termination of interest rate swaps	(7,104,151)	(6,038,725)
Miscellaneous nonoperating expenses	(952,624)	(419,861)
Health Improvement Organization	(715,328)	(478,368)
Community Projects Fund	(999,147)	(1,177,942)
Revenue, gains, and other support greater than expenses	21,152,012	19,643,867
Other changes in unrestricted net assets		
Net assets released from restrictions - capital	518,944	18,465
Pension liability adjustments	7,606,270	9,662,794
Transfers from (to) Parent, net	376,707	(512,717)
Distributions	(91,140)	(68,355)
Increase in unrestricted net assets	29,562,793	19,724,053
Temporarily restricted net assets		
Contributions	518,944	18,465
Net assets released from restrictions	(518,944)	(18,465)
Net change in temporarily restricted net assets	—	—
Increase in net assets	29,562,793	19,724,053
Net assets at beginning of year	206,195,903	186,471,850
Net assets at end of year	\$ 235,758,696	\$ 206,195,903

See accompanying notes

Allegiance Health and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended June 30	
	2014	2013
Operating activities		
Increase in net assets	\$ 29,562,793	\$ 19,724,053
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation expense	25,547,907	26,438,523
Amortization expense	847,745	698,593
Amortization of bond premium	(174,419)	(178,546)
Pension liability adjustment	(7,606,270)	(9,662,793)
Transfers (from) to Parent net	(376,707)	532,717
Change in fair value of interest rate swaps	(8,436,035)	(11,182,743)
Net unrealized appreciation in fair value of investments	(6,400,495)	(10,054,829)
Provision for bad debts	40,927,175	42,733,028
Loss on sale of property and equipment	605,349	(14,680)
Increase in cash and investments related to professional liability insurance	(963,076)	(1,062,721)
(Increase) decrease in		
Accounts receivable	(49,285,804)	(38,811,019)
Amounts due to/from third-party payors	1,864,821	4,849,689
Inventories	503,698	(392,213)
Other assets	3,721,193	(1,432,288)
Increase (decrease) in		
Accounts payable and other current liabilities	4,081,806	6,291,082
Compensation amounts withheld and payroll taxes	1,210,587	1,628,999
Amounts related to professional liability insurance	(1,485,601)	(1,214,263)
Other liabilities	175,127	90,346
Net cash provided by operating activities	34,319,794	29,068,295
Investing activities		
Property and equipment additions net	(17,650,852)	(24,161,167)
Acquisitions	(532,524)	(4,846,816)
Proceeds from sale of property and equipment	-	780
(Increase) decrease in funds held by trustee	(462,315)	405,021
Transfers to (from) Parent net	376,707	(532,717)
Increase in funded depreciation	(8,316,354)	(28,655,257)
Increase in other investments	(752,236)	(347,962)
Net cash used in investing activities	(27,337,574)	(68,138,118)
Financing activities		
Proceeds from issuance of long-term debt	1,699,064	5,000,000
Repayment of long-term debt	(4,812,250)	(4,442,639)
Proceeds from short-term borrowings	27,000,000	24,100,000
Repayment of short-term borrowings	(28,300,000)	(6,600,000)
Net cash used in provided by financing activities	(4,413,216)	18,057,361
Net increase (decrease) in cash and cash equivalents	2,569,004	(11,012,462)
Cash and cash equivalents at beginning of year	11,028,395	22,040,857
Cash and cash equivalents at end of year	\$ 13,597,399	\$ 11,028,395

See accompanying notes

Allegiance Health and Subsidiaries
Notes to Consolidated Financial Statements

June 30, 2014

1. Basis of Organization and Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of W.A. Foote Memorial Hospital d/b/a Allegiance Health (the Hospital); Cascades Insurance Company, Ltd. (Cascades); Jackson Community Medical Record, LLC (JCMR); Physicians Choice Network, LLC (PCN); Jackson Health Network, L3C; and Foote Health Center Associates (FHCA). The Hospital is a not-for-profit hospital located in Jackson, Michigan, providing health care services primarily to residents of the region. All significant intercompany accounts have been eliminated in consolidation.

In 1987, the members of the Hospital formed Foote Health System (the System or Parent), the Hospital's parent corporation, to support the activities of the Hospital and related organizations by conducting activities to raise funds to further the purpose of each organization. In 2008, the System's name was changed to Allegiance Health Services.

Cascades is a wholly-owned offshore captive insurance company that provides professional liability coverage for the Hospital and physicians.

The Hospital increased its member ownership in JCMR to 100% in 2014 from 51% in 2013. JCMR was formed to establish an electronic health record (EHR) that is being implemented throughout the community to improve the quality of patient care. JCMR manages the installation and support of software for health care providers throughout Jackson. The Hospital consolidates JCMR in the financial statements as a result of its ownership interest and guaranty of JCMR outstanding debt.

The Hospital formed PCN to provide a health delivery network of care providers in the Jackson area. PCN is included in the accompanying consolidated financial statements as a wholly-owned subsidiary of the Hospital.

Jackson Health Network, L3C is a wholly-owned limited liability corporation operating as a clinically integrated network.

The Hospital holds a 54.43% partnership interest in FHCA. FHCA owns and leases a medical office building to physician practices and the Hospital. FHCA is included in the consolidated financial statements.

Allegiance Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Basis of Organization and Significant Accounting Policies (continued)

Certain trustees of the Hospital are considered to be related parties by virtue of their normal business relationships and their association with the System.

The accounting principles followed by the Hospital and its subsidiaries and the methods of applying those principles, which materially affect the determination of consolidated financial position, results of operations, and cash flows, are summarized as follows:

Cash and Cash Equivalents

The Hospital considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Assets whose use is limited by board designation or other arrangements under trust agreements are excluded from cash and cash equivalents.

Accounts Receivable and Net Patient Service Revenue

Net patient service revenue is reported at the net realizable amount from patients and third-party payors for services rendered, including estimated retroactive adjustments under agreements with third-party payors. Estimated settlements are recorded in the period the related services are rendered and adjusted in future periods as final settlements are determined.

During the years ended June 30, 2014 and 2013, the Hospital received approximately 72% and 70%, respectively, of its net revenue from Medicare and Medicaid programs and from contractual arrangements with Blue Cross and Blue Shield of Michigan. A significant portion of the payment for patient care is determined prospectively at fixed price provisions for each diagnosis, and only certain specific expenses are reimbursed at actual cost. Amounts received under these programs are generally less than the established billings of the Hospital with the differences accounted for as contractual adjustments. Revenue received under these third-party agreements is subject to examination and retroactive adjustments. Accordingly, the Hospital has determined that there is a reasonable possibility that estimated third-party balances may change in the near term by a material amount. Management believes that reasonable provisions have been made in the consolidated financial statements for anticipated adjustments. Prior year settlements recognized in 2014 and 2013 increased net patient service revenue by approximately \$594,000 and \$359,000, respectively.

Allegiance Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Basis of Organization and Significant Accounting Policies (continued)

Accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of accounts receivable, the Hospital analyzes its historical experience and identifies trends for each of its major payor sources to estimate the appropriate allowance for uncollectible accounts and the provision for bad debts. Management regularly reviews data about these major payor sources in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party health care coverage, the Hospital analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts. For receivables associated with self-pay accounts (which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts. The provision for bad debts has been reported as a deduction from net patient service revenue.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Hospital believes that it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations is subject to government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs. In the normal course of business, the Hospital has received requests for information from governmental agencies covering services provided. Management intends to fully cooperate with the governmental agencies in its request for information and believes that adequate provision has been made for any adjustments that may result from settlements.

Inventories

Inventories, consisting principally of medical supplies, are stated at weighted average cost.

Investments

Investments in mutual and commingled funds, equity securities, and debt securities are measured at fair value in the consolidated balance sheets. Fair values are based on quoted market prices, if available, or are estimated using quoted market prices for similar securities. Donated items are stated at fair value at the date of contribution.

Allegiance Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Basis of Organization and Significant Accounting Policies (continued)

The Hospital has designated its entire investment portfolio as trading, with unrealized appreciation in the fair value of investments included in nonoperating revenue and expenses. Investment income, including realized gains and losses on investments, interest, and dividends, is also reported in nonoperating revenue and expenses unless the income is restricted by donor or by law. The cost of substantially all securities sold is based on the average cost method.

Board-Appropriated Investments

Unrestricted resources are appropriated by the Hospital Board of Trustees for funding depreciation. Such resources originate from previously accumulated income.

Properties

Properties are stated at cost. Provisions for depreciation, based on the economic lives of the properties ranging from 3 to 40 years, are computed using the straight-line method. The cost to complete capital spending projects-in-progress at June 30, 2014, is estimated to be approximately \$13,339,000.

Goodwill and Intangible Assets

The carrying value of the Hospital's goodwill is evaluated annually on June 30 of each fiscal year or whenever events or circumstances indicate there may be a possible permanent loss of value. A two-step method is used for determining goodwill impairment. The first step is to identify whether a potential impairment exists by comparing a reporting unit's fair value to its carrying value. If the carrying value of a reporting unit exceeds its fair value, the next step is to measure the amount of impairment loss, if any.

The Hospital's intangible assets, consisting of patient relationships, noncompete agreements, and trade names and goodwill, have been recorded from acquisitions of medical practices, and initial values have been based on discounted cash flow valuations using assumptions made by management as to future revenues and operating income from the medical practices. The intangible assets are amortized over their useful lives, which is the time frame over which a significant portion of the estimated future cash flows are expected to be realized from the respective intangible assets.

Allegiance Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Basis of Organization and Significant Accounting Policies (continued)

Amortization of Financing Costs and Bond Premium

Bond issue costs are deferred and amortized using the effective interest method over the terms of the related bonds. Bond premiums are amortized as a reduction of interest expense using the effective interest method over the terms of the related bonds.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use has been limited by donors for a specific purpose, such as for programs or capital additions. When a donor restriction expires, such as through expenditure for the restricted purpose, temporarily restricted net assets are reclassified as net assets released from restrictions – operations and are included in unrestricted revenue, gains, and other support, whereas net assets released from restrictions for long-lived assets are reported as an increase in unrestricted net assets.

Unrestricted Revenue, Gains, and Other Support

Revenue includes those amounts generated from direct patient care and other revenue related to the operation of the Hospital's facilities; realized gains, losses, and interest income from Board-appropriated investments related to a physician retirement plan; and unrestricted donations.

Charity Care and Community Benefit

The Hospital devotes substantial efforts and resources to providing health services to people in its communities who need care but cannot afford it. Consistent with its mission, the Hospital collaborates with other parties to ensure health care as a societal right.

The Hospital provides services to various individuals without payment or at rates substantially less than standard charges. Traditional charity care covers services provided to persons who cannot afford to pay for health care because of inadequate resources and/or who are uninsured or underinsured. Because the Hospital does not pursue collections of amounts determined to qualify for charity care, such amounts are not reported in net revenue.

Allegiance Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Basis of Organization and Significant Accounting Policies (continued)

The Hospital measures the cost of providing charity care based on the direct and indirect costs of services using the ratio of the Hospital's overall costs to gross charges. The cost of charity care based on the direct and indirect cost of providing services to patients qualifying under the Hospital's uncompensated care policy was approximately \$14,198,000 and \$14,266,000 for the years ended June 30, 2014 and 2013, respectively.

The Hospital supports community activities through the Community Projects Fund. These activities include providing financial support to a federally qualified health plan in Jackson, funding for a nurse triage phone line, free or low-cost medications, and other services including respite support, teen pregnancy education and other community initiatives.

Health Improvement Organization expenditures include the cost of services of programs for which a patient is not billed or for which a nominal fee has been assessed. These services are not expected to be financially self-supporting. Health Improvement Organization expenditures are used to support a community-based health improvement initiative with a goal to improve the community's overall health status and to reduce health care costs. Programs focus on workplace wellness, youth, adults, seniors, chronic disease, and the uninsured.

Advertising Expense

The Hospital expenses advertising and marketing costs as incurred. The Hospital expensed approximately \$1,126,000 and \$1,742,000 in advertising and marketing costs for the years ended June 30, 2014 and 2013, respectively.

Income Taxes

The Internal Revenue Service has determined that the Hospital is qualified under Section 501(c)(3) of the Internal Revenue Code and is, therefore, not generally subject to income tax.

Cascades operates as a for-profit foreign insurance company and is generally not subject to United States income tax. There is presently no taxation imposed on income by the Government of the Cayman Islands.

JCMR is a limited liability company, which is a flow-through entity not subject to federal income tax at the entity level.

Allegiance Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Basis of Organization and Significant Accounting Policies (continued)

PCN is a Michigan limited liability company that reports its operating income or loss as a branch of the Hospital for inclusion in the computation of federal and state income taxes.

Jackson Health Network, LC3 is a Michigan limited liability company that reports its operating income or loss as a branch of the Hospital for inclusion in the computation of federal and state income taxes.

FHCA is a partnership, which is a flow-through entity not subject to income tax at the entity level.

Performance Indicator

The performance indicator is revenue, gains, and other support greater than (less than) expenses. Changes in unrestricted net assets that are excluded from the performance indicator primarily include pension adjustments, net assets released from restrictions for property acquisitions, and transfers to and from the Parent.

Operating and Nonoperating Activities

The Hospital's primary mission is to meet the health care needs in its market area through a broad range of general and specialized health care services, including inpatient acute care, outpatient services, and other health care services. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that result in gains or losses peripheral to the Hospital's primary mission are considered to be nonoperating, including the Community Projects Fund, the Health Improvement Organization, and investment activity.

Contingencies

The Hospital assesses its contingencies on an ongoing basis to evaluate the appropriateness of its liabilities and disclosures for such contingencies. Liabilities are established for estimated loss contingencies when it is determined that a loss is probable and the amount of the probable loss can be reasonably estimated. Once established, the carrying amount of a contingent liability is adjusted upon the occurrence of a recognizable event that alters the previous assumptions with respect to the likelihood or the amount of loss. In the opinion of management, the outcome of such contingencies will not materially affect the consolidated financial statements.

Allegiance Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Basis of Organization and Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Electronic Health Record Incentive Payments

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

The Hospital accounts for HITECH incentive payments using the grant accounting model. Under this accounting policy, EHR incentive payments are recognized ratably as revenue during the period the Hospital demonstrates that it has complied with the meaningful use criteria over the applicable compliance and cost report period. The Hospital recognized revenue from Medicaid incentive payments beginning in the year ended June 30, 2012, when it adopted certified EHR technology. Revenue from these incentive payments of approximately \$1,051,000 and \$3,505,000 was recorded during the years ended June 30, 2014 and 2013, respectively, and is included in total unrestricted revenue, gains, and other support in the accompanying consolidated statements of operations and changes in net assets. Income from incentive payments is subject to retrospective adjustment as the incentive payments are calculated using Medicare cost report data that is subject to audit. Additionally, the Hospital's compliance with the meaningful use criteria is subject to audit by the federal government.

Allegiance Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Basis of Organization and Significant Accounting Policies (continued)

Recently Adopted Accounting Standards

In October 2012, the FASB issued ASU 2012-05, *Not-for Profit Entities Classification of the Sales Proceeds of Donated Financial Assets in the Statement of Cash Flows* providing guidance on the presentation of sales proceeds from donated financial assets in the consolidated statements of cash flows. Although this ASU is effective for years beginning after June 15, 2013, the Hospital considered this guidance for the years presented, and it did not have any effect on the consolidated financial statements.

Recently Issued Accounting Standards Not Yet Effective

In April 2013, the FASB issued ASU 2013-06, *Not-for Profit Entities Services Received from Personnel of an Affiliate* requiring that a recipient not-for profit recognize personnel services received from its affiliates that directly benefit the recipient not-for-profit entity and for which the affiliate does not seek compensation. This ASU is effective for years beginning after June 15, 2014. The Hospital does not expect this guidance to have a significant effect on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contract with Customers* which provides guidance on the accounting principles used to recognize revenue and report about the nature, timing, and uncertainty of revenue produced from goods and services to customers. This ASU is effective for years beginning after December 15, 2016. The Hospital has begun its review to evaluate the impact of this guidance on its consolidated financial statements.

Allegiance Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Investments

Investment returns are summarized as follows:

	Year Ended June 30	
	2014	2013
Interest and dividends	\$ 6,190,003	\$ 5,758,525
Net realized gains	20,820,293	5,205,123
Change in net unrealized gains	6,400,495	10,054,829
Total investment return	<u>\$ 33,410,791</u>	<u>\$ 21,018,477</u>
Included in operating revenue	\$ 553,835	\$ 284,793
Included in nonoperating revenue and expenses	32,856,956	20,733,684
Total investment return	<u>\$ 33,410,791</u>	<u>\$ 21,018,477</u>

Investments consist of the following amounts

	June 30	
	2014	2013
Board-appropriated investments and funds held by trustee:		
Cash and cash equivalents	\$ 1,836,179	\$ 2,114,976
Mutual funds – equities	123,170,250	121,720,691
Mutual funds – fixed income	48,220,612	38,881,328
Mutual funds – other	40,788,073	38,268,287
Common/collective trust	46,328,995	43,994,752
U.S. government securities	4,706,659	4,891,570
	<u>\$ 265,050,768</u>	<u>\$ 249,871,604</u>
Funds related to professional liability insurance:		
Mutual funds – cash equivalents	\$ 383,985	\$ 1,336,456
Mutual funds – equities	5,058,201	4,344,058
Mutual funds – fixed income	10,324,315	9,122,911
	<u>\$ 15,766,501</u>	<u>\$ 14,803,425</u>

Allegiance Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, and accounts payable are reasonable estimates of fair value due to the short-term nature of these financial instruments. At June 30, 2014 and 2013, the carrying value and fair value of the Hospital's long-term debt, as estimated by discounted cash flow analysis using the current borrowing rate for similar types of borrowing arrangements and adjusted for credit, were approximately \$166,702,000 and \$169,989,000 compared to approximately \$170,520,000 and \$171,540,000, respectively. The fair value of long-term debt using discounted cash flow analysis by independent market analysis generally falls within Level 2 of the fair value hierarchy.

ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The Hospital follows the three-level fair value hierarchy to categorize these assets and liabilities recognized at fair value at each reporting period, which prioritizes the inputs used to measure such fair values. Level inputs are defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities on the reporting date. Investments classified in this level generally include exchange-traded equity securities, futures, pooled short-term investment funds, and exchange-traded mutual funds.

Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Investments classified in this level generally include fixed income securities, including government obligations, asset-backed securities, and certificates of deposit.

Level 3 – Inputs that are unobservable for the asset or liability. Investments classified in this level generally include limited partnership hedge and private debt funds.

Allegiance Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. Fair Value of Financial Instruments (continued)

In instances where the determination of the fair value measurement is based upon inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level of input that is significant to the fair value measurement in its entirety. Management's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

As of June 30, 2014 and 2013, the Level 2 and Level 3 assets and liabilities listed in the fair value hierarchy tables below use the following valuation techniques and inputs:

Cash equivalents – Short-term investments designated as Level 2 investments primarily consist of commercial paper, whose fair value is based on amortized cost. Significant unobservable inputs include security cost, maturity, and credit rating.

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

Common/collective trusts – The fair value of investments in common collective trusts is primarily determined using the calculated net asset value. The values for underlying investments are determined based on amortized cost, which approximates market value, or based on quotations from the primary market in which they are traded and translated at each valuation date from the local currency into U.S. dollars.

Limited partnership hedge fund and private debt funds – The fair value of investments reported as of the balance sheet date has been determined using the calculated net asset value of investment funds determined by external investment managers in accordance with the specialized accounting guidance for Investment Companies. The majority of the hedge fund investment can be redeemed at net asset value within 100 days notice. There is an unfunded capital commitment to the private debt fund of approximately \$3 million at June 30, 2014.

Derivatives – The fair value of derivative contracts is primarily determined using techniques consistent with the market approach. Derivative contracts include interest rate swaps. Significant observable inputs to valuation models include interest rates, treasury yields, volatilities, credit spreads, maturity, and recovery rates.

Allegiance Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. Fair Value of Financial Instruments (continued)

The types of instruments valued based on quoted prices that are not active, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency include most municipal and provincial obligations, investment-grade and high-yield corporate bonds, and mortgage securities. Such instruments are generally classified within Level 2 of the fair value hierarchy.

The following tables summarize the Hospital's assets and liabilities measured at fair value on a recurring basis as of June 30, 2014 and 2013, aggregated by the level in the fair value hierarchy noted below.

	<u>Fair Value Measurement at June 30, 2014, Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets				
Cash and cash equivalents	\$ 15,817,561	\$ 15,815,284	\$ 2,277	\$ –
Mutual funds – equities	128,228,451	128,228,451	–	–
Mutual funds – fixed income	58,544,929	58,544,929	–	–
Mutual funds – other	40,788,073	40,788,073	–	–
Common/collective trusts	46,328,995	–	46,328,995	–
U.S. government securities	4,706,659	–	4,706,659	–
Total investments	<u>\$ 294,414,668</u>	<u>\$ 243,376,737</u>	<u>\$ 51,037,931</u>	<u>\$ –</u>

Allegiance Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. Fair Value of Financial Instruments (continued)

	Fair Value Measurement at June 30, 2013, Using			
	Quoted Prices in			
	Active Markets	Significant	Other	Significant
	for Identical	Observable	Inputs	Unobservable
	Assets and	Inputs	(Level 2)	Inputs
	Liabilities	(Level 1)		(Level 3)
	(Level 1)			
	Fair Value			
Assets				
Cash and cash equivalents	\$ 14,479,827	\$ 14,477,550	\$ 2,277	\$ -
Mutual funds – equities	126,064,749	126,064,749	-	-
Mutual funds – fixed income	48,004,239	48,004,239	-	-
Mutual funds – other	38,268,287	38,268,287	-	-
Common/collective trusts	43,994,752	-	43,994,752	-
U.S. government securities	4,891,570	-	4,891,570	-
Total investments	\$ 275,703,424	\$ 226,814,825	\$ 48,888,599	\$ -
Liabilities				
Derivative instrument	\$ 8,436,036	\$ -	\$ 8,436,036	\$ -

The following table summarizes the transaction activity for Level 3 assets for the years ended June 30, 2014 and 2013.

	Year Ended June 30	
	2014	2013
Beginning balance	\$ -	\$ 1,152,917
Acquisitions	-	1,430,468
Dispositions	-	(2,583,385)
Ending balance	\$ -	\$ -

The Hospital's financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents, mutual and commingled investment funds, investment securities, derivative financial instruments, and accounts receivable. The Hospital's short-term investments are placed with a wide array of financial institutions with high credit ratings. A diversified investment policy limits exposure to credit risk and concentrations of credit risk. Similar standards of creditworthiness are applied to the counterparties in derivative instruments.

Allegiance Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Debt

Debt, plus unamortized premium, consists of the following obligations:

	June 30	
	2014	2013
County of Jackson Hospital Finance Authority Variable Rate Hospital Revenue Refunding Bonds Series 2011A – bearing interest at 0.7% as of June 30, 2014	\$ 36,500,000	\$ 36,500,000
County of Jackson Hospital Finance Authority Variable Rate Hospital Revenue Refunding Bonds Series 2011B – bearing interest at 1.008% as of June 30, 2014	28,875,000	28,875,000
County of Jackson Hospital Finance Authority Hospital Revenue Refunding Bonds Series 2010A – serial bonds bearing fixed interest rates between 4.0% and 5.3% as of June 30, 2014	39,040,000	42,855,000
County of Jackson Hospital Finance Authority Hospital Revenue Refunding Bonds Series 2006B-2 – serial bonds bearing fixed interest rates between 2.25% and 5.0% as of June 30, 2014	8,540,000	8,645,000
County of Jackson Hospital Finance Authority Hospital Revenue Refunding Bonds Series 2006C – serial bonds bearing fixed interest rates between 2.25% and 5.0% as of June 30, 2014	46,750,000	46,850,000
Note payable to bank with repayment in equal monthly installments of \$62,697 including interest of 1.48% through July 2019	3,684,000	4,432,000
Mortgage note payable to bank with repayment in 59 equal monthly installments of \$10,032 and balloon payment of \$1,393,937 including interest of 3.65% through September 2018	1,655,000	–
Unamortized bond premium, less accumulated amortization of approximately \$660,000 and \$487,000 at June 30, 2014 and 2013, respectively	1,658,000	1,831,000
	<u>166,702,000</u>	<u>169,988,000</u>
	5,109,000	4,911,000
Less current portion and bond premium credit	<u>\$ 161,593,000</u>	<u>\$ 165,047,000</u>

The Hospital is the sole member of the Allegiance Health Obligated Group (the Obligated Group) responsible for repayment of the bond debt. The bond debt of the Obligated Group shown above and the note payable to the bank are secured by a pledge of gross revenues of the Hospital. The mortgage note payable is secured by the associated real property.

Allegiance Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Debt (continued)

The composition of existing bond debt has resulted from obtaining traditional fixed interest rates on Hospital debt at a time of low prevailing market rates that also fulfilled a bond covenant requirement for the Hospital to achieve at least 60% fixed rate debt mix and secondly for other financings to provide marketability and credit support for Hospital variable rate debt. Bond debt identified above as Series 2010A, 2006C, and 2006B-2 was issued at or converted to fixed interest rates at a premium of \$2,318,000, which is being amortized as a credit to interest expense over the respective lives of the related debt. Bond debt identified above as Series 2011A and 2011B has variable interest costs after the termination of variable to fixed rate swaps that occurred during the years ended June 30, 2014 and 2013.

The Hospital has an outstanding \$36,500,000 County of Jackson Hospital Finance Authority Revenue Refunding Variable Rate Series 2011A bond issue. A bank letter of credit facility, expiring July 1, 2016, has been obtained for credit support for the Series 2011A Bonds. The Series 2011A Bonds require annual principal and interest payments (at prevailing variable interest rates) of approximately \$100,000 through 2027, \$4.4 million in 2028, \$100,000 from 2029 to 2032 and between \$1.0 million and \$9.3 million from 2033 to 2036. An interest rate exchange agreement assigned to the principal amount of the Series 2011B Bonds for exchange of interest from a variable to fixed rate was terminated at a realized loss of approximately \$7,104,000 in the year ended June 30, 2014. The 2011A Bonds carry a variable interest rate as of June 30, 2014.

The Hospital has an outstanding \$28,875,000 County of Jackson Hospital Finance Authority Revenue Refunding Variable Rate Series 2011B bond issue. A direct bank purchase of Series 2011B Bonds maturing April 2016 occurred upon issuance of the bonds. The Series 2011B Bonds require annual principal and interest payments (at prevailing variable interest rates) of approximately \$360,000 through 2026, \$1.9 million from 2027 to 2028, and from \$6.3 million to \$7.4 million from 2029 to 2032. An interest rate exchange agreement assigned to the principal amount of the Series 2011B Bonds for exchange of interest from a variable to a fixed rate was terminated at a realized loss of approximately \$6,039,000 in the year ended June 30, 2013. The Series 2011B Bonds carry a variable interest rate as of June 30, 2014 and 2013.

Allegiance Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Debt (continued)

The Hospital has an outstanding \$39,040,000 County of Jackson Hospital Finance Authority Revenue Refunding Bond Series 2010A bond issue. The 2010A Bonds were issued serially at fixed interest rates ranging between 2.0% to 5.3%. The Series 2010A Bonds require annual principal and interest payments of approximately \$5.7 million to \$5.8 million from 2015 to 2017, \$1.6 million to \$1.8 million from 2018 to 2025, \$1.2 million to \$2.6 million from 2026 to 2036, and \$11.0 million in 2037.

The Hospital has outstanding Series 2006B-2 Bonds and Series 2006C Bonds at fixed interest rates in the amount of \$8,540,000 and \$46,750,000, respectively. These bonds were reissued serially at fixed interest rates ranging between 2.0% and 5.0%. The bonds require annual principal and interest payments of approximately \$2.9 million to \$3.1 million from 2015 to 2017, \$6.9 million to \$7.1 million from 2018 to 2025, \$8.5 million in 2026 and \$5.7 million in 2027.

The Hospital has been required to maintain certain financial ratios under the terms of the Master Indenture, Supplemental Indentures, Lines of Credit, Letter of Credit, and Standby Bond Purchase Agreements. The Hospital was in compliance with required covenants for the years ended June 30, 2014 and 2013. The Hospital's Supplemental Indentures and Bank Agreements require quarterly measurement of the debt service coverage ratio and capitalization ratio and semiannual testing of the days cash on hand requirement.

Principal maturities of long-term debt for the next five years are approximately \$4,944,000 in 2015, \$5,111,000 in 2016, \$5,305,000 in 2017, \$5,533,000 in 2018, and \$7,102,000 in 2019.

The Hospital has committed lines of credit to provide total borrowing availability of \$30 million for working capital and capital spending purposes at .85% to 1.00% over the specified London Interbank Offered Rate (LIBOR). At June 30, 2014 and 2013, amounts outstanding on the lines of credit totaled \$17 million at interest rates ranging from 1.005% to 1.153% and \$18 million at interest rates ranging from 1.045% to 1.193%, respectively. The lines of credit expire in either February or April 2015. No compensating balance arrangements are required under the lines of credit. Facility fees of 0.10% per annum are applied to the unused committed amount over the principal balance outstanding.

Allegiance Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Debt (continued)

JCMR has a \$3.5 million bank demand master revolving note that provides for available borrowing at 0.5% below the prime rate of interest that shall not be less than the sum of daily adjusting LIBOR plus 2.5%. Borrowings are secured by all assets of JCMR. The outstanding loan balance and interest rate of this note at June 30, 2014 and 2013, was approximately \$2,113,000 and \$2,413,000, respectively, at 2.75% interest.

The fair value of the Hospital's interest rate exchange agreement amounted to an approximate liability of \$8,436,000 as reported in other noncurrent liabilities in the consolidated balance sheets at June 30, 2013. The change in value of the exchange agreement prior to termination has been reported in nonoperating revenue and expenses in the consolidated statement of operations. The termination of the interest rate exchange agreement resulting in settlement payments have been reported as realized losses from termination of interest rate swap for the years ended June 30, 2014 and 2013, in nonoperating revenue and expenses in the consolidated statement of operations and changes in net assets. The termination of the interest rate exchange agreement eliminated potential exposure to collateral requirements and provides a more efficient allocation of fixed and variable interest rates.

The Hospital paid interest of approximately \$5,954,000 and \$7,587,000 during the years ended June 30, 2014 and 2013, respectively. Total interest capitalized during the years ended June 30, 2014 and 2013, was approximately \$90,000 and \$212,000, respectively.

Allegiance Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Retirement Plan

The Hospital has a noncontributory defined benefit plan (the Plan) that covers substantially all employees. The Plan requires the Hospital to make annual contributions sufficient to meet the minimum funding standards of the Employee Retirement Income Security Act of 1974, as amended (ERISA) and the Internal Revenue Code of 1986. No plan assets are expected to be returned to the Hospital during the fiscal year ended June 30, 2014.

ASC 715, *Compensation – Retirement Benefits*, requires plan sponsors of defined benefit pension plans to recognize the funded status of their postretirement benefit plans in the statement of financial position, measure the fair value of plan assets and benefit obligations as of the date of the fiscal year-end statement of financial position, and provide additional disclosures. The adjustment to unrestricted net assets represents the net unrecognized actuarial losses and unrecognized prior service credit. These amounts will be subsequently recognized as net periodic pension cost. Furthermore, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension cost in the same periods will be recognized as a component of unrestricted net assets. Those amounts will be subsequently recognized as a component of net periodic pension cost on the same basis as the amounts recognized in unrestricted net assets.

The following table sets forth a reconciliation of the changes in the Hospital's retirement benefit obligation and the fair value of plan assets for the years ended June 30, 2014 and 2013, and a statement of the funded status as of June 30, 2014 and 2013.

	June 30	
	2014	2013
Change in benefit obligation		
Projected benefit obligation at beginning of year	\$ (155,843,145)	\$ (153,977,255)
Service cost	(8,698,448)	(8,793,593)
Interest cost	(6,878,105)	(6,362,731)
Actuarial (loss) gain	(2,315,699)	3,684,932
Benefits paid	10,094,661	9,605,502
Plan change	(604,103)	–
Projected benefit obligation at end of year	(164,244,839)	(155,843,145)
Change in plan assets		
Fair value of plan assets at beginning of year	120,758,968	109,646,269
Actual return on plan assets	16,517,254	10,218,201
Employer contributions	10,500,000	10,500,000
Benefits paid	(10,094,661)	(9,605,502)
Fair value of plan assets at end of year	137,681,561	120,758,968
Retirement plan liability (funded status)	<u>\$ (26,563,278)</u>	<u>\$ (35,084,177)</u>

Allegiance Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Retirement Plan (continued)

The accumulated benefit obligation was approximately \$158,122,000 and \$147,435,000 at June 30, 2014 and 2013, respectively.

Included in unrestricted net assets at June 30, 2014 and 2013, are the following amounts that have not yet been recognized in net periodic benefit cost:

	June 30	
	2014	2013
Unrecognized prior service cost	\$ 2,146,150	\$ 2,006,406
Unrecognized net loss	27,983,279	35,729,293
Net amount recognized	<u>\$ 30,129,429</u>	<u>\$ 37,735,699</u>

Changes in plan assets and obligations recognized in unrestricted net assets during the years ended June 30, 2014 and 2013, include:

	Year Ended June 30	
	2014	2013
Current year income	\$ (5,175,999)	\$ (6,319,758)
Amortization of net actuarial loss	(1,965,912)	(2,878,676)
Amortization of prior service credit	(464,359)	(464,359)
	<u>\$ (7,606,270)</u>	<u>\$ (9,662,793)</u>

The assumptions used to determine the benefit obligation are as follows:

	June 30	
	2014	2013
Discount rate	4.30%	4.60%
Rate of compensation increase	2.50%	3.00%
Cash balance interest credit rate	4.50%	4.50%

Allegiance Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Retirement Plan (continued)

The Hospital uses a Hospital hypothetical bond portfolio to determine the discount rate used to measure the benefit obligation.

Components of net periodic pension cost are as follows:

	Year Ended June 30	
	2014	2013
Service cost	\$ 8,698,448	\$ 8,793,593
Interest cost	6,878,105	6,362,731
Expected return on plan assets	(8,421,453)	(7,583,375)
Amortization of prior service cost	464,359	464,359
Amortization of net actuarial loss	1,965,912	2,878,676
Net periodic pension cost	<u>\$ 9,585,371</u>	<u>\$ 10,915,984</u>

The prior service cost included in unrestricted net assets and expected to be recognized in net periodic pension cost during the year ended June 30, 2015, is approximately \$524,000. The net actuarial loss included in unrestricted net assets and expected to be recognized in net periodic pension cost during the year ended June 30, 2015, is approximately \$1,134,000.

The assumptions used to determine net periodic pension cost are set forth below:

	Year Ended June 30	
	2014	2013
Discount rate	4.60%	4.30%
Rate of compensation increase	3.00%	3.00%
Cash balance interest rate credit	4.50%	4.50%
Expected long-term rate of return on plan assets	7.00%	7.00%

Allegiance Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Retirement Plan (continued)

Asset Allocation

The asset allocation for the Hospital's pension plan at the end of fiscal 2014 and 2013 and the target allocation for fiscal 2014, by asset category, are as follows.

Asset Category	Target Allocation	Percentage of Plan Assets June 30	
	2014	2014	2013
Equity investments	49%	49%	53%
Fixed income investments	31	31	32
Other investments	20	20	15
Total	100%	100%	100%

The following tables summarize the Hospital's pension assets measured at fair value on a recurring basis as of June 30, 2014 and 2013, aggregated by the level in the fair value hierarchy within which those measurements are determined as disclosed in Note 3. Fair value methodologies for Level 1 and Level 2 are consistent with the inputs described in Note 3. Fair value for Level 3 represents the Hospital's ownership interest in the net asset value of a cash equivalent fund, limited partnership hedge and private debt funds, which approximates fair value.

	Fair Value	Fair Value Measurement at June 30, 2014, Using Quoted Prices in		
		Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash equivalents	\$ 804,350	\$ –	\$ 1,472	\$ 802,878
Mutual funds – equities	67,620,595	67,620,595	–	–
Mutual funds – fixed income	13,719,847	13,719,847	–	–
Mutual and hedge funds – other	20,827,302	20,827,302	–	–
Limited Partnership Hedge Fund	6,597,467	–	–	6,597,467
Private Debt Fund	296,420	–	–	296,420
Common/collective trust	27,815,580	–	27,815,580	–
Total investments	<u>\$ 137,681,561</u>	<u>\$ 102,167,744</u>	<u>\$ 27,817,052</u>	<u>\$ 7,696,765</u>

Allegiance Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Retirement Plan (continued)

	Fair Value	Fair Value Measurement at June 30, 2013, Using		
		Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash equivalents	\$ 123,889	\$ -	\$ 1,472	\$ 122,417
Mutual funds – equities	64,190,068	64,190,068	-	-
Mutual funds – fixed income	12,193,120	12,193,120	-	-
Mutual funds – other	17,855,501	17,855,501	-	-
Common/collective trust	26,396,390	-	26,396,390	-
Total investments	<u>\$ 120,758,968</u>	<u>\$ 94,238,689</u>	<u>\$ 26,397,862</u>	<u>\$ 122,417</u>

The following table summarizes the transaction activity for Level 3 assets for the years ended June 30, 2014 and 2013.

	Year Ended June 30	
	2014	2013
Beginning balance	\$ 122,417	\$ 688,425
Acquisitions	30,245,904	15,966,960
Dispositions	(22,769,023)	(16,532,968)
Gains on assets held	97,467	-
Ending balance	<u>\$ 7,696,765</u>	<u>\$ 122,417</u>

Investment Strategy

The Plan's asset allocation and investment strategy are designed to earn superior returns on plan assets consistent with a reasonable and prudent level of risk. Investments are diversified across classes and fund styles to achieve investment return objectives and minimize the risk of large losses. The Hospital uses mutual funds, common/collective trusts, limited partnership hedge and private debt funds specializing in the investment categories of its asset allocation model and regularly monitors funds to respective performance benchmarks to achieve its investment strategy.

Allegiance Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Retirement Plan (continued)

Expected Rate of Return

The expected long-term rate of return on plan assets is based on historical and projected rates of return for current and planned asset categories in the Plan's investment portfolio. Assumed projected rates of return for each asset category were selected after analyzing historical experience and future expectations of the returns and volatility for assets of that category using benchmark rates. Based on the target asset allocation among the asset categories, the overall expected rate of return for the portfolio was developed and adjusted for historical and expected experience of active portfolio management results compared to benchmark returns and for the effect of expenses paid from plan assets.

Expected Cash Flows

Information about the expected cash flows for the pension plan follows:

Expected 2015 employer contributions	\$ 10,500,000
Expected benefit payments:	
2015	12,988,000
2016	13,885,000
2017	13,864,000
2018	13,716,000
2019	12,964,000
2020–2024	66,463,000

6. Professional Liability Insurance

The Hospital's professional and general liability exposure is covered through a self-insurance program that serves as primary coverage for such risks. Coverage is provided through a modified claims-made policy provided by Cascades. Under the terms of the policy, Cascades pays on behalf of the Hospital all professional liability claims incurred and reported after January 1976. The Hospital has also obtained excess professional liability insurance coverage on a claims-made basis through the MHA Insurance Company and Caymich Insurance Company, Ltd., an offshore captive insurance company domiciled in the Cayman Islands that provides pooled-risk coverage to its 13 members (all Michigan hospitals and health systems).

Allegiance Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Professional Liability Insurance (continued)

In addition to the Hospital, Cascades also insures employed medical staff under similar modified claims-made policies. The coverage provided is modified in that employees who leave the Hospital remain covered for claims arising from their employment at the Hospital.

Cascades' policies provide that a retrospective premium can be assessed at any time. An annual report is prepared by independent actuaries to monitor the adequacy of premiums and reserves. The policy covers all claims arising within the year, notified within seven days of the end of the policy year, or included on a potential claims report within that period.

Estimated liabilities for known incidents that may result in the assertion of additional claims and other claims that may be asserted arising from services provided to patients during the period are based upon projections provided by a consulting actuary. The loss reserves are discounted using a discount rate of 4% at June 30, 2014 and 2013. While it is possible that settlement of asserted claims and claims that may be asserted in the future could result in liabilities in excess of amounts for which the Hospital has provided, management believes that the excess liabilities, if any, would not materially affect the consolidated financial position of the Hospital at June 30, 2014.

7. Net Patient Service Revenue, Accounts Receivable, and Allowance for Uncollectible Accounts

Patient service revenue consists of:

	Year Ended June 30	
	2014	2013
Charges at established rates:		
Routine services	\$ 106,447,284	\$ 108,464,208
Ancillary services:		
Inpatient	464,892,913	462,767,945
Outpatient	915,325,372	874,624,142
	<u>1,486,665,569</u>	<u>1,445,856,295</u>
Deductions:		
Charity care	(47,670,824)	(48,618,064)
Contractual and other adjustments	(971,582,240)	(950,671,922)
Net patient service revenue	<u>467,412,505</u>	<u>446,566,309</u>
Provision for bad debts	(40,927,175)	(42,733,028)
Net patient service revenue after provision for bad debts	<u>\$ 426,485,330</u>	<u>\$ 403,833,281</u>

Allegiance Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Net Patient Service Revenue, Accounts Receivable, and Allowance for Uncollectible Accounts (continued)

Accounts receivable consist of

	June 30	
	2014	2013
Gross patient accounts receivable	\$ 226,984,132	\$ 198,148,965
Allowance for contractual adjustments	(145,794,884)	(121,671,149)
Allowance for charity care	(8,386,633)	(12,793,404)
Allowance for uncollectible accounts	(22,082,951)	(21,323,377)
Net accounts receivable	<u>\$ 50,719,664</u>	<u>\$ 42,361,035</u>

The Hospital's allowance for uncollectible accounts for self-pay patients amounted to 85% of self-pay accounts receivable at June 30, 2014 and 2013. Self-pay write-offs decreased to approximately \$40,900,000 in 2014 from \$42,700,000 in 2013.

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

	June 30	
	2014	2013
Medicare	39%	37%
Medicaid	17	12
Patients	14	23
Blue Cross	15	12
Commercial and other payors	15	16
	<u>100%</u>	<u>100%</u>

Allegiance Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Net Patient Service Revenue, Accounts Receivable, and Allowance for Uncollectible Accounts (continued)

Major payor sources of net patient service revenue that the Hospital classifies for managing its business are as follows for the years ended June 30, 2014 and 2013:

	Year Ended June 30	
	2014	2013
Medicare	\$ 180,500,207	\$ 163,848,425
Medicaid	42,847,171	41,502,527
Blue Cross	113,463,074	105,289,006
Commercial	93,828,656	95,531,255
Patient	36,773,397	40,395,096
	<u>\$ 467,412,505</u>	<u>\$ 446,566,309</u>

8. Acquisitions of Medical Practices

In December 2012, the Hospital acquired the assets of a digestive health practice having business operations in the Jackson, Michigan, service area deemed integral to the Hospital's mission for delivery of patient services in the Jackson community. The Hospital paid cash of approximately \$4,850,000 for the practice, which was accounted for as an acquisition. Medical equipment, furnishings, and intangible assets acquired are being depreciated or amortized over the useful lives of the assets ranging from two to seven years.

Allegiance Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Intangible Assets and Goodwill

The Hospital includes intangible assets and goodwill acquired from acquisitions of medical practices in other assets in the consolidated balance sheets. The gross carrying amount and accumulated amortization of identifiable intangible assets by major class at June 30, 2014 and 2013, amounted to the following.

	Gross Carrying Amount		Accumulated Amortization		Net Carrying Amount	
	2014	2013	2014	2013	2014	2013
Patient relationships	\$ 2,473,000	\$ 1,940,000	\$ 1,215,000	\$ 797,000	\$ 1,258,000	\$ 1,147,000
Non-compete agreements	1,290,000	1,290,000	383,000	178,000	907,000	1,112,000
Trade names	370,000	370,000	108,000	71,000	262,000	299,000
Total	<u>\$ 4,133,000</u>	<u>\$ 3,600,000</u>	<u>\$ 1,706,000</u>	<u>\$ 1,046,000</u>	<u>\$ 2,427,000</u>	<u>\$ 2,558,000</u>

The weighted average amortization period for the intangible assets is 6.5 years, 5.6 years for patient relationships, 7.0 years for noncompete agreements, and 10.0 years for trade names.

Goodwill carrying value of approximately \$2,477,000 at June 30, 2014 and 2013, remained unchanged as a result of determining fair value of the reporting unit to not be less than the net carrying amount in assessing qualitative factors under ASU 2011-08.

Goodwill from the acquisition of a cardiovascular practice that was determined to have been impaired due to a decline in projected cash flows resulted in a charge to operations in the amount of \$529,000 for the year ended June 30, 2013.

The amortization expense for intangible assets was approximately \$664,000 and \$475,000 for the years ended June 30, 2014 and 2013, respectively.

Allegiance Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Lease Commitments

The Hospital has operating leases for certain of its premises that at inception had noncancelable terms of more than one year. At June 30, 2014, the estimated future minimum lease payments under these operating leases were as follows:

2015	\$ 5,183,017
2016	4,463,537
2017	3,227,502
2018	2,155,323
2019	1,204,547
Thereafter	336,082
Total	<u>\$ 16,570,008</u>

Rent expense incurred for operating leases for premises and equipment for the years ended June 30, 2014 and 2013, amounted to approximately \$7,313,000 and \$7,047,000, respectively.

11. Related-Party Transactions

The Hospital is the majority partner in FHCA. The partnership owns the top two floors of a three-story medical office building, with the Hospital owning the first floor. In 2014 the Hospital's 6% fixed rate mortgage loan to the partnership was refinanced with a bank loan resulting in no remaining balance to the Hospital at June 30, 2014, compared to approximately \$1,735,000 at June 30, 2013. The direct loan by the bank to the partnership is guaranteed by the Hospital. The Hospital recognized interest income of approximately \$30,000 and \$102,000 related to its loan in 2014 and 2013, respectively.

12. Income Taxes

The Hospital prepares an annual federal tax filing (Form 990-T) that contains a schedule of unrelated business income that is subject to federal income tax. As of June 30, 2014 and 2013, the Hospital has net operating loss carryforwards of approximately \$6,677,000 and \$6,944,000, respectively, that are available to offset future taxable income. These net operating losses expire in various amounts beginning 2018 through 2033. The Hospital has recognized a valuation allowance against this deferred tax asset due to the uncertainty related to the realization of such amounts.

Allegiance Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Functional Expenses

The Hospital provides general health care services to residents within its geographic locations, including medical/surgical, pediatric, behavioral health, critical, and emergency care. Expenses relating to providing these services are as follows

	Year Ended June 30	
	2014	2013
Health care services	\$ 359,302,880	\$ 342,012,663
General and administrative	92,573,034	91,540,741
	<u>\$ 451,875,914</u>	<u>\$ 433,553,404</u>

14. Letter of Intent Agreement

On December 2, 2013, Allegiance Health Services and its affiliates (collectively, AH Parties) approved the execution of a letter of intent (collectively, LOI) with University of Michigan and its operating division, the University of Michigan Health System (collectively, UM Parties), to engage in negotiations regarding a possible affiliation in the form of a membership substitution transaction. The LOI contemplates that UM Parties would become sole member of a corporate entity comprised substantially of the businesses of AH Parties.

The completion of the transaction is subject to certain conditions, including the approval by regulatory authorities and completion of a definitive agreement between the parties. Negotiation toward the transaction is ongoing, however, management can provide no assurance when or if such transaction will be completed based on the terms of the LOI.

15. Subsequent Events

The Hospital evaluates subsequent events, which are events that occur after the consolidated balance sheet date but before the consolidated financial statements are issued, for potential recognition in the consolidated financial statements as of the consolidated balance sheet date. For the year ended June 30, 2014, the Hospital evaluated the effect of subsequent events through October 21, 2014, representing the date on which the consolidated financial statements were issued.

Supplementary Information

Allegiance Health and Subsidiaries

Consolidating Balance Sheet

June 30, 2014

	Allegiance Health	Cascades Insurance Company, Ltd	Jackson Community Medical Record, LLC	Physicians Choice Network, LLC	Good Health Center Associates	Jackson Health Network, LLC	Consolidation Adjustments	Consolidated
Assets								
Current assets								
Cash and cash equivalents	\$ 1,253,190	\$ 13,957	\$ 317,101	\$ -	\$ 334,500	\$ 66,821	\$ -	\$ 13,557,309
Accounts receivable	59,710,664	-	-	-	-	-	-	50,719,061
Due from affiliates and other receivables	3,951,531	612,500	541,244	-	-	891,952	(2,075,076)	3,452,217
Inventories	6,370,488	-	-	-	-	-	-	6,370,488
Prepaid expenses and other current assets	9,079,231	6,596	12,167	-	9,113	33,354	(702,842)	8,167,911
Total current assets	82,952,847	665,119	930,512	-	344,003	192,106	(2,772,908)	82,697,679
Assets whose use is limited								
Bond-appealed investments	-	-	-	-	-	-	-	-
Funded depreciation	255,171,510	-	-	-	-	-	-	255,171,510
Funds held by trustee	9,579,258	-	-	-	-	-	-	9,579,258
Cash and investments related to professional liability insurance	-	15,766,501	-	-	-	-	-	15,766,501
Total assets whose use is limited	265,730,768	15,766,501	-	-	-	-	-	280,517,269
Properties								
Land	9,630,537	-	-	-	-	-	-	9,630,537
Buildings and improvements	191,817,052	-	-	-	4,670,682	167,878	588,630	197,275,518
Equipment	139,386,267	-	5,202,029	-	50,604	75,385	-	141,831,565
Construction-in-progress	2,154,716	-	-	-	-	-	-	2,154,716
Allowances for depreciation	(196,718,197)	-	(4,570,400)	-	(3,142,029)	(27,726)	(117,768)	(204,576,209)
Total properties	116,601,265	-	21,539	-	1,009,338	215,537	471,068	119,619,147
Other assets								
Loans receivable	318,069	-	-	-	-	-	(318,069)	-
Unamortized financing costs	2,101,466	-	-	-	-	-	-	2,101,466
Other assets	7,317,901	-	-	-	-	-	-	7,317,901
Other investments	5,702,817	-	-	-	-	-	(1,316,189)	4,386,628
Total other assets	15,139,196	-	-	-	-	-	(1,604,188)	13,805,008
Total assets	\$ 510,078,076	\$ 10,429,629	\$ 1,652,051	\$ -	\$ 1,953,741	\$ 707,643	\$ (3,971,038)	\$ 526,850,092

Allegiance Health and Subsidiaries

Consolidating Balance Sheet (continued)

	Allegiance Health	Cascades Insurance Company, Ltd.	Jackson		Physicians Network, LLC	Foot Health Center Associates	Jackson Health Network, LLC	Consolidation Adjustments		Consolidated
			Community Medical Record, LLC	Physicians Network, LLC						
Liabilities and net assets										
Current liabilities										
Accounts payable and other current liabilities	\$ 42,612,769	\$ -	\$ 2,016,429	\$ 56,706	\$ -	\$ 51,505	\$ 595,827	\$ (2,665,565)	\$ -	\$ 12,447,860
Compensation amounts withheld and payroll taxes	17,446,996	-	-	-	-	-	-	-	-	17,446,996
Short-term debt	17,000,000	-	2,392,327	-	-	-	(38,521)	(718,099)	-	19,112,880
Settlements payable to third-party payors	453,049	-	-	-	-	-	-	-	-	453,049
Accrued interest payable	191,586	-	-	-	-	-	-	-	-	191,586
Current portion of long-term debt	5,019,536	-	-	-	-	60,153	-	-	-	5,079,689
Total current liabilities	82,630,816	-	4,308,756	56,706	-	111,658	557,306	(2,983,574)	-	84,644,959
Noncurrent liabilities										
Amounts related to professional liability insurance	15,503,253	16,104,629	-	-	-	-	-	-	-	31,607,882
Pension plan liability	26,563,275	-	-	-	-	-	-	-	-	26,563,275
Other liabilities	7,989,105	-	-	-	-	-	-	-	-	7,989,105
Long-term debt, less current portion	159,997,655	-	-	-	-	1,395,138	-	-	-	161,392,793
Total noncurrent liabilities	189,552,688	16,104,629	-	-	-	1,395,138	-	-	-	206,146,138
Total liabilities	271,583,504	16,104,629	4,308,756	56,706	-	1,706,796	557,306	(2,983,574)	-	304,991,097
Unaffiliated net assets	238,691,550	325,000	(2,656,746)	(56,706)	-	2,659,697	173,295	(987,664)	-	238,788,696
Total liabilities and net assets	\$ 510,275,054	\$ 16,430,629	\$ 1,652,010	\$ -	\$ -	\$ 1,953,711	\$ 730,601	\$ (3,971,038)	\$ -	\$ 536,830,693

Allegiance Health and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets

Year Ended June 30, 2014

	Allegiance Health	Cascade Insurance Company Ltd	Jackson Community Medical Record LLC	Physicians Choice Network LLC	Foot Health Center Associates	Jackson Health Network LLC	Consolidation Adjustments	Consolidated
Unrestricted revenue, gains, and other support	\$ 46,741,305	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,741,305
Net patient service revenue	40,929,175	-	-	-	-	-	-	40,929,175
Less: provision for bad debts	-	-	-	-	-	-	-	-
Net patient service revenue, after provision for bad debts	40,929,175	-	-	-	-	-	-	40,929,175
Other revenues	426,485,330	-	-	-	-	-	-	426,485,330
Insurance revenue	12,612,158	3,199,934	-	73,386	908,867	682,689	15,207,351	13,120,974
Interest income	-	-	-	-	-	-	-	-
Total unrestricted revenue, gains, and other support	49,927,488	3,199,934	-	73,386	908,867	682,689	15,207,351	59,995,324
Expenses								
Payroll	38,350,200	-	-	-	-	-	-	38,350,200
Patient nursing salaries	123,605,775	-	-	-	-	-	-	123,605,775
Other patient care salaries	78,213,212	-	-	-	-	-	-	78,213,212
General and administrative services	51,519,212	-	-	-	-	-	-	51,519,212
Professional and purchased services	264,138	-	-	-	-	-	-	264,138
Supplies and other costs	108,711,313	-	-	-	-	-	-	108,711,313
Travel	42,616,700	-	-	-	-	-	-	42,616,700
Utilities	1,777,990	-	-	-	-	-	-	1,777,990
Depreciation	21,817,531	-	-	-	-	-	-	21,817,531
Insurance	475,842	-	-	-	-	-	-	475,842
Interest	5,819,792	-	-	-	-	-	-	5,819,792
Amortization	817,715	-	-	-	-	-	-	817,715
Miscellaneous	3,906,157	-	-	-	-	-	-	3,906,157
Total operating expenses	416,859,495	1,699,546	4,137,947	72,727	735,291	7,312,711	13,962,166	433,835,914
Operating loss/income	(17,931,907)	(1,499,612)	(4,137,947)	(1,344)	(826,424)	(6,629,022)	(17,931,907)	(25,935,257)
Nonoperating revenue and expenses								
Investment income	26,111,538	-	-	-	-	-	-	26,111,538
Net unrealized appreciation/depreciation	5,076,516	-	-	-	-	-	-	5,076,516
Change in fair value of investments	8,430,035	-	-	-	-	-	-	8,430,035
Loss from termination of interest rate swap	(7,104,181)	-	-	-	-	-	-	(7,104,181)
Miscellaneous nonoperating expenses	(936,911)	-	-	-	-	-	-	(936,911)
Health Improvement Organization	(715,325)	-	-	-	-	-	-	(715,325)
Community Projects Fund	(992,141)	-	-	-	-	-	-	(992,141)
Revenue, gains, and other support greater than less than expenses	22,770,709	-	-	-	-	-	-	22,770,709

Allegiance Health and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets (continued)

	Allegiance Health	Cascade Insurance Company, Ltd.	Jackson Community Medical Record, LLC	Physicians Choice Network, LLC	Foot Health Associates	Jackson Health Networks, LLC	Consolidation Adjustments	Consolidated
Other changes in unrestricted net assets								
Net assets released from restrictions - capital	\$ 518,911	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 518,911
Pension liability adjustments	7,606,270							7,606,270
Transfers (to) from Parent	(511,293)		800,000	-	(108,500)	1,607,111	(910,281)	376,707
Distributions					(91,103)			(91,103)
Increase (decrease) in unrestricted net assets	20,351,230		802,278	639	(28,121)	(41,111)	(1,614,509)	20,562,796
Temporarily restricted net assets								
Contributions	518,911							518,911
Net assets released from restrictions	(518,911)							(518,911)
Net change in temporarily restricted net assets								
Increase (decrease) in net assets	20,351,230		802,278	639	(28,121)	(41,111)	(1,614,509)	20,562,796
Net assets at beginning of year	208,310,320	35,000	13,519,021	137,365	25,391	211,776	626,845	209,105,905
Net assets at end of year	\$ 228,661,550	\$ 35,000	\$ 14,321,299	\$ 138,004	\$ 26,367	\$ 170,665	\$ 192,331	\$ 229,288,696

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