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Form **990**

Department of the Treasury
Internal Revenue Service

# Return of Organization Exempt From Income Tax

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

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

▶ Information about Form 990 and its instructions is at www.IRS.gov/form990

OMB No 1545-0047

**2013**

**Open to Public Inspection**

**A For the 2013 calendar year, or tax year beginning 07-01-2013 , 2013, and ending 06-30-2014**

**B** Check if applicable
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Terminated
- ☐ Amended return
- ☐ Application pending

**C** Name of organization
St John Broken Arrow Inc

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
1923 South Utica Avenue

City or town, state or province, country, and ZIP or foreign postal code
Tulsa, OK 741046502

**D Employer identification number**
38-3833117

E Telephone number
(918) 744-2180

**G** Gross receipts $ 58,582,375

**F** Name and address of principal officer
David Phillips
1923 South Utica Avenue
Tulsa, OK 741046502

**H(a)** Is this a group return for subordinates? ☐ Yes ☑ No

**H(b)** Are all subordinates included? ☐ Yes ☐ No
If "No," attach a list (see instructions)

**H(c)** Group exemption number ▶

**I** Tax-exempt status ☑ 501(c)(3) ☐ 501(c) ( ) ◀ (insert no ) ☐ 4947(a)(1) or ☐ 527

**J Website:** ▶ www stjohnbrokenarrow com

**K** Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶

**L** Year of formation 2011

**M** State of legal domicile OK

## Part I Summary

**1** Briefly describe the organization's mission or most significant activities
To provide medical excellence and compassionate care to all who need it

**2** Check this box ▶☐ if the organization discontinued its operations or disposed of more than 25% of its net assets

Activities & Governance

| | | | |
|---|---|---|---|
| **3** | Number of voting members of the governing body (Part VI, line 1a) | **3** | 3 |
| **4** | Number of independent voting members of the governing body (Part VI, line 1b) | **4** | 2 |
| **5** | Total number of individuals employed in calendar year 2013 (Part V, line 2a) | **5** | 318 |
| **6** | Total number of volunteers (estimate if necessary) | **6** | 56 |
| **7a** | Total unrelated business revenue from Part VIII, column (C), line 12 | **7a** | 0 |
| **b** | Net unrelated business taxable income from Form 990-T, line 34 | **7b** | 0 |

| | | Prior Year | Current Year |
|---|---|---|---|
| **8** | Contributions and grants (Part VIII, line 1h) | 21,441 | 13,300 |
| **9** | Program service revenue (Part VIII, line 2g) | 38,825,521 | 58,165,297 |
| **10** | Investment income (Part VIII, column (A), lines 3, 4, and 7d ) | -205,851 | -7,601 |
| **11** | Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) | 211,506 | 401,129 |
| **12** | Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) | 38,852,617 | 58,572,125 |
| **13** | Grants and similar amounts paid (Part IX, column (A), lines 1–3 ) | 0 | 0 |
| **14** | Benefits paid to or for members (Part IX, column (A), line 4) | 0 | 0 |
| **15** | Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10) | 13,318,492 | 18,409,522 |
| **16a** | Professional fundraising fees (Part IX, column (A), line 11e) | 0 | 0 |
| **b** | Total fundraising expenses (Part IX, column (D), line 25) ▶0 | | |
| **17** | Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e) | 25,104,869 | 32,450,147 |
| **18** | Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25) | 38,423,361 | 50,859,669 |
| **19** | Revenue less expenses Subtract line 18 from line 12 | 429,256 | 7,712,456 |

Revenue

Expenses

| | | Beginning of Current Year | End of Year |
|---|---|---|---|
| **20** | Total assets (Part X, line 16) | 110,517,635 | 107,164,644 |
| **21** | Total liabilities (Part X, line 26) | 126,130,903 | 116,759,623 |
| **22** | Net assets or fund balances Subtract line 21 from line 20 | -15,613,268 | -9,594,979 |

Net Assets or Fund Balances

## Part II Signature Block

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

**Sign Here**

Signature of officer — Date: 2015-05-13

Lex Anderson SVP/CFO SJHS
Type or print name and title

**Paid Preparer Use Only**

| Print/Type preparer's name | Preparer's signature | Date | Check ☐ if self-employed | PTIN |
|---|---|---|---|---|
| Alicia Janisch | | | | P00741382 |

Firm's name ▶ Deloitte Tax LLP — Firm's EIN ▶ 86-1065772

Firm's address ▶ 250 East Fifth Street Suite 1900
Cincinnati, OH 45202 — Phone no (513) 784-7100

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

## Part III Statement of Program Service Accomplishments

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

**1** Briefly describe the organization's mission

Continue the healing ministry of Jesus Christ by providing medical excellence and compassionate care to all who need it with a special emphasis for the poor and powerless

**2** Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? . . . . . ☐ Yes ☑ No

If "Yes," describe these new services on Schedule O

**3** Did the organization cease conducting, or make significant changes in how it conducts, any program services? . . . . . ☐ Yes ☑ No

If "Yes," describe these changes on Schedule O

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

**4a** (Code ) (Expenses $ 40,345,820 including grants of $ 0 ) (Revenue $ 58,093,524 )

St John Broken Arrow, Inc ("the Hospital") is a growing community hospital that provides medical services to the residents of Northeastern Oklahoma St John Broken Arrow, Inc operates a 24-hour emergency department and a variety of other health care services St John Health System, Inc ("St John"), and affiliates, own and operate a comprehensive tertiary health care delivery system which provides a full spectrum of health-related services throughout Northeastern Oklahoma St John, headquartered in Tulsa, Oklahoma, is a wholly-owned subsidiary of Ascension Health St John conducts its operations through several wholly-owned or wholly-controlled subsidiaries, including St John Medical Center, Inc (the "Medical Center"), St John Sapulpa, Inc ("St John Sapulpa"), Jane Phillips Memorial Medical Center ("Jane Phillips"), Utica Services, Inc ("Utica"), St John Villas, Inc ("St John Villas"), Owasso Medical Facility, Inc ("St John Owasso"), St John Health System Foundation, Inc ("St John Foundation"), St John Building Corporation ("SJBC"), and St John Broken Arrow, Inc ("St John Broken Arrow") St John, these subsidiaries, and all other subsidiaries under St John's direct or indirect control or ownership are referred to herein as "the St John System" The St John System (and St John Broken Arrow, Inc ) changed its fiscal year end to June 30, beginning with the nine month period ended June 30, 2013 ("fiscal year 2013") The St John System became a wholly-owned subsidiary of Ascension Health, effective April 1, 2013 Before that, the St John System was one of three regional health care delivery systems sponsored or co-sponsored by Marian Health System, Inc ("Marian"), which, in turn, was ultimately sponsored by Sisters of the Sorrowful Mother, a religious community of the Roman Catholic Church ("SSM") Mission and Values As Catholic healthcare organizations, St John and the Hospital carry on the mission of its sponsors, through Ascension Health, of continuing the healing ministry of Jesus Christ They aspire to provide health care that works, health care that is safe, and health care that leaves no one behind, with a promise to our patients and the communities we serve of providing medical excellence and compassionate care They operate in conformance with "the ethical and religious directives for Catholic health facilities " Faithful to the sponsorship mission, philosophy and values, St John's (and the Hospital's) mission is to provide healthcare and related ministries for the people served, especially the sick, the poor and the powerless The board of directors, management and employees of St John and the Hospital are guided in their day-to-day actions and interactions with those who serve and who are served by the values of service to the poor, wisdom, reverence, creativity, dedication and integrity St John and the Hospital collaborate with other individuals and institutions in the various communities served to ascertain community needs and provides a broad range of services along the healthcare continuum to help meet those needs Programs and services include preventive, diagnostic, therapeutic and rehabilitative programs, including emphasis on health promotion and disease prevention St John also advocates for public policies which advance a healthy and just society St John works with local, state and national leaders and organizations to bring about a healthcare delivery system that provides dignified access to and affordable, high quality healthcare for all persons Community Needs Assessment Each owned hospital in the St John System has completed a Community Health Needs Assessment and plan of response and those have been posted to each Hospital's website and also the Health System website St John continues to look for ways to meet unmet community needs in a sustainable and collaborative way with other organizations to build healthier communities Governance The administrative powers of St John Broken Arrow, Inc are vested in its board of directors, which controls and manages the properties, affairs and funds of the Hospital, subject to reservation of certain powers by St John The board meets regularly and it works in concert with, and when appropriate, under the direction of the St John Health System, Inc board Community Benefit In measuring and reporting quantifiable community benefit, St John follows guidelines promulgated by the Catholic Health Association of the United States and endorsed by other organizations Uncompensated care and other elements of community benefit are measured at the unreimbursed estimated cost of services or resources provided The Hospital is an integral part of the mission of service and the continuum of medical care provided by St John Patients seen in the St John System for the fiscal year ended June 30, 2014 Beds in Service (including 37 newborn bassinets) 782Total Discharges (excluding normal newborn) 38,704Total Observation Days 19,086Combined Discharges and Observation Days 57,590Total Patient Days (excl normal newborn & observation) 176,450Average Length of Stay in Days (excl normal newborn & obs ) 4 56Births 3,248Emergency Room Visits 140,150Outpatient Visits (excl emergency room & one day surgeries) 394,526Inpatient Surgical Cases 9,855Outpatient Surgical Cases 15,545Physician Office Patient Visits 617,023Urgent Care Clinic Patient Visits 58,368Combined Physician Office and Urgent Care Visits 675,391Total Laboratory Procedures (incl hospital & reference labs) -8,184,993Patients seen at the Hospital for the fiscal year ended June 30, 2014 Beds in Service 44Total Discharges 2,608Total Observation Days 1,903Combined Discharges and Observation Days 4,511Total Patient Days (excluding observation) 6,099Average Length of Stay in Days (excl observation) 2 34Emergency Room Visits 23,818Outpatient Visits (excl emergency room & one day surgeries) 60,979Inpatient Surgical Cases 1,637Outpatient Surgical Cases 1,187In its fiscal year ended June 30, 2014, St John was able to identify and quantify an initial estimate of more than $81 1 million of total net consolidated quantifiable community benefit provided to thousands of individuals directly served This represents more than 8% of total St John System operating expenses In addition to the quantifiable community benefit described above, the St John System charged millions of dollars to the consolidated provision for bad debts in 2014 which were not included in the total quantifiable community benefit for the year Also, unlike many other non-profit health systems based in states other than Oklahoma, the St John System is not exempt from state and local sales taxes and, in fact, pays sales tax on many equipment, supplies and other purchases When payments from certain government programs for direct graduate medical education and Oklahoma Trauma Fund participation are applied to community benefit expense, the net consolidated quantifiable community benefit expense for the St John Health System, Inc for 2014 was estimated to be at least $74 9 million The St John System considers care for the poor to be an essential part of its mission of service to the community The total cost of care for the poor includes the cost of charity care, the unreimbursed cost of services to Medicaid beneficiaries (together referred to as "uncompensated care for the poor") and the cost of special programs or other activities specifically targeted to increase access to care or provide other services to the poor "Care for the Poor" includes the estimated cost of care classified as charity care plus the estimated excess of the cost of services provided to Medicaid beneficiaries over the payments received from Medicaid "Care for the Poor" does not include the cost of services classified and written off as bad debts or the excess of the cost of services provided to Medicare beneficiaries over the payments received from Medicare Charity and Uncompensated Care The St John System's Hospitals, senior-care and other facilities provide services without regard to a patient's ability to pay In 2014, the St John System Hospitals provided a discount of at least 30% of billed charges to all uninsured patients Uninsured patients also could qualify for an additional 15% prompt pay discount In addition to these automatic discounts, patients can apply for financial assistance up to and including free care The determination of the patient's qualification for financial assistance is based on an objective determination of the patient's financial resources and ability to pay In general, all uninsured patients with household incomes of less than 300% of the federal poverty guidelines qualify for free or substantially discounted care Other entities in the St John System also provide charity care based on individual determinations of need Management for St John believes that all of its billing and collection policies and procedures

**4b** (Code ) (Expenses $ including grants of $ ) (Revenue $ )

**4c** (Code ) (Expenses $ including grants of $ ) (Revenue $ )

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

**4e** **Total program service expenses** ▶ 40,345,820

## 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 | | No |
| 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 | | No |
| 11 | If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable | | | |
| a | Did the organization report an amount for land, buildings, and equipment in Part X, line 10? *If "Yes," complete Schedule D, Part VI.* | 11a | Yes | |
| b | Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII* | 11b | | No |
| c | Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII* | 11c | | No |
| d | Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX* | 11d | | No |
| e | Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X* | 11e | Yes | |
| f | Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X* | 11f | Yes | |
| 12a | Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI and XII* | 12a | | No |
| b | Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional* | 12b | Yes | |
| 13 | Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E* | 13 | | No |
| 14a | Did the organization maintain an office, employees, or agents outside of the United States? | 14a | | No |
| b | Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Parts I and IV* | 14b | | No |
| 15 | Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or other assistance to or for any foreign organization? *If "Yes," complete Schedule F, Parts II and IV* | 15 | | No |
| 16 | Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or other assistance to or for foreign individuals? *If "Yes," complete Schedule F, Parts III and IV* | 16 | | No |
| 17 | Did the organization report a total of more than $15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I (see instructions)* | 17 | | No |
| 18 | Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II* | 18 | | No |
| 19 | Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III* | 19 | | No |
| 20a | Did the organization operate one or more hospital facilities? *If "Yes," complete Schedule H* | 20a | Yes | |
| b | If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? | 20b | Yes | |

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

| | | | | |
|---|---|---|---|---|
| **21** | Did the organization report more than $5,000 of grants or other assistance to any domestic organization or government on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II* | **21** | | No |
| **22** | Did the organization report more than $5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III* | **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? *If "Yes," complete Schedule J* | **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? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a* | **24a** | | No |
| **b** | Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? | **24b** | | |
| **c** | Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? | **24c** | | |
| **d** | Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? | **24d** | | |
| **25a** | **Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part 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? *If "Yes," complete Schedule L, Part 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? *If so, complete Schedule L, Part II* | **26** | | No |
| **27** | Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III* | **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? *If "Yes," complete Schedule L, Part IV* | **28a** | | No |
| **b** | A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV* | **28b** | | No |
| **c** | An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV* | **28c** | | No |
| **29** | Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M* | **29** | | No |
| **30** | Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M* | **30** | | No |
| **31** | Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I* | **31** | | No |
| **32** | Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II* | **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? *If "Yes," complete Schedule R, Part I* | **33** | | No |
| **34** | Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1* | **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)? *If "Yes," complete Schedule R, Part V, line 2* | **35b** | Yes | |
| **36** | **Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2* | **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? *If "Yes," complete Schedule R, Part VI* | **37** | | No |
| **38** | Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? **Note.** All Form 990 filers are required to complete Schedule O | **38** | Yes | |

## Part V Statements Regarding Other IRS Filings and Tax Compliance

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

| | | | | Yes | No |
|---|---|---|---|---|---|
| 1a | Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable | 1a | 0 | | |
| 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 | | |
| 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 | 318 | | |
| 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 | | No |
| b | If "Yes," has it filed a Form 990-T for this year? *If "No" to line 3b, provide an explanation in Schedule O* | | 3b | | |
| 4a | At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)? | | 4a | | No |
| b | If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts | | | | |
| 5a | Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? | | 5a | | No |
| b | Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction? | | 5b | | No |
| c | If "Yes," to line 5a or 5b, did the organization file Form 8886-T? | | 5c | | |
| 6a | Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? | | 6a | | No |
| b | If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? | | 6b | | |
| 7 | **Organizations that may receive deductible contributions under section 170(c).** | | | | |
| a | Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor? | | 7a | | No |
| b | If "Yes," did the organization notify the donor of the value of the goods or services provided? | | 7b | | |
| c | Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282? | | 7c | | No |
| d | If "Yes," indicate the number of Forms 8282 filed during the year | 7d | | | |
| 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 . . . . . | **1a** | 3 | | |
| | If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O | | | | |
| **b** | Enter the number of voting members included in line 1a, above, who are independent . . . . . | **1b** | 2 | | |
| **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** | | Yes | |
| **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 | |
| **b** | Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? . . . . . | **7b** | | Yes | |
| **8** | Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following | | | | |
| **a** | The governing body? . . . . . | **8a** | | Yes | |
| **b** | Each committee with authority to act on behalf of the governing body? . . . . . | **8b** | | Yes | |
| **9** | Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O* . . . . . | **9** | | | No |

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

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

## Section C. Disclosure

**17** List the States with which a copy of this Form 990 is required to be filed ▶

**18** Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection Indicate how you made these available Check all that apply

☐ Own website ☐ Another's website ☑ Upon request ☐ Other (explain in Schedule O)

**19** Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year

**20** State the name, physical address, and telephone number of the person who possesses the books and records of the organization

▶Lex Anderson 1923 South Utica Avenue
Tulsa, OK 74104 (918) 744-2740

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

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

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

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

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, or highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations

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

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

| (A) Name and Title | (B) Average hours per week (list any hours for related organizations below dotted line) | (C) Position (do not check more than one box, unless person is both an officer and a director/trustee) | | | | | | (D) Reportable compensation from the organization (W- 2/1099-MISC) | (E) Reportable compensation from related organizations (W- 2/1099-MISC) | (F) Estimated amount of other compensation from the organization and related organizations |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Individual trustee or director | Institutional Trustee | Officer | Key employee | Highest compensated employee | Former | | | |
| (1) Wes Stotler DO<br>Chairman | 90<br>0 00 | X | | | | | | 0 | 0 | 0 |
| (2) Sister Theresa Gil<br>Director | 10<br>39 90 | X | | | | | | 0 | 0 | 0 |
| (3) Charles Anderson<br>Vice Chair/VP OP | 10<br>43 70 | X | | X | | | | 0 | 543,250 | 42,282 |
| (4) David Phillips<br>President & COO | 10<br>39 90 | | | X | | | | 0 | 348,338 | 56,943 |
| (5) Lex Anderson<br>Treasurer/ Sr VP, SJHS CFO | 10<br>46 10 | | | X | | | | 0 | 630,463 | 12,798 |
| (6) Kevin Steck<br>Secretary/Corp Resp Off | 10<br>54 90 | | | X | | | | 0 | 303,108 | 46,620 |
| (7) Ashley Carder<br>Pharmacist | 40 30<br>0 00 | | | | | X | | 114,174 | 0 | 15,550 |
| (8) Martha Mars<br>Chief Nursing Officer | 40 00<br>0 00 | | | | | X | | 138,685 | 0 | 36,271 |
| (9) Michael R Nevins<br>CFO | 40 00<br>40 00 | | | | | X | | 130,870 | 0 | 25,867 |
| (10) Robert O Cather<br>Regional Pharmacy Manager | 40 00<br>0 00 | | | | | X | | 147,402 | 0 | 18,254 |
| (11) Wendy C Van Matre<br>Dir Clinical & Sup Svcs | 40 00<br>0 00 | | | | | X | | 106,056 | 0 | 27,834 |
| (12) David J Pynn<br>Former Officer | 0 00<br>46 20 | | | | | | X | 0 | 1,030,811 | 59,115 |
| (13) William E Weeks<br>Former Director and Officer | 0 00<br>40 00 | | | | | | X | 0 | 686,954 | 39,126 |
| (14) Todd Hoffman MD<br>Former Director and Officer | 1 00<br>40 00 | | | | | | X | 0 | 610,668 | 42,522 |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |

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

| (A) Name and Title | (B) Average hours per week (list any hours for related organizations below dotted line) | (C) Position (do not check more than one box, unless person is both an officer and a director/trustee) | | | | | | (D) Reportable compensation from the organization (W-2/1099-MISC) | (E) Reportable compensation from related organizations (W-2/1099-MISC) | (F) Estimated amount of other compensation from the organization and related organizations |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Individual trustee or director | Institutional Trustee | Officer | Key employee | Highest compensated employee | Former | | | |
| | | | | | | | | | | |
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| | | | | | | | | | | |
| **1b** **Sub-Total** . . . . . ▶ | | | | | | | | | | |
| **c** **Total from continuation sheets to Part VII, Section A** . . . . ▶ | | | | | | | | | | |
| **d** **Total (add lines 1b and 1c)** . . . . . ▶ | | | | | | | | 637,187 | 4,153,592 | 423,182 |

**2** Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 6

| | | | Yes | No |
|---|---|---|---|---|
| **3** | Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual* . . . . . | **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? *If "Yes," complete Schedule J for such individual* . . . . . | **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? *If "Yes," complete Schedule J for such person* . . . . . | **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 |
|---|---|---|
| | | |
| | | |
| | | |
| | | |
| | | |

**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 ▶ 0

**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 | | | | |
| | e | Government grants (contributions) | 1e | 13,300 | | | |
| | 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 . . . . . ▶ | | 13,300 | | | |
| Program Service Revenue | | | Business Code | | | | |
| | 2a | Net Patient Revenue | 621990 | 58,073,636 | 58,073,636 | | |
| | b | Trauma Care Revenue | 900099 | 19,888 | 19,888 | | |
| | c | Medical Records | 900099 | 16,817 | | | 16,817 |
| | d | | | | | | |
| | e | | | | | | |
| | f | All other program service revenue | | 54,956 | | | 54,956 |
| | g | **Total.** Add lines 2a–2f . . . . . ▶ | | 58,165,297 | | | |
| | 3 | Investment income (including dividends, interest, and other similar amounts) . . . . . ▶ | | 2,649 | | | 2,649 |
| | 4 | Income from investment of tax-exempt bond proceeds . . ▶ | | | | | |
| | 5 | Royalties . . . . . ▶ | | | | | |
| | | | (i) Real / (ii) Personal | | | | |
| | 6a | Gross rents | 126,099 | | | | |
| | b | Less rental expenses | 0 | | | | |
| | c | Rental income or (loss) | 126,099 | | | | |
| | d | Net rental income or (loss) . . . . . ▶ | | 126,099 | | | 126,099 |
| | | | (i) Securities / (ii) Other | | | | |
| | 7a | Gross amount from sales of assets other than inventory | | | | | |
| | b | Less cost or other basis and sales expenses | 10,250 | | | | |
| | c | Gain or (loss) | -10,250 | | | | |
| | d | Net gain or (loss) . . . . . ▶ | | -10,250 | | | -10,250 |
| Other Revenue | 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 | Cafeteria Revenue | 722320 | 275,030 | | | 275,030 |
| | b | | | | | | |
| | c | | | | | | |
| | d | All other revenue . . . . | | | | | |
| | e | **Total.** Add lines 11a–11d . . . . . ▶ | | 275,030 | | | |
| | 12 | **Total revenue.** See Instructions . . . . . ▶ | | 58,572,125 | 58,093,524 | 0 | 465,301 |

## Part IX Statement of Functional Expenses

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

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

| Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII. | (A) Total expenses | (B) Program service expenses | (C) Management and general expenses | (D) Fundraising expenses |
|---|---|---|---|---|
| 1 Grants and other assistance to governments and organizations in the United States See Part IV, line 21 | | | | |
| 2 Grants and other assistance to individuals in the United States See Part IV, line 22 | | | | |
| 3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16 | | | | |
| 4 Benefits paid to or for members | | | | |
| 5 Compensation of current officers, directors, trustees, and key employees . . . . | 1,398,270 | 1,109,204 | 289,066 | |
| 6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . . . . | | | | |
| 7 Other salaries and wages | 14,352,929 | 10,773,270 | 3,579,659 | |
| 8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions) . . . . | 453,573 | 158,567 | 295,006 | |
| 9 Other employee benefits . . . . . | 1,374,505 | 1,259,106 | 115,399 | |
| 10 Payroll taxes . . . . . | 830,245 | 768,359 | 61,886 | |
| 11 Fees for services (non-employees) | | | | |
| a Management . . . . . | | | | |
| b Legal . . . . . | 10,244 | | 10,244 | |
| c Accounting . . . . . | 8,700 | | 8,700 | |
| d Lobbying . . . . . | 4,572 | | 4,572 | |
| e Professional fundraising services See Part IV, line 17 | | | | |
| f Investment management fees . . . . . | | | | |
| g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O) . . . . . | 5,471,308 | 4,877,373 | 593,935 | |
| 12 Advertising and promotion . . . . | 128,064 | 125,331 | 2,733 | |
| 13 Office expenses . . . . . | | | | |
| 14 Information technology . . . . . | 217,431 | 71,826 | 145,605 | |
| 15 Royalties . . | | | | |
| 16 Occupancy . . . . . | 667,742 | 610,144 | 57,598 | |
| 17 Travel . . . . . | 12,729 | 8,790 | 3,939 | |
| 18 Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . . | | | | |
| 19 Conferences, conventions, and meetings . . . . | | | | |
| 20 Interest . . . . . | 5,208,449 | 5,208,449 | | |
| 21 Payments to affiliates . . . . . | | | | |
| 22 Depreciation, depletion, and amortization . . . . . | 5,213,558 | 1,373,646 | 3,839,912 | |
| 23 Insurance . . . . . | 244,093 | | 244,093 | |
| 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 Supplies | 13,608,345 | 13,577,942 | 30,403 | 0 |
| b Oklahoma's SHOPP Fee | 1,054,767 | 0 | 1,054,767 | 0 |
| c | | | | |
| d | | | | |
| e All other expenses | 600,145 | 423,813 | 176,332 | |
| 25 **Total functional expenses.** Add lines 1 through 24e | 50,859,669 | 40,345,820 | 10,513,849 | 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 ▶ ☐ 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) Beginning of year | | (B) End of year |
|---|---|---|---|---|---|---|
| Assets | 1 | Cash–non-interest-bearing | | 1,454,506 | 1 | 1,059,572 |
| | 2 | Savings and temporary cash investments | | | 2 | |
| | 3 | Pledges and grants receivable, net | | | 3 | |
| | 4 | Accounts receivable, net | | 5,970,931 | 4 | 7,024,255 |
| | 5 | Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L | | | 5 | |
| | 6 | Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L | | | 6 | |
| | 7 | Notes and loans receivable, net | | | 7 | |
| | 8 | Inventories for sale or use | | 1,025,719 | 8 | 1,060,661 |
| | 9 | Prepaid expenses and deferred charges | | 73,994 | 9 | 10,099 |
| | 10a | Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D | 10a 103,836,974 | | | |
| | b | Less accumulated depreciation | 10b 6,376,673 | 101,702,218 | 10c | 97,460,301 |
| | 11 | Investments—publicly traded securities | | | 11 | |
| | 12 | Investments—other securities See Part IV, line 11 | | | 12 | |
| | 13 | Investments—program-related See Part IV, line 11 | | | 13 | |
| | 14 | Intangible assets | | 286,511 | 14 | 196,677 |
| | 15 | Other assets See Part IV, line 11 | | 3,756 | 15 | 353,079 |
| | 16 | **Total assets.** Add lines 1 through 15 (must equal line 34) | | 110,517,635 | 16 | 107,164,644 |
| Liabilities | 17 | Accounts payable and accrued expenses | | 8,695,626 | 17 | 2,055,933 |
| | 18 | Grants payable | | | 18 | |
| | 19 | Deferred revenue | | | 19 | |
| | 20 | Tax-exempt bond liabilities | | | 20 | |
| | 21 | Escrow or custodial account liability Complete Part IV of Schedule D | | | 21 | |
| | 22 | Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L | | | 22 | |
| | 23 | Secured mortgages and notes payable to unrelated third parties | | | 23 | |
| | 24 | Unsecured notes and loans payable to unrelated third parties | | | 24 | |
| | 25 | Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D | | 117,435,277 | 25 | 114,703,690 |
| | 26 | **Total liabilities.** Add lines 17 through 25 | | 126,130,903 | 26 | 116,759,623 |
| Net Assets or Fund Balances | | **Organizations that follow SFAS 117 (ASC 958), check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.** | | | | |
| | 27 | Unrestricted net assets | | -15,613,268 | 27 | -9,594,979 |
| | 28 | Temporarily restricted net assets | | 0 | 28 | 0 |
| | 29 | Permanently restricted net assets | | 0 | 29 | 0 |
| | | **Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ 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 | | -15,613,268 | 33 | -9,594,979 |
| | 34 | Total liabilities and net assets/fund balances | | 110,517,635 | 34 | 107,164,644 |

## Part XI Reconcilliation 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 | 58,572,125 |
| 2 | Total expenses (must equal Part IX, column (A), line 25) | 2 | 50,859,669 |
| 3 | Revenue less expenses Subtract line 2 from line 1 | 3 | 7,712,456 |
| 4 | Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) | 4 | -15,613,268 |
| 5 | Net unrealized gains (losses) on investments | 5 | |
| 6 | Donated services and use of facilities | 6 | |
| 7 | Investment expenses | 7 | |
| 8 | Prior period adjustments | 8 | -2,393 |
| 9 | Other changes in net assets or fund balances (explain in Schedule O) | 9 | -1,691,774 |
| 10 | Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B)) | 10 | -9,594,979 |

## 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 ☐ Cash ☑ Accrual ☐ 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? | 2a | | No |
| | 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 ☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis | | | |
| b | Were the organization's financial statements audited by an independent accountant? | 2b | Yes | |
| | 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 ☐ Separate basis ☑ Consolidated basis ☐ Both consolidated and separate basis | | | |
| c | 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? | 2c | Yes | |
| | If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O | | | |
| 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? | 3a | | No |
| b | If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits | 3b | | |

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# SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

## Public Charity Status and Public Support

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

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

OMB No 1545-0047

**2013**

**Open to Public Inspection**

**Name of the organization**
St John Broken Arrow Inc

**Employer identification number**
38-3833117

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

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

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

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

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

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

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

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

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

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

9 ☐ An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III )

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

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

**a** ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - Non-functionally integrated

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

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

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

| | Yes | No |
|---|---|---|
| **(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? **11g(i)** | | |
| **(ii)** A family member of a person described in (i) above? **11g(ii)** | | |
| **(iii)** A 35% controlled entity of a person described in (i) or (ii) above? **11g(iii)** | | |

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

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

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

## Section A. Public Support

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

## Section B. Total Support

| Calendar year (or fiscal year beginning in) ▶ | (a) 2009 | (b) 2010 | (c) 2011 | (d) 2012 | (e) 2013 | (f) Total |
|---|---|---|---|---|---|---|
| 7 Amounts from line 4 | | | | | | |
| 8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources | | | | | | |
| 9 Net income from unrelated business activities, whether or not the business is regularly carried on | | | | | | |
| 10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV ) | | | | | | |
| 11 **Total support** (Add lines 7 through 10) | | | | | | |

12 Gross receipts from related activities, etc (see instructions) **12**

13 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** . . . . . ▶☐

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

## Section A. Public Support

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

## Section B. Total Support

| Calendar year (or fiscal year beginning in) ▶ | (a) 2009 | (b) 2010 | (c) 2011 | (d) 2012 | (e) 2013 | (f) Total |
|---|---|---|---|---|---|---|
| 9 Amounts from line 6 | | | | | | |
| 10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources | | | | | | |
| b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975 | | | | | | |
| c Add lines 10a and 10b | | | | | | |
| 11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on | | | | | | |
| 12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV ) | | | | | | |
| 13 **Total support.** (Add lines 9, 10c, 11, and 12 ) | | | | | | |

14 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** ▶☐

## Section C. Computation of Public Support Percentage

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

## Section D. Computation of Investment Income Percentage

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

19a **33 1/3% support tests—2013.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2012.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

20 **Private foundation.** If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶☐

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

| Facts And Circumstances Test | | |
|---|---|---|
| | | |
| Return Reference | Explanation | |

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# SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

# Political Campaign and Lobbying Activities

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

▶ **Complete if the organization is described below.** ▶ **Attach to Form 990 or Form 990-EZ.**
▶ **See separate instructions.** ▶ **Information about Schedule C (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

**2013**

**Open to Public Inspection**

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

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

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

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

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

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

| Name of the organization | Employer identification number |
|---|---|
| St John Broken Arrow Inc | 38-3833117 |

## 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 | | |
| 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- | | |

| 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 |

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? ☐ Yes ☐ 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) Yes | (a) No | (b) Amount |
|---|---|---|---|---|
| 1 | During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of | | | |
| a | Volunteers? | | No | |
| b | Paid staff or management (include compensation in expenses reported on lines 1c through 1i)? | | No | |
| c | Media advertisements? | | No | |
| d | Mailings to members, legislators, or the public? | | No | |
| e | Publications, or published or broadcast statements? | | No | |
| f | Grants to other organizations for lobbying purposes? | | No | |
| g | Direct contact with legislators, their staffs, government officials, or a legislative body? | | No | |
| h | Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means? | | No | |
| i | Other activities? | Yes | | 4,572 |
| j | Total Add lines 1c through 1i | | | 4,572 |
| 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 | Lobbying expenses represent the portion of dues paid to national and state hospital associations that is specfically allocable to lobbying St John Broken Arrow, Inc does not participate in or intervene in (including the publishing or distributing of statements) any political campaign on behalf of (or in opposition to) any candidate for public office |
| | |
| | |
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| | |

**Part IV Supplemental Information *(continued)***

| Return Reference | Explanation |
|---|---|
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**SCHEDULE D** (Form 990)

Department of the Treasury
Internal Revenue Service

# Supplemental Financial Statements

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

OMB No 1545-0047

**2013**

**Open to Public Inspection**

**Name of the organization**
St John Broken Arrow Inc

**Employer identification number**
38-3833117

## 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? ☐ Yes ☐ No

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? ☐ Yes ☐ No

## 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 | 2a |
| b | Total acreage restricted by conservation easements | 2b |
| c | Number of conservation easements on a certified historic structure included in (a) | 2c |
| d | Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register | 2d |

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

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

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

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

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

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? ☐ Yes ☐ No

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

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

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items

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

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

(ii) Assets included in Form 990, Part X ▶ $ _____

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

a Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

b Assets included in Form 990, Part X ▶ $ _____

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

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

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

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

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

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

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

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

| | | Amount |
|---|---|---|
| c Beginning balance | 1c | |
| d Additions during the year | 1d | |
| e Distributions during the year | 1e | |
| f Ending balance | 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 | (c) Two years back | (d) Three years back | (e) Four years back |
|---|---|---|---|---|---|
| 1a Beginning of year balance | | | | | |
| b Contributions | | | | | |
| c Net investment earnings, gains, and losses | | | | | |
| d Grants or scholarships | | | | | |
| e Other expenditures for facilities and programs | | | | | |
| f Administrative expenses | | | | | |
| g End of year balance | | | | | |

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

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶
- c Temporarily restricted endowment ▶

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

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

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

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 | | 3,230,000 | | 3,230,000 |
| b Buildings | | 88,956,905 | 4,444,882 | 84,512,023 |
| c Leasehold improvements | | | | |
| d Equipment | | 11,543,299 | 1,931,791 | 9,611,508 |
| e Other | | 106,770 | | 106,770 |
| **Total.** Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶ | | | | 97,460,301 |

**Part VII** **Investments—Other Securities.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

| (a) Description of security or category (including name of security) | (b) Book value | (c) Method of valuation Cost or end-of-year market value |
|---|---|---|
| (1) Financial derivatives | | |
| (2) Closely-held equity interests | | |
| Other | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| **Total.** *(Column (b) must equal Form 990, Part X, col (B) line 12 )* ▶ | | |

**Part VIII** **Investments—Program Related.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

| (a) Description of investment | (b) Book value | (c) Method of valuation Cost or end-of-year market value |
|---|---|---|
| | | |
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| | | |
| | | |
| **Total.** *(Column (b) must equal Form 990, Part X, col (B) line 13 )* ▶ | | |

**Part IX** **Other Assets.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11d See Form 990, Part X, line 15

| (a) Description | (b) Book value |
|---|---|
| | |
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| | |
| | |
| | |
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| | |
| **Total.** *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶ | |

**Part X** **Other Liabilities.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

| 1 (a) Description of liability | (b) Book value |
|---|---|
| Federal income taxes | |
| Other Liabilities | 901 |
| Due to Network | 114,087,347 |
| Reclass Settlement Liability | 615,442 |
| | |
| | |
| | |
| | |
| | |
| | |
| **Total.** *(Column (b) must equal Form 990, Part X, col (B) line 25 )* ▶ | 114,703,690 |

**2.** Liability for uncertain tax positions In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740) Check here if the text of the footnote has been provided in Part XIII ☑

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

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

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

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

**Part XIII Supplemental Information**

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

| Return Reference | Explanation |
|---|---|
| Part X, Line 2 | From the consolidated audited financial statements of St John Health System, Inc , which includes the activity of St John Broken Arrow, Inc The Health Ministry accounts for uncertainty in income tax positions by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return |
| | |
| | |
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| | |

**Part XIII Supplemental Information *(continued)***

| Return Reference | Explanation |
|---|---|
| | |
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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

# Hospitals

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

OMB No 1545-0047

**2013**

**Open to Public Inspection**

**Name of the organization**
St John Broken Arrow Inc

**Employer identification number**
38-3833117

## 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 | | | |
| | ☑ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities | | | |
| 3 | Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year | | | |
| a | Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care | 3a | Yes | |
| | ☐ 100% ☐ 150% ☐ 200% ☑ Other 30000 0000000000 % | | | |
| b | Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care | 3b | Yes | |
| | ☐ 200% ☐ 250% ☑ 300% ☐ 350% ☐ 400% ☐ Other _____ % | | | |
| c | If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care | | | |
| 4 | Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"? | 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 eligibile 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) | | | 1,111,461 | 19,888 | 1,091,573 | 2 150 % |
| b Medicaid (from Worksheet 3, column a) | | | 4,360,480 | 2,593,386 | 1,767,094 | 3 470 % |
| c Costs of other means-tested government programs (from Worksheet 3, column b) | | | | | | |
| d **Total** Financial Assistance and Means-Tested Government Programs | | | 5,471,941 | 2,613,274 | 2,858,667 | 5 620 % |
| **Other Benefits** | | | | | | |
| e Community health improvement services and community benefit operations (from Worksheet 4) | | | | | | |
| 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) | | | | | | |
| j **Total.** Other Benefits | | | | | | |
| k **Total.** Add lines 7d and 7j | | | 5,471,941 | 2,613,274 | 2,858,667 | 5 620 % |

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

| | (a) Number of activities or programs (optional) | (b) Persons served (optional) | (c) Total community building expense | (d) Direct offsetting revenue | (e) Net community building expense | (f) Percent of total expense |
|---|---|---|---|---|---|---|
| 1 Physical improvements and housing | | | | | | 0 % |
| 2 Economic development | | | | | | 0 % |
| 3 Community support | | | | | | 0 % |
| 4 Environmental improvements | | | | | | 0 % |
| 5 Leadership development and training for community members | | | | | | 0 % |
| 6 Coalition building | | | | | | 0 % |
| 7 Community health improvement advocacy | | | | | | 0 % |
| 8 Workforce development | | | | | | 0 % |
| 9 Other | | | | | | 0 % |
| 10 **Total** | | | | | | |

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

**Section A. Bad Debt Expense**

| | | | Yes | No |
|---|---|---|---|---|
| 1 | Did the organization report bad debt expense in accordance with Heathcare 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 2,267,476 | | | |
| 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 | 26,514,937 |
| 6 | Enter Medicare allowable costs of care relating to payments on line 5 | 6 | 20,296,760 |
| 7 | Subtract line 6 from line 5 This is the surplus (or shortfall) | 7 | 6,218,177 |
| 8 | Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used | | |

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

**Section C. Collection Practices**

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

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

| | (a) Name of entity | (b) Description of primary activity of entity | (c) Organization's profit % or stock ownership % | (d) Officers, directors, trustees, or key employees' profit % or stock ownership % | (e) Physicians' profit % or stock ownership % |
|---|---|---|---|---|---|
| 1 | | | | | |
| 2 | | | | | |
| 3 | | | | | |
| 4 | | | | | |
| 5 | | | | | |
| 6 | | | | | |
| 7 | | | | | |
| 8 | | | | | |
| 9 | | | | | |
| 10 | | | | | |
| 11 | | | | | |
| 12 | | | | | |
| 13 | | | | | |

## Part V Facility Information

### Section A. Hospital Facilities

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

| | Name, address, primary website address, and state license number | 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 | | | | | | | | | | |
| | | | | | | | | | | | |
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## 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)

**Name of hospital facility or facility reporting group** St John Broken Arrow Inc

**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 begining 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 | **1** | Yes | |
| | If "Yes," indicate what the CHNA report describes (check all that apply) | | | |
| **a** | ☑ A definition of the community served by the hospital facility | | | |
| **b** | ☑ Demographics of the community | | | |
| **c** | ☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community | | | |
| **d** | ☑ How data was obtained | | | |
| **e** | ☑ The health needs of the community | | | |
| **f** | ☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups | | | |
| **g** | ☑ The process for identifying and prioritizing community health needs and services to meet the community health needs | | | |
| **h** | ☑ The process for consulting with persons representing the community's interests | | | |
| **i** | ☑ Information gaps that limit the hospital facility's ability to assess the community's health needs | | | |
| **j** | ☐ Other (describe in Part VI) | | | |
| **2** | Indicate the tax year the hospital facility last conducted a CHNA 20 12 | | | |
| **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? | **5** | Yes | |
| | If "Yes," indicate how the CHNA report was made widely available (check all that apply) | | | |
| **a** | ☑ Hospital facility's website (list url) See Narrative | | | |
| **b** | ☐ Other website (list url) | | | |
| **c** | ☑ Available upon request from the hospital facility | | | |
| **d** | ☐ 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** | ☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA | | | |
| **b** | ☑ Execution of the implementation strategy | | | |
| **c** | ☑ Participation in the development of a community-wide plan | | | |
| **d** | ☑ Participation in the execution of a community-wide plan | | | |
| **e** | ☐ Inclusion of a community benefit section in operational plans | | | |
| **f** | ☑ Adoption of a budget for provision of services that address the needs identified in the CHNA | | | |
| **g** | ☑ Prioritization of health needs in its community | | | |
| **h** | ☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community | | | |
| **i** | ☐ 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** | Yes | |
| **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 *free* care? | **10** | Yes | |
| If "Yes," indicate the FPG family income limit for eligibility for free care 300 000000000000% If "No," explain in Part VI the criteria the hospital facility used | | | |
| **11** Used FPG to determine eligibility for providing *discounted* care? | **11** | Yes | |
| If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 000000000000% If "No," explain in Part VI the criteria the hospital facility used | | | |
| **12** Explained the basis for calculating amounts charged to patients? | **12** | Yes | |
| If "Yes," indicate the factors used in determining such amounts (check all that apply) | | | |
| **a** ☑ Income level | | | |
| **b** ☑ Asset level | | | |
| **c** ☑ Medical indigency | | | |
| **d** ☑ Insurance status | | | |
| **e** ☑ Uninsured discount | | | |
| **f** ☑ Medicaid/Medicare | | | |
| **g** ☐ State regulation | | | |
| **h** ☐ Residency | | | |
| **i** ☐ 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? | **14** | Yes | |
| If "Yes," indicate how the hospital facility publicized the policy (check all that apply) | | | |
| **a** ☐ The policy was posted on the hospital facility's website | | | |
| **b** ☐ The policy was attached to billing invoices | | | |
| **c** ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms | | | |
| **d** ☐ The policy was posted in the hospital facility's admissions offices | | | |
| **e** ☐ The policy was provided, in writing, to patients on admission to the hospital facility | | | |
| **f** ☑ The policy was available upon request | | | |
| **g** ☑ 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** ☐ Reporting to credit agency | | | |
| **b** ☐ Lawsuits | | | |
| **c** ☐ Liens on residences | | | |
| **d** ☐ Body attachments | | | |
| **e** ☐ 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** ☐ Reporting to credit agency | | | |
| **b** ☐ Lawsuits | | | |
| **c** ☐ Liens on residences | | | |
| **d** ☐ Body attachments | | | |
| **e** ☐ 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? . . . . . | **19** | Yes | |
| If "No," indicate why | | | |
| **a** ☐ The hospital facility did not provide care for any emergency medical conditions | | | |
| **b** ☐ The hospital facility's policy was not in writing | | | |
| **c** ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI) | | | |
| **d** ☐ Other (describe in Part VI) | | | |

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

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

## Part V Facility Information *(continued)*

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

| Form and Line Reference | Explanation |
|---|---|
| See Additional Data Table | |
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**Part V Facility Information** *(continued)*

**Section D. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility**
(list in order of size, from largest to smallest)

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

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

## Part VI Supplemental Information

Provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II and Part III, lines 2, 3, 4, 8 and 9b

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc )

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

| Form and Line Reference | Explanation |
|---|---|
| Part I, Line 6a | The Hospital is a wholly-owned (wholly-sponsored) subsidiary of St John Health System, Inc - EIN 73-1215174 ("SJHS") SJHS prepared a consolidated community benefit report for the consolidated organization for this tax year The report is made available on demand and is referenced by the Organization in a number of public meetings and community outreach activities |

| Form and Line Reference | Explanation |
| --- | --- |
| Part I, Line 7 | Costs were determined using a cost to charge ratio derived from Worksheet 2, Patient Care Cost to Charges |

| Form and Line Reference | Explanation |
| --- | --- |
| Part III, Line 2 | Accounts are written off to bad debt after all internal collection efforts have been exhausted Attempts to resolve these outstanding balances can include, but are not limited to statements being sent, phone calls and letters being sent Account follow up protocol is based on personal pay balance size owed |

| Form and Line Reference | Explanation |
| --- | --- |
| Part III, Line 3 | St John Broken Arrow, Inc has a very robust financial assistance program, therefore, no estimate is made for bad debt attributed to financial assistance eligible patients |

| Form and Line Reference | Explanation |
| --- | --- |
| Part III, Line 4 | From the consolidated audited financial statements of St John Health System, Inc , which includes the activity of St John Broken Arrow, Inc The provision for doubtful accounts is based upon management's assessment of expected net collections considering economic conditions, historical experience, trends in health care coverage, and other collection indicators Periodically throughout the year, management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience by payor category, including those amounts not covered by insurance The results of this review are then used to make any modifications to the provision for doubtful accounts to establish an appropriate allowance for doubtful accounts After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, the Health Ministry follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by Ascension Health Accounts receivable are written off after collection efforts have been followed in accordance with the Health Ministry's policies The methodology for determining the allowance for doubtful accounts and related write-offs on uninsured patient accounts has remained consistent with the prior year The Health Ministry has not experienced material changes in write-off trends and has not materially changed its charity care policy in the current fiscal year |

| Form and Line Reference | Explanation |
| --- | --- |
| Part III, Line 8 | St John Broken Arrow, Inc follows the Catholic Health Association ("CHA") guidelines for determining community benefit CHA community benefit reporting guidelines suggest that Medicare shortfall is not treated as community benefit |

| Form and Line Reference | Explanation |
| --- | --- |
| Part III, Line 9b | The Organization has a written debt collection policy that also includes a provision on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance If a patient qualifies for charity or financial assistance certain collection practices do not apply |

| Form and Line Reference | Explanation |
| --- | --- |
| Part VI, Line 2 | The Hospital conducted a Community Health Needs Assessment jointly with its parent entity - SJHS SJHS participates in ongoing community-based needs assessments Some of the most significant recent activity includes commissioning of a Community Health Needs Assessment and plan for improving community health care conducted by the Tulsa County Health Department and released in 2013 The 2013 assessment has been posted to the Hospital and Health System websites (www stjohnbrokenarrow com) Many major community health care service organizations participated in these studies In addition to the above, SJHS through, its subsidiary St John Medical Center, Inc , has established a Medical Access Program ("MAP") that is attempting to improve and expand access to health care services to the most vulnerable members of the Tulsa community All SJHS Tulsa Hospitals including St John Medical Center, Inc (Tulsa), Owasso Medical Facility, Inc , St John Sapulpa, Inc , and St John Broken Arrow, Inc participate in this initiative This program is overseen by representatives of St John, the George Kaiser Family Foundation, trustees of the Chapman trusts and The University of Oklahoma Tulsa School of Community Medicine The MAP program includes participation of other health care providers including Good Samaritan clinics, Day Center for the Homeless, Community Health Connections FQHC, Morton Health FQHC, and a network of volunteer physician providers and other organizations The MAP program regularly receives input from all these organizations on needed services in the community which helps to prioritize the limited resources available to address community needs |

| Form and Line Reference | Explanation |
| --- | --- |
| Part VI, Line 3 | The Hospital has a team of financial counselors who, prior to discharge, attempt to visit in person with all uninsured inpatients and all inpatients likely to qualify for medical indigency to explain our financial assistance policies and help guide them through the process of applying for financial assistance We also attempt to meet with all the families of all Medicaid beneficiaries or individuals who we believe could potentially qualify for Medicaid to help them apply for coverage The Hospital mentions the existence of the Financial Assistance Policy and provides a phone number to call on its website, in admitting materials, on all invoices for services sent to patients, and in other ways |

| Form and Line Reference | Explanation |
| --- | --- |
| Part VI, Line 4 | As described above the Hospital is part of the St John Health System, Inc ("SJHS") Although SJHS provides a full spectrum of health related services throughout Northeastern Oklahoma, its tertiary operations and a large part of its other services are concentrated in the Tulsa Metropolitan Statistical Area (the "Tulsa MSA") According to the 2010 Census, the State of Oklahoma had a resident population of 3,751,351 persons compared to 3,450,654 persons in 2000 This is an 8 7% increase The U S Census Bureau estimated that in 2009 13 5% of the Oklahoma resident population was eligible for Medicare, compared to 14 7% in 2000 Tulsa County, Oklahoma and the counties that make up the Tulsa MSA, according to the 2010 Census, had populations of 603,403 and 1,006,460, respectively This compares to populations of 563,299 and 803,235persons, respectively in 2000 and represents population growth of 7 1% and 25 5%, respectively The data shows that the counties in the Tulsa MSA that surround Tulsa County grew much faster from 2000 to 2010 At the same time, the population within Tulsa County shifted away from the city of Tulsa and to suburbs such as Owasso and Broken Arrow The cities of Broken Arrow and Owasso were two of the fastest growing communities in Oklahoma between 2000 and 2010 The population of the city of Owasso grew 56% to 28,915 from 2000 to 2010 and the population of the city of Broken Arrow grew 32% to 98,850 from 2000 to 2010 Wagoner County (southeast ofTulsa) and Rogers County (northeast of Tulsa) showed the two highest population growth rates from 2000 to 2010 Every county in the 8 county Tulsa MSA except Pawnee County grew in population from 2000 to 2010 Washington County, directly north of Tulsa County and which includes the city of Bartlesville (and Jane Phillips Memorial Medical Center), also grew in population from 2000 to 2010 When the population of Washington County is added to the population of the Tulsa County, the 2010 combined population was 1,059,436 There is significant disparity in the general health of populations within the service area depending upon where an individual lives and to what socioeconomic and ethnic group they belong Citizens who reside in "North" Tulsa and in some areas of "East" and "West" Tulsa generally have poorer health and shorter life spans than individuals who live in "South" Tulsa Members of minority groups (many of whom reside in the geographic areas described above) share these same health characteristics It has been demonstrated that these individuals have less access to regular health care services, including specialty care, and many seek even their primary care in hospital emergency rooms, including all of the SJHS Hospitals Some significant minority groups in the Hospital's and SJHS's principal service area include Native Americans, Hispanics and African Americans Each of these groups share common socioeconomic challenges making them more likely to be poor and be uninsured for health care Each of these groups has unique ethnic health risk factors that contribute to health status that is generally poorer than their White counterparts However, even among the White population in the Hospital's service area, there is a significant adverse health care status In general, Oklahoma (including the Hospital's service area) ranks near the bottom in many if not most measures of health status in the U S There are high rates of smoking, diabetes, obesity, upper respiratory illness, chronic heart conditions and many other factors There are high rates of uninsured and underinsured individuals and families in the communities and geographies served by the Hospital which create many challenges in meeting the demand for basic services and in improving the health status of the population |

| Form and Line Reference | Explanation |
| --- | --- |
| Part VI, Line 5 | St John is a growing integrated delivery system that serves Northeastern Oklahoma and the surrounding area It has grown significantly in recent years, with increasing revenues from outpatient and physician professional services as well as other post-acute services Acute care services are provided on six hospital campuses that are owned by St John The owned hospitals are St John Medical Center, Inc (the tertiary center in Tulsa, Oklahoma), Jane Phillips Memorial Medical Center in Bartlesville, St John Owasso in Owasso, Oklahoma, St John Broken Arrow, Inc , St John Hospital Nowata, Inc , a critical access hospital in Nowata, Oklahoma, and St John Sapulpa, Inc , a critical access hospital in Sapulpa, Oklahoma Acute care services are also provided at two additional rural critical access hospitals which are owned or managed by Jane Phillips Diagnostic services and certain acute care services are also provided in a variety of free standing (including hospital-based) settings The St John System now includes more than 450 employed physicians and "mid-level providers", and several urgent care clinics, as well as retirement and skilled nursing facilities, including some targeted specifically to serve low-income and physically disabled individuals and other health care providers St John is attempting to promote community health in several ways Most of the affiliated primary care physicians have or are establishing "medical home" models of care that are attempting to improve health status of their patients by better emphasizing preventive care and health screening and by better management of chronic disease This includes participation in the Medicare Comprehensive Primary Care Initiative The affiliated primary care physicians utilize a sophisticated electronic medical record that helps provide real time information to make it easier to manage patients' care The Hospital and the other hospitals in the System have invested heavily in clinical information systems and electronic medical records to better manage patient care during each episode of acute care St John is investing in new systems of care to provide better coordination of care between all the different providers responsible for portions of each patient's care with an emphasis on prevention, screening and coordination of chronic care The Hospital and SJHS have invested in tertiary services that are needed by the community Examples of which include development of Oklahoma's only ACS Level II Trauma Center (the highest accredited center in Tulsa), Northeastern Oklahoma's only JCAHO-accredited stroke center, neonatal intensive care, sophisticated medical technology including all-digital diagnostic radiology, cyberknife and other forms of radiation therapy, DaVinci robotic surgery, an endovascular operating suite, orthopedic and neuro surgical centers of excellence, sophisticated cardiovascular care that emphasizes rapid and effective intervention for heart attack victims and preventive care for those with chronic heart conditions The Hospital has an open medical staff and has community, religious and physician representatives serving on its board SJHS has created and is continuing to create systems and policies to promote better coordination of care and allocation of resources throughout the System The Hospital participates in many community-wide health screening and health education events as well as hosting many such events that are open to the public The Hospital and SJHS continue to invest in medical education to support the expansion of physicians, nurses and allied health professionals that will serve the current and future generations of patients in the service area The Hospital participates in SJHS's coordinated effort to assess community need collaboratively with other interested parties in the community and to allocate capital and human resources to address the needs of the entire service area Finally as one of only two major tax-exempt health systems in our service area, St John reinvests 100% of any profits generated into new or expanded services for the community |

| Form and Line Reference | Explanation |
| --- | --- |
| Part VI, Line 6 | St John Health System, Inc ("St John" or "the Health Ministry") is a member of Ascension Health St John became a member of Ascension Health on April 1, 2013 In December 2011, Ascension Health Alliance, doing business as Ascension, became the sole corporate member and parent organization of Ascension Health, a Catholic, national health system consisting primarily of nonprofit corporations that own and operate local health care facilities, or Health Ministries, located in 23 of the United States and the District of Columbia In addition to serving as the sole corporate member of Ascension Health, Ascension serves as the member or shareholder of various other subsidiaries Ascension, its subsidiaries, and the Health Ministries are referred to collectively from time to time hereafter as the System Ascension is sponsored by Ascension Sponsor, a Public Juridic Person The participating entities of Ascension Sponsor are the Daughters of Charity of St Vincent de Paul, St Louise Province, the Congregation of St Joseph, the Congregation of the Sisters of St Joseph of Carondelet, the Congregation of Alexian Brothers of the Immaculate Conception Province - American Province and the Sisters of the Sorrowful Mother of the Third Order of St Francis of Assisi - US/Caribbean Province St John, headquartered in Tulsa, Oklahoma, and with facilities located throughout Northeastern Oklahoma is an Oklahoma nonprofit health system It owns and operates an integrated tertiary health care delivery system that provides services primarily in Northeastern Oklahoma St John Health System, Inc and its subsidiaries, affiliates, and employed and affiliated physicians, provide health care services for patients of all ages across a broad continuum of care, from physician primary care and specialty services to ambulatory and inpatient acute and post-acute services, and including senior nursing and senior living services The Health Ministry is related to Ascension Health's other sponsored organizations through common control Substantially all expenses of the Health Ministry are related to providing health care services The accompanying consolidated financial statements includes the accounts of St John Health System, Inc and its subsidiaries Principal subsidiaries as of June 30, 2014, include the following - St John Medical Center, Inc - Jane Phillips Memorial Medical Center- Owasso Medical Facility, Inc - St John Broken Arrow, Inc - St John Health System Foundation, Inc - St John Villas, Inc - St John Sapulpa, Inc - Jane Phillips Nowata Hospital, Inc - St John Building Corporation- Utica Services, Inc and subsidiaries- SJFI, LLCMission The System directs its governance and management activities toward strong, vibrant, Catholic Health Ministries united in service and healing, and dedicates its resources to spiritually centered care which sustains and improves the health of the individuals and communities it serves In accordance with the System's mission of service to those persons living in poverty and other vulnerable persons, each Health Ministry accepts patients regardless of their ability to pay The System uses four categories to identify the resources utilized for the care of persons living in poverty and community benefit programs - Traditional charity care includes the cost of services provided to persons who cannot afford healthcare because of inadequate resources and/or who are uninsured or underinsured - Unpaid cost of public programs represents the unpaid cost of services provided to persons covered by public programs for the persons living in poverty and other vulnerable persons - Cost of other programs for the persons living in poverty and other vulnerable persons includes programs intentionally designed to serve the persons living in poverty and other vulnerable persons of the community including substance abusers, the homeless, victims of child abuse and persons with acquired immune deficiency syndrome - Community benefit consists of the unreimbursed costs of community benefit programs and services for the general community, not solely for persons living in poverty and other vulnerable persons, including health promotion and education, health clinics and screenings and medical research Discounts are provided to all uninsured patients, including those with the means to pay Discounts provided to those patients who did not qualify for assistance under charity care guidelines are not included in the cost of providing care of persons living in poverty and other community benefit programs The cost of providing care to persons living in poverty and other community benefit programs is estimated by reducing charges forgone by a factor derived from the ratio of each entity's total operating expenses to the entity's billed charges for patient care The amount of traditional charity care provided, determined on the basis of cost, was approximately $32,442,000 for the year ended June 30, 2014 |

| Form and Line Reference | Explanation |
|---|---|
| Community Benefit Report | St John Health System, Inc 's (the "St John System" or "St John") mission is to improve the health status of the individuals who live in the communities we serve with a special emphasis on the poor and vulnerable among us, faithful to the teaching of Jesus Christ and the values of our Sponsors and the Catholic Church Our promise to our patients and to ou r communities is to provide medical excellence and compassionate care We strive to provid e healthcare that works, healthcare that is safe and healthcare that leaves no one behind To meet this mission the St John System has operated since the 1920's, growing from a fle dgling community hospital in what was then the southern edge of Tulsa, Oklahoma to an inte grated health care delivery system serving Northeastern Oklahoma and surrounding states T he St John System includes 7,000 associates, 450 employed physicians and advanced practi ce providers, hundreds more independent physicians and dozens of volunteers They serve pa tients in six owned hospitals operating nearly 800 beds, several senior nursing and housin g facilities, dozens of physician offices, clinics and urgent care centers, a reference la boratory, and partnerships and ventures that include a health insurance company, several a mbulatory surgery centers and other health care activities Together, our associates, phys icians and volunteers touch the lives of thousands of patients every day, including the po or and the vulnerable In each of the last four fiscal years, the St John System provided total estimated community benefit (utilizing the measurement criteria of the U S Catholic Health Association) of more than $81 1 million These amounts represented more than 8% of total operating expenses in each year The St John System is committed to continue the l egacy of health care excellence and service started by our original founders and sponsors the Sisters of the Sorrowful Mother by continuing to provide vital services to the communi ties with continued emphasis on service to the poor and powerless Our Mission and Values Our mission of service and our Catholic values compel us to fulfill our promise of medical excellence and compassionate care to all who need our services with a special emphasis on service to the poor and the powerless We will do this by providing health care that wor ks, health care that is safe, and health care that leaves no one behind We will endeavor to establish trusted relationships with our patients over their entire lives seeking to i mprove their health and working to health their minds and bodies when afflicted by injury or illness Health Care that Works Our vision calls us to ensure service that is committed to health and well-being for our communities and that responds to the needs of individuals throughout their lives Healthcare that Works includes establishing a trusted relationshi p between each patient and their health care professionals so that they receive the care t hey need, including preventative care, when they need it and in a manner that meets their service expectations We expect our patients to be actively involved in their own health c are participating in informed decisions that will strive to make them healthier Health ca re that works assumes that the care provided is person-centered and based on the best avai lable medical evidence, reliably delivered Becoming truly person-centered requires shifts in focus from traditional models of health care to build an effective and trusted relatio nship with each patient over their lifetime across the continuum of care emphasizing preve ntion and wellness, disease management, and a medical home that promotes a spiritually-cen tered, holistic approach to supporting a person's health and well-being Health care that works strives to make sure the value of the care received is exceptional but at an accepta ble economic cost both to the individual and to society Health Care that is Safe St John is striving to become a "high reliability" organization High reliability means that we wi ll be exceptionally consistent in accomplishing goals and avoiding catastrophic errors in everything we do In providing health care services, this means reducing medical errors by providing our clinicians and our patients with decision support tools to ensure the care provided is consistently based on sound scientific evidence of effectiveness Physicians a nd nurses are leading our quality efforts Among our clinical areas of focus for improveme nt are goals to reduce hospital acquired conditions and hospital readmissions Some specif ic areas of clinical focus include reducing - Adverse Drug Events (ADE),- Catheter Urinar y Tract Infections (CAUTI),- Central Line Blood Stream Infections (CLABSI),- Surgical Site Infections (SSI),- Ventilator Associated Pneumonia (VAP),- Injuries from Falls and Immobi lity,- Obstetrical Adverse Events,- Pressure Ulcers, and- Venous Thromboembolism (VTE) Hea lthcare that Leaves No One Behind We will continue |

| Form and Line Reference | Explanation |
| --- | --- |
| Community Benefit Report | to advocate for state and federal public policy that recognizes the inherent value of all members of society and provides support systems and adequate funding sources to ensure al l of those among us have access to the health care they need This includes providing affo rdable access to health care for everyone in the U S in a financially sustainable way Our Enabling Strengths We will use our enabling strengths to achieve our mission and vision Those strengths include a model community of inspired people working to provide our servi ces and achieve our mission, empowering knowledge clinical and business information system s that provide our associates actionable, timely data and information upon which they can make informed decisions, the creation of trusted partnerships with external partners to ex pand our capabilities, complement our service offerings and fulfill our mission, and achie ving vital presence in the communities we serve This vital presence contemplates creation and continuation of important safety net services, world-class centers of clinical excell ence and creation of medical homes that promote each individual's participation in their o wn health and well-being and which create and sustain the infrastructure for promoting hea lth communities Our Point of V iew Health care delivery and financing in the U S must chan ge The cost of the current system relative to the value that communities and individuals are receiving is not sustainable In order to meet the health care needs and contribute to economic vitality of communities, with special attention to the poor and vulnerable, heal th care providers must fundamentally reconfigure delivery systems, care processes and cost structures Delivering safe, high-quality care that is low cost with an exceptional patie nt experience will increasingly require providers to have a strong regional presence, inte grated physician relationships and capabilities across the care continuum Sustaining the St John mission into the future will require a more continuous, dynamic relationship with those we serve and the ability to share risk with healthcare purchasers, as opportunities for inpatient growth or commercial rate increases will be limited The movement to managi ng health of defined populations demands massive transformational change This requires ra pid assessment, assembly and deployment of the necessary capabilities We believe the St John System is well positioned to lead this transformation Community Needs Assessment The St John System and each St John Hospital have completed a Community Health Needs Assessm ent to help us identify the priorities for the limited resources we have to address commun ity need We partnered with the Tulsa County Health Department, other public and private h ealth care, educational and community service organizations throughout the service area to complete the assessments and we are now working to enhance our response to the identified needs Additional information will be forthcoming about our specific future responses to our assessment of community need Community Benefit The community benefit provided by the S t John System includes uncompensated care for the poor, support for the education of med ical professionals, provision of subsidized health services, support for other community o rganizations, initiatives to improve community health, and medical research to be some of the key areas of focus for providing community benefit The St John System does not inclu de amounts recorded as bad debt, shortfalls in the difference between payment for and cost of service to Medicare beneficiaries, payment of property, sales, use, income, payroll, a nd other taxes, considerable economic value provided to the local communities in which we operate as components of community benefit Care for the Poor "Care for the Poor" (which in cludes the estimated cost of services provided to patients who qualify for financial assis tance (charity) and the uncompensated co |

## Additional Data

**Software ID:**
**Software Version:**
**EIN:** 38-3833117
**Name:** St John Broken Arrow Inc

### 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 |
|---|---|
| St John Broken Arrow, Inc | |
| St John Broken Arrow, Inc | Part V, Section B, Line 4 The other hospital facilities with which the reporting Hospital facility conducted its CHNA, include - St John Medical Center, Inc (Tulsa)- Owasso Medical Facility, Inc - St John Sapulpa, Inc - Jane Phillips Memorial Medical Center (Bartlesville)- Jane Phillips Nowata Hospital, Inc |
| St John Broken Arrow, Inc | Part V, Section B, Line 7 The Hospital facility's Implementation Strategy is listed on the following website http //www stjohnhealthsystem com/about/community-needs-health-assessment |
| St John Broken Arrow, Inc | Part V, Section B, Line 14g Signs are posted in waiting rooms and at the admissions offices to notify patients that the Hospital has a financial assistance policy In addition, every billing statement, the Hospital's website, and admission packets include information regarding the financial assistance policy The policy is provided at the request of the patient |
| St John Broken Arrow, Inc | Part V, Section B, Line 20d St John Broken Arrow, Inc provides a 30% discount on gross charges and 15% prompt pay discount to all uninsured patients Patients who are determined to be eligible for financial assistance receive an additional charity care discount equal to 100% of the remaining amount due |
| Part V, Section B, Line 5a | The Hospital facility's CHNA is listed on the following website http //www stjohnhealthsystem com/about/community-needs-health-assessment |

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**Schedule J** (Form 990)

Department of the Treasury
Internal Revenue Service

# Compensation Information

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

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, line 23.**
▶ **Attach to Form 990.** ▶ **See separate instructions.**
▶ **Information about Schedule J (Form 990) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

**2013**

**Open to Public Inspection**

Name of the organization
St John Broken Arrow Inc

**Employer identification number**
38-3833117

## Part I Questions Regarding Compensation

| | | | Yes | No |
|---|---|---|---|---|
| **1a** | Check the appropiate 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 | | | |
| | ☐ First-class or charter travel | ☐ Housing allowance or residence for personal use | | |
| | ☐ Travel for companions | ☐ Payments for business use of personal residence | | |
| | ☐ Tax idemnification and gross-up payments | ☐ Health or social club dues or initiation fees | | |
| | ☐ Discretionary spending account | ☐ Personal services (e g , maid, chauffeur, chef) | | |
| **b** | If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain | **1b** | | |
| **2** | Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, officers, including the CEO/Executive Director, regarding the items checked in line 1a? | **2** | | |
| **3** | Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III | | | |
| | ☐ Compensation committee | ☐ Written employment contract | | |
| | ☐ Independent compensation consultant | ☐ Compensation survey or study | | |
| | ☐ Form 990 of other organizations | ☐ Approval by the board or compensation committee | | |
| **4** | During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization | | | |
| **a** | Receive a severance payment or change-of-control payment? | **4a** | | No |
| **b** | Participate in, or receive payment from, a supplemental nonqualified retirement plan? | **4b** | Yes | |
| **c** | Participate in, or receive payment from, an equity-based compensation arrangement? | **4c** | | No |
| | If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III | | | |
| | **Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.** | | | |
| **5** | For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of | | | |
| **a** | The organization? | **5a** | | No |
| **b** | Any related organization? | **5b** | | No |
| | If "Yes," to line 5a or 5b, describe in Part III | | | |
| **6** | For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of | | | |
| **a** | The organization? | **6a** | | No |
| **b** | Any related organization? | **6b** | | No |
| | If "Yes," to line 6a or 6b, describe in Part III | | | |
| **7** | For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III | **7** | Yes | |
| **8** | Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in Regulations section 53 4958-4(a)(3)? If "Yes," describe in Part III | **8** | | No |
| **9** | If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)? | **9** | | |

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

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

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

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

## Part III Supplemental Information

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

| Return Reference | Explanation |
|---|---|
| Part I, Line 3 | St John Health System, Inc , a related organization of St John Broken Arrow, Inc , uses the following methods to establish the compensation of the Organization's President -Compensation Committee -Independent Compensation Consultant -Compensation Survey or Study -Approval by the Board or Compensation Committee |
| Part I, Line 4b | Eligible executives participate in a program that provides for supplemental retirement benefits The payment of benefits under the program, if any, is entirely dependent upon the facts and circumstances under which the executive terminates employment with the Organization Benefits under the program are unfunded and non-vested Due to the substantial risk of forfeiture provision, there is no guarantee that these executives will ever receive benefit under the program Any amount ultimately paid under the program to the executive is reported as compensation on Form 990, Schedule J, Part II, Column B in the year paid The following individuals received current year distributions of David Phillips $24,865 Kevin Steck $24,863 Lex Anderson $39,712 David J Pynn $73,064 Charles Anderson $31,269 William E Weeks $38,728 |
| Part I, Line 7 | St John Health System, Inc is the controlling member organization of an integrated healthcare system ("System") The System has established an executive accountability and financial incentive plan that encourages the executives' participation in the significant improvements of the quality, financial, growth, and human resource related operations of the Organization Eligibility is triggered when the System meets certain earnings and community benefits targets, however payments received under the plan are not based on the earnings of the Organization Executives receive points under a plan scoring system for meeting their predetermined goals The points are then entered into the plan formula to determine the executives' incentive compensation Maximum payments under the financial incentive plan are twenty percent of base pay for most executives and 25% of base pay for the System CEO there is a small discretionary element to the plan, generally equal up to 6 0% of base pay (up to 30% of the total plan pay out) |

## Additional Data

**Software ID:**
**Software Version:**
**EIN:** 38-3833117
**Name:** St John Broken Arrow Inc

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

| (A) Name | | (B) Breakdown of W-2 and/or 1099-MISC compensation | | | (C) Deferred compensation | (D) Nontaxable benefits | (E) Total of columns (B)(i)-(D) | (F) Compensation reported in prior Form 990 or Form 990-EZ |
|---|---|---|---|---|---|---|---|---|
| | | (i) Base Compensation | (ii) Bonus & incentive compensation | (iii) Other compensation | | | | |
| Charles Anderson Vice Chair/VP OP | (I) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (II) | 460,609 | 34,282 | 48,359 | 23,000 | 19,282 | 585,532 | 31,269 |
| David Phillips President & COO | (I) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (II) | 252,739 | 43,027 | 52,572 | 40,500 | 16,443 | 405,281 | 24,865 |
| Lex Anderson Treasurer/ Sr VP, SJHS CFO | (I) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (II) | 490,729 | 73,048 | 66,686 | 0 | 12,798 | 643,261 | 39,712 |
| Kevin Steck Secretary/Corp Resp Off | (I) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (II) | 231,739 | 33,913 | 37,456 | 38,731 | 7,889 | 349,728 | 24,863 |
| Martha Mars Chief Nursing Officer | (I) | 131,069 | 7,528 | 88 | 17,500 | 18,771 | 174,956 | 0 |
| | (II) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Michael R Nevins CFO | (I) | 122,959 | 7,662 | 249 | 12,055 | 13,812 | 156,737 | 0 |
| | (II) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Robert O Cather Regional Pharmacy Manager | (I) | 144,336 | 533 | 2,533 | 2,600 | 15,654 | 165,656 | 0 |
| | (II) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| David J Pynn Former Officer | (I) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (II) | 806,709 | 121,006 | 103,096 | 40,500 | 18,615 | 1,089,926 | 73,064 |
| William E Weeks Former Director and Officer | (I) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (II) | 564,200 | 62,988 | 59,766 | 23,000 | 16,126 | 726,080 | 38,728 |
| Todd Hoffman MD Former Director and Officer | (I) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (II) | 303,166 | 0 | 307,502 | 17,500 | 25,022 | 653,190 | 0 |

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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
St John Broken Arrow Inc

**Employer identification number**
38-3833117

| Return Reference | Explanation |
|---|---|
| Part V, Question 2a | Statements Regarding Other IRS Filings and Tax Compliance The salaries reflected on Form 990 were all reported on the Form 941 Employer's Quarterly Federal Tax Return of St John Medical Center, Inc These salaries were reimbursed to SJMC by the filing organization and were included in the number of employees on SJMC's calendar year 2013 Form W-3 The number of employees reported on Part V, Line 2a of Form 990 by the filing organization represents the number of employees providing services to the filing organization during calendar year 2013 |

| Return Reference | Explanation |
| --- | --- |
| Form 990, Part VI, Section A, line 2 | Many of the persons listed on Part VII have a "business relationship" with each other by virtue of employment by St John Health System, Inc related entities |

| Return Reference | Explanation |
| --- | --- |
| Form 990, Part VI, Section A, line 6 | St John Broken Arrow, Inc has a single corporate member, St John Health System, Inc |

| Return Reference | Explanation |
| --- | --- |
| Form 990, Part VI, Section A, line 7a | St John Broken Arrow, Inc has a single corporate member, St John Health System, Inc , who has the ability to elect members to the governing body of St John Broken Arrow, Inc |

| Return Reference | Explanation |
| --- | --- |
| Form 990, Part VI, Section A, line 7b | All decisions that have a material impact to St John Broken Arrow, Inc 's financial information or corporation as a whole are subject to approval by its sole corporate member, St John Health System, Inc Ascension Health, the sole corporate member of St John Health System, Inc , has designated a system authority matrix which assigns authority for key decisions that are necessary in the operation of the System Specific areas that are identified in the authority matrix are new organizations & major transactions, governing documents, appointments/removals, evaluation, debt limits, strategic & financial plans, assets, system policies & procedures These areas are subject to certain levels of approval by Ascension per the system authority matrix |

| Return Reference | Explanation |
| --- | --- |
| Form 990, Part VI, Section B, line 11 | St John Broken Arrow, Inc (SJBA) is an affiliate of the St John Health System, Inc (SJHS) SJHS has hired a third party preparer experienced in the preparation of Form 990 to assist in the preparation of the return The Executive Vice President/Chief Financial Officer and Controller of SJHS will work closely with the paid preparer in gathering the information for the return and will perform the initial detailed review of the return The return will then be reviewed by the SJHS Audit Committee (as delegated by the Board of the filing organization) A copy of the return will be provided to all voting board members of the filing organization prior to filing |

| Return Reference | Explanation |
| --- | --- |
| Form 990, Part VI, Section B, line 12c | At every fiscal year end, St John Health System, Inc (SJHS) distributes a copy of the current Conflict of Interest Policy and Procedure Bulletin, together with an explanation and questionnaire to the members of the Board of Directors, administrative officers and key employees of SJHS, its subsidiaries and affiliates, including St John Broken Arrow, Inc The board members, administrative officers and key employees of SJHS, its subsidiaries and affiliates must complete the questionnaire and return it to the designated SJHS official within two weeks of receipt Completed questionnaires are reviewed and summarized by the Vice President, Corporate Compliance and Integrity, or his/her designee That individual then presents the questionnaire results to the heads of each hospital for further provision to the various boards' Audit and Compliance Committees The Audit and Compliance Committees, as appropriate, submit a confidential report to their Board Chairman summarizing the questionnaire results The Board Chairman, as appropriate, may review with the Executive Committee the responses to the questionnaire results Members of a committee with governing board delegated powers annually sign a statement which affirms such person has received a copy of the Conflict of Interest Policy, has read and understands the Policy, has agreed to comply with the Policy, and understands that the Organization is charitable and, in order to maintain its federal tax exemption, it must engage primarily in activities which accomplish its tax-exempt purpose |

| Return Reference | Explanation |
| --- | --- |
| Form 990, Part VI, Section B, line 15 | Compensation for all executives in St John Health System, Inc (SJHS), of which St John Broken Arrow, Inc is a part, is analyzed by an independent health care consulting firm The analysis includes a fair market value assessment and establishment of a range for each position based on research of comparable health care systems of similar size The report and recommended compensation levels for each executive management position is reviewed and approved by the Executive Compensation Committee of the SJHS Board of Directors |

| Return Reference | Explanation |
| --- | --- |
| Form 990, Part VI, Section C, line 19 | The Organization will provide any documents open to public inspection upon request |

| Return Reference | Explanation |
| --- | --- |
| Form 990, Part VII, Section B | Independent Contractor Reporting Compensation of independent contractors is paid by and reported on the Form 1096, Annual Summary and Transmittal of U S Information Returns, of St John Medical Center, Inc EIN 73-0579286 Expenses are allocated to and reimbursed by the filing organization to St John Medical Center, Inc As such, the organization has not reported independent contractors paid on Form 990, Part VII, Section B |

| Return Reference | Explanation |
| --- | --- |
| Form 990, Part IX, line 11g | Purchased Services-Consulting Services, Contracted Services Program service expenses 1,047,385 Management and general expenses 102,875 Fundraising expenses 0 Total expenses 1,150,260 Medical Services Program service expenses 2,152,382 Management and general expenses 490,810 Fundraising expenses 0 Total expenses 2,643,192 Laundry Services Program service expenses 155,211 Management and general expenses 250 Fundraising expenses 0 Total expenses 155,461 Lab Program service expenses 1,522,395 Management and general expenses 0 Fundraising expenses 0 Total expenses 1,522,395 |

| Return Reference | Explanation |
| --- | --- |
| Form 990, Part XI, line 9 | Transfers to Affiliates -1,691,774 |

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# SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

## Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

**2013**

**Open to Public Inspection**

Name of the organization
St John Broken Arrow Inc

**Employer identification number**
38-3833117

**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 |
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**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 | (g) No |
|---|---|---|---|---|---|---|---|
| See Additional Data Table | | | | | | | |
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**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) Disproprtionate allocations? Yes | (h) No | (i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065) | (j) General or managing partner? Yes | (j) No | (k) Percentage ownership |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **(1)** Platnum Fitness & Rehab Center LLC<br>4804 South 109th East Avenue<br>Tulsa, OK 74146<br>20-1879493 | Health Club | OK | N/A | | | | | | | | | |
| **(2)** Memorial Surgery Center LLC<br>8131 South Memorial Avenue<br>Tulsa, OK 74133<br>20-1167151 | Operate ASC | OK | N/A | | | | | | | | | |
| **(3)** Broken Arrow Development LLC<br>1924 South Utica Avenue<br>Tulsa, OK 74104<br>26-0748994 | Medical Services | OK | N/A | | | | | | | | | |
| **(4)** UticaUSP Tulsa LLC<br>15305 Dallas Pkwy Ste 1600 LB 28<br>Addison, TX 75001<br>27-0408231 | Medical Services | TX | N/A | | | | | | | | | |
| **(5)** JPHC LLC<br>3500 SE Frank Phillips Blvd<br>Bartlesville, OK 74006<br>61-1498699 | Medical Services | OK | N/A | | | | | | | | | |
| | | | | | | | | | | | | |
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**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 | (i) No |
|---|---|---|---|---|---|---|---|---|---|
| See Additional Data Table | | | | | | | | | |
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**Part V Transactions With Related Organizations** Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35b, or 36.

| | | Yes | No |
|---|---|---|---|
| **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 orgranization 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 | 1a | | No |
| **b** Gift, grant, or capital contribution to related organization(s) | 1b | | No |
| **c** Gift, grant, or capital contribution from related organization(s) | 1c | | No |
| **d** Loans or loan guarantees to or for related organization(s) | 1d | | No |
| **e** Loans or loan guarantees by related organization(s) | 1e | Yes | |
| **f** Dividends from related organization(s) | 1f | | No |
| **g** Sale of assets to related organization(s) | 1g | | No |
| **h** Purchase of assets from related organization(s) | 1h | | No |
| **i** Exchange of assets with related organization(s) | 1i | | No |
| **j** Lease of facilities, equipment, or other assets to related organization(s) | 1j | Yes | |
| **k** Lease of facilities, equipment, or other assets from related organization(s) | 1k | Yes | |
| **l** Performance of services or membership or fundraising solicitations for related organization(s) | 1l | Yes | |
| **m** Performance of services or membership or fundraising solicitations by related organization(s) | 1m | Yes | |
| **n** Sharing of facilities, equipment, mailing lists, or other assets with related organization(s) | 1n | | No |
| **o** Sharing of paid employees with related organization(s) | 1o | Yes | |
| **p** Reimbursement paid to related organization(s) for expenses | 1p | Yes | |
| **q** Reimbursement paid by related organization(s) for expenses | 1q | Yes | |
| **r** Other transfer of cash or property to related organization(s) | 1r | Yes | |
| **s** Other transfer of cash or property from related organization(s) | 1s | Yes | |

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

| (a) Name of related organization | (b) Transaction type (a-s) | (c) Amount involved | (d) Method of determining amount involved |
|---|---|---|---|
| See Additional Data Table | | | |
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**Part VI** **Unrelated Organizations Taxable as a Partnership** Complete if the organization answered "Yes" on Form 990, Part IV, line 37.

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

| (a) Name, address, and EIN of entity | (b) Primary activity | (c) Legal domicile (state or foreign country) | (d) Predominant income (related, unrelated, excluded from tax under sections 512-514) | (e) Are all partners section 501(c)(3) organizations? | | (f) Share of total income | (g) Share of end-of-year assets | (h) Disproprtionate 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 | | Yes | No | |
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## 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:** 38-3833117
**Name:** St John Broken Arrow Inc

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

| (a) Name, address, and EIN of related organization | (b) Primary activity | (c) Legal domicile (state or foreign country) | (d) Exempt Code section | (e) Public charity status (if section 501(c)(3)) | (f) Direct controlling entity | (g) Section 512(b)(13) controlled entity? | |
|---|---|---|---|---|---|---|---|
| | | | | | | Yes | No |
| (1) Ascension Health Alliance<br><br>PO Box 45998<br>St Louis, MO 631455998<br>45-3358926 | National Health System | MO | 501(c)(3) | Schedule A, Line 11a | N/A | | No |
| (1) Ascension Health<br><br>PO Box 45998<br>St Louis, MO 63134<br>31-1662309 | National Health System | MO | 501(c)(3) | Schedule A, Line 11a | Ascension Health Alliance | | No |
| (2) St John Health System Inc<br><br>1923 South Utica Avenue<br>Tulsa, OK 74104<br>73-1215174 | System Parent | OK | 501(c)(3) | Schedule A, Line 11a | Ascension Health | | No |
| (3) Craig County Medical Services Corp<br><br>1923 South Utica Avenue<br>Tulsa, OK 74104<br>73-1487478 | Health Care | OK | 501(c)(3) | Schedule A, Line 9 | St John Health System Inc | Yes | |
| (4) St John Sapulpa Inc<br><br>1923 South Utica Avenue<br>Tulsa, OK 74104<br>73-0662663 | Health Care | OK | 501(c)(3) | Schedule A, Line 3 | St John Health System Inc | Yes | |
| (5) Jane Phillips Nowata Hospital Inc<br><br>237 South Locust<br>Nowata, OK 74048<br>73-1440267 | Health Care | OK | 501(c)(3) | Schedule A, Line 3 | Jane Phillips Memorial Medical Center | Yes | |
| (6) Jane Phillips Memorial Medical Center<br><br>3500 E Frank Phillips Blvd<br>Bartlesville, OK 74006<br>73-0606129 | Health Care | OK | 501(c)(3) | Schedule A, Line 3 | St John Health System Inc | Yes | |
| (7) Jane Phillips Health Care Foundation<br><br>3500 E Frank Phillips Blvd<br>Bartlesville, OK 74006<br>73-1250611 | Rural Health Clinics | OK | 501(c)(3) | Schedule A, Line 3 | Jane Phillips Memorial Medical Center | Yes | |
| (8) Bartlett Homes Inc<br><br>1008 E Cleveland<br>Sapulpa, OK 74066<br>73-1301822 | HUD Housing | OK | 501(c)(3) | Schedule A, Line 7 | St John Sapulpa Inc | Yes | |
| (9) Bethel Manor Inc<br><br>619 S Division<br>Sapulpa, OK 74066<br>73-1216617 | HUD Housing | OK | 501(c)(3) | Schedule A, Line 7 | St John Sapulpa Inc | Yes | |
| (10) St John Building Corporation<br><br>1923 South Utica Avenue<br>Tulsa, OK 74104<br>61-1659782 | Real Estate | OK | 501(c)(2) | N/A | St John Health System Inc | Yes | |
| (11) St John Health System Foundation Inc<br><br>1923 South Utica Avenue<br>Tulsa, OK 74104<br>73-1133139 | Health Care | OK | 501(c)(3) | Schedule A, Line 7 | St John Health System Inc | Yes | |
| (12) St John Medical Center Inc<br><br>1923 South Utica Avenue<br>Tulsa, OK 74104<br>73-0579286 | Health Care | OK | 501(c)(3) | Schedule A, Line 3 | St John Health System Inc | Yes | |
| (13) St John Management Services Inc<br><br>1923 South Utica Avenue<br>Tulsa, OK 74104<br>20-3742040 | Health Care | OK | 501(c)(3) | Schedule A, Line 7 | St John Health System Inc | Yes | |
| (14) St John Villas Inc<br><br>1923 South Utica Avenue<br>Tulsa, OK 74104<br>73-1077367 | Nursing Home | OK | 501(c)(3) | Schedule A, Line 9 | St John Health System Inc | Yes | |
| (15) Owasso Medical Facility Inc<br><br>1923 South Utica Avenue<br>Tulsa, OK 74104<br>20-3700131 | Health Care | OK | 501(c)(3) | Schedule A, Line 3 | St John Health System Inc | Yes | |
| (16) St John Auxiliary<br><br>1923 South Utica Avenue<br>Tulsa, OK 74104<br>73-0999759 | Health Care | OK | 501(c)(3) | Schedule A, Line 9 | St John Health System Inc | Yes | |
| (17) St Teresa of Avila Villas Inc<br><br>6859 South Canton Avenue<br>Tulsa, OK 74136<br>20-4791422 | HUD Housing | OK | 501(c)(3) | Schedule A, Line 7 | St John Villas Inc | Yes | |

## Form 990, Schedule R, Part IV - Identification of Related Organizations Taxable as a Corporation or Trust

| (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 |
| Utica Services Inc<br>1923 South Utica Avenue<br>Tulsa, OK 74104<br>73-1057650 | Medical Services | OK | N/A | C | | | | | No |
| Regional Medical Laboratories Inc<br>1923 South Utica Avenue<br>Tulsa, OK 74104<br>73-1131608 | Medical Services | OK | N/A | C | | | | | No |
| Physician Support Services Inc<br>1923 South Utica Avenue<br>Tulsa, OK 74104<br>73-1437252 | Medical Services | OK | N/A | C | | | | | No |
| OMNI Medical Group Inc<br>1923 South Utica Avenue<br>Tulsa, OK 74104<br>73-1335536 | Medical Services | OK | N/A | C | | | | | No |
| Outbound Medical Network Inc<br>1923 South Utica Avenue<br>Tulsa, OK 74104<br>73-1255463 | Medical Services | OK | N/A | C | | | | | No |
| St John Urgent Care Clinic Inc<br>1923 South Utica Avenue<br>Tulsa, OK 74104<br>20-4990275 | Medical Services | OK | N/A | C | | | | | No |
| St John Anesthesia Services Inc<br>1923 South Utica Avenue<br>Tulsa, OK 74104<br>20-3690446 | Medical Services | OK | N/A | C | | | | | No |
| St John Physicians Inc<br>1923 South Utica Avenue<br>Tulsa, OK 74104<br>73-1321032 | Medical Services | OK | N/A | C | | | | | No |
| Ceres Medical Practice Inc<br>3400 E Frank Phillips Blvd<br>Bartlesville, OK 74006<br>73-1522656 | Medical Services | OK | N/A | C | | | | | No |
| Doctors Building of Bartlesville<br>3500 State Street<br>Bartlesville, OK 74006<br>73-0759185 | Building Rental | OK | N/A | C | | | | | No |
| Gemini Medical Group Inc<br>3400 E Frank Phillips Blvd<br>Bartlesville, OK 74006<br>73-1503529 | Medical Services | OK | N/A | C | | | | | No |
| Gemini After Hours Clinic Inc<br>3400 E Frank Phillips Blvd<br>Bartlesville, OK 74006<br>30-0375407 | Medical Services | OK | N/A | C | | | | | No |
| Jane Phillips Specialty Physicians Inc<br>3400 E Frank Phillips Blvd<br>Bartlesville, OK 74006<br>01-0879962 | Medical Services | OK | N/A | C | | | | | No |
| Professional Credit Recovery<br>4100 SE Adams Blvd<br>Bartlesville, OK 74006<br>73-1057187 | Collections Services | OK | N/A | C | | | | | No |
| Synergy Hospitalist Grp Inc<br>3400 E Frank Phillips Blvd<br>Bartlesville, OK 74006<br>30-0375404 | Medical Services | OK | N/A | C | | | | | No |

## Form 990, Schedule R, Part IV - Identification of Related Organizations Taxable as a Corporation or Trust

| (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** |
| Professional Medical Insurance Risk Retention Group Inc<br>201 Merchant Street Suite 2400<br>Honolulu, HI 96813<br>73-1525831 | Insurance | HI | N/A | C | | | | | No |
| Jane Phillips Support Services Inc<br>3400 E Frank Phillips Blvd<br>Bartlesville, OK 74006<br>75-1530296 | Holding Company | OK | N/A | C | | | | | No |

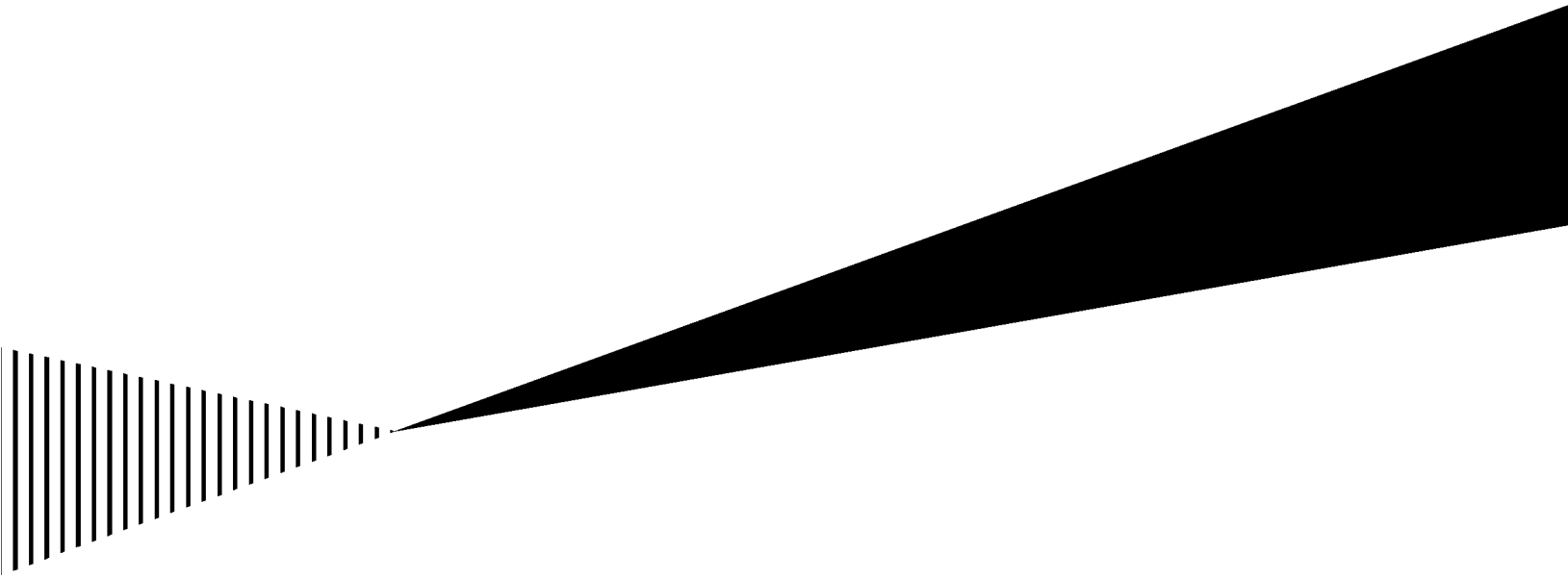
**Form 990, Schedule R, Part V - Transactions With Related Organizations**

| (a) Name of other organization | (b) Transaction type(a-s) | (c) Amount Involved | (d) Method of determining amount involved |
|---|---|---|---|
| St John Medical Center Inc | R | 18,908,847 | FMV |
| St John Medical Center Inc | M | 15,624,438 | FMV |
| St John Medical Center Inc | O | 12,766,454 | FMV |
| St John Health System Inc | R | 12,373,296 | FMV |
| St John Medical Center Inc | P | 9,514,585 | FMV |
| St John Health System Inc | E | 9,453,098 | FMV |
| Utica Services Inc | M | 3,842,871 | FMV |
| Utica Services Inc | R | 3,783,696 | FMV |
| St John Health System Inc | M | 2,922,955 | FMV |
| Ascension Health | L | 289,824 | FMV |
| Owasso Medical Facility Inc | S | 163,772 | FMV |
| Owasso Medical Facility Inc | L | 163,772 | FMV |
| St John Building Corporation | R | 58,946 | FMV |
| St John Building Corporation | K | 57,096 | FMV |

# CONSOLIDATED FINANCIAL STATEMENTS

St John Health System, Inc and Subsidiaries –
Member of Ascension Health, a Subsidiary of
Ascension Health Alliance, d/b/a Ascension
Year Ended June 30, 2014
With Report of Independent Auditors

Ernst & Young LLP



EY

Building a better
working world

St. John Health System, Inc. and Subsidiaries

Consolidated Financial Statements

Year Ended June 30, 2014

## Contents

Ernst & Young LLP
One Victory Park
Suite 2000
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Dallas, TX 75219

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ey com

# Report of Independent Auditors

The Board of Directors
St John Health System, Inc

We have audited the accompanying consolidated financial statements of St John Health System, Inc and subsidiaries, which comprise the consolidated balance sheet as of June 30, 2014, and the related consolidated statements of operations and changes in net assets, and cash flows for the year 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 audit We conducted our audit 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

St. John Health System, Inc. and Subsidiaries

Consolidated Statement of Cash Flows (continued)
*(Dollars in Thousands)*

| | | |
|---|---|---|
| **Investing activities** | | |
| Maturities of investments and assets whose use is limited | $ | 75,024 |
| Purchases of investments and assets whose use is limited | | (31,648) |
| Additions to property and equipment and intangible assets | | (79,092) |
| Change in other assets | | (3,031) |
| Proceeds from sale of fixed assets | | 11,505 |
| Net cash used in investing activities | | (27,242) |
| | | |
| **Financing activities** | | |
| New debt issued | | 4,042 |
| Repayment of long-term debt | | (9,126) |
| Transfers to Ascension and Ascension affiliates | | (9,166) |
| Other net restricted fund activity | | (2,345) |
| Net cash used in financing activities | | (16,595) |
| | | |
| Net change in cash and cash equivalents | | 13,959 |
| Cash and cash equivalents, beginning of period | | 30,935 |
| Cash and cash equivalents, end of period | $ | 44,894 |
| | | |
| **Supplemental noncash investing disclosure** | | |
| Investment in dialysis joint venture from sale of assets | $ | 6,562 |

*The accompanying notes are an integral part of the consolidated financial statements.*

## 1. Organization and Mission

### Organizational Structure

St John Health System, Inc (St John or the Health Ministry) is a member of Ascension Health St John became a member of Ascension Health on April 1, 2013 In December 2011, Ascension Health Alliance, doing business as Ascension, became the sole corporate member and parent organization of Ascension Health, a Catholic, national health system consisting primarily of nonprofit corporations that own and operate local health care facilities, or Health Ministries, located in 23 of the United States and the District of Columbia In addition to serving as the sole corporate member of Ascension Health, Ascension serves as the member or shareholder of various other subsidiaries Ascension, its subsidiaries, and the Health Ministries are referred to collectively from time to time hereafter as the System

Ascension is sponsored by Ascension Sponsor, a Public Juridic Person The participating entities of Ascension Sponsor are the Daughters of Charity of St Vincent de Paul, St Louise Province, the Congregation of St Joseph, the Congregation of the Sisters of St Joseph of Carondelet, the Congregation of Alexian Brothers of the Immaculate Conception Province – American Province and the Sisters of the Sorrowful Mother of the Third Order of St Francis of Assisi – US/Caribbean Province

Until April 1, 2013, St John Health System, Inc was a wholly owned subsidiary of Marian Health System (Marian) Effective April 1, 2013, Marian transferred its ownership of St John to Ascension whereby St John Health System, Inc became a subsidiary of Ascension Health The transaction was a membership substitution transaction, such that Ascension Health became the sole member of St John, holding essentially the same reserved powers over St John as Marian previously held The transfer of ownership has been accounted for as a purchase As such, on April 1, 2013, the assets and liabilities of St John were adjusted to estimated fair market value Also as a result of this transaction, St John adopted a June 30 fiscal year for financial reporting purposes from its previous September 30 fiscal year Due to the adjustment of asset and liability values to fair market value on April 1, 2013, the accompanying consolidated financial statements as of and for the year ended June 30, 2014, are not presented with comparative prior year information

**1. Organization and Mission (continued)**

St John, headquartered in Tulsa, Oklahoma, and with facilities located throughout northeastern Oklahoma is an Oklahoma nonprofit health system It owns and operates an integrated tertiary health care delivery system that provides services primarily in northeastern Oklahoma St John Health System, Inc and its subsidiaries, affiliates, and employed and affiliated physicians, provide health care services for patients of all ages across a broad continuum of care, from physician primary care and specialty services to ambulatory and inpatient acute and post-acute services, and including senior nursing and senior living services The Health Ministry is related to Ascension Health's other sponsored organizations through common control Substantially all expenses of the Health Ministry are related to providing health care services

The accompanying consolidated financial statements include the accounts of St John Health System, Inc and its subsidiaries Principal subsidiaries as of June 30, 2014, include the following

- St John Medical Center, Inc (the Medical Center), a not-for-profit acute-care tertiary hospital located in Tulsa, Oklahoma, licensed for 740 beds and bassinets and currently operating 547 beds, including newborn bassinets,

- Jane Phillips Memorial Medical Center, Inc (JPMMC), a not-for-profit acute-care general hospital located in Bartlesville, Oklahoma, licensed for 156 beds and bassinets and currently operating 122 beds, including newborn bassinets,

- Owasso Medical Facility, Inc (Owasso), a not-for-profit acute-care hospital located in Owasso, Oklahoma, licensed for and currently operating 45 beds, including newborn bassinets, and doing business as St John Owasso,

- St John Broken Arrow, Inc (Broken Arrow), a not-for-profit acute-care hospital located in Broken Arrow, Oklahoma, licensed for and currently operating 44 beds,

- St John Health System Foundation, Inc (the Foundation), a not-for-profit charitable foundation created to support the Health System,

- St John Villas, Inc , a not-for-profit corporation which owns and operates long-term care retirement communities, including Franciscan Villa located in Broken Arrow, Oklahoma,

**1. Organization and Mission (continued)**

- St John Sapulpa, Inc (Sapulpa), a not-for-profit acute-care critical access hospital located in Sapulpa, Oklahoma, licensed for and currently operating 25 beds,

- Jane Phillips Nowata, Inc , a not-for-profit corporation which owns and operates a critical access hospital which is located in Nowata, Oklahoma, licensed for 25 beds and currently operating 10 beds,

- St John Building Corporation (SJBC), a not-for-profit corporation which owns and operates buildings and real property to centralize management of these income producing activities,

- Utica Services, Inc and subsidiaries (Utica), a taxable organization that operates a variety of healthcare related activities, including physician practices and a reference laboratory, and

- SJFI, LLC (doing business as Oklahoma Health Initiatives (OHI)), a taxable corporation and subsidiary of Utica formed as an entity which can participate in and manage various accountable care and other collaborative quality and population health management initiatives OHI formed an accountable care organization that was accepted into the Medicare Shared Savings Program effective January 1, 2014

**Mission**

The System directs its governance and management activities toward strong, vibrant, Catholic Health Ministries united in service and healing and dedicates its resources to spiritually centered care which sustains and improves the health of the individuals and communities it serves In accordance with the System's mission of service to those persons living in poverty and other vulnerable persons, each Health Ministry accepts patients regardless of their ability to pay The System (and the Health Ministry) uses four categories to identify the resources utilized for the care of persons living in poverty and community benefit programs

- Traditional charity care includes the cost of services provided to persons who cannot afford health care because of inadequate resources and/or who are uninsured or underinsured

**1. Organization and Mission (continued)**

- Unpaid cost of public programs, excluding Medicare, represents the unpaid cost of services provided to persons covered by public programs for persons living in poverty and other vulnerable persons

- Cost of other programs for persons living in poverty and other vulnerable persons includes unreimbursed costs of programs intentionally designed to serve the persons living in poverty and other vulnerable persons of the community, including substance abusers, the homeless, victims of child abuse, and persons with acquired immune deficiency syndrome

- Community benefit consists of the unreimbursed costs of community benefit programs and services for the general community, not solely for the persons living in poverty, including health promotion and education, health clinics and screenings, and medical research

Discounts are provided to all uninsured patients, including those with the means to pay Discounts provided to those patients who did not qualify for assistance under charity care guidelines are not included in the cost of providing care of persons living in poverty and other community benefit programs The cost of providing care to persons living in poverty and other community benefit programs is estimated using internal cost data and is estimated by reducing charges forgone by a factor derived from the ratio of total operating expenses to billed charges for patient care

The amount of traditional charity care provided, determined on the basis of cost, was approximately $32,442 for the year ended June 30, 2014 The amount of unpaid cost of public programs, cost of other programs for persons living in poverty and other vulnerable persons, and community benefit cost are reported in the accompanying supplementary information

**2. Significant Accounting Policies**

**Principles of Consolidation**

All corporations and other entities for which operating control is exercised by the Health Ministry or one of its member corporations are consolidated, and all significant inter-entity transactions have been eliminated in consolidation

*(Dollars in Thousands)*

**2. Significant Accounting Policies (continued)**

Investments in entities where the Health Ministry does not have operating control are recorded under the equity or cost method of accounting For entities recorded under the equity method of accounting, the following reflects the Health Ministry's interest in unconsolidated entities in the accompanying consolidated balance sheet, as well as income or loss for such entities included in the consolidated excess of revenues and gains over expenses and losses in the accompanying consolidated statements of operations and changes in net assets The Health Ministry's equity in the net income (loss) of unconsolidated entities is recorded in other operating revenue if the investment relates to providing health care services All such investments below are included in equity in earnings of unconsolidated affiliates for the year ended June 30, 2014

| | Investment Recorded in Consolidated Balance Sheet as of June 30, 2014 | Effect on Consolidated Excess of Revenues and Gains Over Expenses and Losses for the Year Ended June 30, 2014 |
|---|---|---|
| SFSJ Joint Ventures, LLC | $ 3,179 | $ 20 |
| CommunityCare Managed Healthcare Plans of Oklahoma, Inc | 69,525 | 5,757 |
| All Saints Home Medical LLC | 5,985 | 1,235 |
| Platinum Fitness and Rehabilitation Center, LLC | 350 | (140) |
| Union Pines Surgery Center LLC | 1,745 | 933 |
| Utica USP Tulsa, LLC | 1,753 | 155 |
| Fresenius MC of Tulsa LLC | 6,979 | 417 |
| JPHC LLC | 607 | – |
| | $ 90,123 | $ 8,377 |

**2. Significant Accounting Policies (continued)**

Fresenius Medical Care of Tulsa LLC

| | | |
|---|---|---|
| Total assets | $ | 33,162 |
| Total liabilities | | (15,239) |
| Total equity | $ | 17,923 |
| | | |
| Health Ministry's investment | $ | 6,979 |
| Total operating revenues | | 12,831 |
| Net income | | 1,699 |

**Use of Estimates**

Management has made estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenses Actual results could differ from those estimates

**Fair Value of Financial Instruments**

Carrying values of financial instruments classified as current assets and current liabilities approximate fair value The fair values of other financial instruments are disclosed in the fair value measurements note and the long-term debt note

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and interest-bearing deposits with original maturities of three months or less

**Short-Term Investments**

Short-term investments consist primarily of investments with original maturities exceeding three months and up to one year

**2. Significant Accounting Policies (continued)**

**Interest in Investments Held by Ascension, Investments and Investment Return**

As of June 30, 2014, the Health Ministry has an interest in investments held by Ascension, which are included in the accompanying consolidated balance sheet, and represent the Health Ministry's pro rata share of Ascension's investment interest in the Ascension Alpha Fund, LLC (Alpha Fund) Ascension has an investment interest in the Alpha Fund, as a member of the Alpha Fund, and invests funds in the Alpha Fund on behalf of the Health Ministry Ascension Investment Management, LLC (AIM), formerly known as Catholic Healthcare Investment Management Company, LLC, a wholly owned subsidiary of Ascension, acts as manager and serves as the principal investment advisor for the Alpha Fund, overseeing the investment strategies offered to the Alpha Fund's members AIM provides expertise in the areas of asset allocation, selection and monitoring of outside investment managers, and risk management

The Health Ministry also holds certain investments which are locally managed Most of these funds are held in the St John Health System Foundation, Inc

The Health Ministry reports its interest in investments held by Ascension in the accompanying consolidated balance sheet as long term based on liquidity The Health Ministry reports its other investments, including Foundation investments in the accompanying consolidated balance sheet based upon the long-term or short-term nature of the investments, and whether such investments are restricted by law or donors or designated for specific purposes by management or the board of directors of the Health Ministry

The Health Ministry's investments are measured at fair value and all are classified as trading securities at June 30, 2014 The Alpha Fund's investments include pooled short-term investment funds, U S government, state, municipal, and agency obligations, corporate and foreign fixed income securities, asset backed securities, and equity securities The Alpha Fund's investments also include alternative investments and other investments, which are valued based on the net asset value of the investments In addition, the Alpha Fund participates in securities lending transactions whereby a portion of its investments is loaned to selected established brokerage firms in return for cash and securities from the brokers as collateral for the investments loaned

**2. Significant Accounting Policies (continued)**

Purchases and sales of investments are accounted for on a trade-date basis Investment returns consist of dividends, interest, and gains and losses on the Health Ministry's investments, as well as the Health Ministry's return on its interest in investments held by Ascension, and are reported as nonoperating gains (losses) in the accompanying consolidated statements of operations and changes in net assets, unless the return is restricted by donor or law

**Inventories**

Inventories, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost or market value utilizing first-in, first-out (FIFO), or a methodology that closely approximates FIFO

**Intangible Assets**

Intangible assets consist of customer relationships and capitalized computer software costs, including software internally developed and costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage Intangible assets are included in other noncurrent assets in the accompanying consolidated balance sheet and are composed of the following at June 30, 2014

| | |
|---|---|
| Capitalized computer software costs | $ 51,835 |
| Less accumulated amortization | (10,527) |
| Capitalized software costs, net | 41,308 |
| | |
| Customer relationships, net | 11,813 |
| Total intangible assets, net | $ 53,121 |

*(Dollars in Thousands)*

**2. Significant Accounting Policies (continued)**

The weighted-average amortization period of intangible assets, in total, and for capitalized software costs and customer relationships is 6 years, 5 years and 10 years, respectively The following table represents the total estimated amortization of these intangible assets for the five succeeding years and thereafter

| | |
|---|---|
| 2015 | $ 11,745 |
| 2016 | 10,826 |
| 2017 | 6,094 |
| 2018 | 3,114 |
| 2019 | 3,107 |
| Thereafter | 18,235 |
| | $ 53,121 |

Intangible assets whose lives are indefinite, primarily goodwill, are not amortized and are evaluated for impairment at least annually, while intangible assets with definite lives, primarily capitalized computer software costs and other intangibles, are amortized over their expected useful lives The Health Ministry has no goodwill at June 30, 2014

**Property and Equipment**

Property and equipment are stated at cost or, if donated, at fair market value at the date of the gift A summary of property and equipment at June 30, 2014, is as follows

| | |
|---|---|
| Land and improvements | $ 94,066 |
| Buildings and equipment | 625,065 |
| | 719,131 |
| Less accumulated depreciation | (54,278) |
| | 664,853 |
| Construction in progress | 6,068 |
| Total property and equipment, net | $ 670,921 |

Depreciation is determined on a straight-line basis over the estimated useful lives of the related assets Depreciation expense in 2014 was $44,792

**2. Significant Accounting Policies (continued)**

Estimated useful lives by asset category are as follows land improvements – 10 to 40 years, buildings – 10 to 40 years, and equipment – 3 to 15 years

Several capital projects have remaining construction and related equipment purchase commitments of approximately $25,700 as of June 30, 2014

The Health Ministry recognizes the fair value of asset retirement obligations, including conditional asset retirement obligations, if the fair value can be reasonably estimated, in the period in which the liability is incurred Asset retirement obligations include, but are not limited to, certain types of environmental issues which are legally required to be remediated upon an asset's retirement, as well as contractually required asset retirement obligations Conditional asset retirement obligations are obligations whose settlement may be conditional on a future event and/or where the timing or method of such settlement may be uncertain Subsequent to initial recognition, accretion expense is recognized until the asset retirement liability is estimated to be settled

The Health Ministry's most significant asset retirement obligation relates to required future asbestos remediation Asset retirement obligations of $1,238 as of June 30, 2014, are recorded in other noncurrent liabilities in the accompanying consolidated balance sheet Accretion expense of approximately $249 was recorded in 2014

**Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those assets whose use by the Health Ministry has been limited by donors to a specific time period or purpose Permanently restricted net assets consist of gifts with corpus values that have been restricted by donors to be maintained in perpetuity, which include endowment funds Temporarily restricted net assets and earnings on permanently restricted net assets, including earnings on endowment funds, are used in accordance with the donor's wishes, primarily to purchase equipment and to provide charity care and other health and educational services Contributions with donor-imposed restrictions that are met in the same reporting period are reported as unrestricted

**2. Significant Accounting Policies (continued)**

**Performance Indicator**

The performance indicator is excess of revenues and gains over expenses and losses Changes in unrestricted net assets that are excluded from the performance indicator primarily include pension liability adjustments, transfers to or from Ascension and Ascension affiliates, and net assets released from restrictions for property acquisitions

**Operating and Nonoperating Activities**

The Health Ministry'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, long-term care, physician professional services, laboratory 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 Health Ministry's primary mission or which represent donations to other non-profit organizations to further their synergistic missions of service to the community are considered to be nonoperating Gains and losses on the investment portfolio are also considered to be nonoperating Investment gains and losses and donations to other tax-exempt organizations are the primary components of nonoperating activities

**Net Patient Service Revenue, Accounts Receivable, and Allowance for Doubtful Accounts**

Net patient service revenue is reported at the estimated realizable amounts from patients, third-party payors, and others for services provided and includes estimated retroactive adjustments under reimbursement agreements with third-party payors The Health Ministry recognizes patient service revenue at the time services are rendered, even though the patient's ability to pay may not be completely assessed at that time Revenue under certain third-party payor agreements is subject to audit, retroactive adjustments, and significant regulatory actions Provisions for third-party payor settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and as final settlements are determined Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation As a result, there is at least a possibility that recorded estimates will change by a material amount in the near term Adjustments to revenue related to prior periods increased net patient service revenue by approximately $3,028 for the year ended June 30, 2014

*(Dollars in Thousands)*

**2. Significant Accounting Policies (continued)**

The percentage of net patient service revenue earned by payor for the year ended June 30, 2014, is as follows

| | |
|---|---|
| Medicare | 37 2% |
| Medicaid | 7 4 |
| Commercial Insurers and other | 52 2 |
| Uninsured (self pay) | 3 2 |
| | 100 0% |

The Health Ministry grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor arrangements Significant concentrations of accounts receivable, less allowance for doubtful accounts, at June 30, 2014, are as follows

| | |
|---|---|
| Medicare | 18 0% |
| Medicaid | 9 1 |
| Commercial Insurers and other | 46 0 |
| Uninsured (self pay) | 26 9 |
| | 100 0% |

The provision for doubtful accounts is based upon management's assessment of expected net collections considering economic conditions, historical experience, trends in health care coverage, and other collection indicators Periodically throughout the year, management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience by payor category, including those amounts not covered by insurance The results of this review are then used to make any modifications to the provision for doubtful accounts to establish an appropriate allowance for doubtful accounts After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, the Health Ministry follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by Ascension Health Accounts receivable are written off after collection efforts have been followed in accordance with the Health Ministry's policies

The methodology for determining the allowance for doubtful accounts and related write-offs on uninsured patient accounts has remained consistent with the prior year The Health Ministry has not experienced material changes in write-off trends and has not materially changed its charity care policy in the current fiscal year

**2. Significant Accounting Policies (continued)**

**Third-Party Reimbursement**

- Medicare – Inpatient acute-care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors Outpatient services are paid at prospectively determined rates per procedure under a system called Ambulatory Payment Classifications Certain outpatient laboratory, therapies, and dialysis services continue to be reimbursed on an established fee-for-service schedule Inpatient services provided in critical access hospitals are paid on a cost reimbursement methodology Certain inpatient nonacute services related to Medicare beneficiaries are paid on a cost reimbursement methodology which is subject to fee schedules and cost limits The Health System is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of each annual cost report and audit by the Medicare fiscal intermediary Medical services rendered to Medicare beneficiaries by physicians are paid at prospectively determined rates per encounter These rates vary according to a patient-classification system that is based on clinical, diagnostic, and other factors The prospectively determined rates are not subject to retroactive settlement As of June 30, 2014, there are no recorded balances within third-party settlements related to Medicare

- Medicaid – Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge The prospectively determined rates are not subject to retroactive adjustment The State of Oklahoma has a Medicaid fee-for-service program that allows the Medical Center, Jane Phillips, Sapulpa, Broken Arrow, Owasso and Nowata to provide services to Medicaid beneficiaries under fee-for-service arrangements In 2012, the State of Oklahoma adopted a Supplemental Hospital Offset Payment Program "SHOPP " SHOPP is a federally approved program in which qualifying hospitals in Oklahoma are assessed a quarterly fee and receive quarterly supplemental payments from the state to increase Medicaid reimbursement to qualifying hospitals All of the Health Ministry's hospitals are participating in SHOPP and in the year ended June 30, 2014, the Health Ministry received and recognized in operations both SHOPP assessments (expenses) and SHOPP revenues The SHOPP assessments were approximately $16,686 and are reported as an operating expense as part of provider fees and the SHOPP supplemental payments were approximately $27,303 and are reported as a reduction to Medicaid contractual adjustments which is included in net patient service revenue The SHOPP program has been extended by the State Legislature to remain in effect through at least fiscal year 2017

**2. Significant Accounting Policies (continued)**

**Capitation Revenue and Medical Claims**

The Health Ministry has agreements with Health Maintenance Organizations (HMOs) operated by a related party, CommunityCare Managed Healthcare Plans of Oklahoma, Inc (CCHMO), to provide medical services to subscribing participants CCHMO is 50% owned by Utica and Utica's interest in CCHMO is accounted for under the equity method Under such agreements, the Health Ministry receives monthly capitation payments based on the number of HMO participants electing the St John Health System as their primary medical service provider, regardless of services actually performed by the St John Health System Premium revenues are recognized when earned In addition, the HMOs make fee-for-service payments to the Health Ministry for certain covered services based upon discounted fee schedules

Payments made to out-of-network providers for covered medical claims were $23,292 for fiscal year 2014, and are included in other operating expenses in the accompanying consolidated statements of operations and changes in net assets In addition, the Health Ministry estimates its liability for covered medical claims, including claims incurred but not reported, based upon historical costs incurred and payment processing experience At June 30, 2014, the liability for such covered medical claims was $6,952, and is included in accounts payable and accrued liabilities in the accompanying consolidated balance sheet

**Electronic Health Record Incentive Payments**

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

**2. Significant Accounting Policies (continued)**

The Health Ministry accounts for HITECH incentive payments as a gain contingency Income from Medicare incentive payments is recognized as revenue after the Health Ministry has demonstrated that it complied with the meaningful use criteria over the entire applicable compliance period and the cost report period that will be used to determine the final incentive payment has ended The Health Ministry recognizes Medicaid incentive payments when qualifying patient volume thresholds and meaningful use objectives have been met for the applicable reporting period Incentive payments totaling $9,907 for the year ended June 30, 2014, are included in total operating revenue in the accompanying consolidated statements of operations and changes in net assets Income from incentive payments is subject to retrospective adjustment as the incentive payments are calculated using Medicare cost report and other data that is subject to audit Additionally, the Health Ministry's compliance with the meaningful use criteria is subject to audit by the federal government

**Impairment, Restructuring, and Nonrecurring Gains (Losses), Net**

Long-lived assets are reviewed for impairment whenever events or business conditions indicate the carrying amount of such assets may not be fully recoverable Initial assessments of recoverability are based on estimates of undiscounted future net cash flows associated with an asset or group of assets Where impairment is indicated, the carrying amount of these long-lived assets is reduced to fair value based on discounted net cash flows or other estimates of fair value No such impairments were recorded in 2014

During the year ended June 30, 2014, the Health Ministry recorded restructuring and nonrecurring losses of $2,438 This entire amount was composed of restructuring and nonrecurring expenses related to severance costs accrued in a workforce restructuring

**Hospital or Health Ministry Income Taxes**

Except as described, the member health care entities of the Health Ministry are primarily tax-exempt organizations under Internal Revenue Code Section 501(c)(3) or 501(c)(2), and their related income is exempt from federal income tax under Section 501(a) The Health Ministry accounts for uncertainty in income tax positions by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return

**2. Significant Accounting Policies (continued)**

Utica Services Inc and its majority-owned affiliates file a consolidated income tax return In addition, certain other affiliates file a separate consolidated income tax return These entities, collectively referred to as the Health Ministry's for-profit affiliates, account for income taxes by the asset and liability method, whereby deferred income taxes are recognized for the future tax consequences of operating loss carryforwards and differences between the financial statement carrying amounts of assets and liabilities and their tax bases Net deferred tax assets are composed of net operating losses and have been entirely offset by a valuation allowance of approximately $111,000 at June 30, 2014, as management has determined it is more likely than not that the deferred tax assets will not be utilized Accordingly, no income tax benefit or expense was recorded in 2014

**Regulatory Compliance**

The U S Department of Justice and other federal and state agencies continue to focus resources dedicated to regulatory investigations and compliance audits of health care providers The Health Ministry is subject to these regulatory efforts In consultation with legal counsel, management does not expect that the impact of regulatory compliance matters, including Recovery Audit Contractor and other regulatory matters, will have a material adverse effect on the Health Ministry's financial position or results of operations

**Deferred Compensation**

The Health Ministry has established several nonqualified deferred compensation plans (the Plans) which are or were available to certain employees A trust account, commonly known as a Rabbi Trust (the Trust) is maintained in connection with each Plan and employer contributions and salary withholdings are deposited into the Trust Contributions to fund the Trust are recorded as employee benefits and accrued expense Such contributions, and investment income earned on trust assets, are included as other long-term assets on the Health Ministry's consolidated balance sheet and the related obligation to participating employees is recorded as other long-term liability Benefits paid and investment losses are reductions to trust assets and the related liabilities The fair value of the trust assets and the related liabilities of the combined plans was $24,428 at June 30, 2014 The Plans established under various sections of the Internal Revenue Code include a Section 457f Plan (terminated in 2014 with no balances outstanding at June 30, 2014), a Section 457b Plan, and a Section 451 Plan, which are available to certain employees (participants) Accounts have been set up in the participants' names in connection with the Plans and employer contributions have been deposited in the accounts The Plans contain vesting requirements, and once vested, the funds can be distributed to the participants

**2. Significant Accounting Policies (continued)**

**Beneficial Interests in Trusts**

Certain subsidiaries of the Health Ministry are income beneficiaries of irrevocable trusts held and administered by third-party trustees At June 30, 2014, the Health Ministry has not recorded its beneficial interest in these trusts – principally due to the trustees' variance power over future distributions from the trusts At June 30, 2014, the estimated fair value of the Health Ministry's beneficial interest in irrevocable trusts that had not been recorded by the Health Ministry in its consolidated financial statements was approximately $147,177

**Subsequent Events**

The Health Ministry evaluates the impact of subsequent events, which are events that occur after the balance sheet date but before the financial statements are issued, for potential recognition in the financial statements as of the balance sheet date For the year ended June 30, 2014, the Health Ministry evaluated subsequent events through September 25, 2014, representing the date on which the financial statements were available to be issued During this period, there were no material subsequent events that required recognition or disclosure in the financial statements

**Adoption of New Accounting Standards**

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No 2011-11, *Disclosures about Offsetting Assets and Liabilities,* an amendment to the accounting guidance for disclosures of offsetting assets and liabilities In January 2013, the FASB issued ASU No 2013-01, *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities.* These ASUs expanded the disclosure requirements in that entities were required to disclose both gross and net information about instruments and transactions eligible for offset in the balance sheet This new guidance was effective for fiscal years and interim periods within those fiscal years beginning after January 1, 2013 The adoption of this guidance did not have a material impact on the Health Ministry's consolidated financial statements for the year ended June 30, 2014

*(Dollars in Thousands)*

## 3. Cash and Cash Equivalents, Interest in Investments Held by Ascension, and Assets Limited as to Use and Other Long-Term Investments

At June 30, 2014, the Health Ministry's investments are composed of its interest in investments held by Ascension and certain other investments, including investments held and managed by the Foundation Management-or Board-designated investments represent investments designated by the Board of Directors to put amounts aside primarily for future capital expansion and improvements The Health Ministry's Board of Directors has delegated this designation process and approval to management The Health Ministry's cash and cash equivalents, interest in investments held by Ascension and assets limited as to use and other long-term investments are reported in the accompanying consolidated balance sheet as presented in the following table

| | June 30, 2014 |
|---|---|
| Cash and cash equivalents | $ 44,894 |
| Assets limited as to use and other long-term investments | |
| Board or management designated investments | 15,391 |
| Assets limited as to use | 617 |
| Donor restricted | 21,619 |
| Other long-term investments | 5,569 |
| Total assets limited as to use and other long-term investments | 88,090 |
| Interest in investments held by Ascension | 417,881 |
| Total | $ 505,971 |

*(Dollars in Thousands)*

**3. Cash and Cash Equivalents, Interest in Investments Held by Ascension, and Assets Limited as to Use and Other Long-Term Investments (continued)**

The composition of cash and investments classified as cash and cash equivalents, board and management designated investments, assets limited as to use, and other investments is summarized as follows (including both restricted and unrestricted investments)

| | June 30, 2014 |
|---|---|
| Cash and cash equivalents | $ 54,252 |
| Short-term investments | 5,844 |
| U S government, state, municipal, and agency obligations | 1,391 |
| Corporate and foreign fixed income securities | 1,863 |
| Asset-backed securities | 9,500 |
| Equity securities | 8,569 |
| Alternative investments and other investments | 3,757 |
| Other assets limited as to use | 2,914 |
| Subtotal, included in cash and cash equivalents, short-term investments, assets limited as to use and other long-term investments | 88,090 |
| Interest in investments held by Ascension | 417,881 |
| Cash and cash equivalents, assets limited as to use and other long-term investments, interest in investments held by Ascension | $ 505,971 |

*(Dollars in Thousands)*

**3. Cash and Cash Equivalents, Interest in Investments Held by Ascension, and Assets Limited as to Use and Other Long-Term Investments (continued)**

As of June 30, 2014, the composition of total Alpha Fund investments is as follows

| | June 30, 2014 |
|---|---|
| Cash and cash equivalents and short-term investments | 2 5% |
| U S government obligations | 21 8 |
| Corporate and foreign fixed income securities | 11 0 |
| Asset-backed securities | 6 7 |
| Equity securities | 19 6 |
| Alternative investments and other investments | |
| Private equity and real estate funds | 7 0 |
| Hedge funds | 23 0 |
| Commodities funds and other investments | 8 4 |
| | 100 0% |

Investment return recognized by the Health Ministry is summarized as follows

| | Year Ended June 30, 2014 |
|---|---|
| Return on interest in investments held by Ascension | $ 43,339 |
| Local investment losses | (726) |
| Restricted investment income | 1,431 |
| Total investment return | $ 44,044 |

**4. Fair Value Measurements**

The Health Ministry categorizes, for disclosure purposes, assets and liabilities measured at fair value in the financial statements based upon whether the inputs used to determine their fair values are observable or unobservable Observable inputs are inputs which are based on market data obtained

**4. Fair Value Measurements (continued)**

from sources independent of the reporting entity Unobservable inputs are inputs that reflect the reporting entity's own assumptions about pricing the asset or liability, based on the best information available in the circumstances

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy In such cases, an asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement of the asset or liability The Health Ministry'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

The Health Ministry 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) that are readily available in active markets or exchanges for identical assets or liabilities on the reporting date

- Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly Level 2 pricing inputs include prices quoted for similar investments in active markets or exchanges or prices quoted for identical or similar investments in markets that are not active 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

- Level 3 – Significant pricing inputs that are unobservable for the asset or liability, including assets or liabilities for which there is little, if any, market activity for such asset or liability Inputs to the determination of fair value for Level 3 assets and liabilities require management judgment and estimation

There were no significant transfers between Levels 1 and 2 during the year ended June 30, 2014

**4. Fair Value Measurements (continued)**

As of June 30, 2014, the Level 2 and Level 3 assets and liabilities listed in the following fair value hierarchy table utilize the following valuation techniques and inputs

*Cash and cash equivalents and short-term investments*

Cash and cash equivalents and additional short-term investments include certificates of deposit, whose fair value is based on cost plus accrued interest Significant observable inputs include security cost, maturity, and relevant short-term interest rates Short-term investments designated as Level 2 investments are primarily composed of commercial paper, whose fair value is based on amortized cost Significant observable inputs include security cost, maturity, and credit rating, interest rate, and par value

*Pooled short-term investment funds*

The fair value of pooled short-term investment funds is based on cost plus guaranteed, annuity contract-based interest rates Significant unobservable inputs to the guaranteed rate include the fair value and average duration of the portfolio of investments underlying the annuity contract, the contract value, and the annualized weighted-average yield to maturity of the underlying investment portfolio

*U.S. government, state, municipal, and agency obligations*

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

*Corporate and foreign fixed income securities*

The fair value of investments in U S and international corporate bonds, including commingled funds that invest primarily in such bonds, and foreign government bonds is primarily determined using techniques that are consistent with the market approach Significant observable inputs include benchmark yields, reported trades, observable broker/dealer quotes, issuer spreads, and security specific characteristics, such as early redemption options

**4. Fair Value Measurements (continued)**

*Asset-backed securities*

The fair value of U S agency and corporate asset-backed securities is primarily determined using techniques consistent with the income approach Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and quotes

*Equity securities*

The fair value of investments in U S and international equity securities is primarily determined using techniques consistent with the income approach The values for underlying investments are fair value estimates determined by external fund managers based on quoted market prices, operating results, balance sheet stability, growth, dividend, dividend yield, and other business and market sector fundamentals

*Alternative investments and other investments*

Alternative investments consist of private equity, hedge funds, private equity funds, commodity funds, and real estate partnerships The fair value of private equity is primarily determined using techniques consistent with both the market and income approaches, based on the Health Ministry's estimates and assumptions in the absence of observable market data The market approach considers comparable company, comparable transaction, and company-specific information, including, but not limited to, restrictions on disposition, subsequent purchases of the same or similar securities by other investors, pending mergers or acquisitions, and current financial position and operating results The income approach considers the projected operating performance of the portfolio company

The fair value of hedge funds, private equity funds, commodity funds, and real estate partnerships is primarily determined using net asset values, which approximate fair value, as determined by an external fund manager based on quoted market prices, operating results, balance sheet stability, growth, and other business and market sector fundamentals

**4. Fair Value Measurements (continued)**

*Derivative assets and liabilities*

The fair value of derivative contracts is primarily determined using techniques consistent with the market approach Derivative contracts in place at June 30, 2014, include one interest rate basis swap Significant observable inputs to valuation models include interest rates, and treasury yields

As discussed in the significant accounting policies and the cash and cash equivalents, interest in investments held by Ascension, and assets limited as to use and other long-term investments notes, the Health Ministry has an interest in investments held by Ascension As of June 30, 2014, 21%, 38%, and 41% of total Alpha Fund assets that are measured at fair value on a recurring basis were measured based on Level 1, Level 2, and Level 3 inputs, respectively, while 0%, 100% and 0% of total Alpha Fund liabilities that are measured at fair value on a recurring basis were measured at such fair values based on Level 1, Level 2, and Level 3 inputs, respectively

*(Dollars in Thousands)*

**4. Fair Value Measurements (continued)**

The following table summarizes fair value measurements, by level, at June 30, 2014, for all other financial assets and liabilities which are measured at fair value on a recurring basis in the consolidated financial statements (including restricted and unrestricted investments)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **June 30, 2014** | | | | |
| Cash and cash equivalents | $ 54,019 | $ 233 | $ – | $ 54,252 |
| Short-term investments | – | 5,844 | – | 5,844 |
| U S government, state, municipal, and agency obligations | – | 1,391 | – | 1,391 |
| Corporate and foreign fixed income securities | – | 1,863 | – | 1,863 |
| Asset-backed securities | – | 9,500 | – | 9,500 |
| Equity securities | 8,004 | 565 | – | 8,569 |
| Alternative investments and other investments | 6 | 3,751 | – | 3,757 |
| | $ 62,029 | $ 23,147 | $ – | 85,176 |
| **Reconciling items** | | | | |
| Other assets limited as to use | | | | 2,914 |
| Subtotal, included in cash and cash equivalents, short-term investments, assets limited as to use and other long-term investments | | | | $ 88,090 |

*(Dollars in Thousands)*

## 5. Long-Term Debt

Long-term debt consists of the following

| | Total Debt June 30, 2014 |
|---|---|
| St John Health System Revenue Bonds, Series 2012 of the Oklahoma Development Finance Authority in the aggregate amount of $182,055 at stated rates ranging from 3 00% to 5 00% issued June 2012, maturing at various dates through February 2042 | $ 174,920 |
| St John Health System Revenue Bonds, Series 2007 of the Oklahoma Development Finance Authority in the aggregate amount of $247,595 at stated rates ranging from 4 125% to 5 0% issued May 2007, maturing at various dates through February 2042 | 232,630 |
| Intercompany debt with Ascension, payable in installments through November 15, 2053, interest rate 3 091% at June 30, 2014, and adjusted based on prevailing blended market interest rate of underlying debt obligations | 49,387 |
| St John Building Corporation Term Note payable to a bank made in June 2012 in the amount of $30,000 at a variable interest rate of 1 75% plus the London Interbank Offered Rate (LIBOR) in effect for each month (1 901% at June 30, 2014) Payments of principal and accrued interest are due and payable on the first day of each month until the date of June 1, 2032 | 27,269 |
| Other long-term debt | 4,117 |
| | 488,323 |
| Plus unamortized bond premium | 28,909 |
| Less current portion | (9,210) |
| Long-term debt, less current portion | $ 508,022 |

*(Dollars in Thousands)*

**5. Long-Term Debt (continued)**

Scheduled principal repayments of long-term debt are as follows

| Year ending June 30 | |
|---|---|
| 2015 | $ 9,210 |
| 2016 | 9,547 |
| 2017 | 10,090 |
| 2018 | 8,942 |
| 2019 | 9,449 |
| Thereafter | 441,085 |
| Total | $ 488,323 |

Certain members of Ascension formed the Ascension Health Credit Group (Senior Credit Group) Each Senior Credit Group member is identified as either a senior obligated group member, senior designated affiliate, or senior limited designated affiliate Senior obligated group members are jointly and severally liable under a Senior Master Trust Indenture (Senior MTI) to make all payments required with respect to obligations under the Senior MTI and may be entities not controlled directly or indirectly by Ascension Though senior designated affiliates and senior limited designated affiliates are not obligated to make debt service payments on the obligations under the Senior MTI, Ascension may cause each senior designated affiliate to transfer such amounts as are necessary to enable the obligated group to comply with the terms of the Senior MTI, including repayment of the outstanding obligations Additionally, each senior limited designated affiliate has an independent limited designated affiliate agreement and promissory note with Ascension with stipulated repayment terms and conditions, each subject to the governing law of the senior limited designated affiliate's state of incorporation The Health Ministry is not a senior obligated group member under the terms of the Senior MTI

Pursuant to a Supplemental Master Indenture dated February 1, 2005, senior obligated group members, which are operating entities, have pledged and assigned to the Master Trustee a security interest in all of their rights, title, and interest in their pledged revenues and proceeds thereof

**5. Long-Term Debt (continued)**

A Subordinate Credit Group, which is composed of subordinate obligated group members, subordinate designated affiliates, and subordinate limited designated affiliates, was created under the Subordinate Master Trust Indenture (Subordinate MTI) The subordinate obligated group members are jointly and severally liable under the Subordinate MTI to make all payments required with respect to obligations under the Subordinate MTI and may be entities not controlled directly or indirectly by Ascension Though subordinate designated affiliates and subordinate limited designated affiliates are not obligated to make debt service payments on the obligations under the Subordinate MTI, Ascension may cause each subordinate designated affiliate to transfer such amounts as are necessary to enable the obligated group members to comply with the terms of the Subordinate MTI, including payment of the outstanding obligations Additionally, each subordinate limited designated affiliate has an independent subordinate limited designated affiliate agreement and promissory note with Ascension, with stipulated repayment terms and conditions, each subject to the governing law of the subordinate limited designated affiliate's state of incorporation The Health Ministry is a subordinate obligated group member under the terms of the Subordinate MTI The Health Ministry's long-term debt payable to Ascension as part of this program is subordinate to the 2012 and 2017 bonds payable

The borrowing portfolio of the Senior and Subordinate Credit Group includes a combination of fixed and variable rate hospital revenue bonds, commercial paper, and other obligations, the proceeds of which are in turn loaned to the Senior and Subordinate Credit Group members subject to a long-term amortization schedule of 1 to 39 years

Certain portions of Senior and Subordinate Credit Group borrowings may be periodically subject to interest rate swap arrangements to effectively convert borrowing rates on such obligations from a floating to a fixed interest rate or vice versa based on market conditions Additionally, Senior and Subordinate Credit Group borrowings may, from time to time, be refinanced or restructured in order to take advantage of favorable market interest rates or other financial opportunities Any gain or loss on refinancing, as well as any bond premiums or discounts, are allocated to the Senior and Subordinate Credit Group members based on their pro rata share of the Senior and Subordinate Credit Group's obligations Senior and Subordinate Credit Group refinancing transactions rarely have a significant impact on the outstanding borrowings or intercompany debt amortization schedule of any individual Senior and Subordinate Credit Group member

**5. Long-Term Debt (continued)**

The carrying amounts of intercompany debt with Ascension, the bank loan, and other long-term debt approximate fair value based on a portfolio market valuation provided by a third party The fair market value of the 2012 and 2007 Bonds is $186,443 and $240,101, respectively, at June 30, 2014

The Senior and Subordinate Credit Group financing documents contain certain restrictive covenants, including a debt service coverage ratio The Health Ministry was in compliance with all covenants as of June 30, 2014

As of June 30, 2014, the Subordinate Credit Group has a $75,000 revolving line of credit related to its letters of credit program toward which a bank commitment of $75,000 extends to November 27, 2014 As of June 30, 2014, $58,688 of letters of credit had been extended under the revolving line of credit, although there were no borrowings under any of the letters of credit

During the year ended June 30, 2014, interest paid was approximately $22,198 Capitalized interest was zero for the year ended June 30, 2014

The Series 2012 Bonds are secured by the revenue of the members of an obligated group that includes the Health System, the Medical Center, JPMMC, St John Broken Arrow, St John Owasso, and St John Sapulpa The Series 2007 Bonds are not secured by a revenue pledge and the obligated group for those issues consists of the Health System and the Medical Center

The Health Ministry may redeem the Series 2012 Bonds after February 15, 2022 The Health Ministry may redeem the Series 2007 Bonds after February 2017

In 2012, St John Building Corporation issued a term note payable to a Bank (the Bank Note) for $30,000 for purchase of the Broken Arrow Medical Office Building and certain other property The Bank Note is unsecured, but guaranteed by the Health Ministry Additionally, the Bank Note is subject to cash collateral posting requirements tied to a reduction in the credit rating of St John Health System, Inc to or below BBB, or certain other specified events The Bank Note is payable at any time by St John Building Corporation with no prepayment penalty Principal and interest on the Bank Note is payable monthly based upon a variable interest rate that resets quarterly and a 20-year principle amortization schedule The variable interest rate is LIBOR plus 1 75% (1 901% at June 30, 2014)

**5. Long-Term Debt (continued)**

In connection with the bond issues, the Health Ministry and various subsidiaries must comply with covenants which may require, limit, or prohibit certain transactions or activities These covenants, among other things, limit the creation of certain liens, the incurrence of indebtedness, transfers of assets, mergers, and consolidation Certain other limitations exist related to the creation of encumbrances on revenue and certain assets of the Health Ministry and various subsidiaries The Master Indenture for the bonds contains a debt service coverage ratio requirement of 1 10 times debt service coverage At June 30, 2014, management for the Health Ministry believes the Health Ministry was in compliance with this covenant and with all other debt covenants

**6. Derivative Instruments**

The Health Ministry uses interest rate swap agreements to hedge the effects of fluctuations in interest rates At June 30, 2014, the Health Ministry had one $100 million interest rate basis swap agreement outstanding This swap agreement requires the Health Ministry to pay variable interest payments based on the Bond Market Association Municipal swap index (BMA) rate (now called SIFMA) and receive interest payments based on the USD-LIBOR-BBA index rate for one-month deposits

During the twelve-month period ended June 30, 2014, this derivative did not meet the requirements for hedge accounting The differential to be paid or received on the swap agreement is accrued as interest rates change and is recognized as an increase or decrease in net interest expense These differentials may change as market interest rates change over the life of the related agreements

All derivatives are recognized on the balance sheet at their fair value On the date the derivative contract is entered into, the Health Ministry designates the derivative as either a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge), a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge), or as a speculative derivative The Health Ministry's current derivative is accounted for as a speculative instrument Accordingly, it has been recognized on the balance sheet at fair value with the change in fair value recorded in the statements of operations as a component of nonoperating revenue The fair value of the Health Ministry interest rate swap agreement is the estimated amount that the Health Ministry would receive or pay to terminate the swap agreement at the reporting date, taking into account

**6. Derivative Instruments (continued)**

current interest rates and the current creditworthiness of the swap counterparty The fair value of the one outstanding swap was unfavorable to the Health Ministry at June 30, 2014, with a fair market value liability of $756

Market risk includes the adverse effect on the value of a derivative instrument that results from a change in interest rates The market risk associated with interest rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken

The Health Ministry entered into the 20-year basis rate swap on June 18, 2001 (maturing on June 17, 2021), for a notional amount of $100 million, for which the counterparty and the Health Ministry obligors each pay a variable rate applied to the notional amount The agreement requires the parties to exchange semiannual payments with each other The Health Ministry parties pay the counterparty the BMA/SIFMA rate while the counterparty pays 73 875% of the USD-LIBOR-BBA index rate for one month deposits, which was 0 154% at June 30, 2014 (73 875% of which was 0 114%) The BMA/SIFMA rate was 0 060% at June 30, 2014

The Health Ministry parties and the counterparty may each terminate the swap transaction if the other party commits a specified event of default or certain acts of insolvency, merges with a materially weaker entity, or may not legally perform its obligations under the agreement, or if its credit ratings decline below specified levels If either party terminates a transaction, the terminating party must pay or be paid a termination settlement based on quotations of the value of the transaction by leading dealers, regardless of which party was the defaulting or affected party In addition, if either counterparty's credit ratings were to fall below specified levels, they would be obligated to post cash or securities with the counterparty equal to all or a portion of its settlement obligation from time to time If a swap transaction is terminated, the Health Ministry parties could be obligated to pay a termination settlement amount, and the amount could be substantial, depending on market conditions

The Health Ministry is exposed to credit losses in the event of nonperformance by the counterparty to its interest rate swap agreements Health Ministry management anticipates, however, that its counterparty for the above swap (whose obligations are guaranteed by Citigroup Global Markets Holding Inc ) will be able to satisfy its obligations under the agreements

## 7. Retirement Plans

### Defined-Benefit Plans

The Health Ministry participates in a noncontributory defined-benefit pension plan (the Defined Benefit Plan) that until April 1, 2013, was sponsored by Marian On April 1, 2013, St John Health System, Inc became the sponsor of the plan as it relates to the participants who are or were employees of the Health Ministry The plan name is St John Health System, Inc Employee Retirement Plan The Defined Benefit Plan qualified as a Church plan as described in the Internal Revenue Code The plan covers all eligible employees On January 1, 2006, Marian adopted a defined contribution retirement plan (the Defined Contribution Plan) for eligible employees – generally employees who began employment on or after January 1, 2006 This plan is now also sponsored by St John Health System, Inc as participation relates to employees of the Health Ministry Eligible employees are participants in the Defined Contribution Plan and no further participants have been or will be added to the Defined Benefit Plan after January 1, 2006 On June 18, 2013, participants were notified that all retirement benefits under the Defined Benefit Plan will be frozen effective December 31, 2014, and no further benefits will be earned after that date It is the intention of the Health Ministry to create a new defined contribution plan or plans to be effective as of January 1, 2015, to provide additional retirement benefits to Health Ministry employees

Contributions to the Defined Benefit Plan are based on actuarially determined amounts sufficient to meet the benefits to be paid to participants

*(Dollars in Thousands)*

**7. Retirement Plans (continued)**

The following table sets forth the benefit obligations and assets of the Defined Benefit Plan at June 30, 2014, components of net periodic benefit costs for the year then ended, and a reconciliation of the amounts recognized in the accompanying consolidated financial statements

| **Year Ended June 30, 2014** | |
|---|---|
| Change in projected benefit obligation | |
| Projected benefit obligation at beginning of year | $ 224,292 |
| Service cost | 6,739 |
| Interest cost | 10,517 |
| Actuarial loss | 4,598 |
| Assumption change | 7,896 |
| Benefits paid | (16,453) |
| Projected benefit obligation at end of year | 237,589 |
| | |
| Accumulated benefit obligation at end of year | 235,929 |
| | |
| Change in plan assets | |
| Fair value of plan assets at beginning of year | 172,104 |
| Actual return on plan assets | 29,263 |
| Employer contributions | 5,619 |
| Benefits paid | (16,453) |
| Fair value of plan assets at end of year | 190,533 |
| Net amount recognized at end of year and funded status | $ (47,056) |

The net amount ($47,056) has been recognized as a long-term liability in the accompanying consolidated balance sheet at June 30, 2014

*(Dollars in Thousands)*

**7. Retirement Plans (continued)**

The Defined Benefit Plan funded status as a percentage of the projected benefit obligation at June 30, 2014, is approximately 80% The funded status percentage of the accumulated benefit obligation at June 30, 2014, is approximately 81% Included in unrestricted net assets at June 30, 2014, is an unrecognized actuarial gain of $22,340 that has not yet been recognized in net periodic pension cost for the Defined Benefit Plan An actuarial gain of $5,132 was included in changes in plan assets and benefit obligations recognized in unrestricted net assets for the Defined Benefit Plan during the year ended June 30, 2014

| | |
|---|---|
| Components of net periodic benefit cost for the year ended June 30, 2014 | |
| Service cost | $ 6,739 |
| Interest cost | 10,517 |
| Expected return on plan assets | (11,292) |
| Net periodic benefit cost | $ 5,964 |

The prior service credit and actuarial loss included in unrestricted net assets and expected to be recognized in net periodic pension cost during the year ending June 30, 2015, are zero

The assumptions used to determine the benefit obligation and net periodic benefit cost for the Defined Benefit Plan are set forth below

| **June 30, 2014** | |
|---|---|
| Weighted-average discount rate | 4 30% |
| Weighted-average rate of compensation increase | 3 50% |
| Weighted-average expected long-term rate of return on plan assets | 7 10% |

**7. Retirement Plans (continued)**

The Defined Benefit Plan assets are held in a Master Trust (Trust) along with assets of other plans (System Plans) and are invested in a portfolio designed to protect principal and obtain competitive investment returns and long-term investment growth, consistent with actuarial assumptions, with a reasonable and prudent level of risk Diversification is achieved by allocating assets to funds and managers that correlate to one of three economic strategies growth, deflation, and inflation Growth strategies include U S equity, emerging market equity, global equity, international equity, directional hedge funds, private equity, high yield, and private credit Deflation strategies include core fixed income, certain hedge funds, and cash Inflation strategies include inflation-linked bonds, commodity-related investments, and real assets The Defined Benefit Plan uses multiple investment managers with complementary styles, philosophies, and approaches In accordance with the Plan's objectives, derivatives may also be used to gain market exposure in an efficient and timely manner

The weighted-average asset allocation for the System Plans in the Trust at the end of fiscal 2014, by asset category, are as follows

| Percentage of plan assets at year-end by asset category | |
|---|---|
| Cash and cash equivalents | 0 5% |
| U S government and agency securities | 11 3 |
| Corporate bonds | 8 6 |
| Domestic common stocks | 74 3 |
| Alternative investments | 5 3 |
| Total | 100 0% |

*(Dollars in Thousands)*

**7. Retirement Plans (continued)**

The following table summarizes fair value measurements at June 30, 2014, by asset class and by level, for the Health Ministry plans' assets and liabilities As also discussed in the fair value measurements note, the Health Ministry follows the three-level fair value hierarchy to categorize plan assets and liabilities recognized at fair value, which prioritizes the inputs used to measure such fair values The inputs and valuation techniques discussed in the fair value measurements note also apply to the Health Ministry plans' assets and liabilities as presented in the following tables

| | Level 1 | Level 2 | Level 3 | Total June 30, 2014 |
|---|---|---|---|---|
| Cash and cash equivalents | $ 859 | $ – | $ – | $ 859 |
| U S government and agency securities | – | 21,526 | – | 21,526 |
| Corporate bonds | – | 16,306 | – | 16,306 |
| Domestic common stocks | – | 141,755 | – | 141,755 |
| Alternative investments | – | – | 10,087 | 10,087 |
| Total | $ 859 | $ 179,585 | $ 10,087 | $ 190,533 |

*(Dollars in Thousands)*

**7. Retirement Plans (continued)**

The expected long-term rate of return on the Defined Benefit Plan's assets is based on historical and projected rates of return for current and planned asset categories in the 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

Information about the expected cash flows for the Defined Benefit Plan follows

| | | |
|---|---|---|
| Expected employer contributions in FY 2015 | $ | 2,572 |

Expected benefit payments from the Defined Benefit Plan for the next five years and thereafter are

| | | |
|---|---|---|
| 2015 | $ | 31,100 |
| 2016 | | 18,800 |
| 2017 | | 17,600 |
| 2018 | | 17,300 |
| 2019 | | 17,700 |
| 2020–2024 | | 75,000 |

**Defined Contribution Plans**

The Health Ministry makes contributions on behalf of participants to the Defined Contribution Plan based on a percentage of the employee's eligible earnings Contributions are 2%, 4%, or 6% of eligible compensation depending upon each employee's tenure with the Health Ministry Contributions are made once each year in February or March based upon eligible earnings for the previous calendar year Utica and certain other subsidiaries sponsor 401(k) and other defined contribution plans for certain eligible employees Contributions, if any, to these plans are based on a percentage of employee earnings In general, each employee of the Health Ministry participates in one (but not more than one) of the plans described above

Total expense associated with all the Health Ministry's retirement plans was $9,728 for the year ended June 30, 2014

## 8. Self-Insurance Programs

The Health Ministry participates in pooled risk programs to insure professional and general liability risks and workers' compensation risks to the extent of certain self-insured limits In addition, various umbrella insurance policies have been purchased to provide coverage in excess of the self-insured limits Actuarially determined amounts, discounted at 6%, are contributed to the trusts and the captive insurance company to provide for the estimated cost of claims The loss reserves recorded for estimated self-insured professional, general liability, and workers' compensation claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported and are discounted at 6% in 2014 In the event that sufficient funds are not available from the self-insurance programs, each participating entity may be assessed its pro rata share of the deficiency If contributions exceed the losses paid, the excess may be returned to participating entities

### Professional and General Liability Programs

The Health Ministry participates in Ascension's professional and general liability self-insured program which provides claims-made coverage through a wholly owned onshore trust and offshore captive insurance company, Ascension Health Insurance, Ltd (AHIL), with a self-insured retention of $10,000 per occurrence with no aggregate The Health Ministry has a deductible of $100 per claim Excess coverage is provided through AHIL with limits up to $205,000 AHIL retains $5,000 per occurrence and $5,000 annual aggregate for professional liability AHIL also retains a 20% quota share of the first $25,000 of umbrella excess The remaining excess coverage is reinsured by commercial carriers

Included in operating expenses in the accompanying consolidated statements of operations and changes in net assets is professional and general liability expense of $5,670 for the year ended June 30, 2014 Included in current and long-term self-insurance liabilities on the accompanying consolidated balance sheet are liabilities for deductibles and reserves for claims incurred but not yet reported of approximately $2,948

*(Dollars in Thousands)*

**8. Self-Insurance Programs (continued)**

**Workers' Compensation**

The Health Ministry participates in Ascension's workers' compensation program which provides occurrence coverage through a grantor trust The trust provides coverage up to $1,000 per occurrence with no aggregate The trust provides a mechanism for funding the workers' compensation obligations of its members Excess insurance against catastrophic loss is obtained through commercial insurers Premium payments made to the trust are expensed and reflect both claims reported and claims incurred but not reported

Included in operating expenses in the accompanying consolidated statements of operations and changes in net assets is workers' compensation expense of $3,731 for the year ended June 30, 2014

**9. Lease Commitments**

Future minimum payments under noncancelable operating leases with terms of one year or more are as follows

| | | |
|---|---|---|
| Year ending June 30 | | |
| 2015 | $ | 3,457 |
| 2016 | | 3,402 |
| 2017 | | 3,012 |
| 2018 | | 2,485 |
| 2019 | | 2,288 |
| Thereafter | | 6,904 |
| Total | $ | 21,548 |

Rental expense under operating leases amounted to $5,297 in 2014

**10. Related-Party Transactions**

The Health Ministry utilized various centralized programs and overhead services of the System or its other sponsored organizations including risk management, treasury, debt management, executive management support, administrative services, and certain information technology services The charges allocated to the Health Ministry for these services represent both allocations of common costs and specifically identified expenses that are incurred by the System on behalf of the Health Ministry Allocations are based on relevant metrics such as the Health Ministry's pro rata share of revenues, certain costs, debt, or investments to the consolidated totals of the System The amounts charged to the Health Ministry for these services may not necessarily result in the net costs that would be incurred by the Health Ministry on a stand-alone basis The charges allocated to the Health Ministry and charged to expense were approximately $10,881 for the year ended June 30, 2014 Most of this expense relates to management and maintenance of biomedical equipment

In addition to the charges discussed above, the Health Ministry may make payments to the System of more than $12,000 for the year ended June 30, 2015, representing the Health Ministry's share of costs to fund a System-wide information technology and process standardization project that is expected to continue through December 2016 These payments will be included in transfers to sponsor and other affiliates, net, in the accompanying consolidated statement of operations and changes in net assets

The Health Ministry received from Community Care premium revenues of $101,515 for the year ended June 30, 2014, and rental income of $1,252 for the same period

The president of Regional Medical Lab, Inc (RML), a subsidiary of Utica, is a shareholder in Pathology Laboratory Associates, Inc (PLA) which provides professional medical services as well as management services related to and for the laboratory tests performed by RML RML paid PLA $5,565 for professional medical services and $5,404 for management services during the year ended June 30, 2014

SJBC owns and leases the land and facilities housing an ambulatory surgery center to Memorial Surgery Center, LLC (Memorial) Utica (through its 50% equity ownership in Utica USP Tulsa LLC) has an effective 25% ownership in Memorial The venture includes another organization and physician investors, some of which are members of the Medical Center's active medical staff

**10. Related-Party Transactions (continued)**

SJBC owns and leases land and facilities housing several outpatient dialysis centers owned and managed by Fresenius MC of Tulsa LLC, a limited liability corporation in which Utica owns a 24 5% ownership interest

**11. Contingencies and Commitments**

In addition to professional liability claims, the Health Ministry is involved in litigation and regulatory investigations arising in the ordinary course of business In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect on the Health Ministry's consolidated balance sheet

The Health Ministry from time to time enters into agreements with non-employed physicians that include minimum revenue guarantees At June 30, 2014, there are no future commitments under such guarantees and the carrying amounts of the liability for the Health Ministry's obligation under these guarantees was zero The maximum amount of future payments that the Health Ministry could be required to make under these guarantees is zero

**12. Sale of Certain Dialysis Operations and Investment in Dialysis Joint Venture**

Effective November 1, 2013, the Health Ministry sold its operations in four outpatient dialysis centers to Fresenius MC of Tulsa LLC (the LLC), a limited liability corporation, which also purchased the operations of six outpatient dialysis centers previously owned by affiliates of Fresenius, the company that owns a majority ownership percentage in Fresenius MC of Tulsa LLC At the same time, Utica purchased a 24 5% ownership interest in the LLC

Proceeds of the sale to the Health Ministry were approximately $18,367 and the sale generated a gain on sale of assets of approximately $17,954 which is recorded in other operating revenue in the accompanying consolidated statement of operations and changes in net assets for the year ended June 30, 2104 Utica's investment in the LLC was $6,562 in exchange for the 24 5% ownership interest

# Supplementary Information

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# Report of Independent Auditors on Supplementary Information

The Board of Directors
St John Health System, Inc

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole The Schedule of Net Cost of Providing Care of Persons Living in Poverty and Other Community Benefit Programs is presented for purposes of additional analysis and is not a required part of the consolidated financial statements Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 consolidated financial statements as a whole

Ernst + Young LLP

September 25, 2014

St. John Health System, Inc. and Subsidiaries

## Schedule of Net Cost of Providing Care of Persons Living in Poverty and Other Community Benefit Programs

*(Dollars in Thousands)*

The net cost (excluding the provision for bad debt expense) of providing care of persons living in poverty and other community benefit programs is as follows

| | Year Ended June 30, 2014 |
|---|---|
| Traditional charity care provided | $ 32,442 |
| Unpaid cost of public programs for persons living in poverty | 14,823 |
| Other programs for persons living in poverty and other vulnerable persons | 5,477 |
| Community benefit programs | 16,761 |
| Care of persons living in poverty and other community benefit programs | $ 69,503 |

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# Report of Independent Auditors on Supplementary Information

The Board of Directors
St John Health System, Inc

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole The Combined Balance Sheet and Combined Statement of Operations and Changes in Unrestricted Net Assets of St John Health System, Inc (Parent) and St John Medical Center, Inc , and the Balance Sheet and Statement of Operations and Changes in Unrestricted Net Assets of St John Health System, Inc (Parent Only) are presented for purposes of additional analysis and are not a required part of the consolidated financial statements Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 consolidated financial statements as a whole

Ernst + Young LLP

September 25, 2014

# St. John Health System, Inc. (Parent) and St. John Medical Center, Inc.

## Combined Schedule – Balance Sheet Information

*(In Thousands)*

June 30, 2014

| | | |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ | 15,975 |
| Net patient accounts receivable | | 71,382 |
| Receivable from consolidated affiliates | | 35,089 |
| Receivable from Ascension and Ascension affiliates | | 5,863 |
| Other current assets | | 28,656 |
| Total current assets | | 156,965 |
| Property and equipment, net | | 214,508 |
| Assets whose use is limited | | 38,806 |
| Investment in consolidated affiliates | | 379,360 |
| Investments | | 423,450 |
| Receivable from affiliates | | 178,485 |
| Other assets | | 46,927 |
| Total assets | $ | 1,438,501 |
| **Liabilities and net assets** | | |
| Current liabilities | | |
| Current portion of long-term debt | $ | 8,012 |
| Accounts payable and accrued liabilities | | 68,613 |
| Accounts payable to Ascension and Ascention affiliates | | 11,423 |
| Other current liabilities | | 9,223 |
| Total current liabilities | | 97,271 |
| Long-term debt, less current portion | | 477,832 |
| Pension liability | | 47,056 |
| Other liabilities | | 16,175 |
| Derivative financial instruments | | 756 |
| Total liabilities | | 639,090 |
| Net assets | | |
| Unrestricted | | 777,792 |
| Temporarily restricted | | 11,619 |
| Permanently restricted | | 10,000 |
| Total net assets | | 799,411 |
| Commitments and contingencies | | – |
| Total liabilities and net assets | $ | 1,438,501 |

# St. John Health System, Inc. (Parent) and St. John Medical Center, Inc.

## Combined Schedule – Statement of Operations and Changes in Unrestricted Net Assets Information

*(In Thousands)*

June 30, 2014

| | | |
|---|---|---|
| Operating revenues | | |
| Net patient service revenue, including premium | $ | 533,164 |
| Gain on sale of certain clinical operations and assets | | 15,603 |
| Other operating revenue | | 29,730 |
| Equity in net earnings of consolidated affiliates | | 4,643 |
| Total operating revenues | | 583,140 |
| Operating expenses | | |
| Salaries, wages, and employee benefits | | 232,897 |
| Supplies | | 121,428 |
| Purchased services and professional fees | | 81,782 |
| Provider fees | | 11,744 |
| Other expenses | | 49,007 |
| Depreciation and amortization | | 27,518 |
| Interest | | 20,470 |
| Total operating expenses before restructuring charges | | 544,846 |
| Income from operations before restructuring charges | | 38,294 |
| Restructuring charges | | (2,438) |
| Income from operations | | 35,856 |
| Nonoperating gains (losses) | | |
| Investment return | | 50,526 |
| Gain on interest rate swap | | 25 |
| Other, net | | (4,970) |
| Total nonoperating gains, net | | 45,581 |
| Excess of revenues and gains over expenses and losses | | 81,437 |
| Other changes in unrestricted net assets | | |
| Transfer to Ascension and Ascension affiliates | | (9,142) |
| Pension liability adjustment | | 5,132 |
| Other changes in net assets | | 1,317 |
| Change in unrestricted net assets | $ | 78,744 |

# St. John Health System, Inc. (Parent Only)

## Balance Sheet Information
*(In Thousands)*

June 30, 2014

| | | |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ | 3,095 |
| Receivable from consolidated affiliates | | 15,109 |
| Other current assets | | 12,891 |
| Total current assets | | 31,095 |
| Property and equipment, net | | 12,181 |
| Investment in consolidated affiliates | | 451,765 |
| Assets whose use is limited | | 24,348 |
| Investments | | 421,633 |
| Receivable from consolidated affiliates | | 408,275 |
| Other assets | | 45,646 |
| Total assets | $ | 1,394,943 |
| **Liabilities and net assets** | | |
| Current liabilities | | |
| Current portion of long-term debt | $ | 8,012 |
| Accounts payable and accrued liabilities | | 33,000 |
| Payable to Ascension and Ascension affiliates | | 3,349 |
| Other | | 9,352 |
| Total current liabilities | | 53,713 |
| Long-term debt, less current portion | | 477,832 |
| Pension liability | | 47,056 |
| Other liabilities | | 16,175 |
| Derivative financial instruments | | 756 |
| Total liabilities | | 595,532 |
| Net assets | | |
| Unrestricted | | 777,792 |
| Temporarily restricted | | 11,619 |
| Permanently restricted | | 10,000 |
| Total net assets | | 799,411 |
| Commitments and contingencies | | – |
| Total liabilities and net assets | $ | 1,394,943 |

# St. John Health System, Inc. (Parent Only)

## Statement of Operations and Changes in Unrestricted Net Assets Information

*(In Thousands)*

June 30, 2014

| | | |
|---|---|---|
| Net patient service revenue, including premium | $ | 31,107 |
| Equity in earnings of unconsolidated affiliates | | 72,014 |
| Other operating revenues, including intercompany allocations | | 54,279 |
| Total operating revenues | | 157,400 |
| | | |
| Operating expenses | | |
| Salaries, wages, and employee benefits | | 44,862 |
| Supplies | | 1,609 |
| Purchased services and professional fees | | 25,977 |
| Other expenses | | 33,832 |
| Depreciation and amortization | | 9,905 |
| Interest | | 20,470 |
| Total operating expenses before restructuring charges | | 136,655 |
| Income from operations before restructuring charges | | 20,745 |
| | | |
| Restructuring charges | | (2,438) |
| Income from operations | | 18,307 |
| | | |
| Nonoperating gains | | |
| Investment return, including intercompany | | 63,112 |
| Gain on interest rate swap | | 25 |
| Other, net | | (7) |
| Total nonoperating gains, net | | 63,130 |
| Excess of revenues and gains over expenses and losses | | 81,437 |
| | | |
| Other changes in unrestricted net assets (including equity in other changes in affiliates' unrestricted net assets) | | (3,223) |
| Change in unrestricted net assets | $ | 78,214 |

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