



See a Social Security Number? Say Something!  
Report Privacy Problems to <https://public.resource.org/privacy>  
Or call the IRS Identity Theft Hotline at 1-800-908-4490



Form 990



Department of the Treasury  
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

Information about Form 990 and its instructions is at [www.IRS.gov/form990](http://www.irs.gov/form990)

OMB No 1545-0047

2013

Open to Public Inspection

A For the 2013 calendar year, or tax year beginning 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

MERCY HEALTH SYSTEM CORPORATION

Doing Business As

Number and street (or P O box if mail is not delivered to street address)

Room/suite

PO BOX 5003 - 1000 MINERAL POINT

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

JANESVILLE, WI 535475003

F Name and address of principal officer

JAVON BEA

PO BOX 5003 - 1000 MINERAL POINT

JANESVILLE, WI 535475003

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.MERCYHEALTHSYSTEM.ORG

K Form of organization

☒ Corporation ☐ Trust ☐ Association ☐ Other

L Year of formation

1972

M State of legal domicile

WI

Part I		Summary	
Activities & Governance	1	Briefly describe the organization's mission or most significant activities THE MISSION OF MERCY HEALTH SYSTEM IS TO PROVIDE EXCEPTIONAL HEALTH CARE SERVICES RESULTING IN HEALING IN THE BROADEST SENSE	
	2	Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets	
	3	Number of voting members of the governing body (Part VI, line 1a)	9
	4	Number of independent voting members of the governing body (Part VI, line 1b)	8
Revenue	5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	3,868
	6	Total number of volunteers (estimate if necessary)	0
	7a	Total unrelated business revenue from Part VIII, column (C), line 12	10,145,886
	b	Net unrelated business taxable income from Form 990-T, line 34	0
	8	Contributions and grants (Part VIII, line 1h)	192,379
	9	Program service revenue (Part VIII, line 2g)	482,875,091
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	906,429
Expenses	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	4,487,239
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	488,461,138
	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0
	14	Benefits paid to or for members (Part IX, column (A), line 4)	0
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	283,427,073
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0
	b	Total fundraising expenses (Part IX, column (D), line 25)	0
Net Assets or Fund Balances	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	186,769,727
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	470,196,800
	19	Revenue less expenses Subtract line 18 from line 12	18,264,338
		Beginning of Current Year	End of Year
	20	Total assets (Part X, line 16)	460,754,384
	21	Total liabilities (Part X, line 26)	305,574,103
	22	Net assets or fund balances Subtract line 21 from line 20	155,180,281

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

2015-05-11

Date

JAVON BEA CEO

Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name

BRADLEY S MCGUIRE CPA

Preparer's signature

Date

2015-05-11

Check ☒ if self-employed

PTIN P00643763

Firm's name

BAKER TILLY VIRCHOW KRAUSE LLP

Firm's EIN

39-0859910

Firm's address

500 MIDLAND COURT PO BOX 8130

JANESVILLE, WI 535478130

Phone no

(608) 752-5835

May the IRS discuss this return with the preparer shown above? (see instructions)

☒ Yes ☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2013)

Part III

Statement of Program Service Accomplishments

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

☐ Yes ☒ No

1

Briefly describe the organization's mission

THE MISSION OF MERCY HEALTH SYSTEM IS TO PROVIDE EXCEPTIONAL HEALTH CARE SERVICES RESULTING IN HEALING IN THE BROADEST SENSE

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 \$ 405,273,227 including grants of \$ ) (Revenue \$ 505,367,904 )

HOSPITAL DISCHARGES 8,416, NURSING HOME ADMISSIONS 319, BIRTHS 1,006, OUTPATIENT VISITS 1,181,947MERCY HEALTH SYSTEM CONTINUES ITS TRADITION OF GIVING BACK TO EACH OF THE COMMUNITIES WE SERVE IN A WIDE VARIETY OF FASHIONS ONE OF THE LARGER AREAS OF CONTRIBUTION IS IN THE AREA OF PUBLIC HEALTH SERVICES THIS INCLUDES EXTENSIVE DONATIONS OF TIME AND SUPPLIES TO HEALTHNET OF ROCK COUNTY, A LARGE FREE PRIMARY CARE CLINIC SERVING THE REGION MORE THAN EIGHTY PERCENT OF THE PHYSICIAN SERVICES PROVIDED AT THE CLINIC ARE SUPPLIED THROUGH MERCY HEALTH SYSTEM WE HAVE A SIMILAR COMMITMENT TO OPEN ARMS FREE CLINIC THAT SERVICES LOW INCOME RESIDENTS IN WALWORTH COUNTY ADDITIONALLY, WE PROVIDE HEALTH SCREENING AND RELATED SERVICES AT NUMEROUS EVENTS IN ROCK AND WALWORTH COUNTIES IN WISCONSIN AND MCHENRY COUNTY IN ILLINOIS IN FACT, IN 2014, MORE THAN 138,000 PARTICIPANTS FROM THESE COUNTIES RECEIVED SERVICES DURING OUR WELLNESS CLINICS IN THAT SAME PERIOD OF TIME, MERCY ALSO PROVIDED MORE THAN \$416,000 IN FINANCIAL AND IN KIND CONTRIBUTIONS TO OTHER PRIVATE NOT FOR PROFIT HEALTH RELATED AGENCIES AND ORGANIZATION IN OUR SERVICE AREA BENEFICIARIES INCLUDED BUT ARE NOT LIMITED TO THE AMERICAN HEART ASSOCIATION, AMERICAN CANCER SOCIETY, UNITED WAY ORGANIZATIONS IN ROCK, WALWORTH, AND MCHENRY COUNTIES, YWCA CARE HOUSE, YMCA, AMERICAN LUNG ASSOCIATION, WALWORTH COUNTY ALLIANCE FOR CHILDREN, TURNING POINT WOMEN'S CENTER IN MCHENRY, OPEN ARMS FREE CLINIC, AND THE RED CROSS, TO NAME JUST A FEW RECIPIENTS MERCY ALSO ENCOURAGES ITS PARTNERS (EMPLOYEES) TO DONATE THEIR TIME AND ENERGY TO SUPPORT A WHOLE HOST OF COMMUNITY BASED CAUSES THOUSANDS OF HOURS EACH YEAR ARE DONATED TO NOT FOR PROFIT AND PUBLIC AGENCIES THROUGHOUT OUR SERVICE AREA EXAMPLES OF VOLUNTEER ACTIVITIES BEING SUPPORTED INCLUDE NURSING SERVICES AT COMMUNITY AND FREE CLINICS THROUGHOUT THE REGION, MEALS ON WHEELS DELIVERY ACTIVITIES, ACTIVE INVOLVEMENT AS GOVERNING BOARD MEMBERS FOR SUCH ORGANIZATIONS AS UNITED WAY, CRIME STOPPERS, ROTARY BOTANICAL GARDENS, HEALTHNET, AND MANY OTHER ORGANIZATIONS ANOTHER EXAMPLE OF MERCY'S COMMITMENT TO COMMUNITY IS ITS SUPPORT OF THE OPERATIONS THROUGH OFFERING SAFE RESIDENCE TO HOMELESS WOMEN AND THEIR CHILDREN AT THE HOUSE OF MERCY HOMELESS CENTER SINCE ITS OPENING IN 1996, THE CENTER HAS SERVED MORE THAN 5500 PERSONS, MOST OF WHOM ARE UNDER THE AGE OF 18 AT THE CENTER THE CENTER OFFERS A SAFE HARBOR FOR THESE INDIVIDUALS AS WELL AS CASE MANAGEMENT, ASSISTANCE WITH JOB SEARCHES, FINDING PERMANENT HOUSING AND EDUCATION

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

405,273,227

Form 990 (2013)

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I	3	No
4 <b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II	4	No
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 Yes	
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d	No
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X 	11f	No
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII 	12a	No
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional 	12b Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV	14b	No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? If "Yes," complete Schedule F, Parts II and IV	15	No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? If "Yes," complete Schedule F, Parts III and IV	16	No
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)	17	No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18	No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19	No
20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	20b Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i> . . . . .	21		No
22	Did the organization report more than \$5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i> . . . . .	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i> . . . . .	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i> . . . . .	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . .	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . .	24d		
25a	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25b		No
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If so, complete Schedule L, Part II</i> . . . . .	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i> . . . . .	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28b	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . .	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i> . . . . .	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	35b		No
36	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> . . . . .	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? <b>Note.</b> 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.	382	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
1c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	3,868	
2b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).		Yes	
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?		Yes	
3b If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation in Schedule O.		Yes	
4a At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			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?			No
5b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			No
5c If "Yes," to line 5a or 5b, did the organization file Form 8886-T?			
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?			No
6b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			
7 Organizations that may receive deductible contributions under section 170(c).			
7a Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?			No
7b If "Yes," did the organization notify the donor of the value of the goods or services provided?			
7c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			No
7d If "Yes," indicate the number of Forms 8282 filed during the year.			
7e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			
7f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?			
7g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			
7h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			
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?			
9 Sponsoring organizations maintaining donor advised funds.			
9a Did the organization make any taxable distributions under section 4966?			
9b Did the organization make a distribution to a donor, donor advisor, or related person?			
10 Section 501(c)(7) organizations. Enter			
10a Initiation fees and capital contributions included on Part VIII, line 12.			
10b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.			
11 Section 501(c)(12) organizations. Enter			
11a Gross income from members or shareholders.			
11b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).			
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?			
12b If "Yes," enter the amount of tax-exempt interest received or accrued during the year.			
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
13a Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> See the instructions for additional information the organization must report on Schedule O.			
13b 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.			
13c Enter the amount of reserves on hand.			
14a Did the organization receive any payments for indoor tanning services during the tax year?			No
14b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.			

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

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

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

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates? . . . . .	10a	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	No
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990 . . . . .		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13 . . . . .	12a	Yes
b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? . . . . .	12b	Yes
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done . . . . .	12c	Yes
13	Did the organization have a written whistleblower policy? . . . . .	13	Yes
14	Did the organization have a written document retention and destruction policy? . . . . .	14	Yes
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
a	The organization's CEO, Executive Director, or top management official . . . . .	15a	Yes
b	Other officers or key employees of the organization . . . . .	15b	Yes
If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? . . . . .	16a	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 filedIL , WI
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)
19	Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization SHANNON DUNPHY-ALEXANDER 1000 MINERAL POINT JANESVILLE, WI 535475003 (608) 756-6642

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) ROWLAND MCCLELLAN CHAIRPERSON & DIRECTOR	1 00	X						1,097	0	0
(2) THOMAS POOL VICE-CHAIRPERSON & DIRECTO	1 00	X						15,000	0	0
(3) LARRY SQUIRE TREASURER & DIRECTOR	1 00	X						3,718	0	0
(4) ELIZABETH HANSCH DIRECTOR	1 00	X						0	0	0
(5) DAVE SYVERSON DIRECTOR	1 00	X						15,000	0	0
(6) MARK GOELZER MD DIRECTOR/PHYSICIAN	55 00				X			433,237	0	28,418
(7) ROBERT CONSIGNY DIRECTOR	1 00	X						0	0	0
(8) KATHERINE SCHACK DIRECTOR	1 00	X						2,205	0	0
(9) MARK KOPP DIRECTOR	1 00	X						0	0	0
(10) BARB BORTNER VICE-PRESIDENT	55 00			X				198,844	0	34,313
(11) DAN COLBY VICE-PRESIDENT	55 00			X				266,553	0	28,819
(12) DAVID KURTZ VICE-PRESIDENT	55 00			X				209,510	0	28,280
(13) JOHN COOK VICE-PRESIDENT	55 00			X				378,933	0	37,682
(14) KATHY HARRIS VICE-PRESIDENT	55 00			X				137,243	0	27,926
(15) RUTH YARBROUGH VICE-PRESIDENT	55 00			X				255,040	0	23,432
(16) RICHARD GRUBER VICE-PRESIDENT	55 00			X				207,379	0	27,888
(17) RALPH TOPINKA VICE-PRESIDENT	55 00			X				286,672	0	15,725



Part VII

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) JOSEPH NEMETH VICE-PRESIDENT	55 00			X				212,999	0	25,731
(19) SUE RIPSCH VICE-PRESIDENT	55 00			X				375,874	0	32,971
(20) JENNIFER HALLATT VICE-PRESIDENT	1 00			X				225,038	0	37,244
(21) PAUL VAN DEN HEUVEL VICE-PRESIDENT	1 00			X				101,778	0	4,809
(22) JAVON BEA PRESIDENT & DIRECTOR	55 00	X		X				5,220,365	0	36,645
(23) VIKRAM KHANNA PHYSICIAN	40 00					X		1,820,022	0	49,172
(24) BRADLEY FIDELER PHYSICIAN	40 00					X		1,308,704	0	41,515
(25) CHRISTOPHER STURM PHYSICIAN	40 00					X		1,186,786	0	39,311
(26) ROBB WHINNEY PHYSICIAN	40 00					X		1,255,377	0	31,733
(27) DANIEL HOFFMAN PHYSICIAN	40 00					X		1,056,481	0	36,899
<b>1b Sub-Total</b>										
<b>c Total from continuation sheets to Part VII, Section A</b>										
<b>d Total (add lines 1b and 1c)</b>								15,173,855	0	588,513

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▶19

	Yes	No
3 Did the organization list any <b>former</b> officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>		No
4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>	Yes	
5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>		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
MAGILL CONSTRUCTION COMPANY 977 KOOPMAN LANE ELKHORN WI 53121	CONSTRUCTION	5,222,884
EPIC SYSTEMS CORPORATION 1979 MILKY WAY VERONA WI 53593	SOFTWARE/SYSTEM MAINTENANCE	3,697,926
WALSH CONSTRUCTION COMPANY II LLC 929 WEST ADAMS CHICAGO IL 60607	CONSTRUCTION	2,732,097
HAYES LOCUMS LLC 6700 N ANDREWS AVE STE 600 FORT LAUDERDALE FL 33309	PHYSICIAN LOCUM	1,322,393
BABCOCK OUTDOOR ADVERTISING 966 CENTER AVE JANESVILLE WI 53546	ADVERTISING	1,105,491
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 ▶49		

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	129,080				
	e	Government grants (contributions)	1e	114,899				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	19,842				
	g	Noncash contributions included in lines 1a-1f \$						
	h	Total. Add lines 1a-1f . . . . .		263,821				
Program Service Revenue	2a	PATIENT SERVICE REVENUE	Business Code 621110	504,383,272	504,383,272			
	b	UNRELATED BUSINESS INCOME	561000	10,145,886		10,145,886		
	c	CAFETERIA	722210	1,229,669		1,229,669		
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f . . . . .		515,758,827				
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts) . . . . .		383,643		383,643	
4		Income from investment of tax-exempt bond proceeds . . . . .						
5		Royalties . . . . .						
6a		Gross rents	(i) Real	(ii) Personal				
		b	Less rental expenses					
		c	Rental income or (loss)					
		d	Net rental income or (loss) . . . . .					
7a		Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other				
		b	Less cost or other basis and sales expenses	45,322,056				109,656
		c	Gain or (loss)	45,407,916				113,880
		d	Net gain or (loss) . . . . .	-85,860				-4,224
8a		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .	a					
b		Less direct expenses . . . . .	b					
c		Net income or (loss) from fundraising events . . . . .						
9a		Gross income from gaming activities See Part IV, line 19 . . . . .	a					
b		Less direct expenses . . . . .	b					
c		Net income or (loss) from gaming activities . . . . .						
10a		Gross sales of inventory, less returns and allowances . . . . .	a					
b		Less cost of goods sold . . . . .	b					
c		Net income or (loss) from sales of inventory . . . . .						
Miscellaneous Revenue		Business Code						
11a		OTHER INVESTMENTS	900099	2,830,329			2,830,329	
b	MISCELLANEOUS	900099	25,923			25,923		
c								
d	All other revenue . . . . .							
e	Total. Add lines 11a-11d . . . . .		2,856,252					
12	Total revenue. See Instructions . . . . .		519,172,459	504,383,272	10,145,886	4,379,480		

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.	8,829,156		8,829,156	
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.	236,176,326	192,939,869	43,236,457	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	7,398,033	5,494,816	1,903,217	
9	Other employee benefits.	31,012,904	21,722,276	9,290,628	
10	Payroll taxes.	13,925,111	10,459,254	3,465,857	
11	Fees for services (non-employees):				
a	Management.				
b	Legal.	686,837		686,837	
c	Accounting.	44,300		44,300	
d	Lobbying.				
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.	37,457		37,457	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	27,182,292	15,822,770	11,359,522	
12	Advertising and promotion.	3,646,504	17,662	3,628,842	
13	Office expenses.	83,798,512	78,905,551	4,892,961	
14	Information technology.	1,238,001	408,239	829,762	
15	Royalties.				
16	Occupancy.	8,946,478	8,025,617	920,861	
17	Travel.	1,092,350	465,864	626,486	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.	1,660,793	1,063,586	597,207	
20	Interest.	9,358,292	8,395,043	963,249	
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	25,842,703	23,065,719	2,776,984	
23	Insurance.	4,506,889	3,109,737	1,397,152	
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O):				
a	BAD DEBTS	28,097,312	28,097,312		
b	EQUIPMENT REPAIRS & MAI	7,254,669	4,825,185	2,429,484	
c	WI MEDICAID & OTHER TAX	6,701,005	6,701,005		
d	INTER-ENTITY TRANSACTIO	-5,837,201	-4,861,877	-975,324	
e	All other expenses	2,509,810	615,599	1,894,211	
25	Total functional expenses. Add lines 1 through 24e.	504,108,533	405,273,227	98,835,306	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		22,285	1	24,990
	2	Savings and temporary cash investments		9,996,299	2	19,975,876
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		78,130,447	4	87,097,875
	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		10,104,452	8	10,737,552
	9	Prepaid expenses and deferred charges		5,603,206	9	5,824,521
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a533,925,660			
	b	Less accumulated depreciation	10b245,335,466	291,762,282	10c	288,590,194
	11	Investments—publicly traded securities			11	
	12	Investments—other securities See Part IV, line 11		50,226,624	12	73,661,949
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		14,908,789	15	11,612,645
	16	Total assets. Add lines 1 through 15 (must equal line 34)		460,754,384	16	497,525,602
Liabilities	17	Accounts payable and accrued expenses		56,498,293	17	60,162,338
	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		7,084,631	23	7,104,728
	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		241,991,179	25	235,784,631
	26	Total liabilities. Add lines 17 through 25		305,574,103	26	303,051,697
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		155,180,281	27	194,473,905
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		155,180,281	33	194,473,905
	34	Total liabilities and net assets/fund balances		460,754,384	34	497,525,602

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12) . . . . .	1	519,172,459
2	Total expenses (must equal Part IX, column (A), line 25) . . . . .	2	504,108,533
3	Revenue less expenses Subtract line 2 from line 1 . . . . .	3	15,063,926
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . . . . .	4	155,180,281
5	Net unrealized gains (losses) on investments . . . . .	5	370,495
6	Donated services and use of facilities . . . . .	6	
7	Investment expenses . . . . .	7	
8	Prior period adjustments . . . . .	8	
9	Other changes in net assets or fund balances (explain in Schedule O) . . . . .	9	23,859,203
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	194,473,905

Part XII Financial Statements and Reporting

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

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

SCHEDULE A

(Form 990 or 990EZ)

Department of the  
Treasury  
Internal Revenue Service

Public Charity Status and Public Support

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

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

▶ Information about Schedule A (Form 990 or 990-EZ) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization MERCY HEALTH SYSTEM CORPORATION	Employer identification number 39-0816848
---	--

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<sup>1</sup>/<sub>3</sub>% 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<sup>1</sup>/<sub>3</sub>% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III )
- 10

☐

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

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated

e

☐

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

f

☐

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

g

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

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

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

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

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

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

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

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

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



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

Facts And Circumstances Test

Return Reference	Explanation	
------------------	-------------	--

SCHEDULE D  
(Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2013

Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

► Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b

► Attach to Form 990. ► See separate instructions. ► Information about Schedule D (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

Name of the organization MERCY HEALTH SYSTEM CORPORATION	Employer identification number 39-0816848
---	--

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

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

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

1

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

☐ Preservation of land for public use (e g , recreation or education) ☐ Preservation of an historically important land area

☐ Protection of natural habitat ☐ Preservation of a certified historic structure

☐ Preservation of open space

2

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

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

3

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

4

Number of states where property subject to conservation easement is located ►

5

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

☐ Yes ☐ No

6

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

7

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

8

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

☐ Yes ☐ No

9

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

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

1a

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

b

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

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

► \$

(ii) Assets included in Form 990, Part X

► \$

2

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

a

Revenues included in Form 990, Part VIII, line 1

► \$

b

Assets included in Form 990, Part X

► \$

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

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

b ☐ Scholarly research

c ☐ Preservation for future generations

d ☐ Loan or exchange programs

e ☐ Other
- 4 Provide a description of the organization’s collections and explain how they further the organization’s exempt purpose in Part XIII
- 5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization’s collection? 

☐ Yes ☐ No

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

- 1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? 

☐ Yes ☐ No
- b If "Yes," explain the arrangement in Part XIII and complete the following table
- c Beginning balance

d Additions during the year

e Distributions during the year

f Ending balance

	Amount
1c	
1d	
1e	
1f	
- 2a Did the organization include an amount on Form 990, Part X, line 21? 

☐ Yes ☐ No
- b If "Yes," explain the arrangement in Part XIII Check here if the explanation has been provided in Part XIII 

☐

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

- |  | (a)Current year | (b)Prior year | b (c)Two years back | (d)Three years back | (e)Four years back |
|--|-----------------|---------------|---------------------|---------------------|--------------------|
| 1a Beginning of year balance . . . . .                     |                 |               |                     |                     |                    |
| 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
- (i) unrelated organizations . . . . .

(ii) related organizations . . . . .

	Yes	No
3a(i)		
3a(ii)		
3b		
- b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R? . . . . .
- 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 . . . . .		27,078,424		27,078,424
b Buildings . . . . .		296,003,827	106,255,768	189,748,059
c Leasehold improvements . . . . .		5,259,189	3,882,255	1,376,934
d Equipment . . . . .		193,247,672	130,155,230	63,092,442
e Other . . . . .		12,336,548	5,042,213	7,294,335
Total. Add lines 1a through 1e <i>(Column (d) must equal Form 990, Part X, column (B), line 10(c).)</i> . . . . . ▶				288,590,194



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

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

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

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

**Part XIII Supplemental Information**

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

Return Reference	Explanation

[illegible]

SCHEDULE H  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization  
MERCY HEALTH SYSTEM CORPORATION

Employer identification number  
39-0816848

Part I

Financial Assistance and Certain Other Community Benefits at Cost

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

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1) . . . .			4,303,830		4,303,830	0 850 %
b Medicaid (from Worksheet 3, column a) . . . . .			66,562,299	35,208,378	31,353,921	6 220 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . .			5,766,020	3,311,063	2,454,957	0 490 %
d <b>Total</b> Financial Assistance and Means-Tested Government Programs .			76,632,149	38,519,441	38,112,708	7 560 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . .			1,563,349	204,853	1,358,496	0 270 %
f Health professions education (from Worksheet 5) . . . .			5,304,291	782,389	4,521,902	0 900 %
g Subsidized health services (from Worksheet 6) . . . .			10,626,742	8,332,172	2,294,570	0 460 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			506,780		506,780	0 100 %
j <b>Total</b> Other Benefits . . . .			18,001,162	9,319,414	8,681,748	1 730 %
k <b>Total.</b> Add lines 7d and 7j .			94,633,311	47,838,855	46,794,456	9 290 %

Part IICommunity Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development						
3Community support			53,040		53,040	0.010 %
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building			32,640		32,640	0.010 %
7Community health improvement advocacy			20,400		20,400	0 %
8Workforce development			34,680		34,680	0.010 %
9Other						
10Total			140,760		140,760	0.030 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?

1

Yes

2Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.

2

11,493,404

3Enter 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

1,517,129

4Provide 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

5Enter total revenue received from Medicare (including DSH and IME).

5

56,735,174

6Enter Medicare allowable costs of care relating to payments on line 5.

6

74,331,057

7Subtract line 6 from line 5. This is the surplus (or shortfall).

7

-17,595,883

8Describe 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

9aDid the organization have a written debt collection policy during the tax year?

9a

Yes

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

9b

Yes

Part IVManagement Companies and Joint Ventures

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

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1				
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?  
2

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

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

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group

If reporting on Part V, Section B for a single hospital facility only: line number of hospital facility (from Schedule H, Part V, Section A )1

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

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No		
<b>9</b> Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		<b>9</b>	Yes		
<b>10</b> Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care <u>150 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		<b>10</b>	Yes		
<b>11</b> Used FPG to determine eligibility for providing <i>discounted</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		<b>11</b>	Yes		
<b>12</b> Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply)		<b>12</b>	Yes		
<b>a</b> <input checked="" type="checkbox"/> Income level					
<b>b</b> <input checked="" type="checkbox"/> Asset level					
<b>c</b> <input checked="" type="checkbox"/> Medical indigency					
<b>d</b> <input checked="" type="checkbox"/> Insurance status					
<b>e</b> <input checked="" type="checkbox"/> Uninsured discount					
<b>f</b> <input checked="" type="checkbox"/> Medicaid/Medicare					
<b>g</b> <input type="checkbox"/> State regulation					
<b>h</b> <input checked="" type="checkbox"/> Residency					
<b>i</b> <input type="checkbox"/> Other (describe in Part VI)					
<b>13</b> Explained the method for applying for financial assistance? . . . . .		<b>13</b>	Yes		
<b>14</b> Included measures to publicize the policy within the community served by the hospital facility? . . . . . If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		<b>14</b>	Yes		
<b>a</b> <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website					
<b>b</b> <input type="checkbox"/> The policy was attached to billing invoices					
<b>c</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms					
<b>d</b> <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices					
<b>e</b> <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility					
<b>f</b> <input checked="" type="checkbox"/> The policy was available upon request					
<b>g</b> <input checked="" type="checkbox"/> Other (describe in Part VI)					
Billing and Collections					
<b>15</b> Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment? . . . . .		<b>15</b>	Yes		
<b>16</b> Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP					
<b>a</b> <input checked="" type="checkbox"/> Reporting to credit agency					
<b>b</b> <input type="checkbox"/> Lawsuits					
<b>c</b> <input type="checkbox"/> Liens on residences					
<b>d</b> <input type="checkbox"/> Body attachments					
<b>e</b> <input type="checkbox"/> Other similar actions (describe in Section C)					
<b>17</b> Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP? . . . . .				<b>17</b>	No
If "Yes," check all actions in which the hospital facility or a third party engaged					
<b>a</b> <input type="checkbox"/> Reporting to credit agency					
<b>b</b> <input type="checkbox"/> Lawsuits					
<b>c</b> <input type="checkbox"/> Liens on residences					
<b>d</b> <input type="checkbox"/> Body attachments					
<b>e</b> <input type="checkbox"/> Other similar actions (describe in Section C)					

**Part V**

**Facility Information** *(continued)*

- 18** Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a** ☐ Notified individuals of the financial assistance policy on admission

**b** ☐ Notified individuals of the financial assistance policy prior to discharge

**c** ☐ Notified individuals of the financial assistance policy in communications with the individuals regarding the individuals' bills

**d** ☐ Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy

**e** ☐ Other (describe in Section C)

**Policy Relating to Emergency Medical Care**

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

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

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

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

MERCY WALWORTH HOSPITAL AND MEDICAL CENT

Name of hospital facility or facility reporting group

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

2

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

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No		
<b>9</b> Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		<b>9</b>	Yes		
<b>10</b> Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care <u>150 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		<b>10</b>	Yes		
<b>11</b> Used FPG to determine eligibility for providing <i>discounted</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		<b>11</b>	Yes		
<b>12</b> Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply)		<b>12</b>	Yes		
<b>a</b> <input checked="" type="checkbox"/> Income level					
<b>b</b> <input checked="" type="checkbox"/> Asset level					
<b>c</b> <input checked="" type="checkbox"/> Medical indigency					
<b>d</b> <input checked="" type="checkbox"/> Insurance status					
<b>e</b> <input checked="" type="checkbox"/> Uninsured discount					
<b>f</b> <input checked="" type="checkbox"/> Medicaid/Medicare					
<b>g</b> <input type="checkbox"/> State regulation					
<b>h</b> <input checked="" type="checkbox"/> Residency					
<b>i</b> <input type="checkbox"/> Other (describe in Part VI)					
<b>13</b> Explained the method for applying for financial assistance? . . . . .		<b>13</b>	Yes		
<b>14</b> Included measures to publicize the policy within the community served by the hospital facility? . . . . . If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		<b>14</b>	Yes		
<b>a</b> <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website					
<b>b</b> <input type="checkbox"/> The policy was attached to billing invoices					
<b>c</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms					
<b>d</b> <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices					
<b>e</b> <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility					
<b>f</b> <input checked="" type="checkbox"/> The policy was available upon request					
<b>g</b> <input checked="" type="checkbox"/> Other (describe in Part VI)					
Billing and Collections					
<b>15</b> Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment? . . . . .		<b>15</b>	Yes		
<b>16</b> Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP					
<b>a</b> <input checked="" type="checkbox"/> Reporting to credit agency					
<b>b</b> <input type="checkbox"/> Lawsuits					
<b>c</b> <input type="checkbox"/> Liens on residences					
<b>d</b> <input type="checkbox"/> Body attachments					
<b>e</b> <input type="checkbox"/> Other similar actions (describe in Section C)					
<b>17</b> Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP? . . . . .				<b>17</b>	No
If "Yes," check all actions in which the hospital facility or a third party engaged					
<b>a</b> <input type="checkbox"/> Reporting to credit agency					
<b>b</b> <input type="checkbox"/> Lawsuits					
<b>c</b> <input type="checkbox"/> Liens on residences					
<b>d</b> <input type="checkbox"/> Body attachments					
<b>e</b> <input type="checkbox"/> Other similar actions (describe in Section C)					

**Part V**

**Facility Information** *(continued)*

- 18** Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a** ☐ Notified individuals of the financial assistance policy on admission

**b** ☐ Notified individuals of the financial assistance policy prior to discharge

**c** ☐ Notified individuals of the financial assistance policy in communications with the individuals regarding the individuals' bills

**d** ☐ Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy

**e** ☐ Other (describe in Section C)

**Policy Relating to Emergency Medical Care**

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

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

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

Part V

Facility Information (continued)

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

Form and Line Reference	Explanation
See Additional Data Table	



**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? 50

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

Part VI

Supplemental Information

Provide the following information

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

Form and Line Reference	Explanation
PART I, LINE 6A	MERCY HEALTH SYSTEM, CORP (MHS) SUBMITS AN ANNUAL COMMUNITY BENEFIT STATEMENT TO THE WISCONSIN HOSPITAL ASSOCIATION PERIODICALLY, IT PUBLISHES A PAMPHLET EXPLAINING THE COMMUNITY BENEFITS THAT MERCY HEALTH SYSTEM CORP, AND THE RELATED ORGANIZATIONS OF MHS PROVIDE TO THE COMMUNITIES THEY SERVE MHS HAS SUPPLIED SUPPLEMENTAL COMMUNITY BENEFIT STATEMENT INFORMATION WITH ITS 990 TAX RETURN SINCE FISCAL YEAR 2006 (TAX FORM 2005) MHS ISSUED A PRESS RELEASE RELATING TO THE HEALTH SYSTEM'S PRIOR YEAR'S COMMUNITY BENEFITS AND HAS THE SAME ON ITS WEBSITE, IT FURTHER REFERENCES THE AVAILABILITY OF WHA'S REPORT

Form and Line Reference	Explanation
PART I, LINE 7	A COST-TO-CHARGE RATIO METHODOLOGY WAS USED TO DETERMINE COSTS ASSOCIATED WITH CHARITY CARE, UNREIMBURSED MEDICAID, AND OTHER MEANS TESTED GOVERNMENT PROGRAMS THE COST-TO-CHARGE RATIO WAS DERIVED FROM IRS WORKSHEET 2 RATIO OF PATIENT CARE COST-TO-CHARGE THE COST OF THE OTHER BENEFITS REFERENCED IN THE TABLE OF LINE 7 (COMMUNITY HEALTH IMPROVEMENT SERVICES AND COMMUNITY BENEFIT OPERATIONS, HEALTH PROFESSIONS EDUCATION, SUBSIDIZED HEALTH SERVICES, CASH AND IN-KIND CONTRIBUTIONS) WERE DETERMINED USING ACTUAL DEPARTMENT/SERVICE SPECIFIC DATA AND/OR COST ACCOUNTING DERIVED DATA

Form and Line Reference	Explanation
PART I, LINE 7G	THE SUBSIDIZED HEALTH CARE LINE INCLUDES \$3,306,659 OF EXPENSES (COLUMN C) AND \$1,447,230 OF NET EXPENSES (COLUMN E) ATTRIBUTABLE TO THE COSTS OF TRAUMA SURGEONS THESE SURGEONS STAFF THE LEVEL II TRAUMA PROGRAM OF MERCY HEALTH SYSTEM CORPORATION 24/7 MERCY SOUTH - FAMILY PRACTICE CLINIC WAS ALSO INCLUDED IN THIS LINE EXPENSES IN COLUMN C TOTALED \$3,573,088 AND COLUMN E HAD \$259,487 OF NET EXPENSES

Form and Line Reference	Explanation
PART I, LN 7 COL(F)	BAD DEBT EXPENSE OF \$28,097,312 INCLUDED ON FORM 990, PART IX, LINE 25, WAS EXCLUDED FROM EXPENSES WHEN CALCULATING THE PERCENTAGE IN THIS COLUMN

Form and Line Reference	Explanation
PART II, COMMUNITY BUILDING ACTIVITIES	MERCY'S MANY HEALTH IMPROVEMENT AND BENEFIT SERVICES/OPERATIONS WERE THE RESULT OF MERCY FILLING A COMMUNITY NEED. MERCY'S COLLABORATIVE EFFORTS AND THE EFFORTS OF ITS RELATED ENTITIES HAVE BROUGHT ASSISTANCE TO THE AREA'S UNDERSERVED (AS DETAILED IN #2 ABOVE)

Form and Line Reference	Explanation
PART III, LINE 4	BAD DEBT EXPENSE IS ACCOUNTED FOR IN THE FOLLOWING MANNER (AS DETAILED IN NOTE 1 OF THE AUDITED FINANCIAL STATEMENTS OF MERCY HEALTH SYSTEM CORPORATION AND SUBSIDIARIES) PATIENT ACCOUNTS RECEIVABLE ARE RECORDED NET OF CONTRACTUAL ADJUSTMENTS AND ALLOWANCE FOR DOUBTFUL ACCOUNTS WHICH REFLECTS MANAGEMENT'S BEST ESTIMATE OF THE AMOUNTS THAT WILL NOT BE COLLECTED IN EVALUATING THE COLLECTIBILITY OF PATIENT ACCOUNTS RECEIVABLE, MHSC ANALYZES HISTORICAL LOSS EXPERIENCE ON REVENUE FOR ALL PAYORS USING THE LOSS EXPERIENCE RATE, MHSC ESTIMATES THE APPROPRIATE ALLOWANCE FOR DOUBTFUL ACCOUNTS AND PROVISION FOR BAD DEBTS THE DIFFERENCE BETWEEN THE STANDARD RATES (OR THE DISCOUNTED RATES IF NEGOTIATED) AND THE AMOUNTS ACTUALLY COLLECTED AFTER ALL REASONABLE COLLECTION EFFORTS HAVE BEEN EXHAUSTED IS CHARGED AGAINST THE ALLOWANCE FOR DOUBTFUL ACCOUNTS THE COST OF BAD DEBT ON LINE 2 PART III WAS DETERMINED BY APPLYING THE COST TO CHARGE RATIO TO THOSE CHARGES ESTIMATED AND EXPENSED AS UNCOLLECTIBLE THE ESTIMATE OF BAD DEBT DOLLARS THAT MAY HAVE BEEN COVERED THROUGH MERCY'S FINANCIAL ASSISTANCE/CHARITY CARE POLICY (HAD THE PROPER PAPER WORK BEEN COMPLETED BY THE INDIVIDUAL NEEDING ASSISTANCE) IS ESTIMATED AT 13.2% THIS FIGURE WAS BASED ON THE PERCENT OF BAD DEBT ACCOUNT DOLLARS THAT ARE RECLASSIFIED FOR CHARITY AND/OR BANKRUPTCY PURPOSES

Form and Line Reference	Explanation
PART III, LINE 8	DATA FOR LINES 5 & 6 OF PART III AND THE MEDICARE SHORTFALL IS BASED ON MERCY'S TWO HOSPITALS' MEDICARE COST REPORTS



Form and Line Reference	Explanation
PART III, LINE 9B	PATIENTS WHO ARE SELF-PAY, REGARDLESS OF WHETHER THEY QUALIFY FOR MERCY'S COMMUNITY CARE PROGRAM, WILL RECEIVE A 20% DISCOUNT FROM MERCY'S STANDARD FEE SCHEDULE. ALL SELF-PAY PATIENTS MEET WITH PATIENT FINANCIAL COUNSELORS AND DISCUSS PAYMENT OPTIONS INCLUDING MERCY'S COMMUNITY CARE PROGRAM. PATIENTS MUST APPLY FOR COMMUNITY CARE AND SUPPLY MERCY WITH THE NECESSARY FINANCIAL AND OTHER INFORMATION REQUIRED. PATIENTS WHO QUALIFY FOR COMMUNITY CARE BENEFITS WILL RECEIVE A REDUCTION IN THE BALANCE OWED, EXTENDED PAYMENT TERMS, OR BOTH. THE AMOUNT OF THE COMMUNITY CARE BENEFIT WILL BE BASED ON THE PATIENT'S ABILITY TO PAY AND THE SIZE OF THE OUTSTANDING BALANCE.

Form and Line Reference	Explanation
PART VI, LINE 2	<p>MERCY HEALTH SYSTEM CORPORATION DOES COMMUNITY NEEDS ASSESSMENTS IN CONJUNCTION WITH THE PUBLIC HEALTH DEPARTMENTS OF WALWORTH (WI), ROCK (WI), AND MCHENRY (IL) COUNTIES EVERY 18 MONTHS. MERCY HAS DEDICATED STAFF THAT WORKS WITH VARIOUS AGENCIES/PROGRAMS OF NEARBY COMMUNITIES TO ASSESS HEALTH NEEDS. COLLABORATIVE EXAMPLES OF MERCY AND MERCY'S RELATED ENTITIES INCLUDE:</p> <ul style="list-style-type: none"> <li>I) THE COMMUNITY HEALTH CENTER AT MERCY CLINIC SOUTH. PARTNERSHIP WITH THE COMMUNITY HEALTH CENTER, INC. OF BELOIT, WI. IN 2006, MERCY PARTNERED WITH COMMUNITY HEALTH CENTER, INC. TO OPEN THIS CLINIC IN JANESVILLE. IT PROVIDES FREE AND LOW-COST CARE TO LOW-INCOME, UNINSURED AND UNDERINSURED PATIENTS. THIS FIRST-OF-ITS-KIND PARTNERSHIP IS THE RESULT OF YEARS OF WORK WITH LOCAL PARTNERS AND THE FEDERAL GOVERNMENT TO DESIGN AND DEBUT A NEW MODEL OF CARE FOR THE UNDERSERVED. THE CLINIC SEES OVER 200 NEW PATIENTS EACH MONTH, HAS SIGNIFICANTLY IMPROVED PATIENT OUTCOMES, AND HAS SAVED MILLIONS IN UNNECESSARY EMERGENCY DEPARTMENT COSTS.</li> <li>II) HEALTHNET FREE CLINIC IN JANESVILLE. MERCY PHYSICIANS VOLUNTEER THEIR SERVICES. MERCY ALSO DONATES LAB, RADIOLOGY AND OTHER ANCILLARY SERVICES TO PATIENTS.</li> <li>III) FAMILY HEALTH PARTNERSHIP CLINIC AND WELL CHILD CLINIC IN WOODSTOCK, IL AND HARVARD FREE CLINIC IN MCHENRY COUNTY, IL. MERCY PHYSICIANS VOLUNTEER THEIR SERVICES.</li> <li>IV) FAMILY HEALTH PARTNERSHIP CLINIC. MCHENRY COUNTY DEPARTMENT OF HEALTH COLLABORATION TO PROVIDE MAMMOGRAMS AT MERCY FACILITIES FOR WOMEN WHO CANNOT OTHERWISE AFFORD THE SERVICE.</li> <li>V) ROCK COUNTY HEALTH DEPARTMENT BIOTERRORISM READINESS PROJECT.</li> <li>VI) RED CROSS BLOOD DRIVE AND COOPERATIVE VOLUNTEER EFFORTS.</li> <li>VII) UNITED WAY FUND RAISING CAMPAIGN AND ROCK COUNTY NEEDS ASSESSMENT SURVEY CONTRIBUTOR.</li> <li>VIII) AREA POLICE AND FIRE DEPARTMENTS PROVIDE PORTABLE DEFIBRILLATORS FOR POLICE VEHICLES AND FREE OR REDUCED-COST PARAMEDIC/EMT EDUCATIONAL OPPORTUNITIES.</li> <li>IX) COMMUNITY ACTION, INC. MERCY LEADERSHIP SERVES ON STRATEGIC PLANNING COMMITTEE AND COMMUNITY ACTION DEVELOPMENT BOARD.</li> </ul>

Form and Line Reference	Explanation
PART VI, LINE 3	ALL UNINSURED PATIENTS ARE NOTIFIED OF MERCY'S FINANCIAL AIDE POLICY UPON REGISTRATION INFORMATION IS ALSO AVAILABLE AT THE HEALTH SYSTEM'S WEBSITE, IN OUR EMERGENCY ROOMS, FINANCIAL SERVICES OFFICES, AND WITH THE PATIENT FINANCIAL COUNSELORS APPROPRIATE PERSONNEL HAVE BEEN TRAINED ON HOW TO INTERACT WITH PATIENTS ABOUT FINANCIAL AID AVAILABILITY, AND HOW TO DIRECT PATIENTS TO APPROPRIATE FINANCIAL AID STAFF THE HOSPITALS HAVE TRANSLATION SERVICES AVAILABLE AS NEEDED

Form and Line Reference	Explanation
PART VI, LINE 4	<p>MERCY HOSPITAL AND TRAUMA CENTER IS LOCATED IN JANESVILLE, WI ROCK COUNTY IT IS ONE OF TWO ACUTE CARE HOSPITALS IN JANESVILLE, WI IT IS LICENSED FOR 240 ACUTE BEDS IT HAS 24/7 EMERGENCY SERVICES, WITH A TRAUMA II DESIGNATION IT IS A TEACHING HOSPITAL WITH A RESIDENCY PROGRAM UNEMPLOYMENT IN ROCK COUNTY (2013) WAS AT 8 6% WHILE THE STATE (WI) AND THE NATION WERE AT 7 0% AND 7 5%, RESPECTIVELY MEDIAN HOUSEHOLD INCOME (2012) WAS \$50,316 IN ROCK COUNTY, WHICH IS LOWER THAN BOTH THE STATES \$52,627 AND NATIONAL MEDIAN OF \$53,046 IN 2012, 13 5% OF ROCK COUNTY RESIDENTS LIVED BELOW THE POVERTY LEVEL, THIS IS LARGER THAN THE STATES AVERAGE OF 12 5%, BUT LESS THAN THE NATIONAL AVERAGE OF 14 9% OVER 50% OF STUDENTS IN THE JANESVILLE SCHOOL DISTRICT WERE ECONOMICALLY DISADVANTAGED STUDENTS (SCHOOL YEAR 2012-2013) MERCY WALWORTH HOSPITAL IS LOCATED IN LAKE GENEVA WI WHICH IS IN WALWORTH COUNTY, WI IT IS A CRITICAL ACCESS HOSPITAL LICENSED FOR 25 ACUTE BEDS THAT PROVIDES 24/7 EMERGENCY SERVICES MERCY HEALTH SYSTEM DISTRIBUTED HEALTH QUESTIONNAIRES TO A RANDOM SAMPLE OF WALWORTH COUNTY RESIDENTS THE SURVEY, DISTRIBUTED TO 2000 MEMBERS OF THE COMMUNITY, COVERED VARIOUS TOPICS, INCLUDING ACCESS TO CARE, QUALITY OF LIFE, CHRONIC ILLNESSES, AND LIFESTYLE FACTORS A RESPONSE WAS RECEIVED FROM 14 4% OF HOUSEHOLDS THAT RECEIVED THE SURVEY (288 SURVEYS) ONCE THE SURVEY RESPONSES WERE TABULATED, THE SURVEY RESULTS WERE EVALUATED AND ANALYZED FOR HEALTH AND DEMOGRAPHIC TRENDS IN ADDITION TO THE DATA GATHERED FROM HOUSEHOLD SURVEYS AND FOCUS GROUPS, MERCY HEALTH SYSTEM ANALYZED HEALTH-RELATED DATA FROM A VARIETY OF EXISTING SOURCES, INCLUDING THE UNIVERSITY OF WISCONSIN POPULATION HEALTH INSTITUTES COUNTY HEALTH RANKINGS, WISCONSIN DEPARTMENT OF PUBLIC HEALTH, AND THE UNITED STATES CENSUS BUREAU SECONDARY SOURCE DATA, WHEN COMBINED WITH THE INFORMATION GATHERED FROM THE HOUSEHOLD SURVEYS, PROVIDED A PICTURE OF WHAT IS WORKING WELL IN ADDITION TO IDENTIFYING OPPORTUNITIES FOR IMPROVEMENT FOR THE HEALTHCARE INFRASTRUCTURE OF WALWORTH COUNTY UNEMPLOYMENT IN WALWORTH COUNTY (2013) WAS AT 7 0%, THIS MATCHED THE STATES (WI) RATE AND WAS BETTER THAN THE NATIONAL AVERAGE OF 7 5% APPROXIMATELY 50% OF STUDENTS IN THE LAKE GENEVA J1 SCHOOL DISTRICT WERE ECONOMICALLY DISADVANTAGED STUDENTS (SCHOOL YEAR 2012-2013) MERCY HEALTH SYSTEM CORPS PAYOR DEMOGRAPHICS FOR ITS HOSPITALS INCLUDE 39 6% MEDICARE, AND 14 4% MEDICAID FOR THE FISCAL YEAR OF JULY 1, 2013 JUNE 30, 2014 (AS DETERMINED BY CHARGES BILLED)</p>

Form and Line Reference	Explanation
PART VI, LINE 5	MERCY HEALTH SYSTEM CORP HAS AN OPEN MEDICAL STAFF WITH PRIVILEGES AVAILABLE TO ALL QUALIFIED PHYSICIANS IN THE AREAS. MERCY HEALTH SYSTEM CORP HAS A GOVERNING BODY COMPRISED OF A MAJORITY OF INDEPENDENT PERSONS REPRESENTATIVE OF THE COMMUNITY.

Form and Line Reference	Explanation
PART VI, LINE 6	<p>MERCY HEALTH SYSTEM CORPORATION HAS TWO HOSPITALS THAT PROVIDE ACUTE CARE SERVICES IN ROCK AND WALWORTH COUNTIES OF WISCONSIN. MERCY HEALTH SYSTEM CORP ALSO OPERATES COMMUNITY CLINICS LOCATED THROUGHOUT SIX COUNTIES OF WISCONSIN AND ILLINOIS. IT IS PART OF A LARGER INTEGRATED HEALTHCARE SYSTEM AND IS AFFILIATED WITH OTHER SEPARATELY REPORTED ORGANIZATIONS. MERCY ALLIANCE INC IS THE PARENT COMPANY OF MERCY HEALTH SYSTEM CORPORATION, MERCY HARVARD HOSPITAL, INC , AND MERCY ASSISTED CARE INC. MERCY HARVARD HOSPITAL PROVIDES ACUTE CARE SERVICES IN MCHENRY COUNTY, ILLINOIS. MERCY ASSISTED CARE PROVIDES HOME HEALTH SERVICES, HOSPICE, AND DME (DURABLE MEDICAL EQUIPMENT) SERVICES, THUS PROVIDING CONTINUATION OF CARE TO MERCY HEALTH SYSTEM PATIENTS AND THE COMMUNITY AS A WHOLE. MERCY HEALTH SYSTEM CORP. WORKS WITH THE MERCY FOUNDATION, INC TO OPERATE A HOMELESS SHELTER IN JANESVILLE, WI. THE HOUSE OF MERCY HOMELESS CENTER PROVIDES SHELTER, SUPPORT, AND TRAINING TO WOMEN, CHILDREN, AND FAMILIES TO HELP FIGHT HOMELESSNESS. IT OPENED IN 1996, AND NOW SHELTERS AN AVERAGE OF 290 INDIVIDUALS PER YEAR. THE LAST THREE YEARS. MERCY HOSPITAL ASSOCIATION OF VOLUNTEERS, INC IS THE ORGANIZATION/TAX ENTITY OF MERCYS VOLUNTEERS. VOLUNTEERS NUMBERED 1,470 IN CALENDAR YEAR 2013. THIS ORGANIZATION NOT ONLY SUPPORTS MERCYS SERVICES, BUT PROVIDES BENEFITS TO THE COMMUNITY AS A WHOLE. IN CONJUNCTION WITH MERCY HEALTH SYSTEMS MEAL PREPARATION, THE VOLUNTEERS PARTICIPATE IN AND OVERSEE A MEALS-ON-WHEELS PROGRAM. PARTICIPANT/NUTRITION SPECIFIC MEALS ARE PREPARED AND DELIVERED TO THE ELDERLY NEEDING ASSISTANCE IN JANESVILLE. THE VOLUNTEER ASSOCIATION RUNS A HOSPITALITY HOUSE IN WHICH FAMILY MEMBERS OF PATIENTS ARE OFFERED FREE HOUSING DURING THEIR LOVED ONES EXTENDED HOSPITAL STAY AND REHABILITATION.</p>

Form and Line Reference	Explanation
PART VI, LINE 7, REPORTS FILED WITH STATES	WI,IL





Additional Data

Software ID:  
Software Version:  
EIN: 39-0816848  
Name: MERCY HEALTH SYSTEM CORPORATION

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
MERCY HOSPITAL AND TRAUMA CENTER	
MERCY WALWORTH HOSPITAL AND MEDICAL CENT	PART V, SECTION B, LINE 3 MERCY HEALTH SYSTEM DISTRIBUTED HEALTH QUESTIONNAIRES TO A RANDOM SAMPLE OF WALWORTH COUNTY RESIDENTS THE SURVEY, DISTRIBUTED TO 2000 MEMBERS OF THE COMMUNITY, COVERED VARIOUS TOPICS, INCLUDING ACCESS TO CARE, QUALITY OF LIFE, CHRONIC ILLNESSES, AND LIFESTYLE FACTORS A RESPONSE WAS RECEIVED FROM 14.4% OF HOUSEHOLDS THAT RECEIVED THE SURVEY (288 SURVEYS) ONCE THE SURVEY RESPONSES WERE TABULATED, THE SURVEY RESULTS WERE EVALUATED AND ANALYZED FOR HEALTH AND DEMOGRAPHIC TRENDS IN ADDITION TO THE DATA GATHERED FROM HOUSEHOLD SURVEYS AND FOCUS GROUPS, MERCY HEALTH SYSTEM ANALYZED HEALTH-RELATED DATA FROM A VARIETY OF EXISTING SOURCES, INCLUDING THE UNIVERSITY OF WISCONSIN POPULATION HEALTH INSTITUTES COUNTY HEALTH RANKINGS, WISCONSIN DEPARTMENT OF PUBLIC HEALTH, AND THE UNITED STATES CENSUS BUREAU SECONDARY SOURCE DATA, WHEN COMBINED WITH THE INFORMATION GATHERED FROM THE HOUSEHOLD SURVEYS, PROVIDED A PICTURE OF WHAT IS WORKING WELL IN ADDITION TO IDENTIFYING OPPORTUNITIES FOR IMPROVEMENT FOR THE HEALTHCARE INFRASTRUCTURE OF WALWORTH COUNTY
MERCY HOSPITAL AND TRAUMA CENTER	PART V, SECTION B, LINE 4 BELOIT, EDGERTON, ST MARY'S JANESVILLE
MERCY WALWORTH HOSPITAL AND MEDICAL CENT	PART V, SECTION B, LINE 4 AURORA LAKELAND MEDICAL CENTER
MERCY HOSPITAL AND TRAUMA CENTER	PART V, SECTION B, LINE 14G AVAILABLE THROUGH PATIENT FINANCIAL COUNSELORS WHO DO PRE- OR POST-FOLLOW UP WITH SELF-PAY PATIENTS
MERCY WALWORTH HOSPITAL AND MEDICAL CENT	PART V, SECTION B, LINE 14G AVAILABLE THROUGH PATIENT FINANCIAL COUNSELORS WHO DO PRE- OR POST-FOLLOW UP WITH SELF-PAY PATIENTS
MERCY HOSPITAL AND TRAUMA CENTER	PART V, SECTION B, LINE 20D THE HOSPITAL FACILITY USED THE AVERAGE COMMERCIAL CHARGE
MERCY WALWORTH HOSPITAL AND MEDICAL CENT	PART V, SECTION B, LINE 20D THE HOSPITAL FACILITY USED THE AVERAGE COMMERCIAL CHARGE

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)
MERCY MANOR TRANSITION CENTER 1000 MINERAL POINT AVENUE JANESVILLE, WI 53548	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY REGIONAL CANCER CENTER 1000 MINERAL POINT AVENUE JANESVILLE, WI 53548	SKILLED NURSING/SUB-ACUTE CARE FACILITY
HOUSE OF MERCY HOMELESS SHELTER 320 LINCOLN STREET JANESVILLE, WI 53548	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY ALGONQUIN MEDICAL CENTER 2401 HARNISH DRIVE SUITE 101 ALGONQUIN, WI 60102	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY BARIATRIC WELLNESS CENTER 250 E CENTER DRIVE SUITE 201 VERNON HILLS, WI 60061	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY BARRINGTON MEDICAL CENTER 500 WEST HIGHWAY 22 BARRINGTON, WI 60010	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY БЕLOIT MEDICAL CENTER 2825 PRAIRIE AVENUE BELOIT, WI 53511	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY BRODHEAD MEDICAL CENTER 2310 FIRST CENTER AVENUE BRODHEAD, WI 53520	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY CENTER FOR CORRECTIVE EYE SURGERY 5400 WELM STREET SUITE 120 MCHENRY, IL 60050	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY CENTER FOR CORRECTIVE EYE SURGERY 8780 W GOLF ROAD STE 304 NILES, IL 60714	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY CLINIC EAST 3524 EAST MILWAUKEE STREET JANESVILLE, WI 53546	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY CLINIC EAST PHARMACY 3524 EAST MILWAUKEE STREET JANESVILLE, WI 53546	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY CLINIC SOUTH 849 KELLOGG AVENUE JANESVILLE, WI 53546	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY CLINIC WEST 1000 MINERAL POINT AVENUE JANESVILLE, WI 53548	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY CLINIC WEST PHARMACY 1000 MINERAL POINT AVENUE JANESVILLE, WI 53548	SKILLED NURSING/SUB-ACUTE CARE FACILITY

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

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

\_\_\_\_\_

Name and address	Type of Facility (describe)
MERCY CRYSTAL LAKE CHIROPRACTIC AND REHA 330 W TERRA COTTA ROAD RTE 176 CRYSTAL LAKE,IL 60014	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY CRYSTAL LAKE MEDICAL CENTER EAST 390 CONGRESS PARKWAY CRYSTAL LAKE,IL 60014	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY CRYSTAL LAKE MEDICAL CENTER WEST 350 CONGRESS PARKWAY CRYSTAL LAKE,IL 60014	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY CRYSTAL LAKE OBGYN 750 E TERRA COTTA STE B CRYSTAL LAKE,IL 60014	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY CRYSTAL LAKE MEDICAL CENTER SOUTH 415-A CONGRESS PARKWAY CRYSTAL LAKE,IL 60014	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY DELAVAN MEDICAL CENTER 1038 E GENEVA ST DELAVAN,WI 53115	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY EDGERTON MEDICAL CENTER 217 N MAIN STREET EDGERTON,WI 53534	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY EVANSVILLE MEDICAL CENTER 300 UNION STREET EVANSVILLE,WI 53536	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY HARVARD CLINIC SOUTH 348 S DIVISION HARVARD,IL 60033	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY HEALTH MALL 1010 NORTH WASHINGTON JANESVILLE,WI 53548	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY HEALTH MALL PHARMACY 1010 NORTH WASHINGTON JANESVILLE,WI 53548	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY LAKE GENEVA MEDICAL CENTER 350 PELLER ROAD LAKE GENEVA,WI 53147	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY LAKESIDE ORTHOPAEDICS 352 PELLER ROAD LAKE GENEVA,WI 53147	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY MCHENRY INTERNAL MEDICINE CENTER 633 RIDGEVIEW DRIVE MCHENRY,IL 60050	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY MCHENRY MEDICAL CENTER 3922 MERCY DRIVE MCHENRY,IL 60050	SKILLED NURSING/SUB-ACUTE CARE FACILITY

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

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

\_\_\_\_\_

Name and address	Type of Facility (describe)
MERCY MILTON MEDICAL CENTER 725 SOUTH JANESVILLE STREET MILTON,WI 53563	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY MILTON PHARMACY 725 SOUTH JANESVILLE STREET MILTON,WI 53563	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY NORTHWEST WOMEN'S GROUP 47 WEST ACORN LANE LAKE IN THE HILLS,IL 601564804	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY OPTIONS-COOPERATIVE CHILDCARE INST 20 EAST COURT STREET JANESVILLE,WI 53548	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY OPTIONS-JANESVILLE 903 MINERAL POINT AVENUE JANESVILLE,WI 53548	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY REGIONAL DIALYSIS CENTER 903 MINERAL POINT AVENUE JANESVILLE,WI 53548	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY REGIONAL LUNG CENTER 903 MINERAL POINT AVENUE JANESVILLE,WI 53548	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY RICHMOND MEDICAL CENTER 9715 PRAIRIE RIDGE RICHMOND,IL 60071	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY SHARON MEDICAL CENTER 118 PLAIN STREET SHARON,WI 53585	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY SPORTS MEDICINE AND REHABILITATION 557 NORTH WASHINGTON JANESVILLE,WI 53548	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY TERRACE 510 N TERRACE STREET JANESVILLE,WI 53548	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY WALWORTH PHARMACY N2950 STATE ROAD 67 LAKE GENEVA,WI 53147	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY WHITEWATER MEDICAL CENTER 507 WEST MAIN STREET WHITEWATER,WI 53190	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY WHITEWATER SPORTS MEDICINE & REHAB 519 WEST MAIN STREET WHITEWATER,WI 53190	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY WOODSTOCK MEDICAL CENTER 2000 LAKE AVENUE WOODSTOCK,IL 60098	SKILLED NURSING/SUB-ACUTE CARE FACILITY

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

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

Name and address	Type of Facility (describe)
MERCY WOODSTOCK PHARMACY 2000 LAKE AVENUE WOODSTOCK,IL 60098	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY WOMEN'S HEALTHCARE CENTER - ALCONQ 2230 N HUNTINGTON DR ALGONQUIN,IL 60102	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY WOMEN'S HEALTHCARE CENTER - ELGIN 750 FLETCHER DR STE 206 ELGIN,IL 60123	SKILLED NURSING/SUB-ACUTE CARE FACILITY
WOMEN'S HEALTH CENTER - HOFFMAN ESTATES 1555 BARRINGTON RD STE 2300A HOFFMAN ESTATES,IL 60169	SKILLED NURSING/SUB-ACUTE CARE FACILITY
MERCY ELKHORN MEDICAL CENTER 839 N WISCONSIN ST ELKHORN,WI 53121	SKILLED NURSING/SUB-ACUTE CARE FACILITY

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](http://www.irs.gov/form990).

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization  
MERCY HEALTH SYSTEM CORPORATION

Employer identification number  
39-0816848

Part I

Questions Regarding Compensation

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

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

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

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

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

Part III Supplemental Information

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

Return Reference	Explanation
PART I, LINE 1A	RESIDENCE FOR PERSONAL USE - THE CEO IS PROVIDED WITH A RESIDENCE. THE COST OF RENTING THE RESIDENCE IS TREATED AS TAXABLE COMPENSATION. PAYMENTS FOR BUSINESS USE OF PERSONAL RESIDENCE - THE CEO IS REIMBURSED FOR INTERNET ACCESS AND COMMUNICATION COSTS USED FOR BUSINESS PURPOSES AT HIS PERSONAL RESIDENCE. THE REIMBURSEMENT IS TREATED AS TAXABLE COMPENSATION. HEALTH CLUB DUES - THE CEO IS REIMBURSED FOR HEALTH CLUB DUES. THIS IS TREATED AS TAXABLE COMPENSATION. PERSONAL SERVICES - THE CEO IS REIMBURSED FOR INCOME TAX PREPARATION SERVICES. THIS IS TREATED AS TAXABLE COMPENSATION.



Additional Data

Software ID:  
Software Version:  
EIN: 39-0816848  
Name: MERCY HEALTH SYSTEM CORPORATION

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				
MARK GOELZER MD DIRECTOR/PHYSICIAN	(i) (ii)	428,028 0	0 0	5,209 0	15,576 0	12,842 0	461,655 0	0 0
BARB BORTNER VICE-PRESIDENT	(i) (ii)	135,533 0	62,671 0	640 0	13,029 0	21,284 0	233,157 0	0 0
DAN COLBY VICE- PRESIDENT	(i) (ii)	179,806 0	68,085 0	18,662 0	16,851 0	11,968 0	295,372 0	0 0
DAVID KURTZ VICE- PRESIDENT	(i) (ii)	136,730 0	62,671 0	10,109 0	13,111 0	15,169 0	237,790 0	0 0
JOHN COOK VICE- PRESIDENT	(i) (ii)	258,028 0	115,445 0	5,460 0	16,851 0	20,831 0	416,615 0	0 0
KATHY HARRIS VICE- PRESIDENT	(i) (ii)	87,296 0	40,977 0	8,970 0	8,056 0	19,870 0	165,169 0	0 0
RUTH YARBROUGH VICE-PRESIDENT	(i) (ii)	167,541 0	74,487 0	13,012 0	16,223 0	7,209 0	278,472 0	0 0
RICHARD GRUBER VICE-PRESIDENT	(i) (ii)	136,675 0	62,153 0	8,551 0	13,329 0	14,559 0	235,267 0	0 0
RALPH TOPINKA VICE-PRESIDENT	(i) (ii)	183,819 0	91,483 0	11,370 0	13,026 0	2,699 0	302,397 0	0 0
JOSEPH NEMETH VICE-PRESIDENT	(i) (ii)	140,908 0	63,877 0	8,214 0	13,602 0	12,129 0	238,730 0	0 0
SUE RIPSCH VICE- PRESIDENT	(i) (ii)	247,499 0	111,778 0	16,597 0	16,851 0	16,120 0	408,845 0	0 0
JENNIFER HALLATT VICE-PRESIDENT	(i) (ii)	151,395 0	69,829 0	3,814 0	14,830 0	22,414 0	262,282 0	0 0
JAVON BEA PRESIDENT & DIRECTOR	(i) (ii)	1,005,629 0	883,870 0	3,330,866 0	16,851 0	19,794 0	5,257,010 0	0 0
VIKRAM KHANNA PHYSICIAN	(i) (ii)	1,819,662 0	0 0	360 0	15,576 0	33,596 0	1,869,194 0	0 0
BRADLEY FIDELER PHYSICIAN	(i) (ii)	1,307,876 0	0 0	828 0	15,576 0	25,939 0	1,350,219 0	0 0
CHRISTOPHER STURM PHYSICIAN	(i) (ii)	1,186,246 0	0 0	540 0	15,576 0	23,735 0	1,226,097 0	0 0
ROBB WHINNEY PHYSICIAN	(i) (ii)	1,255,017 0	0 0	360 0	15,576 0	16,157 0	1,287,110 0	0 0
DANIEL HOFFMAN PHYSICIAN	(i) (ii)	1,005,821 0	0 0	50,660 0	15,576 0	21,323 0	1,093,380 0	0 0

Schedule L  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

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

OMB No 1545-0047  
**2013**  
Open to Public Inspection

Name of the organization  
MERCY HEALTH SYSTEM CORPORATION

Employer identification number  
39-0816848

Part I Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only).  
Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

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

2 Enter the amount of tax incurred by organization managers or disqualified persons during the year under section 4958 . . . . . ▶ \$

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization . . . . . ▶ \$

Part II Loans to and/or From Interested Persons.  
Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization?		(e) Original principal amount	(f) Balance due	(g) In default?		(h) Approved by board or committee?	(i) Written agreement?	
			To	From			Yes	No		Yes	No
Total ▶ \$											

Part III Grants or Assistance Benefitting Interested Persons.  
Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

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

**Part IV Business Transactions Involving Interested Persons.**

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) KRISTEN GOELZER	FAMILY MEMBER OF MARK GOELZER, DIRECTOR	297,025	EMPLOYMENT - PHYSICIAN		No
(2) JAMIE KURTZ	FAMILY MEMBER OF DAVID KURTZ, OFFICER	35,854	EMPLOYMENT - PATIENT ACCOUNT REPRESENTATIVE		No
(3) JOANNA BENNING	FAMILY MEMBER OF JAVON BEA, PRESIDENT & DIRECTOR	142,126	EMPLOYMENT - DIRECTOR		No
(4) MEGAN KRAUSE	FAMILY MEMBER OF SUE RIPSCH, OFFICER	90,815	EMPLOYMENT - MANAGER		No
(5) LAUREN GRUBER	FAMILY MEMBER OF RICHARD GRUBER, OFFICER	48,641	EMPLOYMENT - RN/HIB		No

**Part V Supplemental Information**

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

Return Reference	Explanation
------------------	-------------

**SCHEDULE O**  
**(Form 990 or 990-EZ)**

Department of the Treasury  
Internal Revenue Service

**Supplemental Information to Form 990 or 990-EZ**

**Complete to provide information for responses to specific questions on  
Form 990 or to provide any additional information.**

**▶ Attach to Form 990 or 990-EZ.**

**▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at  
[www.irs.gov/form990](http://www.irs.gov/form990).**

**2013**

**Open to Public  
Inspection**

Name of the organization  
MERCY HEALTH SYSTEM CORPORATION

**Employer identification number**

39-0816848

**990 Schedule O, Supplemental Information**

Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11	MANAGEMENT REVIEWS THE FORM 990 BEFORE FILING THE FORM 990 IS AVAILABLE TO THE BOARD
FORM 990, PART VI, SECTION B, LINE 12C	OFFICERS, DIRECTORS, AND KEY EMPLOYEES ARE REQUIRED TO REPORT ALL CONFLICTS OF INTEREST T HE COMPLIANCE OFFICER IS RESPONSIBLE FOR INVESTIGATING ALL CONFLICTS AND REPORTING TO THE BOARD
FORM 990, PART VI, SECTION B, LINE 15	THE MERCY ALLIANCE COMPENSATION COMMITTEE IS COMPRISED OF THE BOARD CHAIRPERSON, SECRETARY , AND THE TREASURER THE COMPENSATION COMMITTEE IS ASSISTED BY INDEPENDENT LEGAL COUNCIL A ND AN INDEPENDENT COMPENSATION CONSULTANT THE COMPENSATION COMMITTEE, LEGAL COUNCIL, AND THE COMPENSATION CONSULTANT MEET THROUGHOUT THE YEAR AND REPORT DIRECTLY TO THE BOARD OF D IRECTORS ANNUALLY THIS PROCESS WAS COMPLETED FOR 2012
FORM 990, PART VI, SECTION C, LINE 19	GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY & FINANCIAL STATEMENTS ARE AVAILABLE UPON REQUEST
FORM 990, PART XI, LINE 9	NET AFFILIATES TRANSFER 23,600,000 CHANGES IN PENSION OBLIGATIONS 195,000 OTHER 64,203

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](http://www.irs.gov/form990).

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization  
MERCY HEALTH SYSTEM CORPORATION

Employer identification number  
39-0816848

Part I Identification of Disregarded Entities

Complete if the organization answered "Yes" on Form 990, Part IV, line 33.

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations

Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512 (b)(13) controlled entity?	
						Yes	No
(1) MERCY ALLIANCE INC  1000 MINERAL POINT  JANESVILLE, WI 535475003 39-1679859	MANAGEMENT OF HEALTHCARE ORGANIZATIONS	WI	501(C)(3)	11A	N/A		No
(2) MERCY FOUNDATION INC  1000 MINERAL POINT  JANESVILLE, WI 535475003 23-7275336	TO SUPPORT MERCY HEALTH SYSTEM & THE HOUSE OF MERCY	WI	501(C)(3)	11A	MERCY HEALTH SYSTEM CORPORATION	Yes	
(3) MERCY HEALTH SYSTEM ASSOCIATION OF VOLUNTEERS  1000 MINERAL POINT  JANESVILLE, WI 535475003 39-0912682	TO SUPPORT MERCY HEALTH SYSTEM CORPORATION	WI	501(C)(3)	11C	MERCY HEALTH SYSTEM CORPORATION	Yes	
(4) MERCY ASSISTED CARE INC  901 MINERAL POINT  JANESVILLE, WI 535475003 39-1035110	HOME HEALTH CARE & SERVICES	WI	501(C)(3)	9	MERCY ALLIANCE INC		No
(5) MERCY ALLIANCE INC  901 GRANT STREET  HARVARD, IL 60033 31-1551871	MEDICAL HEALTHCARE	IL	501(C)(3)	3	MERCY ALLIANCE INC		No
(6) HARVARD MEMORIAL HOSPITAL FOUNDATION  901 GRANT STREET  HARVARD, IL 60033 36-4308662	TO SUPPORT MERCY HARVARD HOSPITAL, INC	IL	501(C)(3)	11A	MERCY HARVARD HOSPITAL INC		No
(7) MERCY CRYSTAL LAKE HOSPITAL AND MEDICAL CENTER  1000 MINERAL POINT  JANESVILLE, WI 535475003 20-1673011	NONE	IL	501(C)(3)	3	MERCY ALLIANCE INC		No

Part III

Identification of Related Organizations Taxable as a Partnership

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Dispropportionate allocations?		(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of- year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) JANESVILLE MEDICAL CENTER INC  1000 MINERAL POINT JANESVILLE, WI 535475003 39-1520130	MANAGEMENT ENTITY OF UNION EMPLOYEES	WI	MERCY HEALTH SYSTEM CORPORATION	C		68,984	100 000 %	Yes	
(2) MERCYCARE INSURANCE COMPANY  3430 PALMER DRIVE JANESVILLE, WI 53545 39-1768192	INSURANCE COMPANY	WI	MERCY HEALTH SYSTEM CORPORATION	C	111,471,679	50,097,627	100 000 %	Yes	
(3) MERCYCARE HMO INC - CONSOLIDATED WITH MERCYCARE INSURANCE CO  3430 PALMER DRIVE JANESVILLE, WI 53545 20-1482553	INSURANCE COMPANY	WI	MERCY HEALTH SYSTEM CORPORATION	C			100 000 %	Yes	

Part V

Transactions With Related Organizations

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

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

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

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

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

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

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

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a Yes

1b No

1c No

1d No

1e Yes

1f No

1g No

1h No

1i No

1j Yes

1k Yes

1l No

1m No

1n Yes

1o Yes

1p No

1q Yes

1r Yes

1s No

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

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) MERCYCARE INSURANCE COMPANY	Q	7,477,970	COST OF SERVICES PROVIDED

Schedule R (Form 990) 2013

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

[illegible]



Part VII

Supplemental Information

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

Return Reference	Explanation
------------------	-------------

Additional Data

Software ID:  
Software Version:  
EIN: 39-0816848  
Name: MERCY HEALTH SYSTEM CORPORATION

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) MERCY ALLIANCE INC  1000 MINERAL POINT JANESVILLE, WI 535475003 39-1679859	MANAGEMENT OF HEALTHCARE ORGANIZATIONS	WI	501(C)(3)	11A	N/A		No
(1) MERCY FOUNDATION INC  1000 MINERAL POINT JANESVILLE, WI 535475003 23-7275336	TO SUPPORT MERCY HEALTH SYSTEM & THE HOUSE OF MERCY	WI	501(C)(3)	11A	MERCY HEALTH SYSTEM CORPORATION	Yes	
(2) MERCY HEALTH SYSTEM ASSOCIATION OF VOLUNTEERS  1000 MINERAL POINT JANESVILLE, WI 535475003 39-0912682	TO SUPPORT MERCY HEALTH SYSTEM CORPORATION	WI	501(C)(3)	11C	MERCY HEALTH SYSTEM CORPORATION	Yes	
(3) MERCY ASSISTED CARE INC  901 MINERAL POINT JANESVILLE, WI 535475003 39-1035110	HOME HEALTH CARE & SERVICES	WI	501(C)(3)	9	MERCY ALLIANCE INC		No
(4) MERCY ALLIANCE INC  901 GRANT STREET HARVARD, IL 60033 31-1551871	MEDICAL HEALTHCARE	IL	501(C)(3)	3	MERCY ALLIANCE INC		No
(5) HARVARD MEMORIAL HOSPITAL FOUNDATION  901 GRANT STREET HARVARD, IL 60033 36-4308662	TO SUPPORT MERCY HARVARD HOSPITAL, INC	IL	501(C)(3)	11A	MERCY HARVARD HOSPITAL INC		No
(6) MERCY CRYSTAL LAKE HOSPITAL AND MEDICAL CENTER  1000 MINERAL POINT JANESVILLE, WI 535475003 20-1673011	NONE	IL	501(C)(3)	3	MERCY ALLIANCE INC		No

# **Mercy Health System Corporation and Subsidiaries**

Janesville, Wisconsin

## **Consolidated Financial Statements and Supplementary Information**

Years Ended June 30, 2014 and 2013

# Mercy Health System Corporation and Subsidiaries

## Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2014 and 2013

---

### Table of Contents

Independent Auditor's Report .....	1
Financial Statements	
Consolidated Balance Sheets .....	3
Consolidated Statements of Operations and Changes in Net Assets.....	4
Consolidated Statements of Cash Flows .....	5
Notes to Consolidated Financial Statements .....	7
Independent Auditor's Report on Supplementary Information.....	37
Supplementary Information	
Consolidating Balance Sheets .....	38
Consolidating Statements of Operations and Changes in Net Assets.....	40



## Independent Auditor's Report

Board of Directors  
Mercy Health System Corporation  
Janesville, Wisconsin

We have audited the accompanying consolidated financial statements of Mercy Health System Corporation and Subsidiaries, which comprise the consolidated balance sheets as of June 30, 2014 and 2013, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mercy Health System Corporation and Subsidiaries as of June 30, 2014 and 2013, and the results of their operations, changes in their net assets, and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

August 15, 2014  
Milwaukee, Wisconsin

# Mercy Health System Corporation and Subsidiaries

## Consolidated Balance Sheets

June 30, 2014 and 2013

<i>Assets</i>	(In Thousands)	
	2014	2013
Current assets		
Cash and cash equivalents	\$ 19,520	\$ 10,744
Patient accounts receivable - Net	85,809	76,820
Supplies	10,738	10,104
Prepaid expenses	3,857	3,685
Due from third-party payors	572	546
Due from related party	2,835	6,170
Other receivables	8,762	8,927
Total current assets	132,093	116,996
Assets limited as to use	84,049	58,758
Property and equipment - Net	288,590	291,762
Other assets		
Unamortized debt issuance costs - Net	2,063	2,168
Other	2,040	2,070
Total other assets	4,103	4,238
<b>TOTAL ASSETS</b>	<b>\$ 508,835</b>	<b>\$ 471,754</b>

<i>Liabilities and Net Assets</i>	(In Thousands)	
	2014	2013
Current liabilities		
Current maturities of long-term debt	\$ 2,112	\$ 1,817
Accounts payable		
Trade	9,645	8,391
Construction	488	695
Salaries, wages, and payroll taxes	26,001	23,084
Due to related party	4,366	3,852
Other accrued expenses	43,356	42,345
Total current liabilities	85,968	80,184
Long-term liabilities.		
Long-term debt, less current maturities	5,187	5,532
Deferred compensation	9,970	7,493
Pension liability	13,522	19,580
Due to related party, less current portion	197,842	202,185
Total long-term liabilities	226,521	234,790
Total liabilities	312,489	314,974
Total net assets - Unrestricted	196,346	156,780
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 508,835</b>	<b>\$ 471,754</b>



# Mercy Health System Corporation and Subsidiaries

## Consolidated Statements of Operations and Changes in Net Assets

Years Ended June 30, 2014 and 20133

	(In Thousands)	
	2014	2013
Revenue		
Patient service revenue (net of contractual allowances and discounts)	\$ 434,539	\$ 395,737
Provision for bad debts	(28,097)	(20,829)
Net patient service revenue less provision for bad debts	406,442	374,908
Premium revenue	84,754	89,630
Other revenue	6,925	9,329
Total revenue	498,121	473,867
Expenses		
Salaries and wages	244,616	232,824
Employee benefits	36,291	35,565
Professional fees and purchased services	28,464	28,403
Medical claims and capitation payments	28,919	26,690
Medical supplies, other supplies, and drugs	79,025	73,572
Utilities	6,609	6,071
Insurance	4,508	1,038
Other	24,196	22,812
Depreciation and amortization	25,843	24,594
Interest	9,358	8,150
Total expenses	487,829	459,719
Income from operations	10,292	14,148
Nonoperating income - Net	2,355	2,106
Excess of revenue over expenses	12,647	16,254
Other changes in unrestricted net assets		
Change in net unrealized gains and losses on investments other than trading securities	3,058	1,730
Changes in pension obligation other than pension expense	195	3,274
Other	66	-
Transfers from affiliates	23,600	-
Change in unrestricted net assets	39,566	21,258
Unrestricted net assets at beginning	156,780	135,522
Unrestricted net assets at end	\$ 196,346	\$ 156,780

See accompanying notes to consolidated financial statements.

# Mercy Health System Corporation and Subsidiaries

## Consolidated Statements of Cash Flows

Years Ended June 30, 2014 and 2013

	(In Thousands)	
	2014	2013
Increase (decrease) in cash and cash equivalents		
Cash flows from operating activities		
Change in net assets	\$ 39,566	\$ 21,258
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Transfers from affiliates	(23,600)	-
Changes in pension obligation other than pension expense	(195)	(3,274)
Change in net unrealized gains and losses on investments other than trading securities	(3,058)	(1,730)
Provision for bad debts	28,097	20,829
Net realized gains from sales of investments	(104)	(211)
Depreciation and amortization	25,843	24,594
(Gain) loss on sale of property and equipment	4	(8)
Changes in operating assets and liabilities		
Patient accounts receivable	(37,086)	(31,208)
Supplies and other assets	2,724	(8,832)
Accounts payable	1,254	2,420
Accrued liabilities and other	891	(8,712)
Due from third-party payors	(26)	307
Net cash provided by operating activities	34,310	15,433
Cash flows from investing activities		
(Increase) decrease in assets limited as to use	(22,129)	21,419
Capital expenditures	(22,904)	(29,303)
Proceeds from sale of property and equipment	127	8
Net cash used in investing activities	(44,906)	(7,876)

# Mercy Health System Corporation and Subsidiaries

## Consolidated Statements of Cash Flows (Continued)

Years Ended June 30, 2014 and 2013

	(In Thousands)	
	2014	2013
Cash flows from financing activities		
Proceeds from issuance of long-term debt	\$ 1,950	\$ 3,944
Principal payments on long-term debt	(2,000)	(1,779)
Payments on borrowings from Mercy Alliance, Inc.	(4,178)	(4,014)
Transfers from affiliates	23,600	-
Net cash provided by (used in) financing activities	19,372	(1,849)
Net increase in cash and cash equivalents	8,776	5,708
Cash and cash equivalents at beginning	10,744	5,036
Cash and cash equivalents at end	\$ 19,520	\$ 10,744

### Supplemental cash flow information:

Cash paid for interest, excluding related-party interest	\$ 222	\$ 239
Capital expenditures in accounts payable	\$ 488	\$ 695

# Mercy Health System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

---

### Note 1      Summary of Significant Accounting Policies

#### The Entity and Principles of Consolidation

The consolidated financial statements include the accounts and operations of Mercy Health System Corporation and its wholly owned or controlled subsidiaries (collectively, the "Corporation"). The Corporation's sole member is Mercy Alliance, Inc. (MAI). A brief description of each organization follows

- Mercy Health System Corporation (MHSC)  
Operates a 240-bed hospital (licensed beds) in Janesville, Wisconsin, approximately 43 physician clinics in southern Wisconsin and northern Illinois, a skilled nursing facility (SNF) that operates as a subacute care unit of the hospital building, and Mercy Walworth Hospital and Medical Center (MWH), a 25-bed hospital facility in Walworth County, Wisconsin. MWH is reimbursed by Medicare as a critical access hospital (CAH).
- Mercy Foundation, Inc. (MFI)  
MFI's primary activity is fund-raising for MHSC and its programs in accordance with its bylaws.
- MercyCare Insurance Company (MCIC)  
An indemnity insurance company that contracts with local employers. MCIC has a wholly owned subsidiary, MercyCare HMO, which operates as a health maintenance organization (HMO) under Wisconsin statutes. MCIC and its subsidiary contract for services with MHSC and other MAI affiliates.

All significant intercompany accounts and transactions have been eliminated in consolidation.

#### Financial Statement Presentation

The Corporation follows accounting standards set by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The ASC is the single source of authoritative accounting principles generally accepted in the United States (GAAP) to be applied to nongovernmental entities.

# Mercy Health System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

---

### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Use of Estimates in Preparation of Financial Statements**

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

The Corporation considers critical accounting estimates to be those that require more significant judgments which include the valuation of accounts receivable (including contractual allowances and allowance for doubtful accounts), estimated third-party settlements, reserves for losses and expenses related to self-insurance for employee health care claims and malpractice claims, valuation of the defined benefit plan liability, and reserves for unpaid claims for participants in MCIC insurance programs.

#### **Cash Equivalents**

Highly-liquid debt instruments with an original maturity of three months or less are considered to be cash equivalents, excluding amounts limited as to use.

#### **Patient Accounts Receivables and Credit Policy**

Patient accounts receivable are uncollateralized patient obligations that are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from local residents, most of whom are insured under third-party payor agreements. MHSC bills third-party payors on the patients' behalf, or if a patient is uninsured, the patient is billed directly. Once claims are settled with the primary payor, any secondary insurance is billed, and patients are billed for copay and deductible amounts that are the patients' responsibility. Payments on accounts receivable are applied to the specific claim identified on the remittance advice or statement. MHSC does not have a policy to charge interest on past due accounts.

# Mercy Health System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

---

### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Patient Accounts Receivables and Credit Policy** (Continued)

Patient accounts receivable are recorded in the accompanying consolidated balance sheets net of contractual adjustments and discounts, and an allowance for doubtful accounts which reflects management's best estimate of the amounts that will not be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements and uninsured patient discounts through a reduction of gross revenue and a credit to patient accounts receivable. In evaluating the collectability of patient accounts receivable, MHSC analyzes historical loss experience on revenue from all payors. Using the loss experience rate, MHSC estimates the appropriate allowance for doubtful accounts and provision for bad debts. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged against the allowance for doubtful accounts.

#### **Supplies**

Supplies are valued at the lower of cost, determined on the first-in, first-out (FIFO) method, or market.

#### **Assets Limited as to Use and Investment Income**

Assets limited as to use include assets the Board of Directors have designated for future capital improvements and expansion over which the Board retains control and may at its discretion subsequently use for other purposes, amounts set aside for compensation agreements, amounts restricted for regulatory compliance, and assets held by a trustee under revenue bond indenture agreements.

Certificates of deposit are stated at the principal contributed plus any accrued interest earned. All other investments included in assets limited as to use are measured at fair value in the accompanying consolidated balance sheets. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in nonoperating income unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from excess of revenue over expenses unless the investments are trading securities. Realized gains and losses are determined by specific identification.

# Mercy Health System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

---

### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Assets Limited as to Use and Investment Income** (Continued)

The Corporation monitors the difference between the cost and fair value of its investments. A decline in market value of an individual investment security below cost that is deemed to be other-than-temporary results in an impairment and the Corporation reduces the investment's carrying value to fair value. A new cost basis is established for the investment and any impairment loss is recorded as a realized loss in investment income.

#### **Fair Value Measurements**

The Corporation measures fair value of its financial instruments, including assets within the defined benefit noncontributory retirement plan, using a three-tier hierarchy which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

Level 1    Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

Level 2    Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets,
- Quoted prices for identical or similar assets in inactive markets,
- Inputs, other than quoted prices, that are observable for the asset or liability,
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3    Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

# Mercy Health System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

---

### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Fair Value Measurements** (Continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

#### **Property and Equipment**

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Leasehold improvements are amortized over the shorter period of the estimated useful life or the remaining term of the lease. Donated property and equipment are recorded at fair value at the date of donation, which is then treated as cost. Interest costs incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets, net of any earnings on these funds. Estimated useful lives range from 2 to 20 years for land improvements, 5 to 20 years for leasehold improvements, 5 to 25 years for buildings and improvements, and 3 to 20 years for major moveable equipment.

#### **Unamortized Debt Issuance Costs**

Bond issuance costs related to the issuance of long-term debt are amortized over the life of the related debt using the straight-line method.

#### **Long-Lived Assets**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If impairment has occurred, a loss will be recognized. No impairment losses were recognized in 2014 or 2013.

#### **Net Assets**

Net assets are classified based on the existence or absence of donor-imposed restrictions. All of the Corporation's net assets are free from donor-imposed restrictions at June 30, 2014 and 2013.



# Mercy Health System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

---

### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Asset Retirement Obligation**

ASC Topic 410-20, *Accounting for Conditional Asset Retirement Obligation*, clarifies when an entity is required to recognize a liability for a conditional asset retirement obligation. Management has considered ASC Topic 410-20, specifically as it relates to its legal obligation to perform asset retirement activities, such as asbestos removal, on its existing properties. Management believes that there is an indeterminate settlement date for the asset retirement obligations because the range of time over which the Corporation may settle the obligation is unknown and cannot be estimated. As a result, management cannot reasonably estimate the liability related to these asset retirement activities as of June 30, 2014 and 2013.

#### **Patient Service Revenue**

The Corporation recognizes patient service revenue associated with services provided to patients who have third-party payor coverage primarily on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Corporation recognizes revenue on the basis of discounted rates established under the Corporation's uninsured patient policy. The provision for contractual adjustments (that is, the differences between established rates and expected third-party payor payments) and the discounts (that is, the difference between established rates and the amount billable) are recognized on the accrual basis. These amounts are deducted from gross patient service revenue to determine patient service revenue (net of contractual allowances and discounts). Based on the historical experience of the Corporation, a significant portion of uninsured patients will be unwilling or unable to pay for services provided. Thus, the Corporation records a provision for bad debts related to uninsured patients in the period the services are provided. The provision for bad debts is based on historical loss experience and is deducted from patient service revenue (net of contractual allowances and discounts) to determine net patient service revenue less provision for bad debts. The Corporation also accrues retroactive adjustments under reimbursement agreements with third-party payors on an estimated basis in the period the related services are provided. Estimates are adjusted in future periods as final settlements are determined.

# Mercy Health System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

---

### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Premium Revenue and Claims Payable**

Premiums are billed monthly for coverage in the following month and are recognized as revenue in the month for which insurance protection is provided. Claims payable, included in other accrued expenses, are determined using statistical analyses and represent estimates of the ultimate net cost of all reported and unreported claims that are unpaid at the end of each accounting period. Although it is not possible to measure the degree of variability inherent in such estimates, management believes that the liabilities for claims are adequate. The estimates are reviewed periodically and, as adjustments to these liabilities become necessary, such adjustments are reflected in current operations. The Corporation has recorded a provision of \$7,742,000 and \$7,622,000 at June 30, 2014 and 2013, respectively, for claims payable.

#### **Hospital Assessments**

Wisconsin state regulations require eligible hospitals to pay the state an annual assessment. The assessment period is the state's fiscal year, which runs from July 1 to June 30. The assessment is based on each hospital's gross revenues, as defined. The revenue generated from the assessment is to be used, in part, to increase overall reimbursement under the Wisconsin Medicaid program. The Corporation's assessment expense was approximately \$6,689,000 and \$6,924,000 for the years ended June 30, 2014 and 2013, respectively, and is included in other expense in the accompanying consolidated statements of operations and changes in net assets. Increases in reimbursement from Medicaid are included in patient service revenue (net of contractual allowances and discounts).

#### **Excess of Revenue Over Expenses**

The accompanying consolidated statements of operations and changes in net assets include excess of revenue over expenses, which is considered the operating indicator. Changes in unrestricted net assets which are excluded from the operating indicator include unrealized gains and losses on investments other than trading securities, changes in pension obligation other than pension expense, permanent transfer of assets to and from affiliates for other than goods and services, and contributions of long-lived assets.

# Mercy Health System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

---

### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Charity Care**

The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because collection is not pursued on amounts determined to qualify as charity care, these amounts are not included in net patient service revenue less provision for bad debts in the accompanying consolidated statements of operations and changes in net assets.

The estimated cost of providing care to patients under the Corporation's charity care policy is calculated by multiplying the ratio of cost to gross charges by the gross uncompensated charity care charges. The costs to provide the Corporation's charity care policy was approximately \$4,406,000 and \$6,167,000 for the years ended June 30, 2014 and 2013, respectively.

#### **Contributions and Unconditional Promises to Give**

Contributions are considered to be available for unrestricted uses unless specifically restricted by the donor.

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is deemed unconditional. The gifts are reported as either temporarily restricted or permanently restricted support if they are received with donor stipulations that limit the use of donated assets. Donor-imposed contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying consolidated financial statements.

#### **Advertising Costs**

Advertising costs are expensed as incurred.

# Mercy Health System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

---

### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Income Taxes**

MHSC and MFI are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. MHSC and MFI are also exempt from state income taxes on related income.

Federal and state income taxes are paid on nonexempt unrelated business income in accordance with the Code.

MCIC and MercyCare HMO are taxable entities for both federal and Wisconsin income tax purposes and file a consolidated return on a calendar year basis. Deferred income taxes have been provided under the liability method. Deferred tax assets and liabilities are determined based upon the difference between the financial statement and tax bases of assets and liabilities, as measured by the enacted tax rates, which are expected to be in effect when these differences are expected to reverse. Income tax expense is not significant in relation to the consolidated financial statements.

In order to account for any uncertain tax positions, the Corporation determines whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The Corporation recorded no assets or liabilities related to uncertain tax positions in 2014 and 2013. Federal tax returns of MHSC and MFI for tax years 2010 and beyond remain subject to examination by the applicable taxing authorities, and tax returns of MCIC and MercyCare HMO for tax years 2011 and beyond remain subject to examination by applicable taxing authorities.

#### **Subsequent Events**

Subsequent events have been evaluated through August 15, 2014, which is the date the financial statements were issued.

# Mercy Health System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

---

### Note 2      Reimbursement Arrangements With Third-Party Payors

Agreements are maintained with third-party payors that provide for reimbursement at amounts which vary from its established rates. A summary of the basis of reimbursement with major third-party payors follows

#### Government Payors

##### MHSC:

*Medicare* - Inpatient hospital acute care services provided by MHSC 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, clinic, and subacute care services are reimbursed primarily on a prospective payment methodology based upon a patient classification system or fixed fee schedules.

*Medicaid* - Inpatient and outpatient services are reimbursed primarily based upon prospectively determined rates.

##### MWH:

Under the CAH designation, inpatient and outpatient hospital services rendered to Medicare and Medicaid beneficiaries are paid based on a cost-reimbursement methodology.

#### Other Payors

The Corporation has entered into payment agreements with commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges, fee schedules, and prospectively determined daily rates.

# Mercy Health System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

---

### Note 2      **Reimbursement Arrangements With Third-Party Payors** (Continued)

#### **Accounting for Contractual Arrangements**

Certain Medicare and Medicaid services are reimbursed at tentative rates, with final settlements determined after audit of the related annual cost reports. The cost reports have been audited by the Medicare and Medicaid fiscal intermediaries through June 30, 2011.

#### **Compliance**

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, particularly those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Allegations concerning possible violations by health care providers of regulations could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenue from patient services. Management believes that the Corporation is in substantial compliance with current laws and regulations.

The Centers for Medicare and Medicaid Services (CMS) uses Recovery Audit Contractors (RACs) as part of its efforts to ensure accurate payments under the Medicare program. RACs search for potentially inaccurate Medicare payments that may have been made to health care providers and that were not detected through existing CMS program integrity efforts. Once a RAC identifies a claim it believes is inaccurate, the RAC makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. The provider will then have the opportunity to appeal the adjustment before final settlement of the claim is made. As of June 30, 2014, the Corporation has received notices from the RAC of certain claims identified by the RAC as inaccurate. MHSC is appealing a number of these adjustments and management believes any reimbursement adjustments related to these claims will not be significant.

# Mercy Health System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

---

### Note 2      **Reimbursement Arrangements With Third-Party Payors** (Continued)

#### **Electronic Health Record Payments**

The American Recovery and Reinvestment Act of 2009 (ARRA) provides for incentive payments under the Medicare and Medicaid programs for certain hospitals and physician practices that demonstrate meaningful use of certified electronic health record (EHR) technology. These provisions of ARRA, collectively referred to as the Health Information Technology for Economic and Clinical Health Act (the "HITECH Act"), are intended to promote the adoption and meaningful use of health information technology and qualified EHR technology.

The Corporation recognizes revenue for EHR incentive payments when there is reasonable assurance that the conditions of the program will be met, primarily demonstrating meaningful use of certified EHR technology for the applicable period. The demonstration of meaningful use is based on meeting a series of objectives. Meeting the series of objectives in order to demonstrate meaningful use becomes progressively more stringent as its implementation is phased in through stages as outlined by the CMS. Amounts recognized under the Medicare and Medicaid EHR incentive programs for non-CAH providers are based on management's best estimates, which are based in part on cost report data that is subject to audit by fiscal intermediaries, accordingly, amounts recognized are subject to change. Incentive payments to CAH providers are based on the cost of the EHR technology for which the CAH has demonstrated meaningful. The Corporation's compliance with the meaningful use criteria is subject to audit by the federal government or its designee.

# Mercy Health System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

### Note 2 Reimbursement Arrangements With Third-Party Payors (Continued)

#### Electronic Health Record Payments (Continued)

The Corporation recorded approximately \$4,453,000 and \$5,431,000 in EHR incentive revenue from the Medicare program in 2014 and 2013, which is recorded in other revenue in the accompanying consolidated statements of operations and changes in net assets. In addition, the Corporation recorded approximately \$648,000 and \$887,000 in EHR incentive revenue from the Medicaid program in 2014 and 2013, respectively, which is also included in other revenue in the accompanying consolidated statements of operations and changes in net assets.

### Note 3 Patient Accounts Receivable

Patient accounts receivable consisted of the following at June 30, 2014 and 2013.

	(In Thousands)	
	2014	2013
Patient accounts receivable	\$ 186,129	\$ 160,175
Less		
Contractual adjustments and discounts	80,724	60,058
Allowance for doubtful accounts	19,596	23,297
Patient accounts receivable - Net	\$ 85,809	\$ 76,820

Write-offs as a percentage of gross revenue decreased 0.05% in 2014 compared to 2013, however, gross revenue increased approximately 15.2% in 2014 compared to 2013. These factors reduced the amount of past due accounts and contributed to the allowance for doubtful accounts decreasing from 14.5% of patient accounts receivable at June 30, 2013 to 10.5% of patient accounts receivable at June 30, 2014. The Corporation has not changed its charity care or uninsured discount policies during 2014 or 2013.



# Mercy Health System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

### Note 4 Assets Limited as to Use

Assets limited as to use are invested as follows at June 30, 2014 and 2013.

	(In Thousands)	
	2014	2013
Certificate of deposit	\$ 1,599	\$ 1,371
Money market funds	1,390	2,048
Government and agency obligations	11,406	12,076
Municipal obligations	59	71
Corporate obligations	6,754	6,390
Foreign obligations	238	254
Equity mutual funds	27,935	21,569
Pooled separate accounts		
Fixed income	34,055	14,322
Domestic equity	613	657
Total assets limited as to use	\$ 84,049	\$ 58,758

The composition of assets limited as to use at June 30, 2014 and 2013, are as follows

	(In Thousands)	
	2014	2013
Held by trustee under bond indenture agreements	\$ 4,344	\$ 4,909
Held by Treasurer of State of Wisconsin for regulatory requirements	4,184	3,999
Internally designated		
Deferred compensation	9,970	7,493
Expansion and capital improvements	55,246	31,940
Regulatory compliance	10,305	10,417
Total assets limited as to use	\$ 84,049	\$ 58,758

# Mercy Health System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

### Note 4      Assets Limited as to Use (Continued)

Investment income, which includes investments earnings on cash equivalents and assets limited as to use, was comprised of the following

	(In Thousands)	
	2014	2013
Interest and dividend income	\$ 2,057	\$ 1,404
Net realized gains on sales of investments	104	211
Total investment income	2,161	1,615
Change in net unrealized gains and losses on investments other than trading securities	3,058	1,730
Totals	\$ 5,219	\$ 3,345

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Management assesses individual investment securities as to whether declines in market value are other-than-temporary and result in an impairment. For equity securities and mutual funds, the Corporation considers whether it has the ability and intent to hold the investment until a market price recovery. Evidence considered in this includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, the issuer's financial condition, and the general market condition in the geographic area or industry the investee operates in. For debt securities, if the Corporation has made a decision to sell the security, or if it's more likely than not the Corporation will sell the security before the recovery of the security's cost basis, an other-than-temporary impairment is considered to have occurred. If the Corporation has not made a decision or does not have an intention to sell the debt security, but the debt security is not expected to recover its value due to a credit loss, an other-than temporary impairment is considered to have occurred.

# Mercy Health System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

---

### Note 4      **Assets Limited as to Use** (Continued)

Because the Corporation has the intent and the ability to hold investment securities until a market price recovery or maturity, investment securities at June 30, 2014 and 2013, are not considered other-than temporarily impaired. No impairment losses were recognized by the Corporation during 2014 and 2013.

### Note 5      **Fair Value Measurements**

Following is a description of the valuation methodologies used for assets measured at fair value, including assets held in the Corporation's defined benefit retirement plan (Note 10).

*Money market funds* Valued using a net asset value (NAV) of \$1.

*Equity mutual funds.* Valued at the daily closing price as reported by the fund. Mutual funds held by the Corporation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Corporation are deemed to be actively traded.

*Government and agency obligations, municipal obligations, corporate obligations, and foreign obligations* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

*Pooled separate accounts and common trust fund (Note 10)* Accounts invested in a single mutual fund are valued at the daily closing price as reported by the mutual fund. Other accounts are valued at the NAV of units of the separate account or fund. The NAV, as provided by the issuer/trustee, is used as a practical expedient to estimating fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities.

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

# Mercy Health System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

### Note 5 Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Corporation's assets at fair value as of June 30

	(In Thousands)			
	2014			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 10	\$ 2,161	\$ -	\$ 2,171
Government and agency obligations	-	11,406	-	11,406
Municipal obligations	-	59	-	59
Corporate obligations	-	6,754	-	6,754
Foreign obligations	-	238	-	238
Equity mutual funds	27,935	-	-	27,935
Pooled separate accounts:				
Fixed income	34,055	-	-	34,055
Domestic equity	613	-	-	613
Total assets at fair value	\$ 62,613	\$ 20,618	\$ -	\$ 83,231

	(In Thousands)			
	2013			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 48	\$ 3,859	\$ -	\$ 3,907
Government and agency obligations	-	12,076	-	12,076
Municipal obligations	-	71	-	71
Corporate obligations	-	6,390	-	6,390
Foreign obligations	-	254	-	254
Equity mutual funds	21,569	-	-	21,569
Pooled separate accounts:				
Fixed income	14,322	-	-	14,322
Domestic equity	657	-	-	657
Total assets at fair value	\$ 36,596	\$ 22,650	\$ -	\$ 59,246

# Mercy Health System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

### Note 6 Property and Equipment

Property and equipment consisted of the following at June 30, 2014 and 2013.

	(In Thousands)	
	2014	2013
Land	\$ 27,078	\$ 27,078
Land improvements	6,266	6,090
Leasehold improvements	5,259	5,264
Buildings and improvements	296,004	285,410
Major movable equipment	193,248	183,822
Total property and equipment	527,855	507,664
Less - Accumulated depreciation	245,336	220,471
Net depreciated value	282,519	287,193
Construction in progress	6,071	4,569
Property and equipment - Net	\$ 288,590	\$ 291,762

The Corporation substantially completed a construction project to expand and renovate MWH in 2013. During 2014 and 2013, the Corporation placed approximately \$1,500,000 and \$43,000,000, respectively, of costs into service related to the project.

The remaining amounts in construction in progress relate to routine capital projects for renovating and updating the Corporation's facilities.

# Mercy Health System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

### Note 7 Long-Term Debt

Long-term debt consisted of the following at June 30, 2014 and 2013.

	(In Thousands)	
	2013	2012
Equipment loans and other	\$ 7,299	\$ 7,349
Less		
Current maturities	2,112	1,817
Long-term portion	\$ 5,187	\$ 5,532

The carrying value of long-term debt approximates its fair value.

Scheduled payments of principal on long-term debt at June 30, 2014, including current maturities, are summarized as follows

	(In Thousands)
2015	\$ 2,112
2016	1,902
2017	1,481
2018	1,239
2019	533
Thereafter	32
Total	\$ 7,299

# Mercy Health System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

### Note 8 Related-Party Transactions

The Corporation had the following receivables (payables) with affiliated entities at June 30, 2014 and 2013

	(In Thousands)	
	2014	2013
MAI		
Long-term borrowings	\$ (201,859)	\$ (206,037)
Other	(74)	1,388
Mercy Assisted Care, Inc.	(275)	130
Mercy Harvard Hospital, Inc.	2,835	4,652
Total related-party payables - Net	\$ (199,373)	\$ (199,867)

Beginning with the year ended June 30, 2005, substantially all long-term borrowings are done by MAI through the issuance of revenue bonds. The proceeds from the revenue bonds issued by MAI are loaned to affiliated entities, at interest rates from 4.40% to 4.67%, through intercompany payables. The Obligated Group for these borrowings includes MHSC and MAI, along with Mercy Assisted Care, Inc. (MAC) and Mercy Harvard Hospital, Inc. (MHH), affiliated entities. All members of the Obligated Group are jointly and severally liable for the debt, and the Obligated Group has pledged as security for long-term debt substantially all of its property, equipment, and revenue. As of June 30, 2014, total principal of revenue bonds outstanding, for which each member of the Obligated Group is jointly and severally liable debt, totaled \$201,470,000. The revenue bond agreements contain various restrictive covenants. Management believes the Obligated Group is in compliance with restrictive covenants at June 30, 2014.

# Mercy Health System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

### Note 8 Related-Party Transactions (Continued)

Amounts due to MAI related to long-term borrowings plus allocated unamortized premiums totaled \$201,859,000 and \$206,037,000 at June 30, 2014 and 2013, respectively. Current maturities of these borrowings were \$4,017,000 and \$3,852,000 at June 30, 2014 and 2013, respectively, and are included in current liabilities in the accompanying consolidated balance sheets. The portion of the revenue bond proceeds allocated to the Corporation that have not yet been expended and an allocation of debt service reserve funds are included in assets limited as to use. Interest expense includes \$9,101,000 and \$7,886,000 for the years ended June 30, 2014 and 2013, respectively, related to these intercompany borrowings. In addition, the Corporation capitalized \$61,000 and \$1,441,000 of interest expense during 2014 and 2013, respectively, related to these borrowings.

Scheduled principal payments on long-term intercompany borrowings reflect the scheduled maturities of the underlying revenue bonds held by MAI and are as follows at June 30, 2014

	(In Thousands)
2015	4,017
2016	4,539
2017	4,736
2018	4,994
2019	5,226
Thereafter	178,347
Total	\$ 201,859

MAI transferred cash of \$23,600,000 to MHSC during the year ended June 30, 2014. No funds were transferred in 2013.

MCIC and MercyCare HMO insure employees of MAC and MHH, and pay for services rendered at MAC and MHH. During 2014 and 2013, MCIC and MercyCare HMO recorded premium revenue of \$963,000 and \$953,000, respectively, from MAC and MHH. During 2014 and 2013, MCIC and MercyCare HMO recorded medical claims and capitation payments of \$2,620,000 and \$3,904,000, respectively, to MAC and MHH.



# Mercy Health System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

### Note 9 Retirement Plans

The Corporation has a defined benefit noncontributory retirement plan (the "Plan") which covers its employees who work more than 1,000 hours annually in addition to meeting certain eligibility requirements as specified in the Plan. All assets of the Plan, principally marketable securities, are held in a separate bank-administered trust. The funding policy is to contribute amounts sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974.

The following table provides further information about the Plan as of the Plan years ended June 30, 2014 and 2013

	(In Thousands)	
	2014	2013
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 111,361	\$ 106,413
Service cost	7,309	6,674
Interest cost	4,965	4,489
Benefits paid	(8,122)	(6,136)
Actuarial (gain) loss	9,252	(79)
Benefit obligation at end of year	124,765	111,361
Change in plan assets		
Fair value of plan assets at beginning of year	84,836	75,023
Actual return on plan assets	14,728	7,914
Employer contributions	11,200	8,035
Benefits paid	(8,122)	(6,136)
Fair value of plan assets at end of year	102,642	84,836
Funded status	\$ (22,123)	\$ (26,525)
Accumulated benefit obligation	\$ 119,625	\$ 107,112

# Mercy Health System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

### Note 9 Retirement Plans (Continued)

Amounts recognized in the accompanying consolidated balance sheets at June 30, 2014 and 2013, consisted of

	(In Thousands)	
	2014	2013
Current liability - Other accrued expenses	\$ 8,601	\$ 6,945
Long-term liability	13,522	19,580
Total	\$ 22,123	\$ 26,525
Total net assets - Unrestricted.		
Prior service cost	\$ 407	\$ 514
Net actuarial loss	20,938	21,026
Total amount recognized in net assets	\$ 21,345	\$ 21,540

Pension expense for the years ended June 30, 2014 and 2013, was comprised of the following

	(In Thousands)	
	2014	2013
Pension expense		
Service cost	\$ 7,309	\$6,674
Interest cost	4,965	4,489
Expected return on assets	(6,466)	(5,890)
Amortization of prior service cost	107	107
Amortization of unrecognized actuarial loss	1,078	1,064
Total pension expense	6,993	6,444
Other changes in plan assets and benefit obligations recognized in other changes in net assets		
Net actuarial (gain) loss	990	(2,103)
Amortization of actuarial loss	(1,078)	(1,064)
Amortization of prior service cost	(107)	(107)
Total recognized in other changes in net assets	(195)	(3,274)
Total recognized as pension expense and other changes in net assets	\$ 6,798	\$ 3,170

# Mercy Health System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

### Note 9 Retirement Plans (Continued)

The estimated prior service cost and actuarial loss that will be amortized from net assets into pension expense over the next fiscal year will be \$1,606,000.

Weighted average assumptions used at June 30, the measurement date, in developing the benefit obligation are as follows

	2014	2013
Discount rate for obligation	4.05%	4.60%
Discount rate for net periodic cost	4.60%	4.35%
Expected long-term return on plan assets	7.25%	7.50%
Rate of compensation increase for obligation	2.00%	2.00%
		1.50% grading
Rate of compensation increase for net periodic cost	2.00%	to 2.00%

To develop the expected long-term rate of return on assets assumption, the Corporation considered the historical returns and future expectations for returns in each asset class, as well as targeted asset allocation percentages within the Plan portfolio.

The Corporation intends to provide an appropriate range of investment options that span the risk/return spectrum. The investment options allow for an investment portfolio consistent with Plan circumstances, goals, time horizons, and tolerance for risk.

The Corporation's asset allocations at June 30, are as follows

	2014	2013
Asset category		
Cash equivalents	0.6%	1.7%
Pooled separate accounts		
Fixed income	50.9%	47.0%
Domestic equity	43.3%	46.5%
International real estate	5.2%	4.8%
Totals	100.0%	100.0%

# Mercy Health System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

### Note 9 Retirement Plans (Continued)

The following table sets forth by level, within the fair value hierarchy, the Corporation's Plan assets at fair values as of June 30, 2014 and 2013

	(In Thousands)			
	2014			Total
	Level 1	Level 2	Level 3	
Cash equivalents	\$ -	\$ 634	\$ -	\$ 634
Pooled separate accounts				
Fixed income	-	52,212	-	52,212
Domestic equity	-	44,473	-	44,473
International real estate	-	5,323	-	5,323
Total assets at fair value	\$ -	\$ 102,642	\$ -	\$ 102,642

	(In Thousands)			
	2013			Total
	Level 1	Level 2	Level 3	
Cash equivalents	\$ -	\$ 1,421	\$ -	\$ 1,421
Pooled separate accounts				
Fixed income	-	39,867	-	39,867
Domestic equity	-	39,469	-	39,469
International equity	-	4,079	-	4,079
Total assets at fair value	\$ -	\$ 84,836	\$ -	\$ 84,836

# Mercy Health System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

### Note 9 Retirement Plans (Continued)

The following table sets forth additional disclosures of the Corporation's investments whose fair value is estimated at NAV per share as of June 30

Investment	2014			
	(In Thousands) Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Pooled separate accounts				
Fixed income funds (a)	\$ 52,212	\$ -	Continuously	N/A
Domestic equity (b)	44,473	-	Continuously	N/A
International real estate (c)	5,323	-	Continuously	N/A

Investment	2013			
	(In Thousands) Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Pooled separate accounts				
Fixed income funds (a)	\$ 39,867	\$ -	Continuously	N/A
Domestic equity (b)	39,469	-	Continuously	N/A
International real estate (c)	4,079	-	Continuously	N/A

(a) Invests mainly in bonds, or debt of a company or government entity (including U.S. and non-U.S.).

(b) Invests in stock or shares of ownership of U.S. companies.

(c) Invests in ventures or entities that hold a variety of foreign properties

The Corporation expects to contribute \$11,200,000 to the Plan in fiscal 2015.

# Mercy Health System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

### Note 9 Retirement Plans (Continued)

Benefit payments are expected to be paid as follows.

	(In Thousands)
2015	\$8,601
2016	8,548
2017	9,150
2018	10,079
2019	10,292
Years 2020 through 2024	63,106

The Corporation also participates in a contributory tax-deferred annuity plan, which covers all employees at least 18 years of age with one year of service. Employees may contribute up to 4% of compensation to the annuity plan on a tax-deferred basis, plus additional amounts subject to a regulatory limit. The Corporation may contribute discretionary amounts up to 50% of employees' tax-deferred contribution, up to 4% of compensation. Total contribution expense for the annuity plan was \$2,041,000 and \$2,240,000 for the years ended June 30, 2014 and 2013, respectively.

The Corporation also contributes to a multi-employer defined benefit plan which covers employees pursuant to the terms of collective bargaining agreements. Total contribution expense for the multi-employer defined benefit plan was \$240,000 and \$235,000 for the years ended June 30, 2014 and 2013, respectively. The Corporation also contributes to a 401(k) plan for this same group of employees an amount, based on a matching percentage of participant contributions, set by the terms of collective bargaining agreements. Total contribution expense for the 401(k) plan was \$84,000 and \$94,000 for the years ended June 30, 2014 and 2013, respectively.

The Corporation also sponsors deferred compensation programs covering certain physicians and officers. Investments and corresponding liabilities totaling \$9,970,000 and \$7,493,000 at June 30, 2014 and 2013, respectively, are included in the accompanying consolidated balance sheets. Total deferred compensation expense was \$1,456,000 and \$1,420,000 in 2014 and 2013, respectively.

# Mercy Health System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

### Note 10 Patient Service Revenue (Net of Contractual Allowances and Discounts)

The following table sets forth the detail of patient service revenue (net of contractual allowances and discounts) for the years ended June 30, 2014 and 2013

	(In Thousands)	
	2014	2013
Gross patient service revenue	\$ 1,031,630	\$ 895,638
Deductions - Contractual allowances and discounts		
Medicare	(251,077)	(209,038)
Medicaid	(111,161)	(87,621)
Managed care	(62,101)	(61,220)
Commercial and other	(164,324)	(135,638)
Uninsured patients	(8,428)	(6,384)
Patient service revenue (net of contractual allowances and discounts)	\$ 434,539	\$ 395,737

During 2014 and 2013, approximately 29.7% and 30.3%, respectively, of the Corporation's patient service revenue (net of contractual allowances and discounts) related to patients participating in the Medicare and Medicaid programs.

Patient service revenue (net of contractual allowances and discounts) recognized in the year ended June 30, from these major payor sources is as follows.

	(In Thousands)	
	2014	2013
Medicare, Medicaid, Managed care, and commercial and other	\$ 408,189	\$ 374,300
Uninsured patients	26,350	21,437
Patient service revenue (net of allowances and discounts)	\$ 434,539	\$ 395,737

# Mercy Health System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

### Note 11 Operating Leases

The Corporation leases office space, office equipment, and certain medical equipment from unrelated organizations. Total rental expense was approximately \$3,272,000 and \$3,248,000 in 2014 and 2013, respectively. Future minimum lease payments, by year and in the aggregate, under non-cancelable lease agreements are summarized as follows.

	(In Thousands)
2015	\$ 1,375
2016	887
2017	630
2018	423
2019	139
Total minimum lease payments	\$ 3,454

### Note 12 Malpractice Insurance

The Corporation manages a self-insurance program for its professional liability on a claims-made basis. The Corporation retains the first \$1,000,000 per occurrence and \$3,000,000 per year for Wisconsin claims. Coverage against losses in excess of these amounts is maintained through mandatory participation in the Patients' Compensation Fund of the State of Wisconsin. For Illinois claims, the Corporation generally retains the first \$2,000,000 of loss per claim and has purchased an umbrella policy that provides excess coverage.

The Corporation has provided a reserve of \$20,000,000 and \$20,677,000 for potential professional liability claims for services provided to patients through June 30, 2014 and 2013, respectively, which have not yet been asserted. These amounts are included in other accrued expenses in the accompanying consolidated balance sheets.



# Mercy Health System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

### Note 13 Concentration of Credit Risk

Financial instruments that potentially subject the Corporation to credit risk consist principally of accounts receivable and cash deposits in excess of insured limits in financial institutions.

The mix of receivables from patients and third-party payors is as follows at June 30, 2014 and 2013

	2014	2013
Medicare	30%	27%
Medicaid	9%	8%
Other third-party payors	37%	33%
Patients	24%	32%
Totals	100%	100%

The Corporation maintains depository relationships with area financial institutions that are Federal Deposit Insurance Corporation (FDIC) insured institutions. The Corporation maintains cash in accounts at these institutions which are insured by the FDIC up to \$250,000. At June 30, 2014, the Corporation's deposits exceeded the insured limits by approximately \$23,250,000.

### Note 14 Functional Expenses

The Corporation provides general health care services to residents within its geographic location and contracts with various health care providers to provide medical services to members insured by MCIC. Expenses related to providing these services are as follows.

	(In Thousands)	
	2014	2013
Health care services	\$ 361,071	\$ 340,218
General and administrative	126,758	119,501
Total expenses	\$ 487,829	\$ 459,719

## Supplementary Information

---



## Independent Auditor's Report on Supplementary Information

Board of Directors  
Mercy Health System Corporation  
Janesville, Wisconsin

We have audited the consolidated financial statements of Mercy Health System Corporation and Subsidiaries as of and for the years ended June 30, 2014 and 2013, and our report thereon dated August 15, 2014, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information appearing on pages 38 through 41 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 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 taken as a whole.

A handwritten signature in black ink that reads "Wipfli LLP".

Wipfli LLP

August 15, 2014  
Milwaukee, Wisconsin

# Mercy Health System Corporation and Subsidiaries

## Consolidating Balance Sheet

June 30, 2014

<i>Assets</i>	(In Thousands)				
	Mercy Health System Corporation	MercyCare Insurance Company	Mercy Foundation, Inc.	Eliminations	Mercy Health System Corporation Consolidated
Current assets					
Cash and cash equivalents	\$ 18,401	\$ 979	\$ 140	\$ -	\$ 19,520
Patient accounts receivable - Net	87,098	-	-	(1,289)	85,809
Supplies	10,738	-	-	-	10,738
Prepaid expenses	5,824	-	-	(1,967)	3,857
Due from third-party payors	572	-	-	-	572
Due from related party	2,835	4	34	(38)	2,835
Other receivables	6,143	3,901	-	(1,282)	8,762
Total current assets	131,611	4,884	174	(4,576)	132,093
Assets limited as to use	52,131	30,220	1,698	-	84,049
Property and equipment - Net	288,590	-	-	-	288,590
Other assets					
Unamortized debt issuance costs - Net	2,063	-	-	-	2,063
Investment in subsidiary	21,816	-	-	(21,816)	-
Other	1,315	725	-	-	2,040
Total other assets	25,194	725	-	(21,816)	4,103
<b>TOTAL ASSETS</b>	<b>\$ 497,526</b>	<b>\$ 35,829</b>	<b>\$ 1,872</b>	<b>\$ (26,392)</b>	<b>\$ 508,835</b>
<i>Liabilities and Net Assets</i>					
Current liabilities					
Current maturities of long-term debt	\$ 2,112	\$ -	\$ -	\$ -	\$ 2,112
Accounts payable					
Trade	9,645	-	-	-	9,645
Construction	488	-	-	-	488
Salaries, wages, and payroll taxes	26,001	-	-	-	26,001
Due to related party	4,404	-	-	(38)	4,366
Other accrued expenses	33,881	14,013	-	(4,538)	43,356
Total current liabilities	76,531	14,013	-	(4,576)	85,968
Long-term liabilities					
Long-term debt, less current maturities	5,187	-	-	-	5,187
Deferred compensation	9,970	-	-	-	9,970
Pension liability	13,522	-	-	-	13,522
Due to related party, less current portion	197,842	-	-	-	197,842
Total long-term liabilities	226,521	-	-	-	226,521
Total liabilities	303,052	14,013	-	(4,576)	312,489
Total net assets - Unrestricted	194,474	21,816	1,872	(21,816)	196,346
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 497,526</b>	<b>\$ 35,829</b>	<b>\$ 1,872</b>	<b>\$ (26,392)</b>	<b>\$ 508,835</b>

# Mercy Health System Corporation and Subsidiaries

## Consolidating Balance Sheet (Continued)

June 30, 2013

(In Thousands)					
<i>Assets</i>	Mercy Health System Corporation	MercyCare Insurance Company	Mercy Foundation, Inc.	Eliminations	Mercy Health System Corporation Consolidated
Current assets					
Cash and cash equivalents	\$ 8,648	\$ 1,995	\$ 101	\$ -	\$ 10,744
Patient accounts receivable - Net	78,130	-	-	(1,310)	76,820
Supplies	10,104	-	-	-	10,104
Prepaid expenses	5,604	-	-	(1,919)	3,685
Due from third-party payors	546	-	-	-	546
Due from related party	6,207	-	-	(37)	6,170
Other receivables	5,972	2,955	-	-	8,927
Total current assets	115,211	4,950	101	(3,266)	116,996
Assets limited as to use	31,295	25,948	1,515	-	58,758
Property and equipment - Net	291,762	-	-	-	291,762
Other assets					
Unamortized debt issuance costs - Net	2,168	-	-	-	2,168
Investment in subsidiary	18,985	-	-	(18,985)	-
Other	1,317	753	-	-	2,070
Total other assets	22,470	753	-	(18,985)	4,238
<b>TOTAL ASSETS</b>	<b>\$ 460,738</b>	<b>\$ 31,651</b>	<b>\$ 1,616</b>	<b>\$ (22,251)</b>	<b>\$ 471,754</b>
<i>Liabilities and Net Assets</i>					
Current liabilities					
Current maturities of long-term debt	\$ 1,817	\$ -	\$ -	\$ -	\$ 1,817
Accounts payable					
Trade	8,391	-	-	-	8,391
Construction	695	-	-	-	695
Salaries, wages, and payroll taxes	23,084	-	-	-	23,084
Due to related party	3,852	21	16	(37)	3,852
Other accrued expenses	32,929	12,645	-	(3,229)	42,345
Total current liabilities	70,768	12,666	16	(3,266)	80,184
Long-term liabilities					
Long-term debt, less current maturities	5,532	-	-	-	5,532
Deferred compensation	7,493	-	-	-	7,493
Pension liability	19,580	-	-	-	19,580
Due to related party, less current portion	202,185	-	-	-	202,185
Total long-term liabilities	234,790	-	-	-	234,790
Total liabilities	305,558	12,666	16	(3,266)	314,974
Total net assets - Unrestricted	155,180	18,985	1,600	(18,985)	156,780
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 460,738</b>	<b>\$ 31,651</b>	<b>\$ 1,616</b>	<b>\$ (22,251)</b>	<b>\$ 471,754</b>

# Mercy Health System Corporation and Subsidiaries

## Consolidating Statement of Operations and Changes in Net Assets

Year Ended June 30, 2014

	(In Thousands)				
	Mercy Health System Corporation	MercyCare Insurance Company	Mercy Foundation, Inc.	Eliminations	Mercy Health System Corporation Consolidated
Revenue					
Patient service revenue (net of contractual allowances and discounts)	\$ 499,568	\$ -	\$ -	\$ (65,029)	\$ 434,539
Provision for bad debts	(28,097)	-	-	-	(28,097)
Net patient service revenue less provision for bad debts	471,471	-	-	(65,029)	406,442
Premium revenue	-	101,161	-	(16,407)	84,754
Other revenue	6,925	-	-	-	6,925
Total revenue	478,396	101,161	-	(81,436)	498,121
Expenses					
Salaries and wages	244,616	-	-	-	244,616
Employee benefits	52,698	-	-	(16,407)	36,291
Professional fees and purchased services	27,645	819	-	-	28,464
Medical claims and capitation payments	-	93,948	-	(65,029)	28,919
Medical supplies, other supplies, and drugs	79,025	-	-	-	79,025
Utilities	6,609	-	-	-	6,609
Insurance	4,508	-	-	-	4,508
Other	16,254	7,942	-	-	24,196
Depreciation and amortization	25,843	-	-	-	25,843
Interest	9,358	-	-	-	9,358
Total expenses	466,556	102,709	-	(81,436)	487,829
Income (loss) from operations	11,840	(1,548)	-	-	10,292
Nonoperating income - Net	3,223	1,663	300	(2,831)	2,355
Excess of revenue over expenses	15,063	115	300	(2,831)	12,647
Other changes in unrestricted net assets					
Change in net unrealized gains and losses on investments other than trading securities	370	2,716	(28)	-	3,058
Changes in pension obligation other than pension expense	195	-	-	-	195
Other	66	-	-	-	66
Transfers from affiliates - Net	23,600	-	-	-	23,600
Change in unrestricted net assets	39,294	2,831	272	(2,831)	39,566
Unrestricted net assets at beginning	155,180	18,985	1,600	(18,985)	156,780
Unrestricted net assets at end	\$ 194,474	\$ 21,816	\$ 1,872	\$ (21,816)	\$ 196,346

# Mercy Health System Corporation and Subsidiaries

## Consolidating Statement of Operations and Changes in Net Assets (Continued)

Year Ended June 30, 2013

	(In Thousands)				
	Mercy Health System Corporation	MercyCare Insurance Company	Mercy Foundation, Inc.	Eliminations	Mercy Health System Corporation Consolidated
Revenue					
Patient service revenue (net of contractual allowances and discounts)	\$ 464,742	\$ -	\$ -	\$ (69,005)	\$ 395,737
Provision for bad debts	(20,829)	-	-	-	(20,829)
Net patient service revenue less provision for bad debts	443,913	-	-	(69,005)	374,908
Premium revenue	-	104,638	-	(15,008)	89,630
Other revenue	9,329	-	-	-	9,329
Total revenue	453,242	104,638	-	(84,013)	473,867
Expenses					
Salaries and wages	232,824	-	-	-	232,824
Employee benefits	50,573	-	-	(15,008)	35,565
Professional fees and purchased services	27,606	797	-	-	28,403
Medical claims and capitation payments	-	95,695	-	(69,005)	26,690
Medical supplies, other supplies, and drugs	73,572	-	-	-	73,572
Utilities	6,071	-	-	-	6,071
Insurance	1,038	-	-	-	1,038
Other	15,925	6,887	-	-	22,812
Depreciation and amortization	24,594	-	-	-	24,594
Interest	8,150	-	-	-	8,150
Total expenses	440,353	103,379	-	(84,013)	459,719
Income from operations	12,889	1,259	-	-	14,148
Nonoperating income - Net	5,375	1,088	84	(4,441)	2,106
Excess of revenue over expenses	18,264	2,347	84	(4,441)	16,254
Other changes in unrestricted net assets					
Change in net unrealized gains and losses on investments other than trading securities	(428)	2,094	64	-	1,730
Changes in pension obligation other than pension expense	3,274	-	-	-	3,274
Change in unrestricted net assets	21,110	4,441	148	(4,441)	21,258
Unrestricted net assets at beginning	134,070	14,544	1,452	(14,544)	135,522
Unrestricted net assets at end	\$ 155,180	\$ 18,985	\$ 1,600	\$ (18,985)	\$ 156,780