



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



Part III

Statement of Program Service Accomplishments

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

1

Briefly describe the organization's mission

AS THE SISTERS OF MERCY BEFORE US, WE BRING TO LIFE THE HEALING MINISTRY OF JESUS THROUGH OUR COMPASSIONATE CARE AND EXCEPTIONAL SERVICE

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 \$ 881,771,871 including grants of \$ 100,000) (Revenue \$ 952,688,808)

MERCY HEALTH SPRINGFIELD COMMUNITIES AND ITS SUBSIDIARIES PROVIDE HIGH-QUALITY, COMPASSIONATE, FAITH-BASED HEALTH CARE IN A VARIETY OF TRADITIONAL MEDICAL SETTINGS THIS ORGANIZATION, AS PART OF MERCY HEALTH SPRINGFIELD COMMUNITIES, PROVIDES SERVICES TO THE COMMUNITIES WE SERVE, WITH PARTICULAR CONCERN FOR THE ECONOMICALLY POOR, IN THE WAY OF INPATIENT HOSPITAL SERVICES, OUTPATIENT SERVICES, EMERGENCY ROOM CARE, HOME HEALTH SERVICES, AND PHYSICIAN CLINIC OFFICE VISITS

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

881,771,871

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	No
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I 	3	No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III 	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10	No
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII 	11b 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 Yes	
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	Yes	
22	Did the organization report more than \$5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i>	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If so, complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b	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	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

☒

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	29	
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.	7,838	
2b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).		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?			No
7f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?			No
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? Note. 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		
	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		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
a	The governing body?	8a	Yes
b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed▶
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)
19	Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶Scott Reynolds 1235 E Cherokee Springfield, MO 65804 (314) 579-6100

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) Allphin MD Allan Physician & Board member	5 0 55 0	X						0	874,850	43,267
(2) Baker Ann Marie Board member	1 0 0 0	X						0	0	0
(3) Brau RSM Sr Annrene Board member	1 0 4 0	X						0	0	0
(4) Duff MD James Physician & Board member	5 0 55 0	X						0	218,660	27,402
(5) Griesemer John Board member	1 0 0 0	X						0	0	0
(6) Guffey Jay COO & Board member	50 0 10 0	X						419,895	0	106,617
(7) Hammons Brian Board member	1 0 0 0	X						0	0	0
(8) Hover MD Alexander R Sr VP & Board Member	15 0 45 0	X						492,467	0	95,406
(9) McQueary MD Fred G Sr VP Clinical Integration	15 0 45 0	X						342,299	645,188	134,668
(10) Ridder PhD Norm Board member	1 0 0 0	X						0	0	0
(11) Rowland Michael Board member	1 0 0 0	X						0	0	0
(12) Scarrow MD Alan Pres Springfield Clinic CNTRL	20 0 40 0	X						0	735,129	32,211
(13) Stangeland Stuart G COO SPRINGFIELD Clinic	15 0 45 0	X						0	390,292	70,340
(14) Steele MD Robert CEO through 5/2/14	15 0 45 0	X		X				79,844	645,188	99,390
(15) Reynolds Scott R VP-Finance	20 0 40 0			X				359,934	0	55,291
(16) Swope Jon President, central communities	10 0 50 0			X				0	819,405	143,498
(17) Hennessey III William Regional VP-Marketing	20 0 40 0				X			0	236,700	62,248

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) Knodel Lnda Senior VP - CNO	30 0 30 0				X			193,768	159,794	53,378
(19) Luna MD Lance Chief medical officer	60 0 0 0				X			2,147	426,127	23,992
(20) Marion Tanya Regional VP-Human resources	15 0 45 0				X			0	220,693	45,983
(21) Schibler Lynda VP-Mission	59 0 1 0				X			177,575	0	43,207
(22) Gillen Michael J Pres , Mercy Hospital LEBANON	10 0 50 0					X		325,620	0	29,054
(23) Globig David P VP-Operations	60 0 0 0					X		251,101	0	21,567
(24) Norton Robert C Regional VP-Facilities/support	40 0 20 0					X		250,204	0	39,723
(25) Reid Andrew J VP-Cardiology	60 0 0 0					X		261,966	0	20,908
(26) Schaefer Michele M Senior VP-Regional Operations	30 0 30 0					X		472,452	0	72,467
(27) Day Bradley Kim Former key employee	0 0 60 0						X	0	845,113	114,696
(28) Merrigan Michael Former key employee	0 0 5 0						X	0	594,877	58,559
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								3,629,272	6,812,016	1,393,872

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▶152

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

Section B. Independent Contractors

1	Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization Report compensation for the calendar year ending with or within the organization's tax year		
	(A) Name and business address	(B) Description of services	(C) Compensation
	MCCARTHY BUILDING CO, 1341 NORTH ROCK HILL RD ST LOUIS MO 63124	CONSTRUCTION	22,392,614
	METRO AVIATION INC, PO BOX 7008 SHREVEPORT LA 71137	AIRCRAFT OPERATIONS	4,009,084
	INTERMEDIX, 6451 N FEDERAL HWY STE 1000 FT LAUDERDALE FL 33308	THIRD PARTY BILLING	1,489,921
	DEWITT AND ASSOCIATES, PO BOX 3378 GS SPRINGFIELD MO 65808	CONSTRUCTION	3,136,824
	MAYO MEDICAL LABS, 200 SW FIRST STREET ROCHESTER MN 55805	LAB PURCHASED SVCS	1,790,471
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 ▶93		

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	0			
	d	Related organizations	1d				
	e	Government grants (contributions)	1e	590,948			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	11,896			
	g	Noncash contributions included in lines 1a-1f \$		0			
	h	Total. Add lines 1a-1f		602,844			
Program Service Revenue	2a	NET PATIENT SERVICE REVENUE	Business Code 622110	943,299,662	939,825,519	3,474,143	0
	b	OTHER OPERATING REVENUE	900099	9,085,387	9,085,387	0	0
	c	RENTAL INCOME FROM RELATED ORGS	531120	303,759	303,759	0	0
	d						
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f		952,688,808			
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		-76,023		
4		Income from investment of tax-exempt bond proceeds		0			
5		Royalties		0			
6a		(i) Real					
		(ii) Personal					
b		Less rental expenses					
c		Rental income or (loss)		0	0		
d		Net rental income or (loss)		0			
7a		(i) Securities					
		(ii) Other					
b		Less cost or other basis and sales expenses					
c		Gain or (loss)			5,994,251		
d		Net gain or (loss)		5,994,251			5,994,251
8a		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18		a			
b		Less direct expenses		b			
c		Net income or (loss) from fundraising events			0		
9a	Gross income from gaming activities See Part IV, line 19		a				
b	Less direct expenses		b				
c	Net income or (loss) from gaming activities			0			
10a	Gross sales of inventory, less returns and allowances		a				
b	Less cost of goods sold		b				
c	Net income or (loss) from sales of inventory			0			
	Miscellaneous Revenue		Business Code				
11a	CAFE & VENDING		900099	5,182,789	0	5,182,789	
b							
c							
d	All other revenue						
e	Total. Add lines 11a-11d			5,182,789			
12	Total revenue. See Instructions			964,392,669	949,214,665	3,474,143	11,101,017

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.	100,000	100,000		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	0	0		
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.	0	0		
4	Benefits paid to or for members.	0	0		
5	Compensation of current officers, directors, trustees, and key employees.	2,329,133	2,329,133		
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	163,715	163,715	0	0
7	Other salaries and wages.	246,573,400	233,383,878	13,189,522	0
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	11,617,461	11,018,002	599,459	0
9	Other employee benefits.	40,904,030	38,855,244	2,048,786	0
10	Payroll taxes.	17,856,772	16,963,933	892,839	0
11	Fees for services (non-employees):				
a	Management.	0	0	0	0
b	Legal.	10,472	0	10,472	0
c	Accounting.	1,726	1,726	0	0
d	Lobbying.	72,554	0	72,554	0
e	Professional fundraising services. See Part IV, line 17.	0			0
f	Investment management fees.	0	0	0	0
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	33,895,841	33,685,340	210,501	
12	Advertising and promotion.	404,422	390,397	14,025	0
13	Office expenses.	21,859,393	20,453,989	1,405,404	0
14	Information technology.	91,918	91,918	0	0
15	Royalties.	0	0	0	0
16	Occupancy.	19,273,223	18,502,137	771,086	0
17	Travel.	1,631,709	1,498,182	133,527	0
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0	0	0	0
19	Conferences, conventions, and meetings.	0	0	0	0
20	Interest.	0	0	0	0
21	Payments to affiliates.	0			
22	Depreciation, depletion, and amortization.	26,665,535	21,332,428	5,333,107	0
23	Insurance.	459	459	0	0
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	SHARED SERVICE FEE	227,184,283	217,320,454	9,863,829	
b	MEDICAL SUPPLIES	210,600,148	210,600,148		
c	BAD DEBT EXPENSE	46,953,479	46,953,479		
d	REPAIRS & MAINT	11,378,558	6,848,503	4,530,055	
e	All other expenses	2,236,808	1,278,806	958,002	
25	Total functional expenses. Add lines 1 through 24e.	921,805,039	881,771,871	40,033,168	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		12,511,359	1	6,018,843
	2	Savings and temporary cash investments		0	2	0
	3	Pledges and grants receivable, net		10,480	3	35,617
	4	Accounts receivable, net		134,273,868	4	136,472,872
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	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		0	6	0
	7	Notes and loans receivable, net		2,784,979	7	2,712,433
	8	Inventories for sale or use		24,773,885	8	25,774,549
	9	Prepaid expenses and deferred charges		56,817,685	9	66,670,600
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a454,548,711			
	b	Less accumulated depreciation	10b239,366,218	208,973,500	10c	215,182,493
	11	Investments—publicly traded securities		0	11	0
	12	Investments—other securities See Part IV, line 11		25,099,658	12	26,318,034
	13	Investments—program-related See Part IV, line 11		933,001	13	6,260,217
	14	Intangible assets		1,665,323	14	1,665,323
	15	Other assets See Part IV, line 11		20,070,294	15	25,940,337
	16	Total assets. Add lines 1 through 15 (must equal line 34)		487,914,032	16	513,051,318
Liabilities	17	Accounts payable and accrued expenses		135,567,170	17	131,359,480
	18	Grants payable		0	18	0
	19	Deferred revenue		323,402	19	0
	20	Tax-exempt bond liabilities		0	20	0
	21	Escrow or custodial account liability Complete Part IV of Schedule D		0	21	0
	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		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		537,383	23	250,000
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	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		50,316,096	25	117,360,073
	26	Total liabilities. Add lines 17 through 25		186,744,051	26	248,969,553
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		301,169,981	27	264,081,765
	28	Temporarily restricted net assets		0	28	0
	29	Permanently restricted net assets		0	29	0
	Organizations that do not follow SFAS 117 (ASC 958), check here <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		301,169,981	33	264,081,765
	34	Total liabilities and net assets/fund balances		487,914,032	34	513,051,318

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	964,392,669
2	Total expenses (must equal Part IX, column (A), line 25)	2	921,805,039
3	Revenue less expenses Subtract line 2 from line 1	3	42,587,630
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	301,169,981
5	Net unrealized gains (losses) on investments	5	
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-79,675,846
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	264,081,765

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	2a	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	2b	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	2c	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?	3a	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	3b	

SCHEDULE A

(Form 990 or 990EZ)

Department of the
Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2013

Open to Public
Inspection

Name of the organization Mercy Hospital Springfield	Employer identification number 44-0552485
---	---

Part I

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

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

1	<input type="checkbox"/>	A church, convention of churches, or association of churches described in section 170(b)(1)(A)(i).
2	<input type="checkbox"/>	A school described in section 170(b)(1)(A)(ii). (Attach Schedule E)
3	<input checked="" type="checkbox"/>	A hospital or a cooperative hospital service organization described in section 170(b)(1)(A)(iii).
4	<input type="checkbox"/>	A medical research organization operated in conjunction with a hospital described in section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state _____
5	<input type="checkbox"/>	An organization operated for the benefit of a college or university owned or operated by a governmental unit described in section 170(b)(1)(A)(iv). (Complete Part II)
6	<input type="checkbox"/>	A federal, state, or local government or governmental unit described in section 170(b)(1)(A)(v).
7	<input type="checkbox"/>	An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in section 170(b)(1)(A)(vi). (Complete Part II)
8	<input type="checkbox"/>	A community trust described in section 170(b)(1)(A)(vi) (Complete Part II)
9	<input type="checkbox"/>	An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See section 509(a)(2). (Complete Part III)
10	<input type="checkbox"/>	An organization organized and operated exclusively to test for public safety See section 509(a)(4).
11	<input type="checkbox"/>	An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See section 509(a)(3). Check the box that describes the type of supporting organization and complete lines 11e through 11h a <input type="checkbox"/> Type I b <input type="checkbox"/> Type II c <input type="checkbox"/> Type III - Functionally integrated d <input type="checkbox"/> Type III - Non-functionally integrated
e	<input type="checkbox"/>	By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
f	<input type="checkbox"/>	If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box
g	<input type="checkbox"/>	Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons? (i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization? (ii) A family member of a person described in (i) above? (iii) A 35% controlled entity of a person described in (i) or (ii) above?
h	<input type="checkbox"/>	Provide the following information about the supported organization(s)

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

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

Part II

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

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

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

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

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

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

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

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

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

Part IV

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

Facts And Circumstances Test		
Return Reference	Explanation	

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

OMB No 1545-0047

2013

Open to Public Inspection

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

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

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

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

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

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

Name of the organization Mercy Hospital Springfield	Employer identification number 44-0552485
--	--

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

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

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

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

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

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

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

Part II-A

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

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

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

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

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

Part II-B

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a)		(b)	
		Yes	No	Amount	
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of				
	a Volunteers?		No		
	b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No		
	c Media advertisements?		No		0
	d Mailings to members, legislators, or the public?		No		0
	e Publications, or published or broadcast statements?		No		0
	f Grants to other organizations for lobbying purposes?		No		0
	g Direct contact with legislators, their staffs, government officials, or a legislative body?		No		0
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No		0
	i Other activities?	Yes		72,554	
	j Total Add lines 1c through 1i			72,554	
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No		
b	If "Yes," enter the amount of any tax incurred under section 4912				
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912				
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?				

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Return Reference	Explanation
FORM 990, SCHEDULE C, PART II-B, LINE 1 (I)	LOBBYING PORTION OF DUES THE FILING ORGANIZATION IS A MEMBER OF AND PAYS DUES TO THE FOLLOWING HOSPITAL ASSOCIATIONS: AMERICAN HOSPITAL ASSOCIATION, MISSOURI HOSPITAL ASSOCIATION, AND CATHOLIC HEALTH ASSOCIATION. FOR THE YEAR ENDED JUNE 30, 2014, DUES WERE \$58,902, \$116,876, AND \$238,644, RESPECTIVELY. APPROXIMATELY 23.65% OF AMERICAN HOSPITAL ASSOCIATION DUES, 43.4% OF MISSOURI HOSPITAL ASSOCIATION DUES, AND 3.31% OF CATHOLIC HEALTH ASSOCIATION DUES WERE ATTRIBUTABLE TO LOBBYING ACTIVITIES PERFORMED BY THESE ASSOCIATIONS.

[illegible]

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.

Name of the organization Mercy Hospital Springfield	Employer identification number 44-0552485
--	--

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

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

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

1

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

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

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

☐ Preservation of open space

2

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

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

3

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

4

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

5

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

☐ Yes ☐ No

6

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

7

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

8

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

☐ Yes ☐ No

9

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

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

1a

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

b

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

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

► \$

(ii) Assets included in Form 990, Part X

► \$

2

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

a

Revenues included in Form 990, Part VIII, line 1

► \$

b

Assets included in Form 990, Part X

► \$

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

Cat No 52283D

Schedule D (Form 990) 2013

Part III

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

- 3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other
- 4

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

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

☐ Yes

☐ No

Part IV

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

- 1a

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

☐ Yes

☐ No
- 1b

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

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

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

☐ Yes

☐ No
- 2b

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					
1b Contributions					
1c Net investment earnings, gains, and losses					
1d Grants or scholarships					
1e Other expenditures for facilities and programs					
1f Administrative expenses					
1g 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

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

No

b

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

3b

Yes

No

4

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

Land, Buildings, and Equipment. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. See Form 990, Part X, line 10.
- | Description of property | (a) Cost or other basis (investment) | (b)Cost or other basis (other) | (c) Accumulated depreciation | (d) Book value |
|--|--------------------------------------|--------------------------------|------------------------------|----------------|
| 1a Land | | 12,962,183 | | 12,962,183 |
| 1b Buildings | | 146,226,591 | 50,686,045 | 95,540,546 |
| 1c Leasehold improvements | | 638,012 | 569,711 | 68,301 |
| 1d Equipment | | 283,822,450 | 187,470,911 | 96,351,539 |
| 1e Other | | 10,899,475 | 639,551 | 10,259,924 |
| Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).) | | | | 215,182,493 |
- Schedule D (Form 990) 2013

Part XI

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

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

Part XII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.

Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

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

Part XIII

Supplemental Information

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

Return Reference	Explanation
FORM 990, SCHEDULE D, PART X, LINE 2	ASC 740 FOOTNOTE THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF MERCY HEALTH AND AFFILIATES DO NOT INCLUDE A FOOTNOTE TO REPORT THE ORGANIZATION'S LIABILITY FOR UNCERTAIN TAX PROVISIONS UNDER FIN 48 (ASC 740), AS THEY ARE DEEMED IMMATERIAL FOR DISCLOSURE

[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 Hospital Springfield

Employer identification number
44-0552485

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a Yes	
b	If "Yes," was it a written policy?	1b Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year <input checked="" type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities		
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care <input checked="" type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input type="checkbox"/> Other _____ % b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input checked="" type="checkbox"/> 400% <input type="checkbox"/> Other _____ % c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care 4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	3a Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	3b Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	4 Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5a Yes	
6a	Did the organization prepare a community benefit report during the tax year?	5b	No
b	If "Yes," did the organization make it available to the public?	5c	
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	No

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)			26,023,134		26,023,134	2 970 %
b Medicaid (from Worksheet 3, column a)			121,706,614	104,856,610	16,850,004	1 930 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			147,729,748	104,856,610	42,873,138	4 900 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			1,485,928	232,021	1,253,907	0 140 %
f Health professions education (from Worksheet 5)			3,832,023		3,832,023	0 440 %
g Subsidized health services (from Worksheet 6)			29,222,922	20,957,395	8,265,527	0 940 %
h Research (from Worksheet 7)			1,091,797	930,759	161,038	0 020 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			792,189		792,189	0 090 %
j Total Other Benefits			36,424,859	22,120,175	14,304,684	1 630 %
k Total. Add lines 7d and 7j			184,154,607	126,976,785	57,177,822	6 530 %

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			105,044		105,044	0.010 %
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building			2,069		2,069	
7Community health improvement advocacy						
8Workforce development			19,016		19,016	
9Other						
10Total			126,129		126,129	0.010 %

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?

1Yes

No

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

214,071,958

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

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).

5205,550,478

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

6235,301,504

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

7-29,751,026

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?

9aYes

No

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.

9bYes

No

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 ENTERPRISE LAUNDRY	LAUNDRY SERVICE	50.000 %		
2 OZARK HEALTH VENTURE	CANCER RESEARCH	50.000 %		
3 OZARK HEALTH VENTURE	OUTPATIENT REHABILITATION	50.000 %		
4 OZARK HEALTH VENTURE	COMMUNITY MEDICATION ACCESS	50.000 %		
5 MERCY REHAB HOSPITAL	REHABILITATION HOSPITAL	49.500 %		
6				
7				
8				
9				
10				
11				
12				
13				

Part V

Facility Information

Section A. Hospital Facilities

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

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

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

Part V

Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group _____

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

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1 Yes	
a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b <input checked="" type="checkbox"/> Demographics of the community		
c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input checked="" type="checkbox"/> How data was obtained		
e <input checked="" type="checkbox"/> The health needs of the community		
f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j <input type="checkbox"/> Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>12</u>		
3 In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3 Yes	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	No
5 Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5 Yes	
a <input checked="" type="checkbox"/> Hospital facility's website (list url) _____		
b <input type="checkbox"/> Other website (list url) _____		
c <input checked="" type="checkbox"/> Available upon request from the hospital facility		
d <input type="checkbox"/> Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply as of the end of the tax year)		
a <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b <input checked="" type="checkbox"/> Execution of the implementation strategy		
c <input checked="" type="checkbox"/> Participation in the development of a community-wide plan		
d <input checked="" type="checkbox"/> Participation in the execution of a community-wide plan		
e <input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g <input checked="" type="checkbox"/> Prioritization of health needs in its community		
h <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7 Yes	
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$ _____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No		
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9	Yes		
10	Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 100% If "No," explain in Part VI the criteria the hospital facility used	10	Yes		
11	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 % If "No," explain in Part VI the criteria the hospital facility used	11	Yes		
12	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)	12	Yes		
a <input checked="" type="checkbox"/> Income level					
b <input checked="" type="checkbox"/> Asset level					
c <input checked="" type="checkbox"/> Medical indigency					
d <input type="checkbox"/> Insurance status					
e <input type="checkbox"/> Uninsured discount					
f <input type="checkbox"/> Medicaid/Medicare					
g <input type="checkbox"/> State regulation					
h <input type="checkbox"/> Residency					
i <input type="checkbox"/> Other (describe in Part VI)					
13	Explained the method for applying for financial assistance?	13	Yes		
14	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	14	Yes		
a <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website					
b <input type="checkbox"/> The policy was attached to billing invoices					
c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms					
d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices					
e <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility					
f <input checked="" type="checkbox"/> The policy was available upon request					
g <input type="checkbox"/> Other (describe in Part VI)					
Billing and Collections					
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	15	Yes		
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP				
a <input type="checkbox"/> Reporting to credit agency					
b <input type="checkbox"/> Lawsuits					
c <input type="checkbox"/> Liens on residences					
d <input type="checkbox"/> Body attachments					
e <input type="checkbox"/> Other similar actions (describe in Section C)					
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged			17	No
a <input type="checkbox"/> Reporting to credit agency					
b <input type="checkbox"/> Lawsuits					
c <input type="checkbox"/> Liens on residences					
d <input type="checkbox"/> Body attachments					
e <input type="checkbox"/> Other similar actions (describe in Section C)					

Part V

Facility Information (continued)

- 18 Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a

☐

Notified individuals of the financial assistance policy on admission
- b

☐

Notified individuals of the financial assistance policy prior to discharge
- c

☐

Notified individuals of the financial assistance policy in communications with the individuals regarding the individuals' bills
- d

☐

Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☐

Other (describe in Section C)

Policy Relating to Emergency Medical Care

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

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

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

Part V Facility Information *(continued)*

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

[illegible]

Part V

Facility Information *(continued)*

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

How many non-hospital health care facilities did the organization operate during the tax year? **33**

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

Part VI

Supplemental Information

Provide the following information

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

990 Schedule H, Supplemental Information

Form and Line Reference	Explanation
FORM 990, SCHEDULE H, PART 1, LINE 6A	

Additional Data

Software ID:

Software Version:

EIN: 44-0552485

Name: Mercy Hospital Springfield

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
FORM 990, SCHEDULE H, PART V, SECTION B, LINES 3 & 5	

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 MEDICAL SUPPLY ROGERS 1200 W WALNUT ST ROGERS, AR 72756	MEDICAL SUPPLY
MERCY FREMONT PHARMACY 1965 S FREMONT SPRINGFIELD, MO 65804	MEDICAL SUPPLY
MERCY SMITH GLYNN CALLAWAY PHARMACY 3231 S NATIONAL AVE SPRINGFIELD, MO 65804	MEDICAL SUPPLY
MERCY PHARMACY - NIXA 940 WMT VERNON NIXA, MO 65714	MEDICAL SUPPLY
MERCY PHARMACY LICKING 101 N MAIN LICKING, MO 65542	MEDICAL SUPPLY
MERCY PHARMACY LEBANON 200 HOSPITAL DRIVE LEBANON, MO 65536	MEDICAL SUPPLY
MERCY PHARMACY ST JAMES 105 WELDON SAINT JAMES, MO 65559	MEDICAL SUPPLY
MERCY PHARMACY ST ROBERT 586 OLD ROUTE 66 ST ROBERT, MO 65584	MEDICAL SUPPLY
MERCY PHARMACY ROLLA 1605 MARTIN SPRINGS DRIVE ROLLA, MO 65401	MEDICAL SUPPLY
MERCY EMS CAMDENTTON 675 N BUSINESS ROUTE 5 CAMDENTON, MO 65020	MEDICAL SUPPLY
MERCY EMS CLIMAX SPRINGS 13808 N HWY 7 CLIMAX SPRINGS, MO 65324	MEDICAL SUPPLY
MERCY EMS LINN CREEK 1723 MIDWAY DR LINN CREEK, MO 65052	MEDICAL SUPPLY
MERCY EMS MACKS CREEK 14348 W HWY 54 MACKS CREEK, MO 65786	MEDICAL SUPPLY
MERCY EMS MONTREAL 6349 S HWY 7 MONTREAL, MO 65591	MEDICAL SUPPLY
MERCY EMS BERRYVILLE 302 RICE STREET BERRYVILLE, AR 72616	MEDICAL SUPPLY

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 EMS GREEN FOREST 200 SPARKY COURT GREEN FOREST,AR 72638	MEDICAL SUPPLY
MERCY EMS BUFFALO 216 W DALLAS BUFFALO,MO 65622	MEDICAL SUPPLY
MERCY EMS E KEARNEY 1664 E KEARNEY STREET SPRINGFIELD,MO 65803	MEDICAL SUPPLY
MERCY EMS LEBANON 535 TOWER ROAD LEBANON,MO 65536	MEDICAL SUPPLY
MERCY EMS AURORA 502 SPRUCE STREET AURORA,MO 65605	MEDICAL SUPPLY
MERCY EMS MT VERNON 1315 S LANDRUM MOUNT VERNON,MO 65712	MEDICAL SUPPLY
MERCY EMS MOUNTAIN VIEW 102 E USHIGHWAY 60 MOUNTAIN VIEW,MO 65548	MEDICAL SUPPLY
MERCY EMS SUMMERFIELD 256 N HIGHWAY 17 SUMMERSVILLE,MO 65571	MEDICAL SUPPLY
MERCY EMS WINONA 1012 HIGHWAY 19 NORTH WINONA,MO 65588	MEDICAL SUPPLY
MERCY EMS BRANSON WEST 59 MEADOW LARK ROAD REEDS SPRING,MO 65737	MEDICAL SUPPLY
MERCY EMS STONE COUNTY 6578 STATE HIGHWAY 13 LAMPE,MO 65681	MEDICAL SUPPLY
MERCY EMS MANSFIELD 806 N HIGHWAY 5 MANSFIELD,MO 65704	MEDICAL SUPPLY
MERCY EMS MOUNTAIN GROVE 323 E STATE STREET MOUNTAIN GROVE,MO 65711	MEDICAL SUPPLY
MERCY LIFE LINE BRANSON WEST 59 MEADOW LARK ROAD BRANSON WEST,MO 65737	MEDICAL SUPPLY
MERCY LIFE LINE ST ROBERT 608 CITY ROUTE 66 ST ROBERT,MO 65584	MEDICAL SUPPLY

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 LIFE LINE BOLIVAR 1500 N OAKLAND BOLIVAR,MO 65613	MEDICAL SUPPLY
MERCY LIFE LINE JOPLIN 2817 ST JOHNS BLVD JOPLIN,MO 64804	MEDICAL SUPPLY
MERCY LIFE LINE ROGERS 2710 RIFE MEDICAL LANE ROGERS,AR 72758	MEDICAL SUPPLY

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
Mercy Hospital Springfield

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

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

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

OMB No 1545-0047

2013

Open to Public
Inspection

Employer identification number
44-0552485

Part I

General Information on Grants and Assistance

- 1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? ☒ Yes ☐ No
- 2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) KITCHEN INC 1630 N JEFFERSON SPRINGFIELD,MO 65803	43-1384531	501(c)(3)	100,000				SUPPORT TO PROVIDE COMMUNITY MEDICAL SERVICES TO THE POOR

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

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

Part III

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

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

Part IV

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

Return Reference	Explanation
FORM 990, SCHEDULE I, PART I, LINE 2	DESCRIPTION OF ORGANIZATION'S PROCEDURES FOR MONITORING THE USE OF GRANTS THE ASSISTANCE PROVIDED IS INTENDED TO BE USED FOR THE GENERAL OPERATING PURPOSES OF THE DONEE THE USE OF GRANT FUNDS IS NOT MONITORED AFTER GRANTS ARE GIVEN

Schedule J
(Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Mercy Hospital Springfield

Employer identification number
44-0552485

Part I Questions Regarding Compensation

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

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

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

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

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

Part III Supplemental Information

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

Return Reference	Explanation
FORM 990, SCHEDULE J, PART I, LINE 1	CHARTER TRAVEL IS PROVIDED TO CERTAIN EMPLOYEES AS AND WHEN APPROPRIATE, AND AS DEEMED NECESSARY FOR BUSINESS TRAVEL. AFTER CHARTER TRAVEL APPROVAL HAS BEEN GRANTED IN ACCORDANCE WITH THE FINANCIAL JUSTIFICATION PROCESS, THE APPROVED CHARTER TRAVEL FOR BUSINESS IS A REIMBURSABLE EXPENSE WHICH IS NOT TAXABLE TO THE EMPLOYEES. TRAVEL FOR COMPANIONS IS PROVIDED IN RARE INSTANCES AND IN ACCORDANCE WITH THE CO-WORKER TRAVEL AND OTHER EXPENSE POLICY AND PROCEDURES. WHERE COMPANION TRAVEL HAS RESULTED IN A TAXABLE EVENT, THE EMPLOYEES ARE TAXED FOR SUCH TRAVEL. LIMITED INSTANCES OF TAX GROSS-UPS MAY HAVE OCCURRED WITH RESPECT TO EXECUTIVES.
FORM 990, SCHEDULE J, PART I, QUESTION 3	MERCY HOSPITAL SPRINGFIELD RELIES ON A RELATED ORGANIZATION, REFER TO SCHEDULE O, PART VI, QUESTION 15A AND 15B FOR THE PROCESS THE RELATED ORGANIZATION FOLLOWS.
FORM 990, SCHEDULE J, PART I, QUESTION 4B	MERCY HEALTH OFFERS SUPPLEMENTAL RETIREMENT PLANS TO CERTAIN EXECUTIVES WHICH PROVIDE BENEFITS UPON VESTING DATE BASED ON COMPENSATION, AGE AT THE TIME OF BENEFIT COMMENCEMENT, LENGTH OF SERVICE WITH THE COMPANY AND/OR ITS AFFILIATES AND LENGTH OF TENURE IN THE PLAN. THE INDIVIDUALS REPORTABLE ON THIS RETURN WHO PARTICIPATE IN THE SUPPLEMENTAL RETIREMENT PLANS INCLUDE JAY GUFFEY, ALEXANDER HOVER, FRED MCQUEARY, ALAN SCARROW, STUART STANGELAND, ROBERT STEELE, JON SWOPE, ROBERT NORTON, BRADLEY DAY, WILLIAM HENNESSEY III, LINDA KNODEL, TANYA MARION, MICHAEL MERRIGAN, AND MICHELE SCHAEFER. THE AMOUNT OF ALL ACCRUED BENEFITS IS INCLUDED IN COMPENSATION AMOUNTS PROVIDED IN SCHEDULE J, PART II, COLUMN (C).
FORM 990, SCHEDULE J, PART I, QUESTION 7	MERCY HEALTH PROVIDES A NON-FIXED BONUS PLAN FOR WHICH CERTAIN TIERS OF ITS EMPLOYEES ARE ELIGIBLE. FOR FISCAL YEAR 2014 (JULY 1, 2013 - JUNE 30, 2014), PAYMENT OF ALL OR PART OF THE BONUS WAS CONTINGENT UPON ATTAINMENT OF CERTAIN FINANCIAL TARGETS AND NON-FINANCIAL GOALS DEEMED NECESSARY BY MERCY. PAYMENTS ARE MADE ANNUALLY IN OCTOBER FOLLOWING (I) THE CONCLUSION OF THE FISCAL YEAR AND (II) DETERMINATION OF GOAL ACHIEVEMENT. BONUS OPPORTUNITIES ARE TIERED PERCENTAGES AND ARE DEPENDENT UPON THE LEADERSHIP LEVEL AND ATTAINMENT PERCENTAGE. MERCY'S ATTAINMENT OF FINANCIAL TARGETS AND NON-FINANCIAL GOALS IS REVIEWED BY THE COMPENSATION COMMITTEE OF MERCY HEALTH AND IS TAKEN INTO ACCOUNT WHEN ANALYZING EXECUTIVE COMPENSATION FOR REASONABLENESS.

Additional Data

Software ID:
Software Version:
EIN: 44-0552485
Name: Mercy Hospital Springfield

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				
Allphin MD Allan Physician & Board member	(i)	0	0	0	0	0	0	0
	(ii)	828,843	10,949	35,058	28,525	14,742	918,117	0
Duff MD James Physician & Board member	(i)	0	0	0	0	0	0	0
	(ii)	156,764	8,906	52,990	12,660	14,742	246,062	0
Guffey Jay COO & Board member	(i)	295,878	80,605	43,412	89,459	17,158	526,512	0
	(ii)	0	0	0	0	0	0	0
Hover MD Alexander R Sr VP & Board Member	(i)	379,608	80,958	31,901	81,195	14,211	587,873	0
	(ii)	0	0	0	0	0	0	0
McQueary MD Fred G Sr VP Clinical Integration	(i)	335,549	0	6,750	0	6,587	348,886	0
	(ii)	439,894	174,226	31,068	119,749	8,332	773,269	0
Scarrow MD Alan Pres Springfield Clinic CNTRL	(i)	0	0	0	0	0	0	0
	(ii)	638,276	56,093	40,760	17,176	15,035	767,340	0
Stangeland Stuart G COO SPRINGFIELD Clinic	(i)	0	0	0	0	0	0	0
	(ii)	269,432	77,341	43,519	52,699	17,641	460,632	0
Steele MD Robert CEO through 5/2/14	(i)	68,009	0	11,835	0	3,567	83,411	0
	(ii)	502,084	125,659	17,445	81,451	14,372	741,011	0
Reynolds Scott R VP- Finance	(i)	234,959	69,638	55,337	42,081	13,210	415,225	0
	(ii)	0	0	0	0	0	0	0
Swope Jon President, central communities	(i)	0	0	0	0	0	0	0
	(ii)	569,643	200,920	48,842	124,905	18,593	962,903	0
Hennessey III William Regional VP-Marketing	(i)	0	0	0	0	0	0	0
	(ii)	140,074	39,788	56,838	46,187	16,061	298,948	0
Knodel Linda Senior VP - CNO	(i)	174,726	0	19,042	40,200	9,801	243,769	0
	(ii)	68,054	65,541	26,199	0	3,377	163,171	0
Luria MD Lance Chief medical officer	(i)	1,737	0	410	0	18	2,165	0
	(ii)	289,392	63,001	73,734	17,583	6,391	450,101	0
Marion Tanya Regional VP-Human resources	(i)	0	0	0	0	0	0	0
	(ii)	141,222	41,723	37,748	29,968	16,015	266,676	0
Schibler Lynda VP- Mission	(i)	120,545	29,581	27,449	31,207	12,000	220,782	0
	(ii)	0	0	0	0	0	0	0
Gillen Michael J Pres , Mercy Hospital LEBANON	(i)	226,534	48,936	50,150	12,423	16,631	354,674	0
	(ii)	0	0	0	0	0	0	0
Globig David P VP- Operations	(i)	189,539	41,273	20,289	5,724	15,843	272,668	0
	(ii)	0	0	0	0	0	0	0
Norton Robert C Regional VP- Facilities/support	(i)	176,982	46,030	27,192	23,498	16,225	289,927	0
	(ii)	0	0	0	0	0	0	0
Reid Andrew J VP- Cardiology	(i)	187,296	42,027	32,643	10,536	10,372	282,874	0
	(ii)	0	0	0	0	0	0	0
Schaefer Michele M Senior VP-Regional Operations	(i)	334,173	74,822	63,457	64,193	8,274	544,919	0
	(ii)	0	0	0	0	0	0	0

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				
Day Bradley Kim Former key employee	(i)	0	0	0	0	0	0	0
	(ii)	573,529	236,973	34,611	99,978	14,718	959,809	0
Merrigan Michael Former key employee	(i)	0	0	0	0	0	0	0
	(ii)	19,811	530,868	44,198	57,901	658	653,436	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.

OMB No 1545-0047
2013
Open to Public Inspection

Name of the organization
Mercy Hospital Springfield

Employer identification number
44-0552485

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) Elyse Guffey	Family of board member	62,646	Employment		No
(2) Nichole Vance	Family member of officer	16,383	Employment		No
(3) Nadine Ridder	Family of board member	84,686	Employment		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.**

OMB No 1545-0047

2013

**Open to Public
Inspection**

Name of the organization
Mercy Hospital Springfield

Employer identification number

44-0552485

Return Reference	Explanation
FORM 990, PART V, QUESTION 1A	FORM 1099/1096 FILING VENDORS FOR THE FILING ORGANIZATION ARE PAID BY MERCY HEALTH (EIN 43-1423050) AS SUCH, ALL REQUIRED FORM 1099 AND FORM 1096 REPORTING IS MADE FOR THE ENTIRE MERCY HEALTH SYSTEM (WITH LIMITED EXCEPTIONS) UNDER THE MERCY HEALTH EIN

Return Reference	Explanation
FORM 990, PART VI, LINES 6A, 7A, & 7B	<p>CLASSES OF MEMBERS OR STOCKHOLDERS THE FILING ORGANIZATION HAS A SOLE CORPORATE MEMBER, MERCY HEALTH SPRINGFIELD COMMUNITIES SUBJECT TO CONSULTATION WITH THE BOARD OF DIRECTORS, THE FOLLOWING CORPORATE POWERS AND RESPONSIBILITIES SHALL BE RESERVED SOLELY TO THE CORPORATE MEMBER -TO APPROVE THE MISSION AND ESTABLISH THE PHILOSOPHY ACCORDING TO WHICH THE CORPORATION SHALL OPERATE, -TO ADOPT OR AMEND THE ARTICLES OF INCORPORATION AND BYLAWS IN ACCORDANCE WITH ARTICLES XII OF THESE BYLAWS, -TO APPOINT OR REMOVE, WITH OR WITHOUT CAUSE, A MEMBER OF THE BOARD OF DIRECTORS OF THE CORPORATION, -TO APPOINT OR REMOVE, WITH OR WITHOUT CAUSE, THE PRESIDENT OF THE CORPORATION AFTER CONSULTATION WITH THE SYSTEM, -TO APPROVE OR AMEND THE OVERALL STRATEGIC, LONG RANGE, AND HEALTH MANPOWER DEVELOPMENT PLANS, GOALS AND OBJECTIVES OF THE CORPORATION OR ANY ORGANIZATION CONTROLLED BY THE CORPORATION, -TO APPROVE OR AMEND THE CONSOLIDATED OPERATING, CAPITAL, AND CONSTRUCTION BUDGETS FOR THE CORPORATION OR ANY ORGANIZATION CONTROLLED BY THE CORPORATION AND CHANGES IN BUDGETS IN EXCESS OF AN AMOUNT ESTABLISHED FROM TIME TO TIME BY MERCY HEALTH, -TO AUTHORIZE AND APPROVE THE LEASE OR SALE OF ANY OF THE ASSETS OF THE CORPORATION OR ANY ORGANIZATION CONTROLLED BY THE CORPORATION IN EXCESS OF AN AMOUNT ESTABLISHED FROM TIME TO TIME BY THE CORPORATE MEMBER, -TO AUTHORIZE AND APPROVE THE INCURRENCE OF DEBT BY THE CORPORATION OR ANY ORGANIZATION CONTROLLED BY THE CORPORATION (OTHER THAN DEBT INCURRED FOR THE ACQUISITION OF GOODS THAT ARE ACQUIRED IN THE ORDINARY COURSE OF BUSINESS) AND TO GRANT ANY SECURITY INTERESTS, PLACE ANY ENCUMBRANCES, ENTER INTO ANY COVENANTS, AND EXECUTE ANY DOCUMENTS AND TAKE ANY ACTIONS NECESSARY OR APPROPRIATE IN CONNECTION WITH THE INCURRENCE OF SUCH DEBT, -TO MERGE, DISSOLVE, OR ABANDON THE CORPORATION OR ANY ORGANIZATION CONTROLLED BY THE CORPORATION, SUBJECT TO APPROVAL BY THE BOARD AS REQUIRED PURSUANT TO CHAPTER 355 OF THE REVISED STATUTES OF MISSOURI FOR GENERAL NOT-FOR-PROFIT CORPORATIONS ("THE ACT"), -TO APPROVE THE CREATION, OWNERSHIP OR ACQUISITION OF, OR AFFILIATION WITH, ANY OTHER ORGANIZATION CONTROLLED BY THE CORPORATION, AND, -TO APPROVE CONTRACTS IN WHICH THE CORPORATION ASSUMES FINANCIAL RISK, INCLUDING BUT NOT LIMITED TO MANAGED CARE CONTRACTS</p>

Return Reference	Explanation
FORM 990, PART VI, QUESTION 11B	DSCR THE PROCESS USED BY MANAGEMENT &/OR GOVERNING BODY TO REVIEW 990 THE FORM 990 IS PREPARED BY AN INDEPENDENT ACCOUNTING FIRM USING INFORMATION PROVIDED BY THE FILING ORGANIZATION A DRAFT FORM 990 IS REVIEWED BY THE FILING ORGANIZATION'S FINANCE TEAM, INCLUDING THE DIRECTOR OF FINANCE AND THE VICE-PRESIDENT OF FINANCE. THE DRAFT FORM 990 IS ALSO REVIEWED BY MERCY HEALTH'S TAX DEPARTMENT, TO ENSURE ACCURACY AND CONSISTENCY WITH OTHER RELATED ORGANIZATIONS' FORMS 990 AFTER QUESTIONS ARISING FROM THE VARIOUS REVIEWS ARE ADDRESSED AND INCORPORATED INTO THE FORM 990, A REVISED DRAFT IS MADE AVAILABLE TO BOTH THE FILING ORGANIZATION'S LEADERSHIP TEAM, INCLUDING THE CFO AND CEO, AND THE BOARD OF DIRECTORS FOR THEIR REVIEW THE FORM 990 IS THEN SIGNED AND FILED WITH THE IRS

Return Reference	Explanation
FORM 990, PART VI, QUESTION 12C	DESCRIPTION OF PROCESS TO MONITOR TRANSACTIONS FOR CONFLICTS OF INTEREST OFFICERS, DIRECTORS, KEY EMPLOYEES AND OTHER DISQUALIFIED PERSONS ARE REQUIRED TO COMPLETE A CONFLICT OF INTEREST QUESTIONNAIRE ANNUALLY AND DID SO IN THE NORMAL COURSE FOR THE YEAR ENDED JUNE 30, 2014. THIS PROCESS IS ADMINISTERED AT THE MERCY HEALTH LEVEL BY MERCY'S BUSINESS RISK (INTERNAL AUDIT) DEPARTMENT. THE QUESTIONNAIRES ARE REVIEWED WITH LEADERSHIP AT THE LOCAL LEVEL AND POTENTIAL CONFLICTS DISCUSSED AND RESOLVED. THE CONFLICTS AND THEIR RESPECTIVE RESOLUTIONS ARE SHARED AT THE MERCY LEVEL WITH A TEAM INCLUDING MERCY'S CHIEF FINANCIAL OFFICER, CHIEF COMPLIANCE OFFICER AND OTHER MEMBERS OF FINANCE, LEGAL AND HR. SUMMARY RESULTS ARE REVIEWED WITH MERCY'S STEWARDSHIP COMMITTEE (FORMERLY FINANCE, AUDIT AND COMPLIANCE COMMITTEE) OF THE BOARD OF DIRECTORS.

Return Reference	Explanation
FORM 990, PART VI, QUESTIONS 15A & 15B	OFFICERS & POSITIONS FOR WHICH PROCESS WAS USED, & YEAR PROCESS WAS BEGUN FOR THOSE CLASSIFIED AS OFFICERS (AND THUS DISQUALIFIED PERSONS), THE ORGANIZATION RELIES UPON MERCY HEALTH, WHICH USES THE FOLLOWING TO ESTABLISH THE COMPENSATION EXTERNAL MARKET SALARY SURVEYS, EXTERNAL MARKET SALARY STUDIES, ENGAGEMENT OF AN INDEPENDENT COMPENSATION CONSULTANT, AND REVIEW/APPROVAL OF COMPENSATION BY THE COMPENSATION COMMITTEE OF THE BOARD OF MERCY HEALTH FOR THOSE CLASSIFIED AS KEY EMPLOYEES, THE ORGANIZATION USES THE FOLLOWING TO ESTABLISH THE COMPENSATION EXTERNAL MARKET SALARY SURVEYS, EXTERNAL MARKET SALARY STUDIES, AND REVIEW/APPROVAL OF EXECUTIVE MANAGEMENT COMPENSATION REVIEWS ARE COMPLETED ON AN ANNUAL BASIS, AND A REVIEW WAS COMPLETED DURING THE REPORTING YEAR

Return Reference	Explanation
FORM 990, PART VI, QUESTION 19	AVAIL OF GOV DOCS, CONFLICT OF INTEREST POLICY , & FIN STMT TO GEN PUBLIC GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY , AND FINANCIAL STATEMENTS ARE MADE AVAILABLE UPON REQUEST BUT ARE NOT PUBLISHED PUBLICLY

Return Reference	Explanation
FORM 990, PART VII, SECTION A, COLUMN B	AVERAGE HOURS PER WEEK THE HOURS PER WEEK DISCLOSED IN PART VII IS THE AVERAGE HOURS THE LISTED PERSON WORKED OR DEVOTED PER WEEK WHILE EMPLOYED OR ASSOCIATED WITH THE FILING ORGANIZATION AND RELATED ORGANIZATIONS (IF APPLICABLE)

Return Reference	Explanation
FORM 990, PART XI, LINE 9	OTHER CHANGES IN NET ASSETS NET TRANSFERS TO MERCY INVESTMENT FUND - (\$20,000,000) NET TRANSFERS TO/FROM MCS- \$605,782 NET TRANSFERS TO/FROM AFFILIATES- (\$60,656,778) OTHER CHANGES IN NET ASSETS - \$375,150 TOTAL (\$79,675,846)

Return Reference	Explanation
FORM 990, PART XII, QUESTION 2C	AUDIT OF FINANCIAL STATEMENTS THE FILING ORGANIZATION'S FINANCIAL STATEMENTS WERE INCLUDED IN MERCY HEALTH AND SUBSIDIARIES ANNUAL FINANCIAL STATEMENT AUDIT. MERCY HEALTH AND SUBSIDIARIES RECEIVED AN UNQUALIFIED OPINION FROM THE EXTERNAL AUDITORS FOR FISCAL 2014 (THE TAX YEAR CURRENTLY BEING REPORTED). HOWEVER, NO SEPARATE AUDIT OPINION WAS ISSUED ON THE FINANCIAL STATEMENTS OF THE FILING ORGANIZATION. THE ULTIMATE RESPONSIBILITY FOR OVERSIGHT OF THE FINANCIAL STATEMENT AUDIT AND SELECTION OF THE EXTERNAL AUDITOR LIES WITH THE STEWARDSHIP COMMITTEE (FORMERLY FINANCE, AUDIT, AND COMPLIANCE COMMITTEE) OF THE MERCY HEALTH BOARD OF DIRECTORS. AUDIT RESULTS ARE COMMUNICATED TO THIS COMMITTEE.

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Mercy Hospital Springfield

Employer identification number
44-0552485

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
See Additional Data Table							

Part III

Identification of Related Organizations Taxable as a Partnership

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) Merc Ambu Surg CTR 7301 Rogers Av Fort Smith, AR 72903 71-0827721	AMBUL SURG CTR	AR	NA									
(2) RES OPT & INNOV 645 Maryville Centre Dr 200 St Louis, MO 63141 46-0468368	CENTRAL DIST	MO	NA									
(3) SO OK DIAG CTR 1011 14TH Ave NW Ardmore, OK 73401 43-1971232	MRI Services	OK	NA									
(4) Fort Smith EMS 1701 S Greenwood Fort Smith, AR 72901 71-0416615	Emergency Med	AR	NA									
(5) St Ed Mer Med MOB 7301 Rogers Ave Fort Smith, AR 72903 71-0554050	Office Building	AR	NA									

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
See Additional Data Table									

Part V

Transactions With Related Organizations

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

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

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

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

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

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

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

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a

No

1b

No

1c

No

1d

No

1e

No

1f

No

1g

No

1h

No

1i

No

1j

No

1k

No

1l

No

1m

No

1n

No

1o

No

1p

Yes

1q

Yes

1r

No

1s

No

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

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

Schedule R (Form 990) 2013

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

[illegible]

Part VII

Supplemental Information

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

Return Reference	Explanation
Form 990, Schedule R, Part II	Mercy Hospitals East Communities Mercy Hospitals East Communities consists of Mercy Hospital St Louis, EIN 43-0653493, and Mercy Hospital Washington, EIN 43-1066883 FORM 990, SCHEDULE R, PART V LAWSON ERP SOFTWARE IS THE PRIMARY ACCOUNTING SOFTWARE USED BY MERCY HEALTH SYSTEM, INC AND SUBSIDIARIES THE MAJORITY OF THE INTERCOMPANY/RELATED ORGANIZATION TRANSACTIONS ARE PROCESSED THROUGH LAWSON VIA INTERCOMPANY JOURNAL ENTRIES WITH THE CURRENT DESIGN OF THE ERP SYSTEM, THERE ARE VARIOUS LIMITATIONS ON THE RELATED ORGANIZATION INFORMATION THAT CAN BE EXTRACTED FROM LAWSON DUE TO THESE LIMITATIONS, MOST OF THE RELATED ORGANIZATION ACTIVITY FOR THE FILING ORGANIZATION HAS BEEN CLASSIFIED ON SCHEDULE R, PART V, IN LINES P AND Q

Additional Data

Software ID:

Software Version:

EIN: 44-0552485

Name: Mercy Hospital Springfield

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) Casa de Misericordia 1602 McClelland Street Laredo, TX 78044 74-2912461	SHELTER	TX	501c3	7	MM Laredo	Yes	
(1) Jefferson Land Company Inc 14528 S Outer Forty STE 100 Chesterfield, MO 63017 43-1330360	Holding co	MO	501c2		MH Jffrson	Yes	
(2) Laredo Medical Group 14528 S Outer Forty Ste 100 Chesterfield, MO 63017 74-2764726	INACTIVE	TX	501c3	9	MH Texas	Yes	
(3) McAuley Portfolio Management Company 14528 S Outer Forty Ste 100 Chesterfield, MO 63017 26-1708048	PORT MGMT	MO	501c3	11b	Mercy Health	Yes	
(4) Mercy ACO Clinical Services Inc 14528 S Outer Forty Ste 100 Chesterfield, MO 63017 46-4504901	VIRTUAL CARE	MO	501c3	3	Mercy Health	Yes	
(5) Mercy Clinic East Communities 645 Maryville Ctr Dr Ste 100 St Louis, MO 63141 43-1771217	PHYS GROUP	MO	501c3	9	MH East Comm	Yes	
(6) Mercy Clinic Fort Smith Communities 7301 Rogers Avenue Fort Smith, AR 72903 26-1318597	PHYS CLINIC	AR	501c3	9	MH FS COMM	Yes	
(7) Mercy Clinic Hot Springs Communities 1 Mercy Lane Hot Springs, AR 71913 26-1125131	Sold 03/31/14	AR	501c3	9	MH HS COMM	Yes	
(8) Mercy Clinic Oklahoma Communities Inc 4300 W Memorial Road Oklahoma City, OK 73120 27-0473057	PHYS GROUP	OK	501c3	9	MH Ok Comm	Yes	
(9) Mercy Clinic Springfield Communities 1965 Fremont Street Suite 2950 Springfield, MO 65804 43-1560263	PHYS GROUP	MO	501c3	9	MH SF COMM	Yes	
(10) Mercy Family Center 14528 S Outer Forty Ste 100 Chesterfield, MO 63017 72-1069468	COUNSELING	MO	501c3	7	Mercy Health	Yes	
(11) Mercy Health Foundation 14528 S Outer Forty Ste 100 Chesterfield, MO 63017 20-0901499	Foundation	MO	501c3	11b	Mercy Health	Yes	
(12) Mercy Health 14528 S Outer Forty Ste 100 Chesterfield, MO 63017 43-1423050	Corp Office	MO	501c3	1	NA		No
(13) Mercy Health East Communities 14528 S Outer Forty Ste 100 Chesterfield, MO 63017 43-1718408	HLTH SYSTEM	MO	501c3	11b	Mercy Health	Yes	
(14) Mercy Health East Communities - Southern 14528 S Outer Forty Ste 100 Chesterfield, MO 63017 46-1412322	HLTH SYSTEM	MO	501c3	11b	MH East Comm	Yes	
(15) Mercy Health Fort Smith Communities 7301 Rogers Avenue Fort Smith, AR 72917 26-1318515	Holding Co	AR	501c3	11b	Mercy Health	Yes	
(16) Mercy Health Foundation Ada 430 N Monte Vista Street Ada, OK 74820 46-3596274	Foundation	OK	501c3	11a	MH Ada Inc	Yes	
(17) Mercy Health Foundation Ardmore 1011 14th Avenue NW Ardmore, OK 73401 71-0962525	Foundation	OK	501c3	11a	MH Ardmore	Yes	
(18) Mercy Health Foundation Berryville 214 Carter Street Berryville, AR 72616 71-0759301	Foundation	AR	501c3	11a	MH Bryville	Yes	
(19) Mercy Health Foundation Fort Scott 401 Woodland Hills Blvd Fort Scott, KS 66701 48-1077073	Foundation	KS	501c3	11c	M KS Comm	Yes	

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
(21) Mercy Health Foundation Hot Springs 300 Werner Street Hot Springs, AR 71913 71-0804718	Foundation	AR	501c3	11b	MC Srvcs	Yes	
(1) Mercy Health Foundation Independence 800 W Myrtle Independence, KS 67301 48-1079981	Foundation	KS	501c3	11a	M KS Comm	Yes	
(2) Mercy Health Foundation Jefferson 1400 US Highway 61 South Festus, MO 63028 46-2797051	Foundation	MO	501c3	11b	MH E Comm SR	Yes	
(3) Mercy Health Foundation Joplin 100 Mercy Way Joplin, MO 64804 27-0906136	Foundation	MO	501c3	11a	MH SWMK COMM	Yes	
(4) Mercy Health Foundation NW Arkansas 2710 Rife Medical Lane Rogers, AR 72758 71-0601687	Foundation	AR	501c3	11c	MH ROGERS	Yes	
(5) Mercy Health Foundation of Oklahoma 4300 W Memorial Road Oklahoma City, OK 73120 45-4732301	Foundation	OK	501c3	11a	MH Ok Comm	Yes	
(6) Mercy Health Center Foundation Inc 4300 W Memorial Road Oklahoma City, OK 73120 73-1593024	Dslvd 5/20/14	OK	501c3	11a	MH Ok City	Yes	
(7) Mercy Health Foundation Oklahoma City 4300 W Memorial Road Oklahoma City, OK 73120 46-3184231	Foundation	OK	501c3	11a	MH Ok City	Yes	
(8) Mercy Health Foundation Springfield 1235 E Cherokee Street Springfield, MO 65804 32-0195818	Foundation	MO	501c3	11b	MH SF COMM	Yes	
(9) Mercy Health Foundation St Louis 14528 S Outer Forty Ste 100 Chesterfield, MO 63017 56-2410020	Foundation	MO	501c3	11b	MH East Comm	Yes	
(10) Mercy Health Foundation Washington 901 E Fifth Street Washington, MO 63090 56-2410022	Foundation	MO	501c3	11b	MH East Comm	Yes	
(11) Mercy Health Hot Springs Communities 300 Werner Street Hot Springs, AR 71913 26-1125064	Sold 3/31/14	AR	501c3	11b	Mercy Health	Yes	
(12) Mercy Health NW Arkansas Communities 2710 Rife Medical Lane Rogers, AR 72758 62-1684203	Phys Group	AR	501c3	11b	Mercy Health	Yes	
(13) Mercy Health Oklahoma Communities Inc 4300 W Memorial Road Oklahoma City, OK 73120 73-1453048	Holding co	OK	501c3	11b	Mercy Health	Yes	
(14) Mercy Health Southwest MOKS Communities 100 Mercy Way Joplin, MO 64804 30-0584463	Hlth System	MO	501c3	11b	Mercy Health	Yes	
(15) Mercy Health Springfield Communities 1235 E Cherokee Street Springfield, MO 65804 43-1856028	Hlth System	MO	501c3	11b	Mercy Health		No
(16) Mercy Health System of Texas Inc 14528 S Outer Forty Ste 100 Chesterfield, MO 63017 74-2764727	Dslvd 5/15/14	TX	501c3	11b	Mercy Health	Yes	
(17) Mercy Home Health Berryville 804 W Freeman Suite 4 Berryville, AR 72616 87-0781247	Home Health	AR	501c3	11c	MH SF	Yes	
(18) Mercy Hospital Ada Inc 430 N Monte Vista Street Ada, OK 74820 46-2288155	Hospital	OK	501c3	3	MH Ok Comm	Yes	
(19) Mercy Hospital Ardmore Inc 1011 14th Avenue NW Ardmore, OK 73401 73-1500629	Hospital	OK	501c3	3	MH Ok Comm	Yes	

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
(41) Mercy Hospital Aurora 500 Porter Avenue Aurora, MO 65605 43-1936696	Hospital	MO	501c3	3	MH SF COMM	Yes	
(1) Mercy Hospital Berryville 214 Carter Street Berryville, AR 72616 71-0759299	Hospital	AR	501c3	3	MH SF COMM	Yes	
(2) Mercy Hospital Booneville 880 West Main Street Booneville, AR 72927 46-3851119	Hospital	AR	501c3	3	MH FT SMITH	Yes	
(3) Mercy Hospital Carthage 3125 Dr Russell Smith Way Carthage, MO 64836 45-3808607	Hospital	MO	501c3	3	MH SWMK COMM	Yes	
(4) Mercy Hospital Cassville 94 Main Street Cassville, MO 65625 43-1936699	Hospital	MO	501c3	3	MH SF COMM	Yes	
(5) Mercy Hospital Columbus 220 Pennsylvania Avenue Columbus, KS 66725 27-0842031	Hospital	MO	501c3	3	MH SWMK COMM	Yes	
(6) Mercy Hospital El Reno Inc 2115 Parkview Drive El Reno, OK 73036 27-2716065	Hospital	OK	501c3	3	MH Ok Comm	Yes	
(7) Mercy Hospital Fort Smith 7301 Rogers Avenue Fort Smith, AR 72917 71-0240352	Hospital	AR	501c3	3	MH FS COMM	Yes	
(8) Mercy Hospital Healdton Inc 918 South 8th Street Healdton, OK 73438 26-3173902	Hospital	OK	501c3	3	MH ARDMORE	Yes	
(9) Mercy Hospital Hot Springs 300 Werner Street Hot Springs, AR 71913 71-0236913	Sold 3/31/14	AR	501c3	3	MH HS COMM	Yes	
(10) Mercy Hospital Jefferson 1400 Highway 61 South Festus, MO 63028 43-0687077	Hospital	MO	501c3	3	MH E Comm SR	Yes	
(11) Mercy Hospital Joplin 100 Mercy Way Joplin, MO 64804 27-0814858	Hospital	MO	501c3	3	MH SWMK COMM	Yes	
(12) Mercy Hospital Kingfisher Inc 1000 Kingfisher Regional Hosp Drive Kingfisher, OK 73750 46-3433074	Hospital	OK	501c3	3	MH Ok City	Yes	
(13) Mercy Hospital Lebanon 100 Hospital Drive Lebanon, MO 65536 43-1767432	Hospital	MO	501c3	3	MH SF COMM	Yes	
(14) Mercy Hospital Logan County Inc 200 South Academy Guthrie, OK 73044 45-2998842	Hospital	OK	501c3	3	MH Ok Comm	Yes	
(15) Mercy Hospital of Laredo 14528 S Outer Forty Ste 100 Chesterfield, MO 63017 74-1189682	Dslvd 5/15/14	TX	501c3	3	MHS TEXAS	Yes	
(16) Mercy Hospital Oklahoma City Inc 4300 W Memorial Road Oklahoma City, OK 73120 73-0579285	Hospital	OK	501c3	3	MH Ok Comm	Yes	
(17) Mercy Hospital Ozark 801 W River Street Ozark, AR 72949 71-0689680	Hospital	AR	501c3	3	MH FT SMITH	Yes	
(18) Mercy Hospital Paris 500 E Academy Paris, AR 72855 71-0655753	Hospital	AR	501c3	3	MH FT SMITH	Yes	
(19) Mercy Hospital Rogers 2710 Rife Medical Lane Rogers, AR 72758 71-0294390	Hospital	AR	501c3	3	MH NWAR COMM	Yes	

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
(61) Mercy Hospital Tishomingo Inc 1000 South Byrd Tishomingo, OK 73460 27-4433830	Hospital	OK	501c3	3	MH ARDMORE	Yes	
(1) Mercy Hospital Waldron 1341 W 6th Street Waldron, AR 72958 71-0557895	Hospital	AR	501c3	3	MH FT SMITH	Yes	
(2) Mercy Hospital Watonga Inc 500 Clarence Nash Blvd Watonga, OK 73772 45-5199762	Hospital	OK	501c3	3	MH Ok Comm	Yes	
(3) Mercy Hospitals East Communities 14528 S Outer Forty Ste 100 Chesterfield, MO 63017 43-0653493	Hospital	MO	501c3	3	MH East Comm	Yes	
(4) Mercy Kansas Communities Inc 401 Woodland Hills Blvd Ft Scott, KS 66701 48-0956045	Hospital	KS	501c3	3	MH SWMK COMM	Yes	
(5) Mercy Medical Research Institute 1235 E Cherokee Street Springfield, MO 65804 87-0796305	Research	MO	501c3	4	MH SF COMM	Yes	
(6) Mercy Ministries of Laredo 2500 Zacatecas Laredo, TX 78046 20-0198462	outreach	TX	501c3	7	Mercy Health	Yes	
(7) Mercy St Francis Hospital 100 W Highway 60 Mountain View, MO 65548 44-0607149	Hospital	MO	501c3	3	MH SF COMM	Yes	
(8) MHM Support Services 14528 S Outer Forty Ste 100 Chesterfield, MO 63017 20-2553101	HOSPITAL	MO	501c3	11b	Mercy Health	Yes	
(9) Mission Clinical Services 300 Werner Street Hot Springs, AR 71913 13-4239691	Child advuC	AR	501c3	9	Mercy Health	Yes	
(10) St Edward Mercy Foundation 7301 Rogers Avenue Fort Smith, AR 72917 23-7330425	Foundation	AR	501c3	7	MH FT SMITH	Yes	
(11) St John's Children's Hospital Inc 1235 E Cherokee Street Springfield, MO 65804	Inactive	MO	501c3	3	MH SF COMM	Yes	
(12) St Mary's Hospital of Enid Oklahoma 14528 S Outer Forty Ste 100 Chesterfield, MO 63017 73-0614655	Inactive	OK	501c3	3	MH Ok Comm	Yes	
(13) The Sister M Cornelia Blasko Foundation 100 W Highway 60 Mountain View, MO 65548 43-1873914	Foundation	MO	501c3	11a	M St Francis	Yes	
(14) Unity Ambulatory Care 14528 S Outer Forty Ste 100 Chesterfield, MO 63017 43-1861745	Inactive	MO	501c3	11c	MH East Comm	Yes	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
Frontenac Properties Inc 14528 S Outer Forty Suite 100 Chesterfield, MO 63017 52-1914421	HOLDING COMP	DE	NA	C-CORP			Yes		
Inveno Health Inc 1235 E Cherokee Street Springfield, MO 65804 26-4509571	Product Commer	MO	NA	C-CORP			Yes		
Mercy Commercial Services Inc 14528 South Outer Forty Suite 100 Chesterfield, MO 63017 46-4953543	Parent of VCC	MO	NA	C-CORP			Yes		
Mercy Community Services Inc 401 Woodland Hills Blvd Fort Scott, KS 66701 48-1078101	RETAIL PHARMACY	KS	NA	C-CORP			Yes		
Mercy Health Center Condominium Inc 4300 W Memorial Rd Oklahoma City, OK 73120 68-0640970	Real estate	OK	NA	C-CORP			Yes		
Mercy Health Network of the Southern Reg 1011 14th Avenue NW Ardmore, OK 73401 73-1580607	HOLDING COMP	OK	NA	C-CORP			Yes		
Mercy Health Network Inc 4300 W Memorial Road Oklahoma City, OK 73120 73-1381689	HOLDING COMP	OK	NA	C-CORP			Yes		
Mercy Managed Care Corporation 4300 W Memorial Road Oklahoma City, OK 73120 73-1441665	HOLDING COMP	OK	NA	C-CORP			Yes		
UHL Corp Inc 645 Maryville Centre Drive Suite 1 St Louis, MO 63141 74-2499535	HOLDING COMP	MO	NA	C-CORP			Yes		
Unity Support Services Inc 645 Maryville Centre Drive Suite 1 St Louis, MO 63141 43-1797042	PRACTICE MGT	MO	NA	C-CORP			Yes		
The Apothecary Services Inc PO Box 350 Crystal City, MO 63019 43-1627267	RETAIL PHARMACY	MO	NA	C-CORP			Yes		
St John's Mercy Mail Order Inc 13645 Shoreline Drive Earth City, MO 63045 43-1014222	Mail Odr pharmacy	MO	NA	C-CORP			Yes		
St John's Mercy PBM Inc 13175 Lakefront Drive Earth City, MO 63045 74-3089567	Pharmacy benefit	MO	NA	C-CORP			Yes		
UH Holdings Inc 645 Maryville Centre Drive Suite 1 St Louis, MO 63141 43-1845682	HOLDING COMP	MO	NA	C-CORP			Yes		

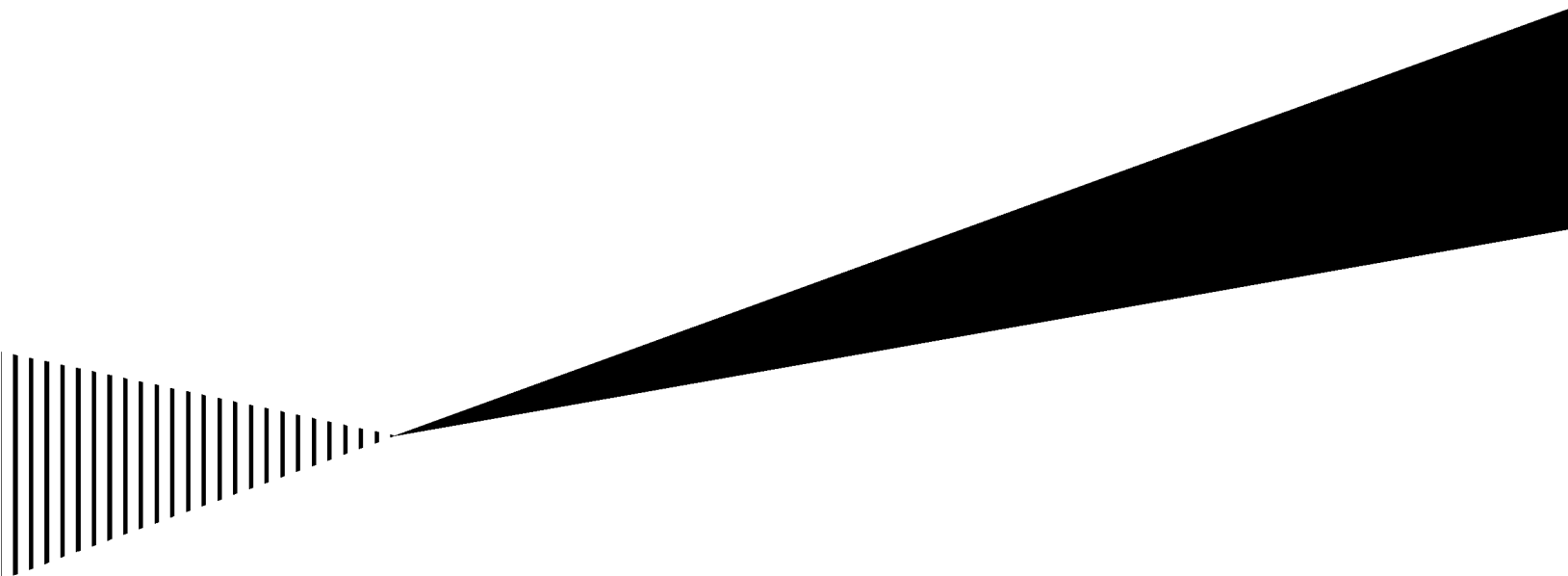
Form 990, Schedule R, Part V - Transactions With Related Organizations

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
Mercy Clinic East Communities	Q	83,306	FMV
Mercy Clinic Oklahoma Communities Inc	Q	56,864	FMV
Mercy Clinic Springfield Communities	P	80,067,513	FMV
Mercy Health	P	367,447	FMV
Mercy Health Foundation Springfield	Q	332,662	FMV
Mercy Health Southwest Missouri Kansas Comm	Q	52,935	FMV
Mercy Health Springfield Communities	Q	18,817,749	FMV
Mercy Hospital Aurora	Q	4,687,846	FMV
Mercy Hospital Berryville	Q	6,455,170	FMV
Mercy Hospital Cassville	Q	5,556,272	FMV
Mercy Hospital Fort Smith	Q	293,907	FMV
Mercy Hospital Joplin	Q	196,554	FMV
Mercy Hospital Lebanon	Q	40,260,415	FMV
Mercy Hospital Oklahoma City Inc	Q	228,816	FMV
Mercy Medical Research Institute	P	1,335,116	FMV
Mercy St Francis Hospital	Q	4,568,400	FMV
MHM Support Services	P	107,913,349	FMV
Resource Optimization & Innovation LLC	P	30,295,358	FMV

CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

Mercy Health
Years Ended June 30, 2014 and 2013
With Report of Independent Auditors

Ernst & Young LLP



**Building a better
working world**

Mercy Health

Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2014 and 2013

Contents

Report of Independent Auditors	1
Consolidated Financial Statements	
Consolidated Balance Sheets	3
Consolidated Statements of Operations	4
Consolidated Statements of Changes in Net Assets	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	8
Supplementary Information	
Consolidating Balance Sheet	48
Consolidating Statement of Operations	50
Consolidating Statement of Changes in Net Assets	52

Report of Independent Auditors

The Board of Directors
Mercy Health

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mercy Health at June 30, 2014 and 2013, and the consolidated results of its operations, changes in net assets, and its cash flows for the years then ended in conformity with U S generally accepted accounting principles

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

Ernst & Young LLP

September 23, 2014

Mercy Health

Consolidated Balance Sheets (In Thousands)

	June 30	
	2014	2013
Assets		
Current assets		
Cash and cash equivalents	\$ 153,256	\$ 337,308
Accounts receivable, net of allowance for uncollectible receivables of \$182,343 in 2014 and \$203,757 in 2013	626,642	609,360
Inventories	101,883	91,888
Short-term investments	29,639	27,465
Other current assets	123,512	279,305
Assets of discontinued operations held for sale	—	121,354
Total current assets	1,034,932	1,466,680
Investments	1,697,487	1,482,953
Property and equipment, net	2,652,329	2,442,694
Other assets	483,983	454,705
Total assets	<u>\$ 5,868,731</u>	<u>\$ 5,847,032</u>
Liabilities and net assets		
Current liabilities		
Current maturities of long-term obligations	\$ 40,098	\$ 19,906
Accounts payable	146,994	153,292
Accrued payroll and related liabilities	379,532	344,164
Accrued liabilities and other	161,724	278,208
Liabilities of discontinued operations held for sale	—	10,066
Total current liabilities	728,348	805,636
Insurance reserves and other liabilities	414,516	389,677
Pension liabilities	298,352	313,121
Long-term obligations, less current maturities	1,057,954	1,063,786
Total liabilities	2,499,170	2,572,220
Net assets		
Unrestricted	3,280,743	3,196,931
Restricted	88,818	77,881
Total net assets	3,369,561	3,274,812
Total liabilities and net assets	<u>\$ 5,868,731</u>	<u>\$ 5,847,032</u>

See accompanying notes.

Mercy Health

Consolidated Statements of Operations (In Thousands)

	Year Ended June 30	
	2014	2013
Operating revenues		
Patient service revenues (net of contractuals and discounts)	\$ 4,248,688	\$ 3,913,660
Provision for uncollectible receivables	(320,282)	(302,906)
Net patient service revenues	3,928,406	3,610,754
Capitation revenues	252,994	263,607
Other operating revenues	257,657	239,642
Total operating revenues	4,439,057	4,114,003
Operating expenses		
Salaries and benefits	2,559,031	2,331,276
Supplies and other	1,440,200	1,280,536
Medical claims expense	134,854	110,748
Interest	14,603	12,403
Depreciation and amortization	287,991	273,339
Total operating expenses	4,436,679	4,008,302
Operating income before Joplin operations and related insurance recovery (Note 3)	2,378	105,701
Joplin insurance proceeds, net	—	230,174
Joplin operating revenues	190,722	185,574
Joplin operating expenses	(235,901)	(253,017)
Total operating (loss) income	(42,801)	268,432
Nonoperating gains (losses)		
Investment returns, net	193,555	157,455
Realized and unrealized (losses) gains on interest rate swaps, net	(11,656)	16,353
Other, net	(3,393)	(8,268)
Total nonoperating gains (losses), net	178,506	165,540
Excess of revenues over expenses	135,705	433,972
Other changes in unrestricted net assets		
Pension liability adjustments	2,907	45,427
Loss from discontinued operations	(59,228)	(19,219)
Net assets released from restrictions for property acquisitions	5,035	6,238
Other	(607)	5,707
Increase in unrestricted net assets	\$ 83,812	\$ 472,125

See accompanying notes

Mercy Health

Consolidated Statements of Changes in Net Assets (In Thousands)

	Year Ended June 30	
	2014	2013
Increase in unrestricted net assets	\$ 83,812	\$ 472,125
Restricted net assets		
Pledges, bequests, and gifts for specific purposes	22,337	20,324
Investment returns, net	6,003	3,898
Net assets released from restrictions	(18,509)	(17,706)
Other	1,106	110
Increase in restricted net assets	10,937	6,626
Increase in net assets	94,749	478,751
Net assets at beginning of year	3,274,812	2,796,061
Net assets at end of year	\$ 3,369,561	\$ 3,274,812

See accompanying notes.

Mercy Health

Consolidated Statements of Cash Flows (In Thousands)

	Year Ended June 30	
	2014	2013
Operating activities		
Change in net assets	\$ 94,749	\$ 478,751
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net loss from discontinued operations	59,228	19,219
Pension liability adjustments	(2,907)	(45,427)
Pledges, bequests, and gifts for specific purposes	(22,337)	(20,324)
Unrealized loss (gain) on interest rate swap	353	(27,053)
Gain on extinguishment of debt	(9,996)	—
Depreciation and amortization	298,541	294,597
Provision for uncollectible receivables	337,658	324,596
Insurance recoveries in excess of noncash impairment charges	—	(230,174)
Net loss on disposal of property	376	534
Changes in assets and liabilities		
Accounts receivable	(365,866)	(403,047)
Investments classified as trading	(137,021)	(135,914)
Inventories and other current assets	(30,355)	(16,906)
Accounts payable	(7,601)	10,057
Accrued liabilities and other	51,288	(24,803)
Insurance reserves and other liabilities	12,660	13,565
Net cash provided by operating activities	278,770	237,671
Investing activities		
Additions to property and equipment, net	(465,353)	(469,086)
Insurance recoveries	—	295,259
Net change in notes receivable and other assets	(17,304)	(31,699)
Net increase in alternative investments	(38,866)	(20,507)
Business acquisitions	(18,844)	(224,725)
Net cash used in investing activities	(540,367)	(450,758)

Mercy Health

Consolidated Statements of Cash Flows (continued) (In Thousands)

	Year Ended June 30	
	2014	2013
Financing activities		
Proceeds from issuance of long-term debt, net of original issue discount and financing costs	\$ 460,175	\$ 257,126
Principal payments on long-term obligations	(477,053)	(16,045)
Payment on long-term obligations assumed in an acquisition	—	(39,310)
Draw on line of credit	106,400	—
Repayment of line of credit	(106,400)	—
Pledges, bequests, and gifts for specific purposes	22,337	20,324
Net cash provided by financing activities	<u>5,459</u>	<u>222,095</u>
Net (decrease) increase in cash and cash equivalents from continuing operations	(256,138)	9,008
Cash flows from discontinued operations		
Net cash provided by (used in) assets of discontinued operations held for sale – operating activities	15,281	(3,641)
Net cash provided by (used in) assets of discontinued operations held for sale – investing activities	57,146	(4,961)
Net cash used in assets of discontinued operations held for sale – financing activities	<u>(341)</u>	<u>(427)</u>
Net increase (decrease) in cash and cash equivalents from discontinued operations	<u>72,086</u>	<u>(9,029)</u>
Net decrease in cash and cash equivalents	(184,052)	(21)
Cash and cash equivalents at beginning of year	337,308	337,329
Cash and cash equivalents at end of year	<u>\$ 153,256</u>	<u>\$ 337,308</u>
Supplemental disclosures		
Cash paid for interest	\$ 23,241	\$ 17,637
Assets acquired through capital leases	<u>\$ 42,185</u>	<u>\$ —</u>

See accompanying notes.

Mercy Health

Notes to Consolidated Financial Statements *(Tables in Thousands)*

June 30, 2014

1. Organization

Mercy Health (Mercy) was incorporated in September 1986 and is the sole corporate member of various health care corporations. Mercy is sponsored by Mercy Health Ministry, a public juridic person whose board members include Sisters of Mercy and lay leaders. Prior to sponsorship by Mercy Health Ministry, Mercy was sponsored by the Institute of the Sisters of Mercy of the Americas, Regional Community of St. Louis, a religious order of the Roman Catholic Church (Sisters of Mercy).

Mercy is incorporated as a not-for-profit corporation under the laws of the state of Missouri and is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code).

Mercy's ministry office (headquarters) is located in St. Louis, Missouri. Mercy and Subsidiaries (the Health System) comprise the following corporations and their subsidiaries:

- Mercy Health Fort Smith Communities, Fort Smith, Arkansas
- Mercy Health Northwest Arkansas Communities, Rogers, Arkansas
- Mercy Health East Communities, St. Louis, Missouri
- Mercy Health Springfield Communities, Springfield, Missouri
- Mercy Health Oklahoma Communities, Inc., Oklahoma City and Ardmore, Oklahoma
- Mercy Ministries of Laredo, Laredo, Texas
- Mercy Health Southwest Missouri/Kansas Communities, Joplin, Missouri, and Independence and Fort Scott, Kansas

Mercy Health

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

1. Organization (continued)

Each subsidiary above is a separately incorporated not-for-profit corporation and is tax-exempt pursuant to Section 501(c)(3) of the Code. All significant intercompany transactions and balances have been eliminated in consolidation.

Significant Acquisitions and Divestitures

Acquisitions

Subsidiaries of the Health System entered into asset purchase agreements to make certain acquisitions, including a hospital, physician practices, an ambulatory surgery center, several medical office buildings, and other assets, for a gross purchase price of approximately \$18.8 million in fiscal 2014 and \$272.6 million (\$224.7 million net of cash acquired) in fiscal 2013, respectively. All of these transactions were accounted for as acquisitions in accordance with Accounting Standards Codification (ASC) Topic 958-805, *Business Combinations – Not-for-Profit Entities*.

These acquisitions expanded the Health System's ministry, provided patients with access to a greater number of medical providers, and enhanced the coordination of health services.

The operating results of entities acquired are included in the Health System's consolidated financial statements from the date of acquisition. Operating revenues of the entities acquired in fiscal 2014 included in the consolidated statement of operations were \$86.6 million for the year ended June 30, 2014. Operating revenues of the entities acquired in fiscal 2013 included in the consolidated statement of operations were \$143.6 million for the year ended June 30, 2013.

On an unaudited pro forma basis, had the Health System completed the fiscal 2014 acquisitions as of the beginning of each fiscal year presented, the acquisitions would have reported \$121.6 million and \$126.0 million in additional operating revenues in fiscal 2014 and 2013, respectively, and \$9.2 million and \$9.3 million in additional excess of revenues over expenses for the years ended June 30, 2014 and 2013, respectively. However, the unaudited pro forma information is not necessarily indicative of the historical results that would have been obtained had the transactions actually occurred on those dates, nor of future results.

Mercy Health

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

1. Organization (continued)

The Health System allocated the purchase price of the acquired businesses to assets acquired and liabilities assumed based on their fair values, which is a Level 3 measurement. The excess of the purchase price over fair value of net assets acquired was recorded as goodwill. The goodwill can be attributed to benefits that the Health System expects to realize from operating efficiencies and increased revenues.

The following table summarizes the fair values as of the acquisition date for the assets acquired and liabilities assumed.

	Fiscal Acquisitions	
	2014	2013
Assets acquired		
Cash	\$ 2	\$ 47,893
Accounts receivable	9,100	25,787
Inventories and other current assets	3,285	9,626
Property and equipment	1,014	166,551
Goodwill	7,063	97,752
Other long-term assets	4,911	1,797
Total assets acquired	25,375	349,406
Liabilities assumed		
Accounts payable	1,303	6,177
Accrued and other liabilities	5,226	12,100
Long-term obligations*	—	58,511
Total liabilities assumed	6,529	76,788
	\$ 18,846	\$ 272,618

* The Health System assumed \$36.1 million of debt related to a fiscal 2013 acquisition. On February 1, 2013, as part of a purchase agreement, the Health System legally defeased and paid off the long-term obligations for \$39.3 million, including principal, interest, and early payment penalties.

Mercy Health

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

1. Organization (continued)

Divestitures

Effective April 1, 2014, Mercy sold Mercy Health Hot Springs Communities (Hot Springs) for \$59.7 million in cash, subject to working capital adjustments. Hot Springs, a not-for-profit corporation, operates an acute care hospital and physician clinics in Hot Springs, Arkansas.

The operations of Hot Springs have been classified as discontinued operations in accordance with ASC 205, *Discontinued Operations*. For all periods presented, the operating results for these operations have been removed from continuing operations and presented separately as discontinued operations in the consolidated statements of operations. The assets and liabilities are presented as held for sale on the consolidated balance sheets. The notes to the consolidated financial statements were adjusted to exclude discontinued operations.

The assets and liabilities held for sale at June 30, 2014 and 2013, are summarized below:

	2014	2013
Total current assets	\$ —	\$ 5,000
Property and equipment, net	—	106,576
Goodwill	—	9,540
Other assets	—	238
Total assets of discontinued operations held for sale	\$ —	\$ 121,354
Total liabilities of discontinued operations held for sale	\$ —	\$ 10,066

Mercy recognized a loss on sale of \$47.4 million. Hot Spring's operating revenues were \$175.8 million for the nine months ended March 31, 2014, and \$237.2 million for the year ended June 30, 2013. Hot Spring's loss from operations was \$11.8 million for the nine months ended March 31, 2014, and \$19.2 million for the year ended June 30, 2013.

In April 2014, Mercy entered into transitional service agreements with terms of up to three years with the acquiring entity to provide technology, supply chain, clinical engineering, and revenue management support, which generated continuing cash flows of less than 5% of the Health System's total operating revenues.

Mercy Health

Notes to Consolidated Financial Statements (continued) *(Tables in Thousands)*

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Investments in highly liquid debt instruments with a maturity of three months or less when purchased, excluding amounts classified as investments, are considered cash equivalents. The Health System routinely invests in money market mutual funds. These funds generally invest in highly liquid U.S. government and agency obligations. Financial instruments that potentially subject the Health System to concentrations of credit risk include the Health System's cash and cash equivalents. The Health System places its cash and cash equivalents with institutions with high credit quality. However, at certain times, such cash and cash equivalents are in excess of government-provided insurance limits.

Inventories

Inventories, which consist principally of medical supplies and pharmaceuticals, are stated at the lower of cost or market. Cost is determined principally using the average cost method.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair value at the date of receipt.

Depreciation is provided using the straight-line method over the estimated useful lives of land and leasehold improvements, buildings, and equipment. The estimated useful lives are as follows: land and leasehold improvements, 2 to 30 years; buildings, 3 to 40 years; and equipment, 2 to 20 years.

Property and equipment under capital lease obligations are amortized using the straight-line method over the lease term or the estimated useful life of the leased asset, whichever period is shorter. Such amortization is included with depreciation in the accompanying consolidated statements of operations.

Mercy Health

Notes to Consolidated Financial Statements (continued) *(Tables in Thousands)*

2. Summary of Significant Accounting Policies (continued)

Asset Impairment

The Health System periodically evaluates the carrying value of its long-lived assets for impairment when indicators of impairment are identified. These evaluations are primarily based on the estimated recoverability of the assets' carrying value based on undiscounted cash flows. Impairment write-downs are recognized in operating income at the time the impairment is identified.

Other Assets

Other assets consist primarily of investment securities held under deferred compensation arrangements, land held for future development, notes receivable, and investments in unconsolidated affiliates. The equity method of accounting is used for investments in unconsolidated affiliates where the Health System does not have significant control or where ownership is 50% or less. The equity income or loss on these investments is recorded in other operating revenues in the consolidated statements of operations.

Goodwill

The Health System records goodwill arising from a business combination as the excess of purchase price and related costs over the fair value of identifiable tangible and intangible assets acquired and liabilities assumed. The Health System has six reporting units. The Health System annually reviews the carrying value of goodwill for impairment. In addition, a goodwill impairment assessment is performed whenever circumstances indicate a potential impairment may exist. If such circumstances suggest that the recorded amounts of any of these assets cannot be recovered, the carrying values of such assets are reduced to fair value. If the carrying value of any of these assets is impaired, a material charge may be incurred to results of operations. There was no goodwill impairment during 2014 or 2013.

Mercy Health

Notes to Consolidated Financial Statements (continued) *(Tables in Thousands)*

2. Summary of Significant Accounting Policies (continued)

Net Assets

The Health System's net assets and activities are classified into two classes, restricted and unrestricted, based on the existence or absence of donor-imposed restrictions. Restricted net assets include temporarily restricted net assets (75% and 73% of restricted net assets at June 30, 2014 and 2013, respectively), whose use by the Health System has been limited by donors to a specific time period or for a particular purpose, and permanently restricted net assets (25% and 27% of restricted net assets at June 30, 2014 and 2013, respectively), which must be maintained by the Health System in perpetuity with the related investment income available to support the donor-designated purpose. The general nature of the donor restrictions is to support the Health System's indigent care mission and health education programs and to assist with capital projects.

Net Patient Service Revenues and Patient Accounts Receivable

Patient service revenues (net of contractually and discounts) are recorded during the period the health care services are provided and are reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Estimates of contractual allowances under managed care health plans are based upon the services provided, historical payment rates, and the payment terms specified in the related contractual agreements. Revenues related to uninsured patients have discounts applied in accordance with the Health System's policy. Net patient service revenue is reported net of the provision for uncollectible receivables.

Patient accounts receivable that are deemed uncollectible, including those placed with collection agencies, are initially charged against the allowance for uncollectible accounts in accordance with collection policies of the Health System and, in certain cases, are reclassified to charity care if deemed to otherwise meet the Health System's charity care policy. The provision for uncollectible receivables is based upon management's assessment of historical and expected net collections considering business and economic conditions, trends in health care coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible receivables based upon the payor composition and aging of receivables with consideration of the historical payment and write-off experience by payor category. The results of these reviews are then used to make any modifications to the provision for uncollectible receivables to establish an appropriate allowance for uncollectible receivables. After satisfaction of amounts due from insurance, the Health System follows established guidelines for placing past-due patient balances with collection agencies.

Mercy Health

Notes to Consolidated Financial Statements (continued) *(Tables in Thousands)*

2. Summary of Significant Accounting Policies (continued)

Retroactive third-party adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known. Adjustments to revenue based on prior periods (decreased) increased net patient service revenues by approximately \$(4.6) million and \$12.0 million in 2014 and 2013, respectively, due to revised estimates consisting primarily of retroactive third-party adjustments for years that are subject to audits, reviews, and investigations.

Capitation Revenues and Medical Claims Expense

Certain Mercy Subsidiaries have entered into various risk-based contracts with certain health maintenance organizations (HMOs). Under these arrangements, the Subsidiaries receive capitated payments based on the demographic characteristics of covered members in exchange for providing certain medical services to those members. These payments are reflected as capitation revenues in the consolidated statements of operations. The Subsidiaries recognize medical claims expense for services provided to members from out-of-network providers. The medical claims expense represents claims paid, claims reported but not yet paid, and an estimate of claims incurred but not reported (IBNR). The claims IBNR amount is estimated based upon prior experience modified for current trends. The claims IBNR amount was \$9.9 million and \$11.7 million at June 30, 2014 and 2013, respectively, and was included in accrued liabilities and other in the consolidated balance sheets.

Electronic Health Record Incentive Program

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible physicians and hospitals (collectively, providers) that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four- to five-year period, with the majority of funding ending in 2016. Initial Medicaid incentive payments are available to providers that adopt, implement, or upgrade certified EHR technology. Providers must demonstrate continued meaningful use of such technology in subsequent years to qualify for additional Medicaid incentive payments.

Mercy Health

Notes to Consolidated Financial Statements (continued) *(Tables in Thousands)*

2. Summary of Significant Accounting Policies (continued)

The Health System accounts for EHR incentive payments as other operating revenue. The Health System utilizes a grant accounting model to recognize EHR incentive revenues and records incentive revenue ratably throughout the incentive reporting period when it is reasonably assured that the respective eligible provider will meet the meaningful use objectives for the reporting period and that the payments will be received. The EHR reporting period for hospitals is based on the federal fiscal year, which runs from October 1 through September 30, and for physicians is based on the calendar year. The Health System recognized revenue of approximately \$34.2 million and \$36.6 million during the years ended June 30, 2014 and 2013, respectively. The Health System believes that the eligible providers that met meaningful use objectives will continue to meet the objectives through their applicable reporting periods. Income from incentive payments is subject to retrospective adjustment as the incentive payments are calculated using Medicare cost report data that is subject to audit. In addition, the Health System's compliance with the meaningful use criteria is subject to audit by the federal government.

In addition, the Health System has an incentive program with its physicians whereby the Health System compensates eligible physicians if certain criteria are met. The Health System expensed approximately \$15.8 million and \$14.0 million for incentives paid to physicians for the years ended June 30, 2014 and 2013, respectively. These amounts are included in salaries and benefits in the accompanying consolidated statements of operations. The net amount reflected in the consolidated statements of operations for the EHR incentive program is \$18.4 million and \$22.6 million for the years ended June 30, 2014 and 2013, respectively.

Services to the Community

In support of its mission, the Health System provides care to patients who personally bear a significant financial burden relative to their health care services and are deemed to be medically indigent. Traditional charity care includes the cost of services provided to persons who cannot afford health care because of the financial burden of the health care services and/or who are uninsured or underinsured. Traditional charity care also includes services for which the patient may not participate in the charity care process but is otherwise deemed to meet the Health System's charity care policy.

Mercy Health

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

2. Summary of Significant Accounting Policies (continued)

Because the Health System does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as net patient service revenue. The cost of traditional charity care was \$95.6 million and \$107.5 million in 2014 and 2013, respectively. The Health System estimates cost of charity care using a calculated ratio of costs to charges by hospital and applies that ratio to the relevant gross charges respectively, less any payments received.

Health care services to patients under government programs, such as Medicare and Medicaid, are also considered part of the Health System's benefit provided to the community since a portion of such services are reimbursed at amounts less than cost. In addition, the Health System maintains community benefit programs designed to positively impact the health status of the communities served. These services include various clinics and outreach programs (designed to deliver health care services to underserved communities), medical education and research activities, and direct cash and in-kind charitable contributions.

These community benefit programs also include the activities of Mercy Ministries of Laredo (MML), Mercy Caritas, Catherine's Fund, and Mercy Family Center that are administered by the Health System. These programs finance charitable activities to help meet the needs of the poor, sick, and uneducated.

Investments

Investments include assets set aside through resolution by the Board of Directors for future long-term purposes, including capital improvements and self-insurance. In addition, investments include amounts contributed by donors with stipulated restrictions. These assets include investments in equity securities and debt securities, which are measured at fair value. The cost of securities sold is based on the specific-identification method. The Health System accounts for its ownership interest in alternative investments under the equity method. Management has utilized the best available information for reported alternative investment values, which in some instances are valuations as of an interim date.

For purposes of recognizing investment returns as a component of excess of revenues over expenses, substantially all investments, other than alternative investments, are considered to be trading securities. Unrestricted investment returns, including alternative investments, are included in nonoperating gains (losses) in the consolidated statements of operations. Investment

Mercy Health

Notes to Consolidated Financial Statements (continued) *(Tables in Thousands)*

2. Summary of Significant Accounting Policies (continued)

returns arising from donor-restricted resources are reported as a direct increase or decrease in restricted net assets in the consolidated statements of changes in net assets, consistent with the donors' restrictions. In addition, cash flows from the purchases and sales of marketable securities designated as trading are reported as a component of operating activities in the accompanying consolidated statements of cash flows.

Derivative Financial Instruments

Derivative instruments are contracts between the Health System and a third party (counterparty) that provide for economic payments between the parties based on changes in a defined market security or index or combination thereof. The Health System's derivative financial instruments are primarily interest rate swap agreements utilized as part of its debt management process. The Health System recognizes all derivative instruments as either assets or liabilities in the consolidated balance sheets at fair value. The Health System does not offset fair value amounts recognized for derivative instruments and fair value amounts recognized for cash collateral. The Health System does not account for any of its interest rate swap agreements as hedges, and accordingly, realized and unrealized gains (losses) and net settlement payments are reflected as a component of nonoperating gains (losses) in the accompanying consolidated statements of operations.

Pledges, Bequests, and Gifts for Specific Purposes

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 received. Gifts are recorded as an increase in restricted net assets if they are received with donor stipulations that limit the use of the assets. Upon expenditure in accordance with a donor's restrictions and when the asset is placed in service, net assets restricted for capital acquisitions are reported as direct additions to unrestricted net assets, and assets restricted for operating purposes are reported as an increase in other operating revenues. Donor-restricted contributions for operating purposes whose restrictions are met within the same year as received, and contributions received by donors without restrictions, are reflected as other operating revenues in the accompanying consolidated statements of operations.

Mercy Health

Notes to Consolidated Financial Statements (continued) *(Tables in Thousands)*

2. Summary of Significant Accounting Policies (continued)

Unconditional promises to give, less an allowance for uncollectible amounts, are recorded as receivables in the year made. Net pledges receivable of \$8.3 million and \$8.1 million were included in other current assets and other assets, respectively, at June 30, 2014. Net pledges receivable of \$3.3 million and \$7.0 million were included in other current assets and other assets, respectively, at June 30, 2013.

Functional Classification of Expenses

The Health System provides general health care services to residents within communities served, including acute inpatient, subacute inpatient, physician, outpatient, ambulatory, long-term, and home care, as well as related general and administrative services.

The Health System does not present expense information by functional classification because its resources and activities are primarily related to providing health care services. Furthermore, since the Health System receives substantially all of its resources from providing health care services in a manner similar to a business enterprise, other indicators contained in these consolidated financial statements are considered important in evaluating how well management has discharged its stewardship responsibilities.

Operating Indicator

The Health System's operating indicator (operating income before Joplin operations and related insurance recovery) includes all unrestricted revenue, gains and other support, and expenses directly related to the recurring and ongoing health care operations during the reporting period. The operating indicator excludes operating revenues, expenses, and insurance proceeds related to Joplin (see Note 3), nonoperating gains and losses, pension liability adjustments, loss from discontinued operations, and net assets released from restrictions for property acquisitions.

Performance Indicator

The Health System's performance indicator (excess of revenues over expenses) includes all changes in unrestricted net assets other than pension liability adjustments, loss from discontinued operations, and net assets released from restrictions for property acquisitions.

Mercy Health

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

2. Summary of Significant Accounting Policies (continued)

Operating and Nonoperating Gains (Losses)

The Health System's primary mission is to meet the health care needs in its market areas by providing general health care services to residents within communities served, including acute inpatient, subacute inpatient, physician, outpatient, ambulatory, long-term, and home care, as well as related general and administrative services. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that result in gains or losses peripheral to the Health System's primary mission are considered to be nonoperating. Nonoperating activities include net investment returns and net realized and unrealized gains (losses) on interest rate swaps.

Use of Estimates

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

Accounting Pronouncements Adopted

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-11, *Balance Sheet (Topic 210): Disclosure about Offsetting Assets and Liabilities*, which was further clarified in January 2013 by ASU 2013-01, *Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*, which enhances disclosures by requiring improved information about financial instruments and derivative instruments that are either (1) offset in accordance with either Section 210-20-45 or Section 815-10-45 or (2) subject to an enforceable master netting arrangement or similar agreement. This information will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position, including the effect or potential effect of rights of setoff associated with certain financial instruments and derivative instruments. Effective July 1, 2013, the Health System adopted this guidance. Adoption of this guidance did not have a material impact on the financial statements.

Mercy Health

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

3. Joplin Operations and Related Insurance Recovery

On May 22, 2011, an EF-5 tornado struck parts of the city of Joplin, Missouri, including Mercy's acute care hospital and adjacent medical office buildings. Management determined the damage was so severe that these facilities were considered completely impaired at June 30, 2011, and the facilities were subsequently demolished. The Health System has continued to provide health care services in temporary facilities, but capacity is limited.

At the date of the tornado, the Health System maintained insurance coverage of \$750 million, which covered emergency response, temporary facilities, property damage, business interruption, and related costs, subject to a \$50,000 deductible. The claim has been final settled as of December 2012. In total, the Health System received \$733.4 million in insurance proceeds related to this event. The breakdown between fiscal 2014 and 2013 is described below.

	Year Ended June 30	
	2014	2013
Insurance proceeds – property damage	\$ –	\$ 23,259
Insurance proceeds – business interruption	–	272,000
Total insurance proceeds received	<u>\$ –</u>	<u>\$ 295,259</u>

As a result of settling the claim, an impairment charge of \$65.1 million was recorded to reduce certain assets, primarily temporary facilities, to fair value. The impairment is netted against 2013 Joplin insurance proceeds in the accompanying consolidated statements of operations.

Mercy Health

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

3. Joplin Operations and Related Insurance Recovery (continued)

Since the post-tornado operations of Joplin are not comparable to the pre-tornado operations and since Joplin's results are impacted significantly by insurance proceeds, management has determined that Joplin's financial results should be segregated in the accompanying consolidated statements of operations for both periods presented

	Year Ended June 30	
	2014	2013
Operating revenues		
Patient service revenues (net of contractually and discounts)	\$ 205,187	\$ 203,250
Provision for uncollectible receivables	(17,376)	(21,690)
Net patient service revenues	187,811	181,560
Other operating revenues	2,911	4,014
Total operating revenues	190,722	185,574
Operating expenses		
Salaries and benefits	132,510	134,869
Supplies and other	92,841	96,890
Depreciation and amortization	10,550	21,258
Total operating expenses	235,901	253,017
Joplin insurance proceeds, net of impairment charge	—	230,174
Joplin operating (loss) income	\$ (45,179)	\$ 162,731

Mercy Health

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

4. Net Patient Service Revenue and Patient Receivables

The following is a summary of the Health System's patient service revenues, net of contractual allowances and discounts (before the provision for uncollectible receivables), by major payor. Medicare and Medicaid managed plans are grouped with Medicare and Medicaid, respectively.

	Year Ended June 30	
	2014	2013
Medicare	\$ 1,529,575	\$ 1,417,430
Medicaid	559,982	467,823
Managed care/other	1,885,541	1,789,573
Self-pay	273,590	238,834
	\$ 4,248,688	\$ 3,913,660

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Noncompliance with Medicare and Medicaid laws and regulations can make the Health System subject to significant regulatory action, including substantial fines and penalties, as well as exclusion from the Medicare and Medicaid programs.

The Health System provides health care services through inpatient and outpatient care facilities located in several states. The Health System grants credit to patients in return for health care services rendered to said patients, substantially all of whom are residents of the communities served. The Health System does not require collateral or other security in extending credit to patients, however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, HMOs, and commercial insurance policies). At June 30, 2014 and 2013, approximately 33% and 37%, respectively, of net accounts receivable were collectible from governmental payors (including Medicare and Medicaid), with approximately 53% and 50%, respectively, of net accounts receivable collectible from commercial insurance and managed care payors.

Mercy Health

Notes to Consolidated Financial Statements (continued)

(Tables in Thousands)

4. Net Patient Service Revenue and Patient Receivables (continued)

The allowance for uncollectible receivables was approximately \$182.3 million and \$203.8 million as of June 30, 2014 and 2013, respectively. These balances as a percent of accounts receivable net of contractual allowances were approximately 23% and 25% as of June 30, 2014 and 2013, respectively. The Health System's allowance for uncollectible receivables covered approximately 71% and 60% of self-pay patient receivables, including patient responsibility, as of June 30, 2014 and 2013, respectively. The Health System has experienced an increase in write-off trends related to bad debt and charity driven by higher unemployment, loss of employer-sponsored insurance plans, and rising patient responsibility balances. The Health System reviews and updates its uninsured discount rate on an annual basis. There have been no significant changes to the charity care policies for the years ended June 30, 2014 or 2013. The Health System does not maintain a material allowance for uncollectible receivables from third-party payors, nor did it have significant write-offs from third-party payors.

The following is a summary of the Health System's allowance for uncollectible receivables activity:

Balance at June 30, 2012	\$ 171,015
Provision for uncollectible receivables	302,906
Provision for uncollectible receivables – Joplin	21,690
Provision for uncollectible receivables – Hot Springs	26,602
Accounts written off, net of recoveries and other	<u>(318,456)</u>
Balance at June 30, 2013	203,757
Provision for uncollectible receivables	320,282
Provision for uncollectible receivables – Joplin	17,376
Provision for uncollectible receivables – Hot Springs	19,627
Accounts written off, net of recoveries and other	<u>(378,699)</u>
Balance at June 30, 2014	<u>\$ 182,343</u>

Mercy Health

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

5. Investments

The following is a summary of investments

	June 30	
	2014	2013
Board-designated	\$ 1,677,725	\$ 1,471,640
Restricted by donor or grantor	49,401	38,778
Total investments	1,727,126	1,510,418
Less short-term investments	(29,639)	(27,465)
	<u>\$ 1,697,487</u>	<u>\$ 1,482,953</u>

The following is a summary of investments by classification

	June 30	
	2014	2013
Cash and cash equivalents	\$ 120,665	\$ 151,762
Fixed income		
Corporate debt securities	55,216	73,428
Government agencies and obligations (U S and foreign)	44,336	63,157
Other debt securities	37,185	56,987
Commingled and mutual funds	255,425	112,895
Equity securities		
Domestic equities – common stock	256,033	262,663
Domestic equities – commingled and mutual funds	61,294	55,851
International equities – common stock	38,608	32,725
International equities – commingled and mutual funds	275,599	215,740
Real assets – commodities	72,406	33,457
Alternative investments		
Hedge funds	380,144	323,820
Private equity investments	107,163	91,834
Real assets – limited partnerships	6,594	18,211
Other	16,458	17,888
	<u>1,727,126</u>	<u>1,510,418</u>
Less short-term investments	<u>(29,639)</u>	<u>(27,465)</u>
Total investments	<u>\$ 1,697,487</u>	<u>\$ 1,482,953</u>

Mercy Health

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

5. Investments (continued)

The following is a summary of investment returns

	Year Ended June 30	
	2014	2013
Investments		
Interest and dividends	\$ 18,626	\$ 23,825
Realized gains, net	71,343	40,954
Interest expense on Series 2001 bonds	(2,971)	(2,202)
Unrealized gains (losses), net	106,557	94,878
Investment returns included in nonoperating gains (losses), net	193,555	157,455
Investment returns included in restricted net assets	6,003	3,898
Total investment returns	<u>\$ 199,558</u>	<u>\$ 161,353</u>

The Health System's investments are exposed to various kinds and levels of risk. Fixed income securities expose the Health System to interest rate risk, credit risk, and liquidity risk. As interest rates change, the value of many fixed income securities is affected, particularly those with fixed rates. Credit risk is the risk that the obligor of the security will not fulfill its obligations. Liquidity risk is affected by the willingness of market participants to buy and sell given securities. Equity securities expose the Health System to market risk, performance risk, and liquidity risk. Market risk is the risk associated with major movements of the equity markets, both foreign and domestic. Performance risk is the risk associated with a company's operating performance. Liquidity risk as previously defined tends to be higher for foreign equities and equities related to small capitalization companies.

Certain of the Health System's investments are made through alternative investments, primarily private equity limited partnership investments and hedge funds. These investments provide the Health System with a proportionate share of the investment gains and losses. The fund manager has full discretionary authority over the investment decisions and provides the net asset valuation. The hedge funds and private equity funds present risks similar to those of traditional investments, as well as some additional risks. Due to the fact that these funds are invested through limited partnerships or other limited access-type vehicles, pricing is infrequent and liquidity may also be limited, in some cases, up to 24 months for hedge funds. Due to infrequent

Mercy Health

Notes to Consolidated Financial Statements (continued) *(Tables in Thousands)*

5. Investments (continued)

pricing and illiquidity of underlying investments, it is common practice for private equity funds to require investors to commit to a ten-year investment period, although the distribution of capital is likely to occur prior to the ten-year termination date. These investments may also employ leverage, which may lead to additional risk of loss. These investments are subject to market risk, default risk, interest rate risk, and credit risk, as well as various other types of risks. At June 30, 2014, the Health System has commitments to fund \$117.5 million in these investments.

At the balance sheet dates, receivables and payables for investment trades not settled are presented with other current assets and accrued liabilities and other. Unsettled sales resulted in receivables due from brokers of \$9.0 million and \$186.6 million at June 30, 2014 and 2013, respectively. Unsettled buys resulted in payables of \$7.4 million and \$144.2 million at June 30, 2014 and 2013, respectively.

6. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurements and disclosures topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels of the fair value hierarchy and a description of the valuation methodologies used for instruments measured at fair value are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date.

Level 2 – Pricing inputs other than quoted prices included in Level 1, which are either directly observable or can be derived or supported from observable data as of the reporting date.

Mercy Health

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

6. Fair Value Measurements (continued)

Level 3 – Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are not observable from objective sources. In evaluating the significance of input, the Health System generally classifies assets or liabilities as Level 3 when their fair value is determined using unobservable inputs that individually, or when aggregated with other unobservable inputs, represent more than 10% of the fair value of the assets or liabilities. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

Financial assets and financial liabilities measured at fair value on a recurring basis were determined using the following inputs at June 30, 2014:

	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Cash and cash equivalents	\$ 120,665	\$ —	\$ —	\$ 120,665
Equity securities				
Domestic equities – common stock	256,033	—	—	256,033
Domestic equities – commingled and mutual funds	61,294	—	—	61,294
International equities – common stock	38,608	—	—	38,608
International equities – commingled and mutual funds	87,603	187,996	—	275,599
Fixed income				
Corporate debt securities	—	55,216	—	55,216
Government agencies and obligations (U.S. and foreign)	—	44,336	—	44,336
Other debt securities	286	36,899	—	37,185
Commingled and mutual funds	71,490	183,935	—	255,425
Real assets – commodities	37,013	35,393	—	72,406
Other	—	872	—	872
	672,992	544,647	—	1,217,639
Deferred compensation plan assets				
Cash and cash equivalents	366	—	—	366
Equities – mutual funds	137,493	—	—	137,493
Other	—	1,485	58,638	60,123
	137,859	1,485	58,638	197,982
Total assets	\$ 810,851	\$ 546,132	\$ 58,638	\$ 1,415,621
Liabilities				
Interest rate swap agreements	\$ —	\$ 54,162	\$ —	\$ 54,162
Total liabilities	\$ —	\$ 54,162	\$ —	\$ 54,162

Mercy Health

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

6. Fair Value Measurements (continued)

The following table is a rollforward of the deferred compensation plan assets classified within Level 3 of the valuation hierarchy

	<u>Other</u>
Fair value at July 1, 2013	\$ 50,642
Purchases, issuances, settlements, and sales	
Purchases	22,478
Sales	(17,386)
Actual return on plan assets	2,904
Transfers in and out of Level 3	—
Fair value at June 30, 2014	<u>\$ 58,638</u>

Financial assets and financial liabilities measured at fair value on a recurring basis were determined using the following inputs at June 30, 2013

	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Cash and cash equivalents	\$ 151.469	\$ 293	\$ —	\$ 151.762
Equity securities				
Domestic equities – common stock	262.663	—	—	262.663
Domestic equities – commingled and mutual funds	55.851	—	—	55.851
International equities – common stock	31.905	820	—	32.725
International equities – commingled and mutual funds	63.438	152.302	—	215.740
Fixed income				
Corporate debt securities	—	73.428	—	73.428
Government agencies and obligations (U S and foreign)	—	63.157	—	63.157
Other debt securities	399	56.588	—	56.987
Commingled and mutual funds	2.169	110.726	—	112.895
Real assets – commodities	21.332	12.125	—	33.457
Other	—	2.535	—	2.535
	589.226	471.974	—	1,061.200
Deferred compensation plan assets				
Cash and cash equivalents	488	—	—	488
Equities – mutual funds	123.695	—	—	123.695
Other	—	5.249	50.642	55.891
	124.183	5.249	50.642	180.074
Total assets	<u>\$ 713.409</u>	<u>\$ 477.223</u>	<u>\$ 50.642</u>	<u>\$ 1,241.274</u>
Liabilities				
Interest rate swap agreements	\$ —	\$ 53.845	\$ —	\$ 53.845
Total liabilities	<u>\$ —</u>	<u>\$ 53.845</u>	<u>\$ —</u>	<u>\$ 53.845</u>

Mercy Health

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

6. Fair Value Measurements (continued)

The following table is a rollforward of the deferred compensation plan assets classified within Level 3 of the valuation hierarchy

	<u>Other</u>
Fair value at July 1, 2012	\$ 42.493
Purchases, issuances, settlements, and sales	
Purchases	18.478
Sales	(12.042)
Actual return on plan assets	1.713
Transfers in and/or out of Level 3	—
Fair value at June 30, 2013	<u>\$ 50.642</u>

Investments in the fair value tables above exclude alternative investments, which are recorded under the equity method of accounting, of \$493.9 million and \$433.9 million at June 30, 2014 and 2013, respectively. Investments in the fair value tables above also exclude land held for investment, which is recorded at cost, of \$15.6 million and \$15.4 million at June 30, 2014 and 2013, respectively.

Deferred compensation plan assets and interest rate swaps (assets) are reported in other assets and interest rate swaps (liabilities) are reported in insurance reserves and other liabilities in the consolidated balance sheets.

The following is a description of the Health System's valuation methodologies for assets and liabilities measured at fair value. Fair value for Level 1 is based upon quoted market prices. The fair value of certain Level 2 securities was determined using multiple price types of bid/offer, last traded, settlement, evaluated, and the official primary exchange close-time pricing, provided by third-party pricing services if quoted market prices were not available. The quality of the prices received is evaluated through price comparisons and tolerance level checks. These Level 2 investments include cash equivalents, international equities, corporate debt securities, government agencies and obligations, other debt securities, commingled funds, and real assets – commodities. The fair values of the interest rate swap contracts, also Level 2 measurements, are determined based on the present value of expected future cash flows using discount rates appropriate with the risks involved. The valuations reflect a credit spread adjustment to the London Interbank Offered Rate (LIBOR) discount curve in order to reflect nonperformance risk. The credit spread adjustment is derived from the Health System's and other comparable rated

Mercy Health

Notes to Consolidated Financial Statements (continued) *(Tables in Thousands)*

6. Fair Value Measurements (continued)

entities' bonds priced in the market and adjusted with a gross up of the tax-exempt spread to a taxable equivalent spread for the Health System and counterparty bond trading levels (or credit default swap spreads) The fair values of other securities in the deferred compensation plan's assets are based on unobservable inputs and are recorded based on information provided by the trustee

The deferred compensation plans invest in a fully benefit-responsive guaranteed investment contract (GIC) with MetLife, which is a general account evergreen group annuity contract and a Level 3 fair value measurement MetLife maintains the contributions in the general account The deferred compensation plans own a series of guarantees that are embedded in the insurance contract The contractual guarantees are backed up by the full faith and credit of MetLife, the contract issuer MetLife is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the deferred compensation plan There are no reserves against contract value for credit risk of the contract issuer or otherwise The crediting interest rate is based on a formula agreed upon with the issuer Such interest rates are reviewed on an annual basis for resetting

The carrying values of cash and cash equivalents, accounts receivable, pledges receivable, and current liabilities are reasonable estimates of their fair values due to the short-term nature of these financial instruments The fair value of the Health System's fixed rate bonds is based on quoted market prices for the same or similar issues and approximates \$250.2 million and \$235.6 million as of June 30, 2014 and 2013, respectively, which is a Level 2 measurement The carrying amount approximates fair value for all other long-term debt, which is variable rate, and excludes the impact of third-party credit enhancements, this is a Level 2 measurement

Due to the volatility of the financial market, there is a reasonable possibility of changes in fair value and additional gains and losses in the near term subsequent to June 30, 2014

Mercy Health

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

7. Property and Equipment

The following is a summary of property and equipment

	June 30	
	2014	2013
Land, land improvements, and leasehold improvements	\$ 263,884	\$ 258,514
Buildings	2,774,020	2,643,857
Equipment	2,095,240	2,008,027
Construction-in-progress	493,767	275,516
	<u>5,626,911</u>	<u>5,185,914</u>
Less accumulated depreciation	(2,974,582)	(2,743,220)
Property and equipment, net	<u>\$ 2,652,329</u>	<u>\$ 2,442,694</u>

At June 30, 2014, construction and software-related contracts and commitments exist for capital improvements at certain of the Health System's facilities. The remaining commitment on these contracts at June 30, 2014, was approximately \$201.9 million, out of which \$84.2 million relates to the construction of the new hospital in Joplin. During the years ended June 30, 2014 and 2013, interest of \$6.7 million and \$3.6 million, respectively, was capitalized.

8. Other Assets

The following is a summary of other assets

	June 30	
	2014	2013
Deferred compensation plan assets	\$ 197,982	\$ 180,074
Goodwill	141,065	134,002
Investment in unconsolidated affiliates	64,534	60,253
Land held for future development	31,500	30,278
Notes receivable	15,620	13,804
Other	33,282	36,294
	<u>\$ 483,983</u>	<u>\$ 454,705</u>

Mercy Health

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

9. Goodwill

The following table presents the changes in the carrying amount of goodwill during the years ended June 30, 2014 and 2013

Balance at June 30, 2012	\$ 36,250
Acquisitions	97,752
Balance at June 30, 2013	134,002
Acquisitions	7,063
Balance at June 30, 2014	<u>\$ 141,065</u>

10. Liability Programs

The Health System administers a liability program to provide for general and professional liability risks within certain limits. Health care professional liabilities in excess of self-insured limits are insured on a claims-made basis subject to an annual maximum of \$20.0 million over the self-insured retention of \$10.0 million, after which the Health System would again be responsible. The recorded liabilities are based upon actuarial estimates of reported claims and IBNR claims using historical claim experience and other relevant industry and hospital-specific factors and trends, discounted at an interest rate of 5% and 4.75% for 2014 and 2013, respectively. The discounted general and professional liability was \$136.5 million and \$135.3 million at June 30, 2014 and 2013, respectively, which is included in accrued liabilities and insurance reserves and other liabilities in the accompanying consolidated balance sheets. In addition, at June 30, 2014 and 2013, Mercy recorded net insurance receivables of \$2.0 million, which is included in other assets in the accompanying consolidated balance sheets.

11. Employee Retirement Plans

Prior to July 1, 2011, the Health System sponsored an active defined benefit retirement plan (the Plan) to provide coverage under a single plan for groups acquired in business combinations. Pension benefits were provided to substantially all Health System employees through the Plan. As new employee groups were transitioned to the Plan, the Plan was modified through plan amendments to provide credit for service with the acquired provider. Plan benefits were originally provided based on a final average pay formula but were later transitioned to a cash

Mercy Health

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

11. Employee Retirement Plans (continued)

balance-type formula. The cash balance formula provided an annual pay credit, based on employee compensation and years of service, and an interest credit based on the 30-year U.S. Treasury bill rate, subject to a floor of 5.25%. Effective June 30, 2011, the Plan was closed to new entrants, and pay credits ceased. Interest credits continue to be paid under the Plan. The Plan is funded consistent with actuarial funding recommendations.

The Health System maintains various non-qualified defined benefit retirement plans that provide retirement income in excess of the limitations on benefits imposed by Internal Revenue Service (IRS) limitations to certain key executives. These plans are closed to new entrants.

The following table sets forth the Plan's and certain other of the Health System's pension plans' benefit obligations, fair value of plan assets, and funded status at the measurement date.

	June 30	
	2014	2013
Accumulated benefit obligation	\$ 1,014,398	\$ 983,953
Changes in projected benefit obligation		
Projected benefit obligation at beginning of period	\$ 998,527	\$ 1,020,307
Service cost	1,603	1,767
Interest cost	43,701	41,991
Actuarial loss (gain)	42,313	(14,542)
Benefits paid	(63,169)	(50,996)
Projected benefit obligation at end of period	\$ 1,022,975	\$ 998,527
Changes in plan assets		
Fair value of plan assets at beginning of period	\$ 681,894	\$ 654,649
Actual return on plan assets	84,925	72,275
Employer contributions	10,684	5,966
Benefits paid	(63,169)	(50,996)
Fair value of plan assets at end of period	\$ 714,334	\$ 681,894
Funded status of the Plan	\$ (308,641)	\$ (316,633)

Mercy Health

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

11. Employee Retirement Plans (continued)

Amounts recognized in the accompanying consolidated balance sheets at June 30 consist of

	2014	2013
Accrued liabilities and other	\$ 10,289	\$ 3,512
Pension liabilities	298,352	313,121
	\$ 308,641	\$ 316,633

No plan assets are expected to be returned to the Health System during the fiscal year ended June 30, 2015

Included in unrestricted net assets are the following amounts that have not yet been recognized in net periodic pension cost

	Year Ended June 30	
	2014	2013
Unrecognized actuarial loss	\$ (374,727)	\$ (377,090)
Unrecognized prior service cost	(2,473)	(3,017)
	\$ (377,200)	\$ (380,107)

Changes in plan assets and benefit obligations recognized in unrestricted net assets include

	Year Ended June 30	
	2014	2013
Current year actuarial (loss) gain	\$ (8,920)	\$ 33,932
Amortization of actuarial loss	9,501	10,951
Settlement reduction of net actuarial gain	1,782	—
Amortization of prior service credit	544	544
	\$ 2,907	\$ 45,427

Mercy Health

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

11. Employee Retirement Plans (continued)

The estimated net actuarial loss and prior service cost included in unrestricted net assets and expected to be recognized in net periodic benefit cost during the year ending June 30, 2015, are \$10.7 million and \$0.5 million, respectively. The impact of the change in discount rate on the projected benefit obligation of the Plan was an increase of approximately \$47.9 million for the year ended June 30, 2014, and a decrease of approximately \$32.6 million for the year ended June 30, 2013.

The following is a summary of the components of net periodic pension cost:

	Year Ended June 30	
	2014	2013
Service cost, benefits earned during the period	\$ 1,603	\$ 1,767
Interest cost on projected benefit obligation	43,701	41,991
Expected return on plan assets	(51,532)	(52,885)
Amortization of unrecognized		
Prior service credit	544	544
Actuarial loss	9,501	10,951
Net periodic pension cost	<u>\$ 3,817</u>	<u>\$ 2,368</u>

Weighted-average assumptions used to determine the Plan's projected benefit obligation and net periodic benefit costs are as follows:

	Projected Benefit Obligation		Net Periodic Benefit Costs	
	2014	2013	2014	2013
Discount rates	3.85% – 4.0%	4.35% – 4.60%	4.35% – 4.60%	4.05% – 4.20%
Rates of salary increase	5.00	5.00	5.00	5.00
Expected long-term return on plan assets	8.00	8.00	8.00	8.15

Mercy Health

Notes to Consolidated Financial Statements (continued)

(Tables in Thousands)

11. Employee Retirement Plans (continued)

The Plan's weighted-average asset allocations at June 30, 2014 and 2013, and target allocation by asset category are as follows

Asset Category	2014 Target	Plan Assets at June 30	
	Asset Allocation	2014	2013
Equity securities	40%	38%	38%
Debt securities	30	22	20
Alternative investments	30	35	34
Other	—	5	8
Total	100%	100%	100%

The Plan's assets measured at fair value were determined using the following inputs at June 30, 2014

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	\$ 66,358	\$ —	\$ —	\$ 66,358
Equity securities				
Domestic equities – common stock	106,699	—	—	106,699
Domestic equities – commingled and mutual funds	22,281	—	—	22,281
International equities – common stock	16,088	—	—	16,088
International equities – commingled and mutual funds	35,491	78,295	—	113,786
Fixed income				
Corporate debt securities	—	23,206	—	23,206
Government agencies and obligations (U S and foreign)	—	18,524	—	18,524
Other debt securities	119	3,817	—	3,936
Commingled and mutual funds	28,552	76,624	—	105,176
Real assets – commodities	15,342	14,740	—	30,082
Other	—	—	2,782	2,782
Hedge funds	—	—	158,030	158,030
Private equity	—	—	44,640	44,640
Real assets – limited partnerships	—	—	2,746	2,746
	\$ 290,930	\$ 215,206	\$ 208,198	\$ 714,334

Mercy Health

Notes to Consolidated Financial Statements (continued)

(Tables in Thousands)

11. Employee Retirement Plans (continued)

The following table is a rollforward of the pension plan assets classified within Level 3 of the valuation hierarchy

	Hedge Funds	Private Equity	Real Assets – Limited Partnerships	Other
Fair value at July 1, 2013	\$ 146,018	\$ 41,490	\$ 8,228	\$ 2,812
Purchases, sales, and settlements, net	(1,602)	(1,475)	(5,798)	–
Actual return on plan assets	13,614	4,625	316	(30)
Transfers in and/or out of Level 3	–	–	–	–
Fair value at June 30, 2014	<u>\$ 158,030</u>	<u>\$ 44,640</u>	<u>\$ 2,746</u>	<u>\$ 2,782</u>

The Plan's assets measured at fair value were determined using the following inputs at June 30, 2013

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	\$ 78.447	\$ 12.219	\$ –	\$ 90.666
Equity securities				
Domestic equities – common stock	118.757	–	–	118.757
Domestic equities – commingled and mutual funds	22.807	–	–	22.807
International equities – common stock	14.431	370	–	14.801
International equities – commingled and mutual funds	27.874	68.810	–	96.684
Fixed income				
Corporate debt securities	–	33.576	–	33.576
Government agencies and obligations (U S and foreign)	–	28.765	–	28.765
Other debt securities	180	12.105	–	12.285
Commingled and mutual funds	9	50.048	–	50.057
Real assets – commodities	9.470	5.478	–	14.948
Other	–	–	2.812	2.812
Hedge funds	–	–	146.018	146.018
Private equity	–	–	41.490	41.490
Real assets – limited partnerships	–	–	8.228	8.228
	<u>\$ 271.975</u>	<u>\$ 211.371</u>	<u>\$ 198.548</u>	<u>\$ 681.894</u>

Mercy Health

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

11. Employee Retirement Plans (continued)

The following table is a rollforward of the pension plan assets classified within Level 3 of the valuation hierarchy

	Hedge Funds	Private Equity	Real Assets – Limited Partnerships	Other
Fair value at July 1, 2012	\$ 120,346	\$ 48,751	\$ 12,163	\$ 2,846
Purchases, sales, and settlements, net	11,111	(8,073)	(3,402)	–
Actual return on plan assets	14,561	812	(533)	(34)
Transfers in and/or out of Level 3	–	–	–	–
Fair value at June 30, 2013	<u>\$ 146,018</u>	<u>\$ 41,490</u>	<u>\$ 8,228</u>	<u>\$ 2,812</u>

Fair value methodologies for Level 1 and Level 2 assets are consistent with the inputs described in Note 6. Level 3 securities, which consist of alternative investments (principally limited partnership interests in hedge funds and private equity funds) and a GIC, represent the Plan's ownership interest in the net asset value (NAV) of the respective partnership.

Management opted to use the NAV per share, or its equivalent, as a practical expedient for fair value of the Plan's interest in hedge funds and private equity funds. Valuations provided by the respective fund's management include variables such as the financial performance of underlying investments, recent sales prices of underlying investments, and other pertinent information. In addition, actual market exchanges at period-end provide additional observable market inputs of the exit price. The majority of these funds have restrictions on the timing of withdrawals, which may reduce liquidity, in some cases for up to 24 months in the case of hedge funds and up to 10 years for private equity funds. At June 30, 2014, the Plan has commitments to fund \$48.9 million in these investments.

Mercy Health

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

11. Employee Retirement Plans (continued)

The Plan employs investment managers to invest fund balances in a structured portfolio of equity, fixed income, and alternative investments (which includes hedge funds, private equity, and real assets). The Plan retains outside consultants to support the overall asset allocation and manager selection process. The Plan's current investment policy was updated and approved in fiscal 2012. The performance of all managers is reviewed to test that market performance has been calculated accurately, to monitor performance versus peers and benchmarking, and to evaluate portfolio structure considering current and future needs based on economic forecasts and actuarial projections. The Health System believes that a diversified portfolio will limit the degree of risk to the Plan and stabilize the long-term results. The Plan's diversified blend of marketable securities also takes into consideration the cash flow requirements of the Plan to help ensure the ability to meet the monthly payout of benefits required. Projected rates of return for each asset category were selected after analyzing historical experience and future expectations of the returns and volatility for assets of that category.

The Health System expects to contribute at least \$5.5 million to the Plan during fiscal 2015.

The following benefit payments, which reflect expected future service, are expected to be paid by the Plan:

	<u>Amount</u>
Year ending June 30	
2015	\$ 81,200
2016	75,000
2017	79,900
2018	73,300
2019	73,100
2020 through 2024	363,000
	<u>\$ 745,500</u>

Mercy Health

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

11. Employee Retirement Plans (continued)

The Health System has a defined contribution 401(k) plan and a 403(b) plan for the benefit of substantially all employees. Participant contributions to the plans are subject to IRS limitations. The 401(k) plan has always included an employer-provided match contribution. Effective July 1, 2011, the 401(k) plan was amended to enhance the match contribution and add a non-matching service contribution to replace the pay credit previously earned under the defined benefit plan. The 403(b) plan allows participant contributions, and amounts contributed to the plan are eligible for a match contribution and service contribution under the provisions of the 401(k) plan.

The match contribution is equal to 50% of the first 4% of the participant's compensation contributed and 25% of the next 2% of the participant's compensation contributed. The service contribution is equal to compensation multiplied by a percentage of pay based on years of service (1%–9% for employees hired prior to July 1, 2011, and 1%–4% for those hired on July 1, 2011 or later). In order to earn a match contribution or service contribution, an employee must work at a rate of 1,000 hours during the year. Employees become vested in both match and service contributions upon the completion of three years of vesting service.

For the years ended June 30, 2014 and 2013, the total expenses incurred related to the 401(k) and 403(b) plans were \$93.9 million and \$83.1 million, respectively.

12. Long-Term Obligations

The following is a summary of long-term obligations:

	June 30	
	2014	2013
Revenue bonds, fixed interest rates of 3.0%–5.0% due 2015 through 2042	\$ 259,727	\$ 260,742
Revenue bonds, variable interest rates with weighted-average interest rates of 0.55% and 0.60% in fiscal 2014 and 2013, respectively, due through June 2051	706,075	728,475
Capital lease obligations	85,342	43,440
Other mortgage notes and notes	46,908	51,035
	1,098,052	1,083,692
Less current maturities of long-term obligations	(40,098)	(19,906)
Long-term obligations, less current maturities	\$ 1,057,954	\$ 1,063,786

Mercy Health

Notes to Consolidated Financial Statements (continued) *(Tables in Thousands)*

12. Long-Term Obligations (continued)

Certain of Mercy's subsidiaries have executed a commitment agreement governing certain borrowing arrangements under the Mercy Master Trust Indenture and related agreements (Financing Agreements). While only the revenues of Mercy collateralize the outstanding borrowings of the Health System, each of these subsidiaries has committed to transfer such funds to Mercy to pay the amounts due on borrowings when they come due. The Financing Agreements contain certain restrictive covenants, including debt service coverage and liquidity ratios. At June 30, 2014, Mercy was in compliance with all covenants.

Tax-exempt revenue bonds have been issued by various issuing authorities, the proceeds of which were used by Mercy primarily to finance capital projects and to refinance existing indebtedness of certain subsidiaries.

During 2014, Mercy repurchased \$118.1 million of its \$378.3 million outstanding auction rate securities at a discount of \$11.8 million from multiple parties. A prorated portion of unamortized issuance costs of \$1.8 million were written off, resulting in a net gain of \$10.0 million recorded in supplies and other in the consolidated statements of operations. Following the repurchase, Mercy had auction rate securities aggregating to \$260.2 million. The interest rate is set through a weekly auction process among bond investors. Starting in fiscal 2008, due to the market-wide financial crisis, institutional buyers and investment banks opted not to participate in the market for securities of this type, causing a failure of the auction process and resulting in the bonds resetting to a maximum rate predefined in the bond agreement based on the higher of the current LIBOR or commercial paper index, adjusted for the current rating and current tax rate plus a fixed spread.

Mercy Health

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

12. Long-Term Obligations (continued)

In December 2012, \$250.0 million of fixed rate, tax-exempt health facility revenue bonds were issued by the Health and Educational Facilities Authority of the State of Missouri on behalf of Mercy under the Master Trust Indenture. The proceeds of these bonds were used to finance all or a portion of several capital projects, including a portion of the new hospital in Joplin, Missouri. The bonds have various maturities between November 15, 2019 and November 15, 2042. Coupon rates were set at 3%–4% with yields to maturity ranging from 1.75%–3.86%. Most of the bonds were sold at a premium to institutional and retail investors. The net premium paid to the Health System totaled \$7.1 million. Issuance costs totaled \$2.6 million. The bonds pay interest on May 15 and November 15 of each year, commencing May 15, 2013.

In May 2014, \$350.2 million of variable rate, tax-exempt health facility revenue bonds were issued by the Health and Educational Facilities Authority of the State of Missouri on behalf of Mercy under the Master Trust Indenture. The proceeds of these bonds were used to refund the Series 2011 variable rate demand bonds aggregating \$350.2 million. These bonds were directly purchased by three banks and mature at various dates between June 1, 2016 and 2039. Interest is paid monthly at a borrowing rate based on a percentage of one-month LIBOR plus an applicable spread. The bonds include mandatory puts by the purchasing banks between June 2019 and June 2023. Mercy may elect to renegotiate with the initial purchasers, remarket or redeem the bonds.

In June 2014, \$110.0 million of variable rate, tax-exempt health facility revenue bonds were issued by the Health and Educational Facilities Authority of the State of Missouri on behalf of Mercy under the Master Trust Indenture. The proceeds of these bonds were used to finance all or a portion of several capital projects, including a portion of the new hospital in Joplin, Missouri. These bonds were directly purchased by two banks and have maturities between June 1, 2050 and June 1, 2051. Interest is paid monthly at a borrowing rate based on a percentage of one-month LIBOR plus an applicable spread. The bonds include a mandatory put by the purchasing banks between June 2018 and June 2024. Mercy may elect to renegotiate with the initial purchasers, remarket or redeem the bonds.

Other notes payable, mortgage notes payable, and capital lease obligations are secured by certain property and equipment of the specific borrowers.

In July 2012, as part of an acquisition, the Health System assumed a \$21.9 million fixed rate commercial real estate loan. Interest is paid monthly at an annual rate of 7.25%, and the debt matures on December 31, 2014.

Mercy Health

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

12. Long-Term Obligations (continued)

Aggregate maturities of long-term obligations as scheduled at June 30, 2014, are as follows

	<u>Amount</u>
Year ending June 30	
2015	\$ 40,098
2016	15,217
2017	8,396
2018	8,648
2019	7,227
Thereafter	1,018,466
	<u>\$ 1,098,052</u>

Mercy has \$150.0 million of unused 364-day lines of credit with three banks. Agreements terminate on December 11, 2014, however, the Health System anticipates renewal of the agreements. During 2014, Mercy borrowed and repaid \$106.4 million against the line of credit. There were no borrowings outstanding under these lines of credit as of June 30, 2014.

13. Derivatives

The Health System has interest rate-related derivative instruments to manage its interest rate exposure on its variable rate debt instruments and does not enter into derivative instruments for any purpose other than risk management. Interest rate swap contracts between the Health System and a third party (counterparty) provide for the periodic exchange of payments between the parties based on changes in a defined index and a fixed rate. These agreements expose the Health System to market risk and credit risk. Credit risk is the risk that contractual obligations of the counterparties will not be fulfilled. Concentrations of credit risk relate to groups of counterparties that have similar economic or industry characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Counterparty credit risk is managed by requiring high credit standards for the Health System's counterparties. The Health System will enter into transactions where the counterparty rating is high enough to maintain the rating on Health System bonds. The interest rate swap contracts contain collateral provisions applicable to both parties to mitigate credit risk. The Health System does not anticipate nonperformance by its counterparties. Market risk is the

Mercy Health

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

13. Derivatives (continued)

adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. Management also mitigates risk through periodic reviews of the Health System's derivative positions in the context of its blended cost of capital.

The following is a summary of the outstanding positions under these interest rate swap agreements:

Interest Rate Swap Type	Expiration Date	Health System Pays	Health System Receives	Notional Value June 30	
				2014	2013
Fixed payor	June 2, 2031	3.36% – 3.751%	70% of one-month LIBOR	\$ 252,200	\$ 252,200
Fixed payor	June 2, 2031	3.848% – 3.856%	70% of one-month LIBOR	50,000	50,000
Fixed payor	June 1, 2016	3.94%	67% of one-month LIBOR	12,150	20,750

The fair value of derivative instruments is as follows:

Derivatives Not Designated as Hedging Instruments	Balance Sheet Location	June 30	
		2014	2013
Interest rate swap agreements	Other liabilities	\$ 54,162	\$ 53,845

The effects of derivative instruments on the consolidated statements of operations and changes in net assets for the years ended June 30, 2014 and 2013, are reflected in realized and unrealized gains (losses) on interest rate swaps in the consolidated statements of operations.

Mercy Health

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

14. Operating Leases

Rent expense for the years ended June 30, 2014 and 2013, totaled \$78.0 million and \$65.3 million, respectively.

Future minimum rental payments under noncancelable operating leases as of June 30, 2014, that have initial or remaining terms in excess of one year are as follows:

	<u>Amount</u>
Year ending June 30	
2015	\$ 56,342
2016	52,454
2017	50,073
2018	44,007
2019	35,196
Thereafter	173,547
	<u>\$ 411,619</u>

15. Commitments and Contingencies

Regulatory Compliance

The U.S. Department of Justice and other federal agencies are increasing resources dedicated to regulatory investigations and compliance audits of health care providers. The Health System is not exempt from these regulatory efforts and has received correspondence from federal agencies with regard to such initiatives. In consultation with legal counsel, management estimates these matters will be resolved without a material adverse effect on the Health System's consolidated financial position or results of operations.

Mercy Health

Notes to Consolidated Financial Statements (continued)

(Tables in Thousands)

15. Commitments and Contingencies (continued)

Litigation

The Health System is involved in litigation arising in the normal course of business. After consultation with legal counsel, it is management's opinion that these matters will be resolved without a material adverse effect on the Health System's consolidated financial position or results of operations.

16. Subsequent Events

The Health System evaluated events and transactions occurring subsequent to June 30, 2014 through September 23, 2014, the date the consolidated financial statements were issued. During this period, there were no subsequent events that required recognition in the consolidated financial statements.

Supplementary Information

Mercy Health

Consolidating Balance Sheet (In Thousands)

June 30, 2014

	Fort Smith	Hot Springs	Rogers	Joplin	Kansas	Carthage
Assets						
Current assets						
Cash and cash equivalents	\$ (24,832)	\$ –	\$ (12,653)	\$ (4,006)	\$ 11,546	\$ (41)
Accounts receivable, net	37,467	–	31,459	22,504	7,958	6,731
Inventories	6,446	–	4,552	4,162	1,756	1,206
Short-term investments	–	–	–	–	–	–
Other current assets	(13,886)	–	(14,771)	(24,862)	(4,888)	(2,751)
Total current assets	5,195	–	8,587	(2,202)	16,372	5,145
Investments	2,814	–	10,309	3,296	1,778	(23)
Property and equipment, net	185,263	–	138,593	383,291	40,467	38,213
Other assets	21,549	–	3,325	1,662	(586)	–
Total assets	\$ 214,821	\$ –	\$ 160,814	\$ 386,047	\$ 58,031	\$ 43,335
Liabilities and net assets						
Current liabilities						
Current maturities of long-term obligations	\$ 360	\$ –	\$ 158	\$ –	\$ –	\$ 789
Accounts payable	4,185	–	5,450	23,318	2,090	1,330
Accrued payroll and related liabilities	5,051	–	3,699	6,626	1,989	678
Accrued liabilities and other	5,223	–	4,030	2,698	(126)	1,208
Total current liabilities	14,819	–	13,337	32,642	3,953	4,005
Insurance reserves and other liabilities	2,804	–	–	13	552	–
Pension liabilities	–	–	–	–	–	–
Long-term obligations, less current maturities	6,301	–	–	–	–	41,733
Total liabilities	23,924	–	13,337	32,655	4,505	45,738
Net assets						
Unrestricted	189,378	–	141,040	345,643	52,737	(2,558)
Restricted	1,519	–	6,437	7,749	789	155
Total net assets	190,897	–	147,477	353,392	53,526	(2,403)
Total liabilities and net assets	\$ 214,821	\$ –	\$ 160,814	\$ 386,047	\$ 58,031	\$ 43,335

St. Louis	Springfield	Oklahoma	MMIL	Mercy	Eliminations	Total
\$ 87.308	\$ 6.904	\$ 98.651	\$ 637	\$ (10.258)	\$ –	\$ 153.256
212.379	182.966	115.123	–	10.055	–	626.642
24.067	29.621	14.186	–	15.887	–	101.883
–	–	–	–	29.639	–	29.639
23.896	(10.072)	(30.607)	539	386.016	(185.102)	123.512
347.650	209.419	197.353	1,176	431.339	(185.102)	1,034.932
27.228	29.600	7.975	27.092	1,587.418	–	1,697.487
763.410	498.215	262.313	2.648	339.916	–	2,652.329
174.944	147.104	50.507	1	85.477	–	483.983
\$ 1,313,232	\$ 884,338	\$ 518,148	\$ 30,917	\$ 2,444,150	\$ (185,102)	\$ 5,868,731
\$ 23.942	\$ 250	\$ 2.657	\$ –	\$ 11.942	\$ –	\$ 40.098
131.068	106.052	15.595	141	42.867	(185.102)	146.994
41.994	34.709	19.037	–	265.749	–	379.532
20.849	49.080	2.191	157	76.414	–	161.724
217.853	190.091	39,480	298	396.972	(185.102)	728.348
34.322	92.058	2.372	357	282.038	–	414.516
–	–	–	–	298.352	–	298.352
25.169	–	43.801	–	940.950	–	1,057.954
277.344	282.149	85,653	655	1,918.312	(185.102)	2,499.170
1,012.932	566.291	420.410	30.047	524.823	–	3,280.743
22.956	35.898	12.085	215	1.015	–	88.818
1,035.888	602.189	432.495	30.262	525.838	–	3,369.561
\$ 1,313,232	\$ 884,338	\$ 518,148	\$ 30,917	\$ 2,444,150	\$ (185,102)	\$ 5,868,731

Mercy Health

Consolidating Statement of Operations (In Thousands)

Year Ended June 30, 2014

	Fort Smith	Hot Springs	Rogers	Joplin	Kansas	Carthage
Operating revenues						
Patient service revenues						
(net of contractuals and discounts)	\$ 306.623	\$ –	\$ 264.634	\$ –	\$ 71.771	\$ 48.477
Provision for uncollectible receivables	(22.952)	–	(20.747)	–	(7.735)	(6.727)
Net patient service revenues	283.671	–	243.887	–	64.036	41.750
Capitation revenues	135	–	175	–	–	–
Other operating revenues	11.781	–	5.855	–	5.535	541
Total operating revenues	295.587	–	249.917	–	69.571	42.291
Operating expenses						
Salaries and benefits	169.232	–	131.825	–	42.493	20.850
Supplies and other	123.158	–	105.499	–	28.057	26.488
Medical claims expense	–	–	–	–	–	–
Interest	537	–	18	–	–	2.494
Depreciation and amortization	14.148	–	12.514	–	3.842	3.593
Total operating expenses	307.075	–	249.856	–	74.392	53.425
Operating (loss) income before Joplin operations and related insurance recovery	(11.488)	–	61	–	(4.821)	(11.134)
Joplin insurance proceeds	–	–	–	–	–	–
Joplin operating revenues	–	–	–	190.722	–	–
Joplin operating expenses	–	–	–	(235.901)	–	–
Total operating (loss) income	(11.488)	–	61	(45.179)	(4.821)	(11.134)
Nonoperating gains (losses)						
Investment returns, net	1.495	–	1.219	322	85	1
Realized and unrealized losses on interest rate swaps	–	–	–	–	–	–
Other, net	(1.150)	–	–	(131)	(344)	(52)
Total nonoperating gains (losses), net	345	–	1.219	191	(259)	(51)
(Deficit) excess of revenues over expenses	(11.143)	–	1.280	(44.988)	(5.080)	(11.185)
Other changes in unrestricted net assets						
Transfers from (to) Mercy, net	122	(19.882)	74	70	–	–
Pension liability adjustments	–	–	–	–	–	–
Loss from discontinued operations	–	(63.820)	–	–	–	–
Net assets released from restrictions for property acquisitions	–	–	850	–	270	–
Other	(364)	5	–	(1)	(261)	(1)
(Decrease) increase in unrestricted net assets	\$ (11.385)	\$ (83.697)	\$ 2.204	\$ (44.919)	\$ (5.071)	\$ (11.186)

	St. Louis		Springfield		Oklahoma		MMIL		Mercy		Eliminations		Total
\$	1,506.073	\$	1,386.245	\$	829.319	\$	261	\$	(14,939)	\$	(149,776)	\$	4,248.688
	(105.617)		(87.938)		(68,506)		—		(60)		—		(320.282)
	1,400.456		1,298.307		760.813		261		(14,999)		(149,776)		3,928.406
	20.961		231.382		341		—		—		—		252.994
	57.052		54.507		38,235		2,760		641,275		(559,884)		257.657
	1,478.469		1,584.196		799,389		3,021		626,276		(709,660)		4,439.057
	789.846		760.063		401,580		2,699		390,219		(149,776)		2,559.031
	567.655		618.193		327,175		1,390		202,469		(559,884)		1,440.200
	98		134,756		—		—		—		—		134,854
	3,919		1		1,828		—		5,806		—		14,603
	76,906		61,599		28,459		187		86,743		—		287,991
	1,438.424		1,574.612		759,042		4,276		685,237		(709,660)		4,436.679
	40,045		9,584		40,347		(1,255)		(58,961)		—		2,378
	—		—		—		—		—		—		—
	—		—		—		—		—		—		190,722
	—		—		—		—		—		—		(235,901)
	40,045		9,584		40,347		(1,255)		(58,961)		—		(42,801)
	844		(11)		609		2,414		186,577		—		193,555
	—		—		—		—		(11,656)		—		(11,656)
	(311)		159		4		—		(1,568)		—		(3,393)
	533		148		613		2,414		173,353		—		178,506
	40,578		9,732		40,960		1,159		114,392		—		135,705
	844		(20,959)		—		—		39,731		—		—
	—		—		—		—		2,907		—		2,907
	—		—		—		—		4,592		—		(59,228)
	3,332		409		167		7		—		—		5,035
	(396)		(171)		700		68		(186)		—		(607)
\$	44,358	\$	(10,989)	\$	41,827	\$	1,234	\$	161,436	\$	—	\$	83,812

Mercy Health

Consolidating Statement of Changes in Net Assets (In Thousands)

Year Ended June 30, 2014

	Fort Smith	Hot Springs	Rogers	Joplin	Kansas	Carthage
(Decrease) increase in unrestricted net assets	\$ (11,385)	\$ (83,697)	\$ 2,204	\$ (44,919)	\$ (5,071)	\$ (11,186)
Restricted net assets						
Pledges, bequests, and gifts for specific purposes	70	(5)	660	1,739	692	–
Investment returns, net	–	8	–	–	–	–
Net assets released from restrictions	(180)	–	(999)	(1,097)	(642)	(95)
Other	312	(547)	–	–	549	–
Increase (decrease) in restricted net assets	202	(544)	(339)	642	599	(95)
Change in net assets	(11,183)	(84,241)	1,865	(44,277)	(4,472)	(11,281)
Net assets at beginning of year	202,080	84,241	145,612	397,669	57,998	8,878
Net assets at end of year	<u>\$ 190,897</u>	<u>\$ –</u>	<u>\$ 147,477</u>	<u>\$ 353,392</u>	<u>\$ 53,526</u>	<u>\$ (2,403)</u>

	St. Louis		Springfield		Oklahoma		MML		Mercy		Eliminations		Total
\$	44,358	\$	(10,989)	\$	41,827	\$	1,234	\$	161,436	\$	–	\$	83,812
	6,198		3,271		8,399		1,101		212		–		22,337
	2,835		3,154		1		–		5		–		6,003
	(9,340)		(2,890)		(2,149)		(1,067)		(50)		–		(18,509)
	371		(20)		1		1		439		–		1,106
	64		3,515		6,252		35		606		–		10,937
	44,422		(7,474)		48,079		1,269		162,042		–		94,749
	991,466		609,663		384,416		28,993		363,796		–		3,274,812
\$	1,035,888	\$	602,189	\$	432,495	\$	30,262	\$	525,838	\$	–	\$	3,369,561

Ernst & Young LLP

Assurance | Tax | Transactions | Advisory

About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 167,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

For more information, please visit www.ey.com

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. This Report has been prepared by Ernst & Young LLP, a client serving member firm located in the United States.

