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Form **990**

Return of Organization Exempt From Income Tax

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

▶ Do not enter Social Security numbers on this form as it may be made public.

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

OMB No. 1545-0047

2013

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

A For the 2013 calendar year, or tax year beginning JULY 01 , 2013, and ending JUNE 30 , 20 14

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

C Name of organization MERCY HOSPITAL OF VALLEY CITY

Doing Business As

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

570 CHAUTAUQUA BLVD

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

VALLEY CITY, ND 58072

D Employer identification number 45-0226553

E Telephone number (701)845-6489

G Gross receipts $ 13,386,698

F Name and address of principal officer: KEITH HEUSER
570 CHAUTAUQUA BLVD, VALLEY CITY, ND 58072

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

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

H(c) Group exemption number ▶ 0928

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

J Website: ▶ WWW.MERCYHOSPITALVALLEYCITY.COM

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

L Year of formation: 1928

M State of legal domicile: ND

Part I Summary

1 Briefly describe the organization's mission or most significant activities: THE MISSION OF THE CORPORATION IS TO NURTURE THE HEALING MINISTRY OF THE CHURCH, SUPPORTED BY EDUCATION AND RESEARCH. FIDELITY TO THE GOSPEL URGES THE CORPORATION TO EMPHASIZE HUMAN (CONTINUED ON SCHEDULE O)

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

3	Number of voting members of the governing body (Part VI, line 1a)	3	8
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	6
5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	5	140
6	Total number of volunteers (estimate if necessary)	6	150
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	-1,288
b	Net unrelated business taxable income from Form 990-T, line 34	7b	-1,288

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	116,643	135,273
9	Program service revenue (Part VIII, line 2g)	12,246,709	12,213,664
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	905,169	849,624
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	194,750	188,135
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	13,463,271	13,386,696
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	4,098	3,360
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	5,665,865	4,984,639
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶ 13,053		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	6,930,601	9,426,048
18	Total expenses. Add lines 13–17 (must equal Part IX, column (A), line 25)	12,508,464	14,414,047
19	Revenue less expenses. Subtract line 18 from line 12	954,807	-1,027,351

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	22,158,130	23,134,627
21	Total liabilities (Part X, line 26)	360,353	839,825
22	Net assets or fund balances. Subtract line 21 from line 20	21,797,777	22,294,802

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Part II Signature Block

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

Sign Here

Signature of officer — Date 5-13-15

KEITH HEUSER, MARKET PRESIDENT
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
PAMELA KROHN		5/8/14		P01210500

Firm's name ▶ CATHOLIC HEALTH INITIATIVES — Firm's EIN ▶ 47-0817373

Firm's address ▶ 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112 — Phone no. (303)298-9100

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

Y-H 9-16 11

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:

SEE STATEMENT O

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 $ 12,820,983 including grants of $ 3,360) (Revenue $ 12,213,664)

SEE SCHEDULE H

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

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

4d Other program services (Describe in Schedule O.)
(Expenses $ 0 including grants of $ 0) (Revenue $ 0)

4e Total program service expenses ▶ 12,820,983

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	✓	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	✓	
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		✓
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	✓	
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		✓
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		✓
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		✓
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		✓
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		✓
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		✓
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	✓	
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	✓	
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		✓
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		✓
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e		✓
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	✓	
12 a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI and XII*	12a		✓
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	✓	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		✓
14 a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		✓
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		✓
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		✓
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		✓
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		✓
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		✓
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		✓
20 a	Did the organization operate one or more hospital facilities? *If "Yes," complete Schedule H*	20a	✓	
b	If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	20b	✓	

Part IV Checklist of Required Schedules *(continued)*

			Yes	No
21	Did the organization report more than $5,000 of grants or other assistance to any domestic organization or government on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	21		✓
22	Did the organization report more than $5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	22		✓
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	23	✓	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a*	24a		✓
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	25a		✓
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	25b		✓
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? If so, complete Schedule L, Part II	26		✓
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III*	27		✓
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions):			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28a		✓
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28b		✓
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	28c		✓
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	29		✓
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	30		✓
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	31		✓
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	32		✓
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? *If "Yes," complete Schedule R, Part I*	33		✓
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	34	✓	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	✓	
b	If "Yes" to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	35b	✓	
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	36		✓
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	37		✓
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	✓	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable	1a	6		
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c		✓	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	140		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? .	2b		✓	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to *e-file* (see instructions) . .				
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?	3a			✓
b	If "Yes," has it filed a Form 990-T for this year? *If "No" to line 3b, provide an explanation in Schedule O* . .	3b			
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a			✓
b	If "Yes," enter the name of the foreign country: ▶ ---------- See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . . .	5a			✓
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			✓
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?	6a			✓
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	7a			✓
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			✓
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			✓
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? .	7f			✓
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g			
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	**Section 501(c)(7) organizations.** Enter.				
a	Initiation fees and capital contributions included on Part VIII, line 12	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities .	10b			
11	**Section 501(c)(12) organizations.** Enter:				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year . .	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state?	13a			
	Note. See the instructions for additional information the organization must report on Schedule O.				
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			✓
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* .	14b			

Part VI **Governance, Management, and Disclosure** *For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 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.	1a	8		
b	Enter the number of voting members included in line 1a, above, who are independent .	1b	6		
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			✓
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			✓
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4			✓
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	5			✓
6	Did the organization have members or stockholders?	6		✓	
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		✓	
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		✓	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:				
a	The governing body?	8a		✓	
b	Each committee with authority to act on behalf of the governing body?	8b		✓	
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			✓

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		✓
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	✓	
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	✓	
b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	✓	
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	✓	
13	Did the organization have a written whistleblower policy?	13	✓	
14	Did the organization have a written document retention and destruction policy?	14		✓
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		✓
b	Other officers or key employees of the organization	15b	✓	
	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		✓
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b		

Section C. Disclosure

17 List the states with which a copy of this Form 990 is required to be filed ▶ NONE

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

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

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

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization: ▶ KEITH HEUSER, 570 CHAUTAUQUA BLVD, VALLEY CITY, ND 58072, (701)845-6583

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, and 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) MARK OBERLANDER	1									
CHAIR	1	✓		✓				0	0	0
(2) KEN REID	1									
VICE CHAIR	0	✓		✓				0	0	0
(3) KEITH HEUSER	40									
BOARD MEMBER/PRESIDENT	1	✓		✓				0	257,506	53,990
(4) MARGARET DAHLBERG	1									
BOARD MEMBER	0	✓						0	0	0
(5) JEFFREY DROP	1									
BOARD MEMBER/CHI SVP DIVISION OFFICER	60	✓						0	827,539	118,272
(6) SR STELLA OLSON	1									
BOARD MEMBER	2	✓						0	0	0
(7) AVIS RICHTER	1									
BOARD MEMBER	0	✓						0	0	0
(8) CURTIS VANDYKE	1									
BOARD MEMBER	0	✓						0	0	0
(9) BETHANY SMITH	40									
TREASURER/CONTROLLER	1			✓				51,422	8,789	25,605
(10) CAMILLE SETTELMEYER	40									
VP OF PATIENT CARE	0			✓				104,162	0	7,961
(11) CYNTHIA K THORMODSON	4									
VP OPERATIONAL FINANCE	56			✓				0	18,820	130
(12) LISA URBATSCH	1									
SECRETARY	1			✓				0	0	0
(13) CLARK KRUTA	40									
CRNA	0					✓		192,192	0	42,239
(14)										

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			
(15)										
(16)										
(17)										
(18)										
(19)										
(20)										
(21)										
(22)										
(23)										
(24)										
(25)										
1b **Sub-total** ▶								347,776	1,112,654	248,197
c **Total from continuation sheets to Part VII, Section A** ▶								0	0	0
d **Total (add lines 1b and 1c)** ▶								347,776	1,112,654	248,197

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 ▶ 2

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

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
NONE		

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ▶ 0

Part VIII Statement of Revenue

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

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d	128,382			
	e	Government grants (contributions)	1e	5,000			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	1,891			
	g	Noncash contributions included in lines 1a-1f: $					
	h	**Total.** Add lines 1a–1f ▶		135,273			
Program Service Revenue			Business Code				
	2a	PATIENT SERVICES	900099	12,210,124	12,210,124		
	b	RENTAL INCOME	900099	3,540	3,540		
	c			0			
	d			0			
	e			0			
	f	All other program service revenue		0	0	0	0
	g	**Total.** Add lines 2a–2f ▶		12,213,664			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts) ▶		359,596		-1,288	360,884
	4	Income from investment of tax-exempt bond proceeds ▶		0			
	5	Royalties ▶		0			
			(i) Real	(ii) Personal			
	6a	Gross rents					
	b	Less: rental expenses					
	c	Rental income or (loss)	0	0			
	d	Net rental income or (loss) ▶		0			
	7a	Gross amount from sales of assets other than inventory	(i) Securities 489,742	(ii) Other 286			
	b	Less: cost or other basis and sales expenses					
	c	Gain or (loss)	489,742	286			
	d	Net gain or (loss) ▶		490,028			490,028
	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	REHAB SERVICES REVENUE	621400	137,049			137,049
	b	CAFETERIA	722100	42,171			42,171
	c	PHARMACY SERVICES	446110	6,061			6,061
	d	All other revenue	900099	2,854	0	0	2,854
	e	**Total.** Add lines 11a–11d ▶		188,135			
	12	**Total revenue.** See instructions. ▶		13,386,696	12,213,664	-1,288	1,039,047

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	3,360	3,360		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22 . . .	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16 . .	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	128,651		128,651	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . .	0			
7	Other salaries and wages	3,882,073	3,713,183	159,961	8,929
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	194,740	180,290	14,013	437
9	Other employee benefits	486,531	450,430	35,011	1,090
10	Payroll taxes	292,644	269,555	22,455	634
11	Fees for services (non-employees):				
a	Management	52,613		50,089	2,524
b	Legal	14,237		14,237	
c	Accounting	102,429		102,429	
d	Lobbying	0			
e	Professional fundraising services. See Part IV, line 17	0			
f	Investment management fees	0			
g	Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O.) . .	4,321,810	3,422,240	899,570	0
12	Advertising and promotion	29,875		29,875	
13	Office expenses	528,007	445,321	82,647	39
14	Information technology	1,537,382	1,537,382		
15	Royalties	0			
16	Occupancy	229,281	229,281		
17	Travel	28,163	27,092	1,071	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings .	2,641		2,641	
20	Interest	0			
21	Payments to affiliates	495,876	495,876		
22	Depreciation, depletion, and amortization .	366,738	360,599	6,139	
23	Insurance	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	MEDICAL SUPPLIES	804,924	804,924		
b	REPAIRS AND MAINTENANCE	92,495	88,285	4,210	
c	DUES & SUBSCRIPTIONS	28,842	14,245	14,597	
d	BAD DEBTS	765,151	765,151		
e	All other expenses	25,584	13,769	11,815	0
25	**Total functional expenses.** Add lines 1 through 24e	14,414,047	12,820,983	1,579,411	13,653
26	**Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)	0			

Part X Balance Sheet

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

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		1,641	1	1,427
	2	Savings and temporary cash investments		208,663	2	121,339
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		1,471,318	4	1,867,480
	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		24,792	7	13,054
	8	Inventories for sale or use		218,484	8	216,019
	9	Prepaid expenses and deferred charges		13,151	9	8,044
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 10,953,916			
	b	Less: accumulated depreciation	10b 8,487,015	2,511,889	10c	2,466,901
	11	Investments—publicly traded securities			11	
	12	Investments—other securities. See Part IV, line 11		17,706,192	12	18,428,689
	13	Investments—program-related. See Part IV, line 11		0	13	0
	14	Intangible assets			14	
	15	Other assets. See Part IV, line 11		0	15	11,674
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		22,156,130	16	23,134,627
Liabilities	17	Accounts payable and accrued expenses		284,723	17	777,238
	18	Grants payable			18	
	19	Deferred revenue		44,508	19	62,587
	20	Tax-exempt bond liabilities			20	
	21	Escrow or custodial account liability. Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D		29,122	25	0
	26	**Total liabilities.** Add lines 17 through 25		358,353	26	839,825
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		21,698,796	27	22,275,617
	28	Temporarily restricted net assets		98,981	28	19,185
	29	Permanently restricted net assets		0	29	0
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building, or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		21,797,777	33	22,294,802
	34	Total liabilities and net assets/fund balances		22,156,130	34	23,134,627

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	13,386,696
2	Total expenses (must equal Part IX, column (A), line 25)	2	14,414,047
3	Revenue less expenses. Subtract line 2 from line 1	3	-1,027,351
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	21,797,777
5	Net unrealized gains (losses) on investments	5	1,568,807
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	-127
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-44,304
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	22,294,802

Part XII Financial Statements and Reporting

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

			Yes	No
1	Accounting method used to prepare the Form 990: ☐ Cash ☑ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O.			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both: ☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis	2a		✓
b	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: ☐ Separate basis ☑ Consolidated basis ☐ Both consolidated and separate basis	2b	✓	
c	If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.	2c	✓	
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	✓	
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits.	3b	✓	

SCHEDULE A (Form 990 or 990-EZ)

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

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2013

Open to Public Inspection

Name of the organization	Employer identification number
MERCY HOSPITAL OF VALLEY CITY	45-0226553

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

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

1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
2 ☐ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E.)
3 ☑ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state:
5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II.)
6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II.)
8 ☐ A community trust described in **section 170(b)(1)(A)(vi).** (Complete Part II.)
9 ☐ An organization that normally receives: (1) more than 33⅓% 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 33⅓% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2).** (Complete Part III.)
10 ☐ An organization organized and operated exclusively to test for public safety. See **section 509(a)(4).**
11 ☐ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2). See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h.

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

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

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

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

		Yes	No
(i)	A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?	11g(i)	
(ii)	A family member of a person described in (i) above?	11g(ii)	
(iii)	A 35% controlled entity of a person described in (i) or (ii) above?	11g(iii)	

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

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1–9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of monetary support
			Yes	No	Yes	No	Yes	No	
(A)									
(B)									
(C)									
(D)									
(E)									
Total									0

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 section 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 from 2012 Schedule A, Part II, line 14 . . . . . 15 %

16a **33⅓% support test—2013.** If the organization did not check the box on line 13, and line 14 is 33⅓% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization . . . . . ▶ ☐

b **33⅓% support test—2012.** If the organization did not check a box on line 13 or 16a, and line 15 is 33⅓% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization . . . . . ▶ ☐

17a **10%-facts-and-circumstances test—2013.** If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization . . . . . ▶ ☐

b **10%-facts-and-circumstances test—2012.** If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization . . . . . ▶ ☐

18 **Private foundation.** If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions . . . . . ▶ ☐

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

Section A. Public Support

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

Section B. Total Support

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

14 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 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 ▶ ☐

SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

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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 organization	Employer identification number
MERCY HOSPITAL OF VALLEY CITY	45-0226553

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

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

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

1 Enter the amount of any excise tax incurred by the organization under section 4955 . . . . ► $
2 Enter the amount of any excise tax incurred by organization managers under section 4955 . . ► $
3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? . . . . . ☐ Yes ☐ No
4a Was a correction made? . . . . . ☐ Yes ☐ No
b If "Yes," describe in Part IV.

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

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

	(a) Name	(b) Address	(c) EIN	(d) Amount paid from filing organization's funds If none, enter -0-	(e) Amount of political contributions received and promptly and directly delivered to a separate political organization If none, enter -0-
(1)					
(2)					
(3)					
(4)					
(5)					
(6)					

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.		

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? ☐ Yes ☐ No

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

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

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

For each "Yes," response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:			
a	Volunteers?		✓	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		✓	
c	Media advertisements?		✓	
d	Mailings to members, legislators, or the public?		✓	
e	Publications, or published or broadcast statements?		✓	
f	Grants to other organizations for lobbying purposes?	✓		935
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		✓	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		✓	
i	Other activities?		✓	
j	Total. Add lines 1c through 1i			935
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?			
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

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

SEE NEXT PAGE

Part IV **Supplemental Information** Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4; Part I-C, line 5; and Part II-B, line 1i. Also, complete this part for any additional information.

Return Reference	Identifier	Explanation
SCHEDULE C, PART II-B, LINE 1	DESCRIPTION OF THE ACTIVITIES REPORTED ON LINES 1A THROUGH 1I	LINE 1F THE PORTION OF ORGANIZATION DUES THAT ARE RELATED TO LOBBYING ARE AS FOLLOWS CATHOLIC HEALTH ASSOCIATION - $109, AMERICAN HOSPITAL ASSOCIATION - $315, AND NORTH DAKOTA HEALTH ASSOCIATION $511

SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
MERCY HOSPITAL OF VALLEY CITY

Employer identification number
45-0226553

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts.

Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

		(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year		
2	Aggregate contributions to (during year)		
3	Aggregate grants from (during year)		
4	Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? ☐ Yes ☐ No

Part II Conservation Easements.

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

1 Purpose(s) of conservation easements held by the organization (check all that apply).
☐ Preservation of land for public use (e.g., recreation or education) ☐ Preservation of an historically important land area
☐ Protection of natural habitat ☐ Preservation of a certified historic structure
☐ Preservation of open space

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

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

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

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

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

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

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

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

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

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.

Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

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

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

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

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

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

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

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

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

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

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

Part IV Escrow and Custodial Arrangements.

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

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

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

		Amount
c Beginning balance	1c	
d Additions during the year	1d	
e Distributions during the year	1e	
f Ending balance	1f	

2a Did the organization include an amount on Form 990, Part X, line 21? . . . . . ☐ Yes ☐ No

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

Part V Endowment Funds.

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

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance					
b Contributions					
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

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

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

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

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

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

4 Describe in Part XIII the intended uses of the organization's endowment funds.

Part VI Land, Buildings, and Equipment.

Complete if the organization answered "Yes" to Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		19,382		19,382
b Buildings		6,477,663	5,189,657	1,288,006
c Leasehold improvements				0
d Equipment		4,335,217	3,219,068	1,116,149
e Other		121,654	78,290	43,364
Total. Add lines 1a through 1e. *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				2,466,901

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

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A) CHI OIP - FIXED INCOME	8,966,014	
(B) CHI OIP - EQUITY SECURITIES	9,462,675	
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
Total. *(Column (b) must equal Form 990, Part X, col (B) line 12.)* ▶	18,428,689	

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

(a) Description of investment	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
Total. *(Column (b) must equal Form 990, Part X, col. (B) line 13.)* ▶		

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

(a) Description	(b) Book value
(1)	
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
Total. *(Column (b) must equal Form 990, Part X, col. (B) line 15.)* ▶	

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

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25.)* ▶	0

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

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

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

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

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

Part XIII Supplemental Information.

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

SEE NEXT PAGE

Part XIII **Supplemental Information** Complete this part to 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	Identifier	Explanation
SCHEDULE D, PART X, LINE 2	FIN 48 (ASC 740) FOOTNOTE	MERCY HOSPITAL OF VALLEY CITY'S FINANCIAL INFORMATION IS INCLUDED IN THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF CATHOLIC HEALTH INITIATIVES (CHI), A RELATED ORGANIZATION CHI'S FIN 48 (ASC 740) FOOTNOTE FOR THE YEAR ENDED JUNE 30, 2014, READS AS FOLLOWS "CHI IS A TAX-EXEMPT COLORADO CORPORATION AND HAS BEEN GRANTED AN EXEMPTION FROM FEDERAL INCOME TAX UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE CHI OWNS CERTAIN TAXABLE SUBSIDIARIES AND ENGAGES IN CERTAIN ACTIVITIES THAT ARE UNRELATED TO ITS EXEMPT PURPOSE AND THEREFORE SUBJECT TO INCOME TAX MANAGEMENT REVIEWS ITS TAX POSITIONS ANNUALLY AND HAS DETERMINED THAT THERE ARE NO MATERIAL UNCERTAIN TAX POSITIONS THAT REQUIRE RECOGNITION IN THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS "

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	Employer identification number
MERCY HOSPITAL OF VALLEY CITY	45 0226553

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	✓	
b	If "Yes," was it a written policy?	1b	✓	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year. ☑ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year.			
a	Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care: ☐ 100% ☐ 150% ☐ 200% ☐ Other _____%	3a		✓
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care: ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☐ Other _____%	3b		✓
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care.			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	✓	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	✓	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	✓	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c		✓
6a	Did the organization prepare a community benefit report during the tax year?	6a	✓	
b	If "Yes," did the organization make it available to the public?	6b	✓	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H.			

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)		116	160,995		160,995	1 18
b Medicaid (from Worksheet 3, column a)		801	301,567		301,567	2 21
c Costs of other means-tested government programs (from Worksheet 3, column b)					0	0 00
d **Total** Financial Assistance and Means-Tested Government Programs	0	917	462,562	0	462,562	3 39
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	25	9,980	45,706		45,706	0 33
f Health professions education (from Worksheet 5)	7	123	26,719		26,719	0 20
g Subsidized health services (from Worksheet 6)					0	0 00
h Research (from Worksheet 7)					0	0 00
i Cash and in-kind contributions for community benefit (from Worksheet 8)	6	613	6,176		6,176	0 05
j **Total.** Other Benefits	38	10,716	78,601	0	78,601	0 58
k **Total.** Add lines 7d and 7j	38	11,633	541,163	0	541,163	3 97

Part II Community 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
1	Physical improvements and housing					0	0 00
2	Economic development					0	0 00
3	Community support	2	92	1,398		1,398	0 00
4	Environmental improvements	1		324		324	0 00
5	Leadership development and training for community members	1	29	1,188		1,188	0 00
6	Coalition building	5	56	8,828	4,792	4,036	0 02
7	Community health improvement advocacy	1		108		108	0 00
8	Workforce development	2	36	546		546	0 00
9	Other					0	0 00
10	Total	12	213	12,392	4,792	7,600	0 05

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?		1	✓	
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount	2	765,151		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.	3	0		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	7,644,072		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	7,502,496		
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	141,576		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used:				

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

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

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

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

Part V Facility Information

Section A. Hospital Facilities

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

How many hospital facilities did the organization operate during the tax year? 1

Name, address, primary website address, and state license number	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (describe)	Facility reporting group
1 MERCY HOSPITAL OF VALLEY CITY 570 CHAUTAUQUA BLVD VALLEY CITY, ND 58072 HTTP //WWW MERCYHOSPITALVALLEYCITY ORG/	✓	✓			✓		✓			
2										
3										
4										
5										
6										
7										
8										
9										
10										

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group MERCY HOSPITAL OF VALLEY CITY

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 1	✓	
	If "Yes," indicate what the CHNA report describes (check all that apply):		
a	☑ A definition of the community served by the hospital facility		
b	☑ Demographics of the community		
c	☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	☑ How data was obtained		
e	☑ The health needs of the community		
f	☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	☑ The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	☑ The process for consulting with persons representing the community's interests		
i	☑ Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	☐ Other (describe in Section C)		
2	Indicate the tax year the hospital facility last conducted a CHNA: 20 1 2		
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 Section C how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted 3	✓	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Section C 4		✓
5	Did the hospital facility make its CHNA report widely available to the public? 5	✓	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply):		
a	☑ Hospital facility's website (list url) HTTP //WWW MERCYHOSPITALVALLEYCITY ORG/		
b	☐ Other website (list url):		
c	☑ Available upon request from the hospital facility		
d	☐ Other (describe in Section C)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply as of the end of the tax year):		
a	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	☑ Execution of the implementation strategy		
c	☑ Participation in the development of a community-wide plan		
d	☑ Participation in the execution of a community-wide plan		
e	☑ Inclusion of a community benefit section in operational plans		
f	☑ Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	☑ Prioritization of health needs in its community		
h	☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	☐ Other (describe in Section C)		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Section C which needs it has not addressed and the reasons why it has not addressed such needs 7		✓
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		✓
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
	Did the hospital facility have in place during the tax year a written financial assistance policy that:		
9	Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care? 9	✓	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care? 10		✓
	If "Yes," indicate the FPG family income limit for eligibility for free care: _ _ _ %		
	If "No," explain in Section C the criteria the hospital facility used		
11	Used FPG to determine eligibility for providing *discounted* care? 11		✓
	If "Yes," indicate the FPG family income limit for eligibility for discounted care: _ _ _ %		
	If "No," explain in Section C the criteria the hospital facility used.		
12	Explained the basis for calculating amounts charged to patients? 12	✓	
	If "Yes," indicate the factors used in determining such amounts (check all that apply):		
a	☑ Income level		
b	☑ Asset level		
c	☑ Medical indigency		
d	☑ Insurance status		
e	☑ Uninsured discount		
f	☑ Medicaid/Medicare		
g	☐ State regulation		
h	☐ Residency		
i	☐ Other (describe in Section C)		
13	Explained the method for applying for financial assistance? 13	✓	
14	Included measures to publicize the policy within the community served by the hospital facility? 14	✓	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply):		
a	☑ The policy was posted on the hospital facility's website		
b	☐ The policy was attached to billing invoices		
c	☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d	☑ The policy was posted in the hospital facility's admissions offices		
e	☑ The policy was provided, in writing, to patients on admission to the hospital facility		
f	☑ The policy was available on request		
g	☐ Other (describe in Section C)		

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	✓	
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP.		
a	☐ Reporting to credit agency		
b	☐ Lawsuits		
c	☐ Liens on residences		
d	☐ Body attachments		
e	☐ Other similar actions (describe in Section C)		
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP? 17		✓
	If "Yes," check all actions in which the hospital facility or a third party engaged:		
a	☐ Reporting to credit agency		
b	☐ Lawsuits		
c	☐ Liens on residences		
d	☐ Body attachments		
e	☐ Other similar actions (describe in Section C)		

Part V Facility Information *(continued)*

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

- a ☐ Notified individuals of the financial assistance policy on admission
- b ☐ Notified individuals of the financial assistance policy prior to discharge
- c ☐ Notified individuals of the financial assistance policy in communications with the individuals regarding the individuals' bills
- d ☐ Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy
- e ☐ Other (describe in Section C)

Policy Relating to Emergency Medical Care

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

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

20	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care.			
a	☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b	☐ The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c	☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d	☑ Other (describe in Section C)			
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		✓
	If "Yes," explain in Section C.			
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		✓
	If "Yes," explain in Section C.			

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, 5a, 5b 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

Return Reference	Identifier	Explanation
SCHEDULE H, PART V SEC B, LINE 3	COMMUNITY SERVED BY NEEDS ASSESSMENT	(1) MERCY HOSPITAL EXPLANATION HELD MEETINGS, FOCUS GROUPS, AND CONDUCTED A SURVEY TO OBTAIN DATA FROM COMMUNITY MEMBERS
SCHEDULE H, PART V SEC B, LINE 7	NEEDS NOT ADDRESSED IN NEEDS ASSESSMENT	(1) MERCY HOSPITAL EXPLANATION SOME OF THE COMMUNITY NEEDS WERE DETERMINED TO BE ALREADY ADDRESSED BY OTHER COMMUNITY ORGANIZATIONS THE NEEDS WERE PRIORITIZED BY THE COMMUNITY HEALTH NEEDS ASSESSMENT COALITION THAT WAS PERFORMED
SCHEDULE H, PART V SEC B, LINE 10	USED FEDERAL POVERTY GUIDELINES (FPG) TO DETERMINE ELIGIBILITY	(1) MERCY HOSPITAL EXPLANATION HUD LOW INCOME GUIDELINES USED
SCHEDULE H, PART V SEC B, LINE 11	ELIGIBILITY FOR DISCOUNTED CARE	(1) MERCY HOSPITAL EXPLANATION HUD LOW INCOME GUIDELINES USED
SCHEDULE H, PART V SEC B, LINE 20D	HOW AMOUNTS CHARGED TO FAP-ELIGIBLE PATIENTS WERE DETERMINED	(1) EXPLANATION THE PATIENTS ARE BILLED THE SAME AS PATIENTS WITH INSURANCE ARE BILLED WE DO PROVIDE A SELF-PAY DISCOUNT TO THE 100% TRUE SELF-PAY PATIENTS THE SELF PAY DISCOUNT IS DETERMINED BY USING THE AVERAGE CONTRACTUAL FOR MANAGED CARE PROGRAMS

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? 0

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

Part VI Supplemental Information

Complete this part to provide the following information.

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, 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 needs assessments 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 polic

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

Return Reference	Identifier	Explanation
SCHEDULE H, PART I, LINE 3C	ELIGIBILITY CRITERIA FOR FREE OR DISCOUNTED CARE	WHEN CATHOLIC HEALTH INITIATIVES (THE ULTIMATE PARENT ORGANIZATION TO MERCY HOSPITAL OF VALLEY CITY) ESTABLISHED ITS FINANCIAL ASSISTANCE POLICY IT WAS DETERMINED THAT ESTABLISHING A HOUSEHOLD INCOME SCALE BASED ON THE HUD VERY LOW INCOME GUIDELINES MORE ACCURATELY REFLECTS THE SOCIOECONOMIC DISPERSIONS AMONG URBAN AND RURAL COMMUNITIES IN 17 STATES SERVED BY CHI HOSPITALS AND HEALTH CARE FACILITIES IN COMPARING HUD GUIDELINES TO THE FEDERAL POVERTY GUIDELINES ("FPG"), WE FIND THAT ON AVERAGE HUD GUIDELINES COMPUTE TO APPROXIMATELY 200% TO 250% (AND SOMETIMES 300%) OF FPG MERCY HOSPITAL OF VALLEY CITY BASES ITS FINANCIAL ASSISTANCE ELIGIBILITY ON HUD'S 130% OF VERY LOW INCOME GUIDELINES BASED ON GEOGRAPHY, AND AFFORDS THE UNINSURED AND UNDERINSURED THE ABILITY TO OBTAIN FINANCIAL ASSISTANCE WRITE-OFFS, BASED ON A SLIDING SCALE, RANGING FROM 25%-100% OF CHARGES AN INDIVIDUAL'S INCOME UNDER THE HUD GUIDELINES IS A SIGNIFICANT FACTOR IN DETERMINING ELIGIBILITY FOR FINANCIAL ASSISTANCE HOWEVER, IN DETERMINING WHETHER TO EXTEND DISCOUNTED OR FREE CARE TO A PATIENT, THE PATIENT'S ASSETS MAY ALSO BE TAKEN INTO CONSIDERATION FOR EXAMPLE, A PATIENT SUFFERING A CATASTROPHIC ILLNESS MAY HAVE A REASONABLE LEVEL OF INCOME, BUT A LOW LEVEL OF LIQUID ASSETS SUCH THAT THE PAYMENT OF MEDICAL BILLS WOULD BE SERIOUSLY DETRIMENTAL TO THE PATIENT'S BASIC FINANCIAL (AND ULTIMATELY PHYSICAL) WELL-BEING AND SURVIVAL SUCH A PATIENT MAY BE EXTENDED DISCOUNTED OR FREE CARE BASED UPON THE FACTS AND CIRCUMSTANCES
SCHEDULE H, PART I, LINE 7	COSTING METHODOLOGY USED TO CALCULATE FINANCIAL ASSISTANCE	THE COST-TO-CHARGE RATIO FOR THE YEAR ENDED 6/30/14 WAS COMPUTED USING THE FOLLOWING FORMULA OPERATING EXPENSE (BEFORE RESTRUCTURING, IMPAIRMENT AND OTHER LOSSES) DIVIDED BY GROSS PATIENT REVENUE BASED ON THAT FORMULA, $13,682,652/$17,585,054 RESULTS IN A 77 81% COST-TO-CHARGE RATIO WORKSHEET 2 WAS NOT USED TO DERIVE THE COST-TO-CHARGE RATIO
SCHEDULE H, PART I, LINE 7, COL(F)	BAD DEBT EXPENSE EXCLUDED FROM FINANCIAL ASSISTANCE CALCULATION	765,151
SCHEDULE H, PART I, LINE 7G	SUBSIDIZED HEALTH SERVICES	THERE ARE NO PHYSICIAN CLINICS INCLUDED IN SUBSIDIZED HEALTH SERVICES
SCHEDULE H, PART III, LINE 2	BAD DEBT EXPENSE - METHODOLOGY USED TO ESTIMATE AMOUNT	COSTING METHODOLOGY FOR AMOUNTS REPORTED ON LINE 2 IS DETERMINED USING THE ORGANIZATION'S COST/CHARGE RATIO OF 77 8% WHEN DISCOUNTS ARE EXTENDED TO SELF-PAY PATIENTS, THESE PATIENT ACCOUNT DISCOUNTS ARE RECORDED AS A REDUCTION IN REVENUE, NOT AS BAD DEBT EXPENSE
SCHEDULE H, PART III, LINE 3	BAD DEBT EXPENSE METHODOLOGY	MERCY HOSPITAL OF VALLEY CITY DOES NOT BELIEVE THAT ANY PORTION OF BAD DEBT EXPENSE COULD REASONABLY BE ATTRIBUTED TO PATIENTS WHO QUALIFY FOR FINANCIAL ASSISTANCE SINCE AMOUNTS DUE FROM THOSE INDIVIDUALS' ACCOUNTS WILL BE RECLASSIFIED FROM BAD DEBT EXPENSE TO CHARITY CARE WITHIN 30 DAYS FOLLOWING THE DATE THAT THE PATIENT IS DETERMINED TO QUALIFY FOR CHARITY CARE
SCHEDULE H, PART III, LINE 4	BAD DEBT EXPENSE - FINANCIAL STATEMENT FOOTNOTE	MERCY HOSPITAL OF VALLEY CITY DOES NOT ISSUE SEPARATE COMPANY AUDITED FINANCIAL STATEMENTS HOWEVER, THE ORGANIZATION IS INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS OF CATHOLIC HEALTH INITIATIVES THE CONSOLIDATED FOOTNOTE READS AS FOLLOWS "THE PROVISION FOR BAD DEBTS IS BASED UPON MANAGEMENT'S ASSESSMENT OF HISTORICAL AND EXPECTED NET COLLECTIONS, TAKING INTO CONSIDERATION HISTORICAL BUSINESS AND ECONOMIC CONDITIONS, TRENDS IN HEALTH CARE COVERAGE, AND OTHER COLLECTION INDICATORS MANAGEMENT ROUTINELY ASSESSES THE ADEQUACY OF THE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS BASED UPON HISTORICAL WRITE-OFF EXPERIENCE BY PAYOR CATEGORY. THE RESULTS OF THESE REVIEWS ARE USED TO MODIFY, AS NECESSARY, THE PROVISION FOR BAD DEBTS AND TO ESTABLISH APPROPRIATE ALLOWANCES FOR UNCOLLECTIBLE NET PATIENT ACCOUNTS RECEIVABLE AFTER

Return Reference	Identifier	Explanation
		SATISFACTION OF AMOUNTS DUE FROM INSURANCE, CHI FOLLOWS ESTABLISHED GUIDELINES FOR PLACING CERTAIN BALANCES WITH COLLECTION AGENCIES, SUBJECT TO THE TERMS OF CERTAIN RESTRICTIONS ON COLLECTION EFFORTS AS DETERMINED BY EACH FACILITY THE PROVISION FOR BAD DEBTS IS PRESENTED ON THE CONSOLIDATED STATEMENTS OF OPERATIONS AS A DEDUCTION FROM PATIENT SERVICES REVENUES (NET OF CONTRACTUAL ALLOWANCES AND DISCOUNTS) SINCE CHI ACCEPTS AND TREATS SUBSTANTIALLY ALL PATIENTS WITHOUT REGARD TO THE ABILITY TO PAY "
SCHEDULE H, PART III, LINE 8	COMMUNITY BENEFIT & METHODOLOGY FOR DETERMINING MEDICARE COSTS	MERCY HOSPITAL IS DESIGNATED AS A CRITICAL ACCESS HOSPITAL ("CAH") CAHS ARE RURAL COMMUNITY HOSPITALS THAT ARE CERTIFIED TO RECEIVE COST-BASED REIMBURSEMENT FROM MEDICARE THE REIMBURSEMENT THAT CAHS RECEIVE IS INTENDED TO IMPROVE THEIR FINANCIAL PERFORMANCE AND THEREBY REDUCE HOSPITAL CLOSURES CAHS ARE CERTIFIED UNDER A DIFFERENT SET OF MEDICARE CONDITIONS OF PARTICIPATION (COP) SHORTFALLS ARE CREATED WHEN A FACILITY RECEIVES PAYMENTS THAT ARE LESS THAN THE COSTS OF CARING FOR PROGRAM BENEFICIARIES BECAUSE SHORTFALLS ARE BASED ON COSTS, NOT CHARGES, MERCY HOSPITAL, DUE TO THEIR DESIGNATION AS A CAH, RECEIVED COST-BASED REIMBURSEMENT FOR MEDICARE PURPOSES, MERCY HOSPITAL WILL NOT EXPERIENCE MEDICARE RELATED SHORTFALLS ALTHOUGH NOT PRESENTED ON THE MEDICARE COST REPORT, IN ORDER TO FACILITATE A MORE ACCURATE UNDERSTANDING OF THE "TRUE" COST OF SERVICES (FOR "SHORTFALL" PURPOSES) THE CHI WORKBOOK ALLOWS A HEALTH CARE FACILITY NOT TO OFFSET COSTS THAT MEDICARE CONSIDERS TO BE NON-ALLOWABLE, BUT FOR WHICH THE FACILITY CAN LEGITIMATELY ARGUE ARE RELATED TO THE CARE OF THE FACILITY'S PATIENTS IN ADDITION, ALTHOUGH NOT REPORTABLE ON THE MEDICARE COST REPORT, THE CHI WORKBOOK INCLUDES THE COST OF SERVICES THAT ARE PAID VIA A SET FEE-SCHEDULE RATHER THAN BEING REIMBURSED BASED ON COSTS (E G OUTPATIENT CLINICAL LABORATORY). FINALLY, THE CHI WORKBOOK ALLOWS A FACILITY TO INCLUDE OTHER HEALTH CARE SERVICES PERFORMED BY A SEPARATE FACILITY (SUCH AS A PHYSICIAN PRACTICE) THAT ARE MAINTAINED ON SEPARATE BOOKS AND RECORDS (AS OPPOSED TO THE MAIN FACILITY'S BOOKS AND RECORDS WHICH HAS ITS COSTS OF SERVICE INCLUDED WITHIN A COST REPORT) TRUE COSTS OF MEDICARE COMPUTED USING THIS METHODOLOGY TOTAL MEDICARE REVENUE $7,644,072 TOTAL MEDICARE COSTS $7,502,496 SURPLUS OR (SHORTFALL) $141,576 MERCY HOSPITAL BELIEVES THAT EXCLUDING MEDICARE LOSSES FROM COMMUNITY BENEFIT MAKES THE OVERALL COMMUNITY BENEFIT REPORT MORE CREDIBLE FOR THESE REASONS UNLIKE SUBSIDIZED AREAS SUCH AS BURN UNITS OR BEHAVIORAL-HEALTH SERVICES, MEDICARE IS NOT A DIFFERENTIATING FEATURE OF TAX-EXEMPT HEALTH CARE ORGANIZATIONS IN FACT, FOR-PROFIT HOSPITALS FOCUS ON ATTRACTING PATIENTS WITH MEDICARE COVERAGE, ESPECIALLY IN THE CASE OF WELL-PAID SERVICES THAT INCLUDE CARDIAC AND ORTHOPEDICS SIGNIFICANT EFFORT AND RESOURCES ARE DEVOTED TO ENSURING THAT HOSPITALS ARE REIMBURSED APPROPRIATELY BY THE MEDICARE PROGRAM THE MEDICARE PAYMENT ADVISORY COMMISSION (MEDPAC), AN INDEPENDENT CONGRESSIONAL AGENCY, CAREFULLY STUDIES MEDICARE PAYMENT AND THE ACCESS TO CARE THAT MEDICARE BENEFICIARIES RECEIVE THE COMMISSION RECOMMENDS PAYMENT ADJUSTMENTS TO CONGRESS ACCORDINGLY THOUGH MEDICARE LOSSES ARE NOT INCLUDED BY CATHOLIC HOSPITALS AS COMMUNITY BENEFIT, THE CATHOLIC HEALTH ASSOCIATION GUIDELINES ALLOW HOSPITALS TO COUNT AS COMMUNITY BENEFIT SOME PROGRAMS THAT SPECIFICALLY SERVE THE MEDICARE POPULATION FOR INSTANCE, IF HOSPITALS OPERATE PROGRAMS FOR PATIENTS WITH MEDICARE BENEFITS THAT RESPOND TO IDENTIFIED COMMUNITY NEEDS, GENERATE LOSSES FOR THE HOSPITAL, AND MEET OTHER CRITERIA, THESE PROGRAMS CAN BE INCLUDED IN THE CHA FRAMEWORK IN CATEGORY C AS "SUBSIDIZED HEALTH SERVICES " MEDICARE LOSSES ARE DIFFERENT FROM MEDICAID LOSSES, WHICH ARE COUNTED IN THE CHA COMMUNITY BENEFIT FRAMEWORK, BECAUSE MEDICAID REIMBURSEMENTS GENERALLY DO NOT RECEIVE THE LEVEL OF ATTENTION PAID TO MEDICARE REIMBURSEMENT MEDICAID PAYMENT IS LARGELY DRIVEN BY WHAT STATES CAN AFFORD TO PAY, AND IS TYPICALLY SUBSTANTIALLY LESS THAN WHAT MEDICARE PAYS
SCHEDULE H, PART III, LINE 9B	COLLECTION PRACTICES FOR PATIENTS ELIGIBLE FOR FINANCIAL ASSISTANCE	MERCY HOSPITAL'S DEBT COLLECTION POLICY PROVIDES THAT MERCY HOSPITAL WILL PERFORM A REASONABLE REVIEW OF EACH INPATIENT ACCOUNT PRIOR TO TURNING AN ACCOUNT OVER TO A THIRD-PARTY COLLECTION AGENT AND PRIOR TO INSTITUTING ANY LEGAL ACTION FOR NON-PAYMENT, TO ASSURE THAT THE PATIENT AND PATIENT GUARANTOR ARE NOT ELIGIBLE FOR ANY ASSISTANCE PROGRAM (E G MEDICAID) AND DO NOT QUALIFY FOR COVERAGE THROUGH MERCY HOSPITAL COMMUNITY ASSISTANCE POLICY AFTER HAVING BEEN TURNED OVER TO A THIRD-PARTY COLLECTION AGENT, ANY PATIENT ACCOUNT THAT IS SUBSEQUENTLY DETERMINED TO MEET THE MERCY HOSPITAL COMMUNITY ASSISTANCE POLICY IS REQUIRED TO BE RETURNED IMMEDIATELY BY THE THIRD-PARTY COLLECTION AGENT TO MERCY HOSPITAL FOR APPROPRIATE FOLLOW-UP MERCY HOSPITAL REQUIRES ITS THIRD-PARTY COLLECTION AGENTS TO INCLUDE A MESSAGE ON ALL STATEMENTS INDICATING THAT IF A PATIENT OR PATIENT GUARANTOR MEETS CERTAIN STIPULATED INCOME REQUIREMENTS, THE PATIENT OR PATIENT GUARANTOR MAY BE ELIGIBLE FOR FINANCIAL ASSISTANCE ALL OF CATHOLIC HEALTH INITIATIVES' HOSPITALS' CONTRACTS WITH THIRD PARTY COLLECTION AGENCIES INCLUDE THE FOLLOWING STANDARDS • NEITHER CHI HOSPITALS NOR THEIR COLLECTION AGENCIES WILL REQUEST BENCH OR ARREST WARRANTS AS A RESULT OF NON-PAYMENT, • NEITHER CHI HOSPITALS NOR THEIR COLLECTION AGENCIES WILL SEEK LIENS THAT WOULD

Return Reference	Identifier	Explanation
		REQUIRE THE SALE OR FORECLOSURE OF A PRIMARY RESIDENCE, AND • NO CATHOLIC HEALTH INITIATIVES' COLLECTION AGENCY MAY SEEK COURT ACTION WITHOUT HOSPITAL APPROVAL FINALLY, COLLECTION AGENCIES ARE TRAINED ON THE CATHOLIC HEALTH INITIATIVES MISSION, CORE VALUES AND STANDARD OF CONDUCT TO MAKE SURE ALL PATIENTS ARE TREATED WITH DIGNITY AND RESPECT
SCHEDULE H, PART VI	LINES 2, 4, & 5 COMMUNITY BENEFIT NARRATIVE AND NEEDS ASSESSMENT	I ORGANIZATION'S MISSION, VISION, AND TAX-EXEMPT PURPOSE MERCY HOSPITAL WAS FOUNDED TO ALLEVIATE A SHORTAGE OF HOSPITAL BEDS IN THE COMMUNITY AND OPENED ON MAY 14, 1928 AS THE FIRST CATHOLIC HOSPITAL TO SERVE THE COMMUNITY, MERCY HOSPITAL EMBRACED THE MISSION OF THE FOUNDING CONGREGATION, THE SISTERS OF MERCY, WHICH HAS SINCE JOINED WITH OTHER CONGREGATIONS TO FORM CATHOLIC HEALTH INITIATIVES THE MISSION OF MERCY HOSPITAL OF VALLEY CITY AND CATHOLIC HEALTH INITIATIVES IS "TO NURTURE THE HEALING MINISTRY OF THE CHURCH, SUPPORTED BY EDUCATION AND RESEARCH FIDELITY TO THE GOSPEL URGES US TO EMPHASIZE HUMAN DIGNITY AND SOCIAL JUSTICE AS WE CREATE HEALTHIER COMMUNITIES CHI'S VISION IS TO LIVE UP TO OUR NAME AS ONE CHI CATHOLIC LIVING OUR MISSION AND CORE VALUES HEALTH IMPROVING THE HEALTH OF THE PEOPLE AND COMMUNITIES WE SERVE INITIATIVES PIONEERING MODELS AND SYSTEMS OF CARE TO ENHANCE CARE DELIVERY THE PRIMARY EXEMPT PURPOSE OF MERCY HOSPITAL OF VALLEY CITY IS TO PROVIDE HEALTHCARE SERVICES TO RESIDENTS IN THE COMMUNITY AND SURROUNDING AREA REGARDLESS OF THEIR ABILITY TO PAY AT MERCY, YOU'LL FIND DEDICATED, COMMITTED, HIGHLY QUALIFIED INDIVIDUALS WHO CAN MEET YOUR ROUTINE AND NOT-SO-ROUTINE HEALTH CARE NEEDS 365 DAYS OF THE YEAR WITHOUT THE INCONVENIENCE OF A 60-MILE DRIVE SERVICES AVAILABLE AT MERCY HOSPITAL ACUTE CARE & SWINGBED, AMBULATORY CARE DEPARTMENT, CARDIAC REHAB, CATARACT SURGERY, EDUCATION, TRAUMA 5 EMERGENCY ROOM, FAITH IN ACTION, GENERAL SURGERY, ICU-CCU, LAB, NUTRITION, PHYSICAL, OCCUPATIONAL, AND SPEECH THERAPY, RADIOLOGY, RESPIRATORY THERAPY, RESPITE CARE, SAME DAY SURGERY, SLEEP STUDIES, SOCIAL & BEHAVIORAL SERVICES, COUNSELING SERVICES, SPIRITUAL SERVICES, SPORTS MEDICINE, STRESS TESTING, MAMMOGRAPHY, AND HEALTHY HEART PROGRAM MERCY HOSPITAL ASSISTS IN ADDRESSING THE SPIRITUAL AND EMOTIONAL NEEDS OF VALLEY CITY AND PORTIONS OF SIX SURROUNDING COUNTIES THE MISSION DEPARTMENT, SPIRITUAL CARE AND THE SOCIAL SERVICES DEPARTMENT PROVIDE ASSISTANCE FOR THOSE NEEDING GUIDANCE AND HELP THE MERCY HOSPITAL BOARD OF DIRECTORS CONSISTS OF NINE MEMBERS REPRESENTING A CROSS SECTION OF LOCAL RESIDENTS, WOMEN RELIGIOUS, AND CATHOLIC HEALTH INITIATIVES THE BOARD HAS FIDUCIARY RESPONSIBILITY FOR THE QUALITY, LEGAL COMPLIANCE AND FINANCIAL/BUSINESS PERFORMANCE OF THE HOSPITAL AS WELL AS FOR HIRING THE HOSPITAL ADMINISTRATOR THEY MEET SIX TIMES PER YEAR, OR MORE AS NEEDED, TO ASSESS STRATEGIC DIRECTION, MISSION COMPLIANCE, AND MONTHLY PERFORMANCE AS COMPARED TO ESTABLISHED BENCHMARKS THEY ALSO ROUTINELY EVALUATE LEGAL COMPLIANCE, HUMAN RESOURCES MANAGEMENT, MEDICAL STAFF RELATIONS, COMMUNITY NEEDS, AND NEW BUSINESS LINES II COMMUNITY BENEFIT APPROACH COMMUNITY BENEFIT IS A PLANNED, ORGANIZED, MANAGED, AND MEASURED APPROACH TO A HEALTH CARE ORGANIZATION'S PARTICIPATION IN MEETING IDENTIFIED COMMUNITY HEALTH NEEDS IT IMPLIES COLLABORATION WITH A "COMMUNITY" TO "BENEFIT" ITS RESIDENTS—PARTICULARLY PEOPLE WHO ARE POOR, MINORITIES AND OTHER UNDERSERVED GROUPS—BY IMPROVING HEALTH STATUS AND QUALITY OF LIFE COMMUNITY BENEFITS ARE PROGRAMS OR ACTIVITIES THAT PROVIDE TREATMENT OR PROMOTE HEALTH AND HEALING AS A RESPONSE TO IDENTIFIED COMMUNITY NEEDS AND MEET AT LEAST ONE OF THESE COMMUNITY BENEFIT OBJECTIVES • IMPROVE ACCESS TO HEALTH CARE SERVICES • ENHANCE HEALTH OF THE COMMUNITY • ADVANCE MEDICAL OR HEALTH CARE KNOWLEDGE • RELIEVE OR REDUCE THE BURDEN OF GOVERNMENT OR OTHER COMMUNITY EFFORTS MERCY HOSPITAL IS LOCATED IN VALLEY CITY, BARNES COUNTY, NORTH DAKOTA BARNES COUNTY IS THE PRIMARY SERVICE AREA WITH CLOSE TO 90% OF THE PATIENT'S VISITS AND ALMOST 72% COME FROM VALLEY CITY ALONE SERVICE AREA POPULATION IS APPROXIMATELY 12,000 ACCORDING TO THE 2011 ESTIMATE U S CENSUS BUREAU, THE COUNTY HAS A TOTAL AREA OF 1491 SQUARE MILES ACCORDING TO THE 2011 CENSUS THERE IS 4,830 HOUEHOLDS, A DECREASE FROM 4,992 CHILDREN UNDER THE AGE OF 18 REMAINED 20 6% AND PERSONS OVER 65 YEARS OF AGE AT 19 4% THE MEDIAN INCOME FOR A HOUSEHOLD DECREASED FROM $44,154 TO $41,773 THE POPULATION LIVING BELOW THE POVERTY LINE INCREASED FROM 11 10 TO 12% THE RACIAL MAKEUP OF THE COUNTY WAS 96 4% WHITE MERCY HOSPITAL SERVICE AREA ALSO INCLUDES PORTIONS OF THE FOLLOWING COUNTIES CASS, LAMOURE, RANSOM, STUTSMAN, GRIGGS, AND STEELE, SOME OF THESE COUNTIES IS LESS THAN TENTHS OF A PERCENT SERVED BY MERCY HOSPITAL ACCORDING TO 2006 HRSA DEPT OF HEALTH & HUMAN SERVICES, HEALTH RESOURCES AND SERVICE ADMINISTRATION, MERCY HOSPITAL IS IN A MENTAL HEALTH PROFESSIONAL

Return Reference	Identifier	Explanation
		SHORTAGE AREA MERCY HOSPITAL IS PROVIDING SERVICES AND REACHING COMMUNITY MEMBERS THROUGH WELLNESS IN THE VALLEY SERVICES WELLNESS IN THE VALLEY MISSION IS TO ACT AS ADVOCATES FOR MENTAL HEALTH AND SUICIDE PREVENTION THROUGH EDUCATION, UNDERSTANDING AND SUPPORT TO OUR COMMUNITY COMMUNITY ASSESSMENT, PROCESS AND SUMMARY A BROAD REPRESENTATION OF THE COMMUNITY WAS INCLUDED IN THE COMMUNITY HEALTH NEEDS ASSESSMENT COALITION THE INITIATIVE WAS FACILITATED BY LEADERS FROM CITY COUNTY HEALTH DISTRICT AND MERCY HOSPITAL ALL COALITION REPRESENTATIVES PARTICIPATED IN DATA REVIEW AND LOCAL CHNA TOOL CONTENT DEVELOPMENT AND DATA COLLECTION THE MEMBERS THEN PARTICIPATED IN FURTHER DATA REVIEW AND FINALLY IN CONSENSUS PRIORITY SETTING USING DATA FROM THE INITIAL PRESENTATION AND CHNA, THE COALITION IDENTIFIED PRIORITY AREAS THE PROCESS THAT WAS USED FOR PRIORITIZATION INCLUDED STRUCTURED BRAINSTORMING TO CREATE THE LIST OF PERTINENT ISSUES THIS WAS THEN FOLLOWED WITH A MULTI-VOTING PRIORITY PROCESS, WHEREAS THE MEMBERS IDENTIFIED THE PRIORITIES FOR THE POPULATION THEY REPRESENTED THE PRIORITY AREAS IDENTIFIED BY THE COALITION ARE 1 CHRONIC DISEASE MANAGEMENT AND PREVENTION 2 ACCESS TO MENTAL HEALTH AND CHEMICAL DEPENDENCY 3 VIOLENCE PREVENTION, SPECIFIC PRIORITY TO BE CLARIFIED BY THE SUBGROUP THE CHNA AND IMPLEMENTATION STRATEGY PLAN CAN BE LOCATED ON HTTP //WWW MERCYHOSPITALVALLEYCITY ORG MERCY HOSPITAL HAS A MS LAPC NCC WHO COUNSELS AND EDUCATES COMMUNITY MEMBERS, RUNS GROUP COUNSELING SESSIONS AS WELL AS MAKES REFERRALS AND LEADS THE WELLNESS IN THE VALLEY SUICIDE PREVENTION GROUP UNCOMPENSATED CARE FOR THE POOR OUR BEST-KNOWN, BUT OFTEN LEAST-UTILIZED, COMMUNITY BENEFIT PROGRAM IS THE FINANCIAL ASSISTANCE WE PROVIDE TO PATIENTS WHO CANNOT AFFORD TO PAY FOR THEIR CARE FINANCIAL ASSISTANCE APPLICATIONS MAY BE OBTAINED AT MERCY HOSPITAL OR ON THE WEBSITE HTTP //WWW MERCYHOSPITALVALLEYCITY ORG THE PROCESS IS EXTREMELY CONFIDENTIAL AND OUR GOAL IS TO AWARD FINANCIAL ASSISTANCE RATHER THAN TURN PATIENTS OVER TO COLLECTION FOR HEALTHCARE BILLS CHARITY CARE IS FREE OR DISCOUNTED HEALTH AND HEALTH-RELATED SERVICES PROVIDED TO PERSONS WHO CANNOT AFFORD TO PAY FOR MEDICALLY NECESSARY HEALTH CARE ELIGIBILITY IS BASED ON HOUSEHOLD INCOME AS WELL AS OTHER ASSETS CONSIDERATION IS GIVEN TO A PATIENT WHO HAS SIGNIFICANT OR CATASTROPHIC MEDICAL BILLS AND DOES NOT MEET THE INCOME GUIDELINES CHARITY CARE IS GIVEN TO UNINSURED, LOW-INCOME PATIENTS WHO ARE NOT EXPECTED TO PAY ALL OR PART OF A BILL, OR WHO ARE ABLE TO PAY ONLY A PORTION USING AN INCOME-RELATED FEE SCHEDULE COMMUNITY BENEFIT PROGRAMS FOR THE POOR ARE GEARED TO REDUCING MORBIDITY AND MORTALITY IN BENEFICIARIES OF MEDICAID OR STATE OR LOCAL INDIGENT PROGRAMS ELIGIBILITY FOR UNINSURED/UNDERINSURED DISCOUNTS SHALL BE DETERMINED BASED ON 130% OF THE ANNUALLY UPDATED HUD GEOGRAPHIC VERY-LOW INCOME GUIDELINES, AVAILABLE ASSETS AND ANY EXTENUATING CIRCUMSTANCES THUS, THE STANDARDS OF ELIGIBILITY FOR THE APPLICATION OF UNINSURED/UNDERINSURED DISCOUNTS MUST CONSIDER ASSETS, AS WELL AS INCOME MERCY HOSPITAL SHALL UTILIZE 130% OF THE HUD GEOGRAPHIC VERY-LOW INCOME GUIDELINES AS A MINIMUM
SCHEDULE H, PART VI	LINES 2, 4, & 5 COMMUNITY BENEFIT NARRATIVE AND NEEDS ASSESSMENT	(CONTINUED) III QUANTITATIVE DESCRIPTION OF COMMUNITY BENEFIT • BENEFIT FOR THE POOR - FINANCIAL ASSISTANCE ESTIMATED NUMBER OF PEOPLE SERVED - 116, COMMUNITY BENEFIT COST - $160,995 • BENEFIT FOR THE POOR - UNPAID COSTS OF MEDICAID ESTIMATED NUMBER OF PEOPLE SERVED - 801, COMMUNITY BENEFIT COST - $301,567 • BENEFIT FOR THE POOR - COMMUNITY BENEFIT OPERATION ESTIMATED NUMBER OF PEOPLE SERVED - 76, COMMUNITY BENEFIT COST - $7,113 • BENEFIT FOR THE POOR - COMMUNITY HEALTH IMPROVEMENT SERVICES ESTIMATED NUMBER OF PEOPLE SERVED - 1, COMMUNITY BENEFIT COST - $54 • BENEFIT FOR THE POOR - FINANCIAL AND IN-KIND CONTRIBUTIONS ESTIMATED NUMBER OF PEOPLE SERVED - 150, COMMUNITY BENEFIT COST - $541 •BENEFIT FOR THE BROADER COMMUNITY - COMMUNITY BENEFIT OPERATIONS ESTIMATED NUMBER OF PEOPLE SERVED - 0, COMMUNITY BENEFIT COST - $538 • BENEFIT FOR THE BROADER COMMUNITY - COMMUNITY BUILDING ACTIVITIES ESTIMATED NUMBER OF PEOPLE SERVED - 213, COMMUNITY BENEFIT COST - $12,392 • BENEFIT FOR THE BROADER COMMUNITY - COMMUNITY HEALTH IMPROVEMENT SERVICES ESTIMATED NUMBER OF PEOPLE SERVED - 9,903, COMMUNITY BENEFIT COST - $38,001 • BENEFIT FOR THE BROADER COMMUNITY - FINANCIAL AND IN-KIND CONTRIBUTIONS ESTIMATED NUMBER OF PEOPLE SERVED -63, COMMUNITY BENEFIT COST - $5,635

Return Reference	Identifier	Explanation
		• BENEFIT FOR THE BROADER COMMUNITY - HEALTH PROFESSIONS EDUCATION ESTIMATED NUMBER OF PEOPLE SERVED - 124, COMMUNITY BENEFIT COST - $26,719 • TOTAL BENEFIT FOR THE POOR AND BROADER COMMUNITY ESTIMATED NUMBER OF PEOPLE SERVED - 11,846, COMMUNITY BENEFIT COST - $553,555 HUMAN INVESTMENTS AND STATISTICS NUMBER OF ACTIVITIES 50 STAFF HOURS 2,254 VOLUNTEER HOURS 188 THE TOTAL QUANTIFIABLE COMMUNITY BENEFITS COSTS $53,555 SERVING 11,846 PEOPLE THIS COMMUNITY BENEFIT IS 4 0% OF MERCY'S EXPENSES AND 3 1% OF MERCY'S REVENUES IV QUALITATIVE DESCRIPTION OF COMMUNITY BENEFIT COMMUNITY BENEFIT IS THE NAME GIVEN TO THE PROGRAMS WE CREATE IN RESPONSE TO HEALTH NEEDS IN OUR SERVICE AREAS AN IMPORTANT PART OF OUR MISSION IS BUILDING HEALTHIER COMMUNITIES THROUGH PROGRAMS DESIGNED TO SERVE THE NEEDS OF PEOPLE WHO ARE POOR AND DISADVANTAGED IN OUR COMMUNITY THIS TYPE OF COMMUNITY BENEFIT HAS THE ADDED, POSITIVE SIDE-EFFECT OF DELIVERING AN IMPROVED QUALITY OF LIFE FOR EVERYONE COMMUNITY BENEFIT MOST OFTEN TAKES PLACE OUTSIDE THE WALLS OF OUR FACILITIES AND INVOLVES PARTNER ORGANIZATIONS IN THE COMMUNITY OUR COMMUNITY BENEFIT ACTIVITIES ARE DESIGNED TO • IDENTIFY AND INCREASE AWARENESS OF HEALTH NEEDS IN VALLEY CITY • PROVIDE RESOURCES TO MEET THOSE NEEDS • CREATE COLLABORATION BETWEEN COMMUNITY ORGANIZATIONS THAT FOCUS ON HEALTH AND WELLBEING • TACKLE PROBLEMS SUCH AS POVERTY, HOMELESSNESS, OR BEHAVIORS (SUCH AS OBESITY, DOMESTIC VIOLENCE OR UNDERAGE DRINKING) THAT CAN CONTRIBUTE TO POOR HEALTH COMMUNITY OUTREACH FOR THE POOR MERCY HOSPITAL OUTREACH FOR THE POOR ACTIVITIES INCLUDE CHARITY CARE/FINANCIAL ASSISTANCE AND UNPAID COST OF MEDICAID COMMUNITY OUTREACH FOR THE BROADER COMMUNITY MERCY HOSPITAL REACHES THE BROADER COMMUNITY IN MANY WAYS AND MANY ACTIVITIES THROUGH EDUCATION, PROGRAMS, FUNDRAISERS, COMMUNITY SUPPORT, HEALTH FAIRS, WELLNESS DAYS, PHONE A NURSE MERCY HOSPITAL BELIEVES THEIR ADVOCACY EFFORTS WILL CONTINUE TO IMPROVE HEALTH CARE ACCESS AND QUALITY OF LIFE FOR AREA RESIDENTS FUNDS AND IN-KIND SERVICES ARE DONATED TO INDIVIDUALS AND/OR THE COMMUNITY AT LARGE IN-KIND SERVICES ALSO INCLUDE HOURS DONATED BY STAFF TO THE COMMUNITY WHILE ON HEALTH CARE ORGANIZATION WORK TIME SUCH AS AMERICAN CANCER SOCIETY DAFFODIL DAYS AND RELAY FOR LIFE, ADVISORY BOARD, IN-KIND PRINTING, MEALS ON WHEELS DELIVERED TO THE HOMEBOUND, STUDENT HOUSING, MEETING ROOMS FOR COMMUNITY EDUCATION, AND YPHHP DONATIONS HEALTH EDUCATION OUTREACH FOR THE COMMUNITY IS REACHED BY ARTICLES WRITTEN FOR "YOUR HEALTH" IN THE WEEKLY NEWSPAPER AND RADIO ANNOUNCEMENTS
SCHEDULE H, PART VI	LINES 2, 4, & 5 COMMUNITY BENEFIT NARRATIVE AND NEEDS ASSESSMENT	(CONTINUED) COLLABORATIVE EFFORTS TO IMPROVE COMMUNITY HEALTH COLLABORATIVE EFFORTS TO IMPROVE COMMUNITY HEALTH HAS BEEN GOING STRONG FOR SEVERAL YEARS IN VALLEY CITY WITH THE YOUNG PEOPLE'S HEALTH HEART PROGRAM YPHHP HAS WRITTEN GRANTS FOR ON THE MOVE TO BETTER HEART HEALTH AND ND CANCER COALITION GRANT FOR CANCER PREVENTION YPHHP HAS MADE DONATIONS TO COMMUNITY BENEFIT EVENTS, DONE RECYCLING, HAS HAD DIETICIAN STUDENTS FROM NDSU AND UND THEY HAVE WORKED WITH SHEYENNE CARE CENTER, CITY AND COUNTY HEALTH DISTRICT, NDSU EXTENSION SERVICE, SANFORD CARE CLINIC, VALLEY CITY PUBLIC SCHOOLS, VALLEY CITY PARKS AND RECREATION, ST CATHERINE SCHOOL, BARNES COUNTY SOCIAL SERVICES, CITY OF VALLEY CITY, VALLEY CITY STATE UNIVERSITY, OPEN DOOR CENTER AND VALLEY CITY AREA CHAMBER OF COMMERCE YPHHP SPONSORS PROGRAMS SUCH AS ON THE MOVE, ACHIEVE PROGRAM, BABYSITTING CLASSES, DIABETES CLASSES, BLOOD PRESSURE SCREENINGS, HEALTHY SNACKS FOR SCHOOL, HEALTHY HEART PROGRAM, IMAGE CAMPAIGN, AND COMMUNITY HEALTH PROMOTION PROGRAM OTHER DISCIPLINES PROVIDING EDUCATIONAL CLASSES TO IMPROVE HEALTH ARE CARDIAC REHAB, CPR CLASS, LABORATORY EDUCATION TO VCSU STUDENTS, SOCIAL & BEHAVIORAL SERVICES, ADVANCE DIRECTIVE EDUCATION AND ASSISTANCE, EDUCATIONAL OPPORTUNITIES ENCOMPASS A WIDE SPAN OF PATIENT TYPES EDUCATION INCLUDES LECTURES, PRESENTATION, AND OTHER PROGRAMS AND ACTIVITIES PROVIDED TO GROUPS WITHOUT PROVIDING CLINICAL OR DIAGNOSTIC SERVICES WELLNESS IN THE VALLEY FOCUSES ON SUICIDE EDUCATION AND PREVENTION ASIST TRAINING HAS BEEN PROVIDED TO OTHER COMMUNITY LAW ENFORCEMENT, TEACHERS, SOCIAL WORKERS AND ANYONE WHO WAS INTERESTED IN SUICIDE PREVENTION WELLNESS IN THE VALLEY COUNSELS INDIVIDUALS, COUPLES AND FAMILIES AND PROVIDES EMERGENCY SUICIDE INTERVENTION AND COMMITMENT TO ND STATE HOSPITAL GATEKEEPER TRAINING IS ANOTHER WELLNESS IN THE VALLEY EDUCATION FOR SUICIDE PREVENTION, ALSO SUPPORT SCHOOL EDUCATION, EDUCATION TO COMMUNITY GROUPS, SPONSORS GRIEF SUPPORT AND OUT OF THE DARKNESS SUICIDE AWARENESS WALK THE HOPE FOR THE FUTURE IS THIS PROGRAM WOULD NOT BE NEEDED IN THE COMMUNITY AS SUICIDE WOULD NOT TAKE ANY LIVES COMMUNITY HEALTH EDUCATION OFFERED AT NO CHARGE TO THE BROADER COMMUNITY ADVANCE DIRECTIVES, BABYSITTING CLASSES, INSIGHT (A COMMUNITY EDUCATIONAL

Return Reference	Identifier	Explanation
		NEWSLETTER), CARDIAC REHAB EDUCATION, COMMUNITY CPR CLASS, EDUCATION TO COMMUNITY, LABORATORY EDUCATION FOR VCSU STUDENTS, WELLNESS IN THE VALLEY, WOMEN'S HEART DISEASE AND YOUNG PEOPLE'S HEALTHY HEART PROGRAM SUPPORT GROUPS TYPICALLY ARE ESTABLISHED TO ADDRESS SOCIAL, PSYCHOLOGICAL OR EMOTIONAL ISSUES RELATED TO SPECIFIC DIAGNOSES OR OCCURRENCES THESE GROUPS MAY MEET ON EITHER A REGULAR OR AN INTERMITTENT BASIS CARDIAC SUPPORT GROUP AND BEHAVIORAL SERVICES COMMUNITY BASED CLINICAL SERVICES AND HEALTH CARE SUPPORT SERVICES ARE PROVIDED TO THE COMMUNITY SUCH AS CARDIAC REHAB - PHASE III WHICH IS OUTPATIENT SUPERVISED EXTENDED EXERCISE FOR CARDIAC PATIENTS MEMORY SCREENINGS BY SOCIAL SERVICE HOSPITAL NURSES ALSO ANSWER CALLS FOR THE ABUSED PERSONS OUTREACH CENTER AND PAGES THE OUTREACH CENTER'S ON-CALL STAFF, SOCIAL SERVICE ASSISTANCE FOR PUBLIC PROGRAMS, SOCIAL SERVICE COUNSELING, WELLNESS IN THE VALLEY COUNSELING ENVIRONMENTAL IMPROVEMENT ACTIVITIES IS THE COMMUNITY SHARPS DISPOSAL HEALTH PROFESSIONALS EDUCATION MERCY HOSPITAL PLACES A HIGH PRIORITY ON PROVIDING EDUCATION AND SUPPORT OF INDIVIDUALS PURSUING CAREERS IN THE HEALTH CARE FIELD MERCY HOSPITAL PROVIDES CLINICAL EXPERIENCE ROTATIONS FOR A NUMBER OF NURSING PROGRAMS WE ALSO PROVIDED SUPERVISION AND GUIDANCE FOR THE FOLLOWING STUDENTS –YPHHP DIETICIAN, SOCIAL SERVICES, LAB STUDENT ROTATION PROGRAM, PHARMACY STUDENT ONSITE, AND PHYSICAL THERAPY WE SUPPORT OUR LOCAL HIGH SCHOOL HEALTH CAREERS JOB SHADOW PROGRAM DONATIONS AND FREE TEACHING SPACE ARE MADE TO DAKOTA NURSING PROGRAM AND WE PROVIDE A SCHOLARSHIP TO A VALLEY CITY HIGH SCHOOL GRADUATING SENIOR MERCY HOSPITAL REACHES OUT TO STUDENTS NOT ONLY TO ELEMENTARY AND HIGH SCHOOL STUDENTS, BUT ALSO TO VALLEY CITY STATE UNIVERSITY, VO TECH HIGH SCHOOL, NDSU, NDSCS, AND LRSC. COMMUNITY-BUILDING ACTIVITIES COMMUNITY-BUILDING ACTIVITIES INCLUDE CASH, IN-KIND DONATIONS AND BUDGETED EXPENDITURES FOR THE DEVELOPMENT OF COMMUNITY HEALTH PROGRAMS AND PARTNERSHIPS MERCY HOSPITAL IS INVOLVED IN SEVERAL COLLABORATIVE EFFORTS TO IMPROVE OUR COMMUNITY AND IS FORTUNATE TO HAVE DEDICATED STAFF THAT SUPPORTS THE HOSPITAL EFFORTS IN COMMUNITY PROJECTS HEALTH COMMUNITY COALITION/COMMUNITY RESOURCE COLLABORATION, VIOLENCE PREVENTION, ALSO MEMBERSHIP IN KIWANIS, MINISTERIAL ASSOCIATION, AND ND APIC AND COMMUNITY HEALTH IMPROVEMENT ADVOCACY COMMUNITY BENEFIT OPERATIONS COMMUNITY BENEFIT OPERATIONS INCLUDE COSTS ASSOCIATED WITH DEDICATED STAFF, COMMUNITY HEALTH NEEDS AND/OR ASSETS ASSESSMENT, AND OTHER COSTS ASSOCIATED WITH COMMUNITY BENEFIT STRATEGY AND OPERATIONS DEDICATED STAFF HOURS ARE COUNTED FOR THE WORK ON CHARITY CARE ASSISTING THE PATIENTS THAT ARE UNDERINSURED OR UNINSURED MERCY HOSPITAL AS A NONPROFIT, TAX-EXEMPT FACILITY CONTINUES TO TAKE THE NECESSARY MEASURES TO BE COMPLIANT WITH NEW LEGISLATION RESULTING FROM HEALTHCARE REFORM IN DETERMINING WHAT TO REPORT, HOW TO REPORT, AND ALSO IMPLEMENTING STRATEGIES IN RESPONSE FROM THE COMMUNITY NEEDS ASSESSMENT
SCHEDULE H, PART VI, LINE 3	PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	MERCY HOSPITAL INCLUDES INFORMATION CONCERNING ITS FINANCIAL ASSISTANCE POLICY ON ITS WEBSITE IN ADDITION, MERCY HOSPITAL PROMINENTLY DISPLAYS ITS FINANCIAL ASSISTANCE POLICY IN BOTH ENGLISH AND SPANISH IN OBVIOUS LOCATIONS THROUGHOUT THE HOSPITALS, INCLUDING THE EMERGENCY ROOMS AND OTHER PATIENT INTAKE AREAS, AS WELL AS IN MERCY HOSPITAL OUTPATIENT FACILITIES IN ADDITION, MERCY HOSPITAL REGISTRATION CLERKS ARE TRAINED TO PROVIDE CONSULTATION TO THOSE WHO HAVE NO INSURANCE OR POTENTIALLY INADEQUATE INSURANCE CONCERNING THEIR FINANCIAL OPTIONS INCLUDING APPLICATION FOR MEDICAID AND FOR FINANCIAL ASSISTANCE UNDER MERCY HOSPITAL'S FINANCIAL ASSISTANCE POLICY UPON REGISTRATION (AND ONCE ALL EMTALA REQUIREMENTS ARE MET), PATIENTS WHO ARE IDENTIFIED AS UNINSURED (AND NOT COVERED BY MEDICARE OR MEDICAID) ARE PROVIDED WITH A PACKET OF INFORMATION THAT ADDRESSES THE FINANCIAL ASSISTANCE POLICY AND PROCEDURES INCLUDING AN APPLICATION FOR ASSISTANCE MERCY HOSPITAL REGISTRATION CLERKS READ THE ORGANIZATION'S MEDICAL ASSISTANCE POLICY TO THOSE WHO APPEAR TO BE INCAPABLE OF READING, AND PROVIDE TRANSLATORS FOR NON ENGLISH-SPEAKING INDIVIDUALS MERCY HOSPITAL'S STAFF WILL ALSO ASSIST THE PATIENT/GUARANTOR WITH APPLYING FOR OTHER AVAILABLE COVERAGE (SUCH AS MEDICAID), IF NECESSARY COUNSELORS ASSIST MEDICARE ELIGIBLE PATIENTS IN ENROLLMENT BY PROVIDING REFERRALS TO THE APPROPRIATE GOVERNMENT AGENCIES
SCHEDULE H, PART VI, LINE 6	AFFILIATED HEALTH CARE SYSTEM	MERCY HOSPITAL, ALONG WITH ITS AFFILIATED OUTPATIENT FACILITIES, ARE PART OF CATHOLIC HEALTH INITIATIVES CATHOLIC HEALTH INITIATIVES (CHI) IS A NATIONAL FAITH-BASED NONPROFIT HEALTH CARE ORGANIZATION WITH HEADQUARTERS IN ENGLEWOOD, COLORADO CHI'S EXEMPT PURPOSE IS TO SERVE AS AN INTEGRAL PART OF ITS NATIONAL SYSTEM OF HOSPITALS AND OTHER CHARITABLE ENTITIES, WHICH ARE DESCRIBED AS MARKET-BASED ORGANIZATIONS, OR MBOS AN MBO IS A DIRECT PROVIDER OF CARE OR SERVICES WITHIN A DEFINED MARKET AREA THAT MAY BE AN INTEGRATED HEALTH SYSTEM AND/OR A STAND-ALONE HOSPITAL OR OTHER FACILITY OR SERVICE PROVIDER CHI SERVES AS THE PARENT CORPORATION OF ITS MBOS WHICH ARE COMPRISED OF 92

Return Reference	Identifier	Explanation
		HOSPITALS, INCLUDING FOUR ACADEMIC MEDICAL CENTERS, AND 24 CRITICAL ACCESS FACILITIES, COMMUNITY HEALTH SERVICE ORGANIZATIONS, ACCREDITED NURSING COLLEGES, HOME HEALTH AGENCIES, AND OTHER FACILITIES THAT SPAN THE INPATIENT AND OUTPATIENT CONTINUUM OF CARE TOGETHER, THESE FACILITIES PROVIDED $910 MILLION IN CHARITY CARE AND COMMUNITY BENEFIT IN THE 2014 FISCAL YEAR, INCLUDING SERVICES FOR THE POOR, FREE CLINICS, EDUCATION AND RESEARCH CHI PROVIDES STRATEGIC PLANNING AND MANAGEMENT SERVICES AS WELL AS CENTRALIZED "SHARED SERVICES" FOR THE MBOS THE PROVISION OF CENTRALIZED MANAGEMENT AND SHARED SERVICES – INCLUDING AREAS SUCH AS ACCOUNTING, HUMAN RESOURCES, PAYROLL AND SUPPLY CHAIN -- PROVIDES ECONOMIES OF SCALE AND PURCHASING POWER TO THE MBOS THE COST SAVINGS ACHIEVED THROUGH CHI'S CENTRALIZATION ENABLE MBOS TO DEDICATE ADDITIONAL RESOURCES TO HIGH-QUALITY HEALTH CARE AND COMMUNITY OUTREACH SERVICES TO THE MOST VULNERABLE MEMBERS OF OUR SOCIETY MERCY HOSPITAL OPERATES WITH ITS WHOLLY OWNED AFFILIATES AND COMMUNITY PARTNERS, ALONG WITH ITS FUNDRAISING ARM, THE MERCY HEALTHCARE FOUNDATION, TO SERVE THE HEALTH CARE NEEDS OF THE VALLEY CITY, ND COMMUNITIES
SCHEDULE H, PART VI, LINE 7	STATE FILING OF COMMUNITY BENEFIT REPORT	ND

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" on 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 OF VALLEY CITY

Employer identification number
45-0226553

Part I Questions Regarding Compensation

			Yes	No
1a	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.			
	☐ First-class or charter travel	☐ Housing allowance or residence for personal use		
	☐ Travel for companions	☐ Payments for business use of personal residence		
	☐ Tax indemnification and gross-up payments	☐ Health or social club dues or initiation fees		
	☐ Discretionary spending account	☐ Personal services (e.g., maid, chauffeur, chef)		
b	If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	**1b**		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, and officers, including the CEO/Executive Director, regarding the items checked in line 1a?	**2**		
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III.			
	☐ Compensation committee	☐ Written employment contract		
	☐ Independent compensation consultant	☐ Compensation survey or study		
	☐ Form 990 of other organizations	☐ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a, with respect to the filing organization or a related organization:			
a	Receive a severance payment or change-of-control payment?	**4a**		✓
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	✓	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		✓
	If "Yes" to any of lines 4a–c, list the persons and provide the applicable amounts for each item in Part III.			
	Only section 501(c)(3) and 501(c)(4) organizations must complete lines 5–9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:			
a	The organization?	**5a**		✓
b	Any related organization?	**5b**		✓
	If "Yes" to line 5a or 5b, describe in Part III.			
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:			
a	The organization?	**6a**		✓
b	Any related organization?	**6b**		✓
	If "Yes" to line 6a or 6b, describe in Part III.			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**	✓	
8	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	**8**		✓
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	**9**		

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

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

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

	(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)–(D)	(F) Compensation reported as deferred in prior Form 990
			(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
1	KEITH HEUSER, BOARD MEMBER/PRESIDENT	(i)	0	0	0	0	0	0	0
		(ii)	173,574	47,660	36,272	39,626	14,364	311,496	14,026
2	JEFFREY DROP, BOARD MEMBER/CHI SVP DIVISION OFFICER	(i)	0	0	0	0	0	0	0
		(ii)	425,696	343,145	58,698	96,266	22,006	945,811	33,686
3	CLARK KRUTA, CRNA	(i)	190,682	544	966	19,471	22,768	234,431	0
		(ii)	0	0	0	0	0	0	0
4		(i)							
		(ii)							
5		(i)							
		(ii)							
6		(i)							
		(ii)							
7		(i)							
		(ii)							
8		(i)							
		(ii)							
9		(i)							
		(ii)							
10		(i)							
		(ii)							
11		(i)							
		(ii)							
12		(i)							
		(ii)							
13		(i)							
		(ii)							
14		(i)							
		(ii)							
15		(i)							
		(ii)							
16		(i)							
		(ii)							

Part III **Supplemental Information** Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8. Also complete this part for any additional information.

Return Reference	Identifier	Explanation
SCHEDULE J, PART I, LINE 3	ARRANGEMENT USED TO ESTABLISH THE TOP MANAGEMENT OFFICIAL'S COMPENSATION	COMPENSATION FOR THE TOP MANAGEMENT OFFICIAL WAS ESTABLISHED AND PAID BY CATHOLIC HEALTH INITIATIVES (CHI), A RELATED ORGANIZATION CHI USED THE FOLLOWING TO ESTABLISH THE TOP MANAGEMENT OFFICIAL'S COMPENSATION (1) COMPENSATION COMMITTEE, (2) INDEPENDENT COMPENSATION CONSULTANT, (3) WRITTEN EMPLOYMENT CONTRACTS, (4) COMPENSATION SURVEY OR STUDY, (5) APPROVAL BY THE BOARD OR COMPENSATION COMMITTEE
SCHEDULE J, PART I, LINE 4A	POST-TERMINATION PAYMENTS	POST-TERMINATION PAYMENTS ARE ADDRESSED IN EXECUTIVE EMPLOYMENT AGREEMENTS FOR CATHOLIC HEALTH INITIATIVES ("CHI") AND RELATED ORGANIZATIONS' EMPLOYEES AT THE LEVEL OF VICE PRESIDENT AND ABOVE, INCLUDING THE MBO CEOS THESE EMPLOYMENT AGREEMENTS REQUIRE THAT IN ORDER FOR THE EXECUTIVE TO RECEIVE POST-TERMINATION PAYMENTS, THESE INDIVIDUALS MUST EXECUTE A GENERAL RELEASE AND SETTLEMENT AGREEMENT POST-TERMINATION PAYMENT ARRANGEMENTS ARE PERIODICALLY REVIEWED FOR OVERALL REASONABLENESS IN LIGHT OF THE EXECUTIVE'S OVERALL COMPENSATION PACKAGE
SCHEDULE J, PART I, LINE 4B	SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN	DURING THE 2013 CALENDAR YEAR CATHOLIC HEALTH INITIATIVES (CHI), A RELATED ORGANIZATION, MAINTAINED A SUPPLEMENTAL NON-QUALIFIED DEFERRED COMPENSATION PLAN FOR MBO CEOS AND OTHER CHI EMPLOYEES AT THE LEVEL OF SENIOR VICE PRESIDENT AND ABOVE THE FOLLOWING REPORTABLE INDIVIDUALS WERE ELIGIBLE TO PARTICIPATE IN THAT PLAN JEFFREY DROP AND KEITH HEUSER DURING 2013 THE FOLLOWING CONTRIBUTIONS WERE MADE BY CHI TO THE DEFERRED COMPENSATION PLAN JEFFREY DROP - $67,664 KEITH HEUSER - $15,387 DURING 2013 THE FOLLOWING DISTRIBUTIONS WERE MADE BY CHI FROM THE DEFERRED COMPENSATION PLAN JEFFREY DROP - $33,686 KEITH HEUSER - $14,026
SCHEDULE J, PART I, LINE 7	NON-FIXED PAYMENTS	THE ORGANIZATION ACCRUED INCENTIVE BONUSES FOR THE LEADERSHIP TEAM BASED ON BOTH FINANCIAL AND NON-FINANCIAL METRICS THE LEADERSHIP TEAM CONSISTS OF THE ADMINISTRATOR, CONTROLLER, HR GENERALIST, AND THE VICE ADMINISTRATOR OF CLINICAL SERVICES

Schedule O (Form 990)
Department of 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 990-EZ or to provide any additional information

OMB No 1545-0047

2013

Open to Public Inspection

Name of the Organization
MERCY HOSPITAL OF VALLEY CITY

Employer Identification Number
45-0226553

Return Reference	Identifier	Explanation
FORM 990, PART I, LINE 1	BRIEF MISSION	(CONTINUED FROM FORM 990, PART I, LINE 1) DIGNITY AND SOCIAL JUSTICE AS IT CREATES HEALTHIER COMMUNITIES THE CORPORATION, SPONSORED BY A LAY-RELIGIOUS PARTNERSHIP, CALLS OTHER CATHOLIC SPONSORS AND SYSTEMS TO UNITE TO ENSURE THE FUTURE OF CATHOLIC HEALTH CARE TO FULFILL THIS MISSION, THE CORPORATION, AS A VALUES-BASED ORGANIZATION, WILL ASSURE THE INTEGRITY OF THE MINISTRY IN BOTH CURRENT AND DEVELOPING ORGANIZATIONS AND ACTIVITIES, RESEARCH AND DEVELOP NEW MINISTRIES THAT INTEGRATE HEALTH, EDUCATION, PASTORAL, AND SOCIAL SERVICES, PROMOTE LEADERSHIP DEVELOPMENT AND FORMATION FOR MINISTRY THROUGHOUT THE ENTIRE ORGANIZATION, ADVOCATE FOR SYSTEMIC CHANGES WITH SPECIFIC CONCERN FOR PERSONS WHO ARE POOR, ALIENATED, AND UNDERSERVED, AND STEWARD RESOURCES BY GENERAL OVERSIGHT OF THE ENTIRE ORGANIZATION
FORM 990, PART III, LINE 1	MISSION STATEMENT	THE MISSION OF THE CORPORATION IS TO NURTURE THE HEALING MINISTRY OF THE CHURCH, SUPPORTED BY EDUCATION AND RESEARCH FIDELITY TO THE GOSPEL URGES THE CORPORATION TO EMPHASIZE HUMAN DIGNITY AND SOCIAL JUSTICE AS IT CREATES HEALTHIER COMMUNITIES THE CORPORATION, SPONSORED BY A LAY-RELIGIOUS PARTNERSHIP, CALLS OTHER CATHOLIC SPONSORS AND SYSTEMS TO UNITE TO ENSURE THE FUTURE OF CATHOLIC HEALTH CARE TO FULFILL THIS MISSION, THE CORPORATION, AS A VALUES-BASED ORGANIZATION, WILL ASSURE THE INTEGRITY OF THE MINISTRY IN BOTH CURRENT AND DEVELOPING ORGANIZATIONS AND ACTIVITIES, RESEARCH AND DEVELOP NEW MINISTRIES THAT INTEGRATE HEALTH, EDUCATION, PASTORAL, AND SOCIAL SERVICES, PROMOTE LEADERSHIP DEVELOPMENT AND FORMATION FOR MINISTRY THROUGHOUT THE ENTIRE ORGANIZATION, ADVOCATE FOR SYSTEMIC CHANGES WITH SPECIFIC CONCERN FOR PERSONS WHO ARE POOR, ALIENATED, AND UNDERSERVED, AND STEWARD RESOURCES BY GENERAL OVERSIGHT OF THE ENTIRE ORGANIZATION
FORM 990, PART VI, SEC A, LINE 1A	DELEGATE BROAD AUTHORITY TO A COMMITTEE	PURSUANT TO SECTION 8 6 OF THE BYLAWS OF MERCY HOSPITAL OF VALLEY CITY, THE EXECUTIVE COMMITTEE SHALL CONSIST OF ONLY DIRECTORS OF THE CORPORATION THE EXECUTIVE COMMITTEE HAS THE POWER TO TRANSACT THE ROUTINE BUSINESS OF THE CORPORATION IN THE INTERIM PERIODS BETWEEN REGULARLY SCHEDULED MEETINGS OF THE BOARD OF DIRECTORS, PROVIDED THAT THEIR ACTIONS ARE CONSISTENT WITH ANY ACTIONS OR POLICIES OF THE BOARD OR THE CORPORATE MEMBER ALL ACTIONS TAKEN ARE CONTEMPORANEOUSLY DOCUMENTED AND REPORTED TO THE BOARD AT THE EARLIEST MEETING
FORM 990, PART VI, SEC A, LINE 6	CLASSES OF MEMBERS OR STOCKHOLDERS	ACCORDING TO THE BYLAWS OF MERCY HOSPITAL OF VALLEY CITY, THE ENTITY'S SOLE MEMBER IS CATHOLIC HEALTH INITIATIVES, A COLORADO NONPROFIT ORGANIZATION
FORM 990, PART VI, SEC A, LINE 7A	MEMBERS OR STOCKHOLDERS ELECTING MEMBERS OF GOVERNING BODY	ACCORDING TO THE ORGANIZATION'S BYLAWS, DIRECTORS SHALL BE APPOINTED OR REFUSED BY THE CORPORATE MEMBER THE CORPORATE MEMBER MAY APPOINT ONE OR MORE INDIVIDUALS TO THE BOARD OF DIRECTORS, AND MAY AT ANY TIME REMOVE, WITH OR WITHOUT CAUSE, ANY MEMBER OF THE BOARD OF DIRECTORS ACCORDING TO THE ORGANIZATION'S BYLAWS, DIRECTORS OF THE CORPORATION SHALL BE APPOINTED BY THE CORPORATE MEMBER NO LATER THAN JUNE 30 OF EACH YEAR THE NAMES AND QUALIFICATIONS OF EACH INDIVIDUAL ACCEPTED BY THE BOARD OF DIRECTORS SHALL BE SUBMITTED TO THE CORPORATE MEMBER, WHO SHALL APPOINT OR REFUSE EACH NOMINEE IN ACCORDANCE WITH THE CORPORATE MEMBER'S BYLAWS AND WITH ENDORSEMENT OF THE SENIOR VICE PRESIDENT OF OPERATIONS THE CORPORATE MEMBER MAY UNILATERALLY APPOINT ONE OR MORE INDIVIDUALS TO THE BOARD OF DIRECTORS SHOULD THE BOARD FAIL TO FURNISH THE CORPORATE MEMBER WITH A LIST OF INDIVIDUALS QUALIFIED TO SERVE ON THE BOARD OF DIRECTORS OF THE CORPORATION
FORM 990, PART VI, SEC A, LINE 7B	DECISIONS REQUIRING APPROVAL BY MEMBERS OR STOCKHOLDERS	THE ORGANIZATION'S CORPORATE MEMBER IS CATHOLIC HEALTH INITIATIVES ("CHI") PURSUANT TO SECTION 5 4 OF THE ORGANIZATION'S BYLAWS, THE CORPORATE MEMBER SHALL HAVE THE SPECIFIC RIGHTS SET FORTH IN THE GOVERNANCE MATRIX PURSUANT TO THE GOVERNANCE MATRIX THE FOLLOWING RIGHTS ARE RESERVED TO THE CHI BOARD DIRECTLY OR THROUGH POWERS DELEGATED TO THE CHI CHIEF EXECUTIVE OFFICER • SUBSTANTIAL CHANGE IN THE MISSION OR PHILOSOPHY OF MERCY HOSPITAL OF VALLEY CITY • AMENDMENT OF THE CORPORATE DOCUMENTS OF MERCY HOSPITAL OF VALLEY CITY • APPROVE MEMBERS OF MERCY HOSPITAL OF VALLEY CITY'S BOARD • REMOVAL OF A MEMBER OF THE GOVERNING BODY OF MERCY HOSPITAL OF VALLEY CITY • APPROVAL OF ISSUANCE OF DEBT BY MERCY HOSPITAL OF VALLEY CITY • APPROVAL OF PARTICIPATION OF MERCY HOSPITAL OF VALLEY CITY IN A JOINT VENTURE • APPROVAL OF FORMATION OF A NEW CORPORATION BY MERCY HOSPITAL OF VALLEY CITY • APPROVAL OF A MERGER INVOLVING MERCY HOSPITAL OF VALLEY CITY • APPROVAL OF THE SALE OF ALL OR SUBSTANTIALLY ALL OF THE ASSETS OF MERCY HOSPITAL OF VALLEY CITY

Return Reference	Identifier	Explanation
		• TO REQUIRE THE TRANSFER OF ASSETS BY MERCY HOSPITAL OF VALLEY CITY TO CHI TO ACCOMPLISH CHI'S GOALS AND OBJECTIVES, AND TO SATISFY CHI DEBTS • ADOPTION OF LONG RANGE AND STRATEGIC PLANS FOR MERCY HOSPITAL OF VALLEY CITY PURSUANT TO SECTION 5 5 OF THE ORGANIZATION'S BYLAWS, CHI MAY, IN EXERCISE OF ITS APPROVAL POWERS, GRANT OR WITHHOLD APPROVAL IN WHOLE OR IN PART, OR MAY, IN ITS COMPLETE DISCRETION, AFTER CONSULTATION WITH THE BOARD AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER OF THE ORGANIZATION, RECOMMEND SUCH OTHER OR DIFFERENT ACTIONS AS IT DEEMS APPROPRIATE "
FORM 990, PART VI, SEC B, LINE 11B	REVIEW OF FORM 990 BY GOVERNING BODY	ONCE THE RETURN IS PREPARED, THE RETURN IS REVIEWED BY THE ACCOUNTANT AND VP OF OPERATIONAL FINANCE THE ACCOUNTANT AND/OR VP OF OPERATIONAL FINANCE PROVIDES A COPY OF THE RETURN TO THE BOARD EITHER AT A BOARD MEETING OR ELECTRONICALLY PRIOR TO THE FILING DEADLINE SUBSEQUENT TO THE RETURN BEING PROVIDED TO THE BOARD, THE TAX DEPARTMENT FILES THE RETURN WITH THE APPROPRIATE FEDERAL AND STATE AGENCIES, MAKING ANY NON-SUBSTANTIVE CHANGES NECESSARY TO EFFECT E-FILING ANY SUCH CHANGES ARE NOT RE-SUBMITTED TO THE BOARD
FORM 990, PART VI, SEC B, LINE 12C	CONFLICT OF INTEREST POLICY	MERCY HOSPITAL OF VALLEY CITY HAD IN EFFECT FOR FY 2013 A CONFLICT OF INTEREST POLICY COVERING ALL DIRECTORS AND OFFICERS HOLDING THE TITLE OF VICE PRESIDENT OR ABOVE THE POLICY PLACES ON EACH DIRECTOR A GENERAL OBLIGATION TO DISCLOSE TO THE CHAIR OF THE BOARD OF DIRECTORS ANY SITUATION THAT MAY CREATE A CONFLICT AS SOON AS THEY BECOME AWARE OF SUCH SITUATION COVERED OFFICERS MUST MAKE SUCH DISCLOSURES TO THE PRESIDENT AND CEO OF MERCY HOSPITAL OF VALLEY CITY, WHO HAS A DUTY TO REPORT SUCH SITUATIONS TO THE BOARD CHAIR IF ANY DOUBT EXISTS, DIRECTORS AND COVERED OFFICERS ARE REQUIRED TO MAKE A FULL DISCLOSURE TO PERMIT AN IMPARTIAL AND OBJECTIVE DETERMINATION THE POLICY REQUIRES WRITTEN RECORD OF ALL DISCLOSURES ADDITIONALLY, ALL DIRECTORS AND COVERED OFFICERS ARE REQUIRED TO, AT LEAST ANNUALLY, COMPLETE, SIGN AND SUBMIT A CONFLICT OF INTEREST DISCLOSURE STATEMENT THE PRESIDENT AND CEO REVIEW THESE STATEMENTS WITH THE BOARD CHAIR THE BOARD CHAIR OR A DESIGNEE CONDUCTS FURTHER INVESTIGATION OF CONFLICTS OF INTEREST DISCLOSURES AT THEIR DISCRETION BASED UPON THE REVIEW AND EVALUATION OF THE RELEVANT FACTS AND CIRCUMSTANCES, THE BOARD CHAIR MAKES AN INITIAL DETERMINATION AS TO WHETHER A CONFLICT EXISTS AND WHETHER REVIEW AND APPROVAL OR OTHER ACTION BY THE BOARD IS REQUIRED A WRITTEN RECORD OF THE BOARD CHAIR'S DETERMINATION IS KEPT THE BOARD CHAIR THEN MAKES A REPORT TO THE EXECUTIVE COMMITTEE OF THE BOARD DIFFERENCES OF OPINION BETWEEN THE BOARD CHAIR AND ANOTHER OFFICER OR DIRECTOR AS TO WHETHER THE FACTS AND CIRCUMSTANCES OF A GIVEN SITUATION CONSTITUTE A CONFLICT OF INTEREST OR WHETHER BOARD OF DIRECTORS REVIEW AND APPROVAL OR OTHER ACTION IS REQUIRED ARE SUBMITTED TO THE EXECUTIVE COMMITTEE TO MAKE A FINAL DETERMINATION AS TO THE MATTER THE COMMITTEE MINUTES ARE TO REFLECT THE DETERMINATION INCLUDING ALL RELEVANT FACTS AND CIRCUMSTANCES AND THEN REPORTED TO THE BOARD OF DIRECTORS A DIRECTOR OR OFFICER IS PROHIBITED FROM VOTING OR USING HIS OR HER PERSONAL INFLUENCE ON THE MATTER UNDER CONSIDERATION FURTHER, THEY ARE TO BE EXCUSED FROM THE MEETING DURING THE DISCUSSION AND VOTE ON THE CONFLICT OF INTEREST
FORM 990, PART VI, LINE 15A	PROCESS FOR DETERMINING COMPENSATION OF TOP MANAGEMENT OFFICIAL	THE ORGANIZATION'S CEO'S COMPENSATION IS PAID BY CATHOLIC HEALTH INITIATIVES (CHI), A RELATED ORGANIZATION CHI HAS A DEFINED COMPENSATION PHILOSOPHY BOTH THE EXECUTIVE AND NON-EXECUTIVE COMPENSATION STRUCTURES AND RANGES ARE REVIEWED ANNUALLY IN COMPARISON TO MARKET DATA CHI USES THE HAY GROUP AS THE INDEPENDENT THIRD PARTY TO ASSESS EXECUTIVE COMPENSATION PROGRAMS AND TO ENSURE THE REASONABLENESS OF ACTUAL SALARIES AND TOTAL COMPENSATION PACKAGES COMPENSATION OF THE SENIOR MOST EXECUTIVES IS REVIEWED ANNUALLY THE HAY GROUP REVIEWS BOTH CASH AND TOTAL COMPENSATION FOR OVERALL REASONABLENESS, FOR ADHERENCE TO CHI'S COMPENSATION PHILOSOPHY, AND FOR COMPARABILITY TO THE NOT-FOR-PROFIT HEALTHCARE MARKET THIS INDEPENDENT REVIEW IS DELIVERED BY HAY GROUP TO THE HR COMMITTEE OF THE CHI BOARD OF STEWARDSHIP TRUSTEES ANNUALLY AT THEIR SEPTEMBER MEETING AND MINUTES ARE SHARED WITH THE FULL BOARD AT THE DECEMBER MEETING THE LAST REVIEW WAS SEPTEMBER 18, 2014 IN ADDITION, IN DECEMBER 2009, HAY GROUP COMPLETED A COMPREHENSIVE REVIEW OF ALL POSITIONS AT THE LEVEL OF VICE PRESIDENT AND ABOVE TO DETERMINE AND VALIDATE APPROPRIATE COMPENSATION LEVELS THESE LEVELS HAVE BEEN REVIEWED ANNUALLY SINCE AND REVISED BASED ON MARKET DATA, WHERE APPLICABLE
FORM 990, PART VI, SEC B, LINE 15B	PROCESS TO ESTABLISH COMPENSATION OF OTHER EMPLOYEES	DURING THE TAX YEAR ENDED 6/30/14, ANY EXECUTIVE COMPENSATION PAID TO OFFICERS, DIRECTORS OR TRUSTEES WAS REVIEWED AND APPROVED BY THE BOARD UTILIZING COMPARABILITY STUDIES TO DETERMINE COMPENSATION
FORM 990, PART VI, SEC C, LINE 19	REQUIRED DOCUMENTS AVAILABLE TO THE PUBLIC	THE ORGANIZATION'S FINANCIAL STATEMENTS, CONFLICT OF INTEREST POLICY AND GOVERNING DOCUMENTS ARE AVAILABLE TO THE PUBLIC UPON REQUEST THE ORGANIZATION'S FINANCIAL STATEMENTS ARE INCLUDED IN CATHOLIC HEALTH INITIATIVES' CONSOLIDATED AUDITED FINANCIAL STATEMENTS THAT ARE AVAILABLE AT WWW CATHOLICHEALTHINIT ORG OR AT WWW DACBOND ORG
FORM 990, PART IX, LINE 11G	OTHER EXPENSES	

(a) Description	(b) Total Expenses	(c) Program Service Expenses	(d) Management and General	(e) Fundraising Expenses

Return Reference	Identifier	Explanation

			Expenses	
OTHER FEES FOR SERVICES	118,110	102,360	15,750	
MEDICAL PROFESSIONAL FEES	2,263,207	2,263,207		
CONTRACT SERVICES	1,192,543	308,723	883,820	
RADIOLOGY	351,900	351,900		
CLINICAL ENGINEERING	270,860	270,860		
CONTRACT LABOR	125,190	125,190		

FORM 990 , PART XI, LINE 9 — OTHER CHANGES IN NET ASSETS OR FUND BALANCES

(a) Description	(b) Amount
CAPITAL RESOURCE POOL	- 44,304

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 OF VALLEY CITY

Employer identification number
45-0226553

Part I **Identification of Disregarded Entities** Complete if the organization answered "Yes" on Form 990, Part IV, line 33.

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1)					
(2)					
(3)					
(4)					
(5)					
(6)					

Part II **Identification of Related Tax-Exempt Organizations** Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	(g) No
(1) ALEGENT CREIGHTON CLINIC (47-0765154) 12809 W DODGE RD, OMAHA, NE 68154	HEALTHCARE	NE	501(C)(3)	3	ACH	✓	
(2) ALEGENT CREIGHTON HEALTH (47-0757164) 12809 W DODGE RD, OMAHA, NE 68154	HEALTHCARE	NE	501(C)(3)	3	CHI NEBRASKA	✓	
(3) ALEGENT CREIGHTON HEALTH FOUNDATION (47-0648586) 12809 W DODGE RD, OMAHA, NE 68154	FUNDRAISING	NE	501(C)(3)	7	ACH	✓	
(4) ALEGENT HEALTH - BERGAN MERCY HEALTH SYSTEM (47-0484764) 7500 MERCY RD, OMAHA, NE 68124	HEALTHCARE	NE	501(C)(3)	3	CHI NEBRASKA	✓	
(5) ALEGENT HEALTH - COMMUNITY MEMORIAL HOSPITAL OF MISSOURI VALLEY, IA (42-0776568) 631 N 8TH ST, MISSOURI VALLEY, IA 51555	HEALTHCARE	IA	501(C)(3)	3	CHI NEBRASKA	✓	
(6) ALEGENT HEALTH - IMMANUEL MEDICAL CENTER (47-0376615) 6901 N 72ND ST, OMAHA, NE 68122	HEALTHCARE	NE	501(C)(3)	3	CHI NEBRASKA	✓	
(7) ALEGENT HEALTH - MEMORIAL HOSPITAL SCHUYLER (47-0399853) 104 W 17TH ST, SCHUYLER, NE 68661	HEALTHCARE	NE	501(C)(3)	3	CHI NEBRASKA	✓	

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? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) See Statement												
(2)												
(3)												
(4)												
(5)												
(6)												
(7)												

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity? Yes	(i) No
(1) ALEGENT HEALTH/CREIGHTON ST JOSEPH MANAGED CARE SERVICES INC (47-0802396) 12809 WEST DODGE RD, OMAHA, NE 68154	MANAGED CARE	NE	CHI NEBRASKA	C CORPORATION	5,312,313	4,520,865	100	✓	
(2) ALL SAINTS INSURANCE COMPANY SPC, LTD PO BOX 10073, APO, GEORGETOWN, GRAND CAYMAN, KY1-1001,	INSURANCE	CJ	CHI	C CORPORATION	0	43,866,961	100	✓	
(3) ALTERNATIVE INSURANCE MANAGEMENT SERVICE (84-1112049) 3900 OLYMPIC BLVD, STE 400, ERLANGER, KY 41018	MANAGEMENT SERVICES	CO	CHI	C CORPORATION	0	6,272,746	100	✓	
(4) AMERICAN NURSING CARE, INC. (31-1085414) 1700 EDISON DR, MILFORD, OH 45150	HOME HEALTH	OH	CHS	C CORPORATION	5,118,606	51,920,207	100	✓	
(5) AMERIMED, INC. (31-1158699) 1700 EDISON DR, MILFORD, OH 45150	HOME HEALTH	OH	ANC	C CORPORATION	2,134,392	14,669,219	100	✓	
(6) BC HOLDING COMPANY, INC. (31-1542851) 1850 BLUEGRASS AVE, LOUISVILLE, KY 40215	FITNESS CLUB	KY	JHSMH	C CORPORATION	0	0	100	✓	
(7) CADUCEUS MEDICAL ASSOCIATES, INC (62-1570736) 2525 DE SALES AVE, CHATTANOOGA, TN 37404	HEALTHCARE	TN	MHCS	C CORPORATION	0	1,008	100	✓	

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.

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

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

	(a) Name of related organization	(b) Transaction type (a–s)	(c) Amount involved	(d) Method of determining amount involved
(1)	MERCY HEALTHCARE FOUNDATION	C	128,382	FMV
(2)				
(3)				
(4)				
(5)				
(6)				

Part VI **Unrelated Organizations Taxable as a Partnership** Complete if the organization answered "Yes" on Form 990, Part IV, line 37.

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(e) Are all partners section 501(c)(3) organizations? Yes	(e) No	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1)													
(2)													
(3)													
(4)													
(5)													
(6)													
(7)													
(8)													
(9)													
(10)													
(11)													
(12)													
(13)													
(14)													
(15)													
(16)													

Part II **Identification of Related Tax-Exempt Organizations** (continued)

(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
(8) ALEGENT HEALTH - MERCY HOSPITAL, CORNING, IOWA (42-0782518) PO BOX 368, CORNING, IA 50841	HEALTHCARE	IA	501(C)(3)	3	CHI NEBRASKA	✓	
(9) ALVERNA APARTMENTS (41-1351177) 300 SE 8TH AVE, LITTLE FALLS, MN 56345	LTERM CARE	MN	501(C)(3)	9	CHI	✓	
(10) APPLETREE COURT (41-1850500) 601 OAK ST, BRECKENRIDGE, MN 56520	SENIOR LIVING	MN	501(C)(3)	9	SFH	✓	
(11) BISHOP DRUMM RETIREMENT CENTER (42-0725196) 1111 6TH AVE, DES MOINES, IA 50314	LTERM CARE	IA	501(C)(3)	9	CHI-IA CORP	✓	
(12) BORNEMANN HEALTHCARE CORPORATION (23-2187242) 2500 BERNVILLE RD, PO BOX 316, READING, PA 19603	HEALTHCARE	PA	501(C)(3)	11 - TYPE I	CHI	✓	
(13) CARRINGTON HEALTH CENTER (45-0227311) 800 N 4TH ST, CARRINGTON, ND 58421	HEALTHCARE	ND	501(C)(3)	3	CHI	✓	
(14) CATHOLIC HEALTH INITIATIVES (47-0617373) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	HEALTHCARE	CO	501(C)(3)	9	N/A	✓	
(15) CATHOLIC HEALTH INITIATIVES - COLORADO (84-0405257) 188 INVERNESS DRIVE WEST, STE 500, ENGLEWOOD, CO 80112	HEALTHCARE	CO	501(C)(3)	3	CHI	✓	
(16) CATHOLIC HEALTH INITIATIVES - IOWA CORP (42-0680448) 1111 6TH AVE, DES MOINES, IA 50314	HEALTHCARE	IA	501(C)(3)	3	CHI	✓	
(17) CATHOLIC HEALTH INITIATIVES COLORADO FOUNDATION (84-0902211) 6385 CORPORATE DR, STE 301, COLORADO SPRINGS, CO 80919	FUNDRAISING	CO	501(C)(3)	7	CHIC	✓	
(18) CATHOLIC HEALTH INITIATIVES NATIONAL FOUNDATION (27-0930004) 6385 CORPORATE DR, COLORADO SPRINGS, CO 80919	FUNDRAISING	CO	501(C)(3)	11 - TYPE I	CHI	✓	
(19) CATHOLIC HEALTH INITIATIVES VIRTUAL HEALTH SERVICES (46-0992796) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	HEALTHCARE	CO	501(C)(3)	11 - TYPE I	CHINS	✓	
(20) CENTENNIAL MEDICAL GROUP, INC. (26-3946191) 2700 STEWART PKWY, ROSEBURG, OR 97471	PHYSICIANS	OR	501(C)(3)	9	MMC	✓	
(21) CENTRAL KANSAS MEDICAL CENTER (48-0543724) 3515 BROADWAY, GREAT BEND, KS 67530	SURGERY CENTER	KS	501(C)(3)	3	CHI	✓	
(22) CHI HEALTH CONNECT AT HOME - FARGO (27-1966847) 4816 AMBER VALLEY PKWY S, FARGO, ND 58104	HEALTHCARE	MN	501(C)(3)	9	CHI	✓	
(23) CHI INSTITUTE FOR RESEARCH AND INNOVATION (27-1050565) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	HEALTHCARE	CO	501(C)(3)	11 - TYPE I	CHI	✓	
(24) CHI KENTUCKY, INC (20-2741651) 3900 OLYMPIC BLVD, STE 400, ERLANGER, KY 41018	HEALTHCARE	KY	501(C)(3)	11 - TYPE I	CHI	✓	
(25) CHI NATIONAL HOME CARE (45-1261716) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	HEALTHCARE	CO	501(C)(3)	9	CHI NS	✓	
(26) CHI NATIONAL SERVICES (45-2532084) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	HEALTHCARE	CO	501(C)(3)	11 - TYPE I	CHI	✓	
(27) CHI NEBRASKA (36-3233121) 6940 O ST, STE 200, LINCOLN, NE 68510	HEALTHCARE	NE	501(C)(3)	11 - TYPE III - FI	CHI	✓	
(28) CHI ST LUKE'S HEALTH BAYLOR COLLEGE OF MEDICINE MEDICAL CENTER (74-1161938) 6624 FANNIN ST, HOUSTON, TX 77030	HEALTHCARE	TX	501(C)(3)	3	SLHS	✓	
(29) CHI ST. VINCENT HOSPITAL HOT SPRINGS (71-0236913) 300 WERNER ST, HOT SPRINGS, AR 71913	HEALTHCARE	AR	501(C)(3)	3	CHISVHS	✓	

(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
(30) CHI ST. VINCENT HOT SPRINGS (26-1125064) 300 WERNER ST, HOT SPRINGS, AR 71913	HOLDING CO	AR	501(C)(3)	11 - TYPE II	SVIMC	✓	
(31) CHI ST VINCENT MEDICAL GROUP HOT SPRINGS (26-1125131) 1 MERCY LANE, STE 201, HOT SPRINGS, AR 71913	HEALTHCARE	AR	501(C)(3)	3	CHISVHS	✓	
(32) COMMUNITY LIMITED CARE DIALYSIS CENTER (23-7419853) 619 OAK ST, ACCOUNTING-3 W, CINCINNATI, OH 45206	HOLDING CO	OH	501(C)(2)		GSH	✓	
(33) COMMUNITY MEMORIAL HOSPITAL MEDICAL SERVICE FOUNDATION (42-1294399) 631 N 8TH ST, MISSOURI VALLEY, IA 51555	FUNDRAISING	IA	501(C)(3)	11 - TYPE I	AH-CMHMV	✓	
(34) CONTINUING CARE HOSPITAL (61-1400619) 150 NORTH EAGLE CREEK DR, LEXINGTON, KY 40509	LT ACH	KY	501(C)(3)	3	SJHS	✓	
(35) COVENANT HOME CARE (23-2028429) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	HOME HEALTH	PA	501(C)(3)	11 - TYPE II	CHI NHC	✓	
(36) ENUMCLAW REGIONAL HOSPITAL ASSOCIATION (91-0715805) 1450 BATTERSBY AVE, ENUMCLAW, WA 98022	HEALTHCARE	WA	501(C)(3)	3	FHS	✓	
(37) FLAGET HEALTHCARE, INC (61-1345363) 4305 NEW SHEPHERDSVILLE RD, BARDSTOWN, KY 40004	HEALTHCARE	KY	501(C)(3)	3	KOH	✓	
(38) FLAGET MEMORIAL HOSPITAL FOUNDATION, INC (56-2351341) 4305 NEW SHEPHERDSVILLE RD, BARDSTOWN, KY 40004	FUNDRAISING	KY	501(C)(3)	11 - TYPE I	FH	✓	
(39) FRANCISCAN FOUNDATION (91-1145592) 1717 SOUTH J ST, TACOMA, WA 98405	FUNDRAISING	WA	501(C)(3)	9	FHS	✓	
(40) FRANCISCAN HEALTH SYSTEM (91-0564491) 1717 SOUTH J ST, TACOMA, WA 98405	HEALTHCARE	WA	501(C)(3)	3	CHI	✓	
(41) FRANCISCAN HEALTH VENTURES FKA SJMGROUP (43-1882377) TACOMA FNC CTR BLDG, 1145 BROADWAY, TACOMA, WA 98402	PHYSICIANS	MO	501(C)(3)	9	CHI	✓	
(42) FRANCISCAN MEDICAL GROUP (91-1939739) 1313 BROADWAY, STE 200, TACOMA, WA 98402	HEALTHCARE	WA	501(C)(3)	9	FHS	✓	
(43) FRANCISCAN VILLA OF SOUTH MILWAUKEE, INC. (39-1093829) 3601 S CHICAGO AVE, SOUTH MILWAUKEE, WI 53172	HEALTHCARE	WI	501(C)(3)	9	CHI	✓	
(44) GLOBAL HEALTH INITIATIVES (20-1536108) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	MINISTRIES	CO	501(C)(3)	11 - TYPE I	CHI	✓	
(45) GOOD SAMARITAN COLLEGE OF NURSING & HEALTH SCIENCE (31-1778403) 619 OAK ST, ACCOUNTING-3 W, CINCINNATI, OH 45206	EDUCATION	OH	501(C)(3)	2	GSH	✓	
(46) GOOD SAMARITAN FOUNDATION OF CINCINNATI, INC. (31-1206047) 619 OAK ST, ACCOUNTING-3 W, CINCINNATI, OH 45206	FUNDRAISING	OH	501(C)(3)	11 - TYPE I	GSH	✓	
(47) GOOD SAMARITAN HOSPITAL (47-0379755) PO BOX 1990, KEARNEY, NE 68848	HEALTHCARE	NE	501(C)(3)	3	CHI NEBRASKA	✓	
(48) GOOD SAMARITAN HOSPITAL FOUNDATION (47-0659443) 111 W 31ST ST, KEARNEY, NE 68847	FUNDRAISING	NE	501(C)(3)	7	GSH	✓	
(49) GOOD SAMARITAN HOSPITAL FOUNDATION - DAYTON (23-7296923) 110 N MAIN ST, STE 500, DAYTON, OH 45402	FUNDRAISING	OH	501(C)(3)	7	SHP	✓	
(50) HARRISON MEDICAL CENTER (91-0565546) 2520 CHERRY AVE, BREMERTON, WA 98310	HEALTHCARE	WA	501(C)(3)	3	FHS	✓	
(51) HARRISON MEDICAL CENTER FOUNDATION (91-1197626) 2520 CHERRY AVE, BREMERTON, WA 98310	FUNDRAISING	WA	501(C)(3)	7	HMC	✓	
(52) HEALTH S.E.T. (84-1102943) 2420 W 26TH AVE, STE 460D, DENVER, CO 80211	LOW INC CARE	CO	501(C)(3)	7	CHIC	✓	
(53) HEALTHCARE AND WELLNESS FOUNDATION (76-0761782) 2400 ST FRANCIS DR, BRECKENRIDGE, MN 56520	FUNDRAISING	MN	501(C)(3)	11 - TYPE I	SFMC	✓	

(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
(54) HIGHLINE MEDICAL CENTER (91-0712166) 16251 SYLVESTER RD SW, BURIEN, WA 98166	HEALTHCARE	WA	501(C)(3)	3	FHS	✓	
(55) HOUSE OF MERCY (42-1323808) 1111 6TH AVE, DES MOINES, IA 50314	SHELTER	IA	501(C)(3)	7	CHI-IA CORP	✓	
(56) JEWISH HOSPITAL AND ST MARY'S HEALTHCARE, INC. (61-1029768) 539 S 4TH ST, LOUISVILLE, KY 40202	HEALTHCARE	KY	501(C)(3)	3	KOH	✓	
(57) KENTUCKYONE HEALTH MEDICAL GROUP, INC. (61-1352729) 539 S 4TH ST, LOUISVILLE, KY 40202	HEALTHCARE	KY	501(C)(3)	9	JHSMH	✓	
(58) KENTUCKYONE HEALTH, INC. (61-1029769) 200 ABRAHAM FLEXNER WAY, LOUISVILLE, KY 40202	HEALTHCARE	KY	501(C)(3)	9	CHI	✓	
(59) LAKEWOOD HEALTH CENTER (41-0758434) 600 MAIN AVE S, BAUDETTE, MN 56623	HEALTHCARE	MN	501(C)(3)	3	CHI	✓	
(60) LINUS OAKES, INC (93-0821381) 2700 STEWART PKWY, ROSEBURG, OR 97471	SENIOR LIVING	OR	501(C)(3)	9	MMC	✓	
(61) LISBON AREA HEALTH SERVICES (82-0558836) 905 MAIN ST, LISBON, ND 58054	HEALTHCARE	ND	501(C)(3)	3	CHI	✓	
(62) LUFKIN VISION ACQUISITIONS (82-0563768) PO BOX 1447, LUFKIN, TX 75901	PROPERTY MGMT	TX	501(C)(3)	11 - TYPE III - FI	MHSET	✓	
(63) MEMORIAL HEALTH CARE SYSTEM FOUNDATION, INC. (62-1839548) 2525 DE SALES AVE, CHATTANOOGA, TN 37404	FUNDRAISING	TN	501(C)(3)	7	MHCS	✓	
(64) MEMORIAL HEALTH CARE SYSTEM, INC. (62-0532345) 2525 DE SALES AVE, CHATTANOOGA, TN 37404	HEALTHCARE	TN	501(C)(3)	3	CHI	✓	
(65) MEMORIAL HEALTH PARTNERS FOUNDATION, INC. (03-0417049) 5600 BRAINERD RD, STE 500, CHATTANOOGA, TN 37411	HEALTHCARE	TN	501(C)(3)	9	MHCS	✓	
(66) MEMORIAL HEALTH SYSTEM OF EAST TEXAS (75-0755367) PO BOX 1447, LUFKIN, TX 75902	HEALTHCARE	TX	501(C)(3)	3	CHI	✓	
(67) MEMORIAL MEDICAL CENTER - LIVINGSTON (76-0436439) PO BOX 1447, LUFKIN, TX 75902	HEALTHCARE	TX	501(C)(3)	3	MHSET	✓	
(68) MEMORIAL MEDICAL CENTER - SAN AUGUSTINE (75-2663904) PO BOX 1447, LUFKIN, TX 75902	HEALTHCARE	TX	501(C)(3)	3	MHSET	✓	
(69) MEMORIAL MULTISPECIALTY ASSOCIATES (75-2721155) 1201 FRANK AVE, LUFKIN, TX 95904	PHYSICIANS	TX	501(C)(3)	11 - TYPE III - FI	MHSET	✓	
(70) MEMORIAL SPECIALTY HOSPITAL (75-2492741) PO BOX 1447, LUFKIN, TX 95902	HEALTHCARE	TX	501(C)(3)	3	MHSET	✓	
(71) MERCY AUXILIARY OF CENTRAL IOWA (42-6076069) 1111 6TH AVE, DES MOINES, IA 50314	AUXILIARY	IA	501(C)(3)	11 - TYPE I	MF-DM IA	✓	
(72) MERCY CLINICS, INC. (42-1193699) 1111 6TH AVE, DES MOINES, IA 50314	PHYSICIANS	IA	501(C)(3)	9	CHI-IA CORP	✓	
(73) MERCY COLLEGE OF HEALTH SCIENCES (42-1511682) 1111 6TH AVE, DES MOINES, IA 50314	EDUCATION	IA	501(C)(3)	2	CHI-IA CORP	✓	
(74) MERCY FOUNDATION OF DES MOINES, IA (23-7358794) 1111 6TH AVE, DES MOINES, IA 50314	FUNDRAISING	IA	501(C)(3)	7	CHI-IA CORP	✓	
(75) MERCY FOUNDATION, INC. (93-6088946) 2700 STEWART PKWY, ROSEBURG, OR 97471	FUNDRAISING	OR	501(C)(3)	7	MMC	✓	
(76) MERCY HEALTH CARE FOUNDATION (42-1461064) PO BOX 368, CORNING, IA 50841	FUNDRAISING	IA	501(C)(3)	11 - TYPE I	AHMH-CORNING	✓	
(77) MERCY HEALTHCARE FOUNDATION (45-0435338) 570 CHAUTAUQUA BLVD, VALLEY CITY, ND 58072	FUNDRAISING	ND	501(C)(3)	11 - TYPE III - FI	MHVC	✓	
(78) MERCY HOSPITAL FOUNDATION, COUNCIL BLUFFS (42-1178204) 800 MERCY DR, COUNCIL BLUFFS, IA 51503	FUNDRAISING	IA	501(C)(3)	11 - TYPE I	AHBMHS	✓	

(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
(79) MERCY HOSPITAL OF DEVILS LAKE (45-0227012) 1031 7TH ST NE, DEVILS LAKE, ND 58301	HEALTHCARE	ND	501(C)(3)	3	CHI	✓	
(80) MERCY HOSPITAL OF DEVILS LAKE FOUNDATION (35-2367360) 1031 7TH ST NE, DEVILS LAKE, ND 58301	FUNDRAISING	ND	501(C)(3)	7	MHDL	✓	
(81) MERCY HOSPITAL OF VALLEY CITY (45-0226553) 570 CHAUTAUQUA BLVD, VALLEY CITY, ND 58072	HEALTHCARE	ND	501(C)(3)	3	CHI	✓	
(82) MERCY MEDICAL CENTER (45-0231183) 1301 15TH AVE WEST, WILLISTON, ND 58801	HEALTHCARE	ND	501(C)(3)	3	CHI	✓	
(83) MERCY MEDICAL CENTER - CENTERVILLE (42-0680308) ONE ST. JOSEPH'S DRIVE, CENTERVILLE, IA 52544	HEALTHCARE	IA	501(C)(3)	3	CHI-IA CORP	✓	
(84) MERCY MEDICAL CENTER, INC. (93-0386868) 2700 STEWART PKWY, ROSEBURG, OR 97471	HEALTHCARE	OR	501(C)(3)	3	CHI	✓	
(85) MERCY MEDICAL FOUNDATION (45-0381803) 1301 15TH AVE WEST, WILLISTON, ND 58801	FUNDRAISING	ND	501(C)(3)	11 - TYPE I	MMC	✓	
(86) MERCY PROFESSIONAL PRACTICE ASSOCIATES, INC (42-1470935) 1111 6TH AVE, DES MOINES, IA 50314	PHYSICIANS	IA	501(C)(3)	9	CHI-IA CORP	✓	
(87) NEBRASKA HEART HOSPITAL (39-2031968) 7500 S 91ST ST, LINCOLN, NE 68526	HEALTHCARE	NE	501(C)(3)	3	CHI NEBRASKA	✓	
(88) OAKES COMMUNITY HOSPITAL (45-0231675) 1200 N 7TH ST, OAKES, ND 58474	HEALTHCARE	ND	501(C)(3)	3	CHI	✓	
(89) OAKES COMMUNITY HOSPITAL FOUNDATION (71-0966606) 1200 N 7TH ST, OAKES, ND 58474	FUNDRAISING	ND	501(C)(3)	11 - TYPE I	OCH	✓	
(90) PINEYWOODS MEDICAL DEVELOPMENT CORP (75-2493116) PO BOX 1447, LUFKIN, TX 75902	PROPERTY MGMT	TX	501(C)(3)	11 - TYPE III - FI	MHSET	✓	
(91) PUEBLO STEPUP (84-1234295) 1925 E ORMAN AVE, STE G52, PUEBLO, CO 81004	COMMUNITY	CO	501(C)(3)	7	CHIC	✓	
(92) REGIONAL HOSPITAL FOR RESPIRATORY AND COMPLEX CARE (91-1170040) 12844 MILITARY RD S, TUKWILA, WA 98168	HEALTHCARE	WA	501(C)(3)	3	FHS	✓	
(93) S E.T. OF COLORADO SPRINGS, INC (84-1183335) 2864 S CIRCLE DR, STE 450, COLORADO SPRINGS, CO 80906	LTERM CARE	CO	501(C)(3)	7	CHIC	✓	
(94) SAINT CLARE'S COMMUNITY CARE, INC (22-2876836) 25 POCONO RD, DENVILLE, NJ 07834	HEALTHCARE	NJ	501(C)(3)	11 - TYPE II	SCHS	✓	
(95) SAINT CLARE'S FOUNDATION, INC (22-2502997) 25 POCONO RD, DENVILLE, NJ 07834	FUNDRAISING	NJ	501(C)(3)	7	SCHS	✓	
(96) SAINT CLARE'S HEALTH SERVICES, INC (22-3639733) 25 POCONO RD, DENVILLE, NJ 07834	MANAGEMENT	NJ	501(C)(3)	11 - TYPE II	CHI	✓	
(97) SAINT CLARE'S HOSPITAL, INC (22-3319886) 25 POCONO RD, DENVILLE, NJ 07834	HEALTHCARE	NJ	501(C)(3)	3	SCHS	✓	
(98) SAINT ELIZABETH FOUNDATION (47-0625523) 555 S 70TH ST, LINCOLN, NE 68510	FUNDRAISING	NE	501(C)(3)	7	SERMC	✓	
(99) SAINT ELIZABETH HEALTH SERVICES (36-3233120) 555 S 70TH ST, LINCOLN, NE 68510	HEALTHCARE	NE	501(C)(3)	3	SERMC	✓	
(100) SAINT ELIZABETH REGIONAL MEDICAL CENTER (47-0379836) 555 S 70TH ST, LINCOLN, NE 68510	HEALTHCARE	NE	501(C)(3)	3	CHI NEBRASKA	✓	
(101) SAINT FRANCIS MEDICAL CENTER (47-0376601) 2620 W FAIDLEY, GRAND ISLAND, NE 68803	HEALTHCARE	NE	501(C)(3)	3	CHI NEBRASKA	✓	
(102) SAINT FRANCIS MEDICAL CENTER FOUNDATION (47-0630267) PO BOX 9804, GRAND ISLAND, NE 68802	FUNDRAISING	NE	501(C)(3)	7	SFMC	✓	
(103) SAINT JOSEPH BEREA HOSPITAL FOUNDATION, INC (26-0152877)	FUNDRAISING	KY	501(C)(3)	7	SJHS	✓	

(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
305 ESTILL ST, BEREA, KY 40403							
(104) SAINT JOSEPH HEALTH SYSTEM, INC (61-1334601) 424 LEWIS HARGETT CIRCLE, STE 160, LEXINGTON, KY 40503	HEALTHCARE	KY	501(C)(3)	3	KOH	✓	
(105) SAINT JOSEPH HOSPITAL FOUNDATION, INC. (61-1159649) ONE SAINT JOSEPH DRIVE, LEXINGTON, KY 40504	FUNDRAISING	KY	501(C)(3)	11 - TYPE I	SJHS	✓	
(106) SAINT JOSEPH LONDON FOUNDATION, INC. (26-0438748) 1001 SAINT JOSEPH LANE, LONDON, KY 40741	FUNDRAISING	KY	501(C)(3)	7	SJHS	✓	
(107) SAINT JOSEPH MEDICAL FOUNDATION, INC (31-1539059) 200 ABRAHAM FLEXNER WAY, LOUISVILLE, KY 40202	PHYSICIANS	KY	501(C)(3)	3	SJHS	✓	
(108) SAINT JOSEPH MOUNT STERLING FOUNDATION, INC. (27-2884584) 225 FALCON DR, MOUNT STERLING, KY 40353	FUNDRAISING	KY	501(C)(3)	7	SJHS	✓	
(109) SAINT JOSEPH'S HOSPITAL FOUNDATION (36-3418207) 30 WEST 7TH ST, DICKINSON, ND 58601	FUNDRAISING	ND	501(C)(3)	11 - TYPE I	SJHHC	✓	
(110) SAMARITAN BEHAVIORAL HEALTH, INC (02-0633634) 601 S EDWIN C MOSES BLVD, DAYTON, OH 45417	HEALTHCARE	OH	501(C)(3)	7	SHP	✓	
(111) SAMARITAN HEALTH PARTNERS (31-1107411) 110 N MAIN ST, STE 500, DAYTON, OH 45402	HEALTHCARE	OH	501(C)(3)	11 - TYPE I	CHI	✓	
(112) SCHUYLER MEMORIAL HOSPITAL FOUNDATION, INC. (36-3630014) 104 W 17TH ST, SCHUYLER, NE 68661	FUNDRAISING	NE	501(C)(3)	11 - TYPE I	AHMHS	✓	
(113) SJRMC, JOPLIN MISSOURI (44-0545809) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	HEALTHCARE	MO	501(C)(3)	3	CHI	✓	
(114) SL AUGUSTA CORP (76-0226623) PO BOX 20269, HOUSTON, TX 77225	TITLE HOLDING	TX	501(C)(2)		SLPC	✓	
(115) ST. ANTHONY HOSPITAL (93-0391614) 1601 SE COURT AVE, PENDLETON, OR 97801	HEALTHCARE	OR	501(C)(3)	3	CHI	✓	
(116) ST. ANTHONY HOSPITAL FOUNDATION (93-0992727) 1601 SE COURT AVE, PENDLETON, OR 97801	FUNDRAISING	OR	501(C)(3)	11 - TYPE I	SAH	✓	
(117) ST. ANTHONY'S HOSPITAL ASSOCIATION (71-0245507) FOUR HOSPITAL DR, MORRILTON, AR 72110	HEALTHCARE	AR	501(C)(3)	3	SVIMC	✓	
(118) ST. CATHERINE HOSPITAL (48-0543721) 401 EAST SPRUCE ST, GARDEN CITY, KS 67846	HEALTHCARE	KS	501(C)(3)	3	CHI	✓	
(119) ST. CATHERINE HOSPITAL DEVELOPMENT FOUNDATION (20-0598702) 401 EAST SPRUCE ST, GARDEN CITY, KS 67846	FUNDRAISING	KS	501(C)(3)	11 - TYPE I	SCH	✓	
(120) ST DOMINIC OF ONTARIO, OREGON (93-0433692) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	HEALTHCARE	OR	501(C)(4)		CHI	✓	
(121) ST. FRANCIS HOME (41-0729978) 2400 ST FRANCIS DR, BRECKENRIDGE, MN 56520	LTERM CARE	MN	501(C)(3)	9	CHI	✓	
(122) ST FRANCIS LIFE CARE CORPORATION (22-2536017) 19 POCONO RD, DENVILLE, NJ 07834	ELDERLY CARE	NJ	501(C)(3)	9	SCHS	✓	
(123) ST. FRANCIS MEDICAL CENTER (41-0695598) 2400 ST. FRANCIS DR, BRECKENRIDGE, MN 56520	HEALTHCARE	MN	501(C)(3)	3	CHI	✓	
(124) ST. FRANCIS OF BAKER CITY (93-0412495) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	HEALTHCARE	OR	501(C)(3)	3	CHI	✓	
(125) ST JOSEPH COMMUNITY HEALTH (71-0897107) 1516 5TH ST NW, ALBUQUERQUE, NM 87102	COMMUNITY	NM	501(C)(3)	11 - TYPE I	CHI	✓	
(126) ST. JOSEPH HEALTH MINISTRIES (23-2342997) 1929 LINCOLN HWY E, STE 150, LANCASTER, PA 17602	HEALTHCARE	PA	501(C)(3)	11 - TYPE I	CHI	✓	
(127) ST JOSEPH MEDICAL CENTER FOUNDATION (23-2649362) 2500 BERNVILLE RD, PO BOX 316, READING, PA 19603	FUNDRAISING	PA	501(C)(3)	11 - TYPE I	SJRHN	✓	

(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
(128) ST JOSEPH MEDICAL CENTER, INC. (52-0591461) 201 INTERNATIONAL CIRCLE, STE 212, HUNT VALLEY, MD 21030	HEALTHCARE	MD	501(C)(3)	3	CHI	✓	
(129) ST. JOSEPH MEDICAL GROUP (20-8544021) 2500 BERNVILLE RD, PO BOX 316, READING, PA 19603	HEALTHCARE	PA	501(C)(3)	9	BHC	✓	
(130) ST. JOSEPH PHYSICIAN ENTERPRISE, INC. (52-1311775) 201 INTERNATIONAL CIRCLE, STE 212, HUNT VALLEY, MD 21030	PHYSICIANS	MD	501(C)(3)	11 - TYPE I	SJMC	✓	
(131) ST. JOSEPH REGIONAL HEALTH NETWORK (23-1352211) 2500 BERNVILLE RD, PO BOX 316, READING, PA 19603	HEALTHCARE	PA	501(C)(3)	3	CHI	✓	
(132) ST. JOSEPH'S AREA HEALTH SERVICES (41-0695603) 600 PLEASANT AVE, PARK RAPIDS, MN 56470	HEALTHCARE	MN	501(C)(3)	3	CHI	✓	
(133) ST. JOSEPH'S HOSPITAL AND HEALTH CENTER (45-0226429) 30 WEST 7TH ST, DICKINSON, ND 58601	HEALTHCARE	ND	501(C)(3)	3	CHI	✓	
(134) ST. LUKE'S COMMUNITY DEVELOPMENT CORPORATION (26-0274448) 6624 FANNIN ST, STE 2505, HOUSTON, TX 77030	MANAGEMENT	TX	501(C)(3)	11 - TYPE I	SLHS	✓	
(135) ST. LUKE'S COMMUNITY DEVELOPMENT CORPORATION - PMC (27-3733278) 6624 FANNIN ST, STE 2505, HOUSTON, TX 77030	HEALTHCARE	TX	501(C)(3)	3	SLCDC	✓	
(136) ST. LUKE'S COMMUNITY DEVELOPMENT CORPORATION - SUGAR LAND (26-1947374) 6624 FANNIN ST, STE 2505, HOUSTON, TX 77030	HEALTHCARE	TX	501(C)(3)	3	SLHS	✓	
(137) ST. LUKE'S COMMUNITY DEVELOPMENT CORPORATION - THE WOODLANDS (26-0335902) 6624 FANNIN ST, STE 2505, HOUSTON, TX 77030	HEALTHCARE	TX	501(C)(3)	3	SLCDC	✓	
(138) ST. LUKE'S COMMUNITY HEALTH SERVICES (76-0536234) 6624 FANNIN ST, STE 1100, HOUSTON, TX 77030	HEALTHCARE	TX	501(C)(3)	3	SLHS	✓	
(139) ST. LUKE'S FOUNDATION (45-3811485) 1213 HERMANN DRIVE, STE 855, HOUSTON, TX 77004	FUNDRAISING	TX	501(C)(3)	7	SLHS	✓	
(140) ST. LUKE'S HEALTH SYSTEM CORPORATION (76-0536232) 6624 FANNIN ST, STE 1100, HOUSTON, TX 77030	MANAGEMENT	TX	501(C)(3)	11 - TYPE I	CHI	✓	
(141) ST. LUKE'S HEALTH SYSTEM FOUNDATION (76-0127715) 6624 FANNIN ST, STE 1100, HOUSTON, TX 77030	INVESTMENT MGMT	TX	501(C)(3)	11 - TYPE I	SLHS	✓	
(142) ST. LUKE'S HOSPITAL AT THE VINTAGE (26-3734606) 6624 FANNIN ST, STE 2505, HOUSTON, TX 77030	HEALTHCARE	TX	501(C)(3)	3	SLHS	✓	
(143) ST LUKE'S MEDICAL GROUP (76-0458535) 6624 FANNIN ST, HOUSTON, TX 77030	PHYSICIANS	TX	501(C)(3)	3	SLHS	✓	
(144) ST LUKE'S MEDICAL TOWER CORPORATION (76-0531713) 6624 FANNIN ST, STE 1100, HOUSTON, TX 77030	PROPERTY MGMT	TX	501(C)(3)	11 - TYPE I	CHI-SLH	✓	
(145) ST. LUKE'S PROPERTIES CORPORATION (76-0531716) 6624 FANNIN ST, STE 1100, HOUSTON, TX 77030	PROPERTY MGMT	TX	501(C)(3)	11 - TYPE I	SLHS	✓	
(146) ST LUKE'S SUGAR LAND PROPERTIES CORPORATION (45-4120549) 6624 FANNIN ST, STE 2505, HOUSTON, TX 77030	PROPERTY MGMT	TX	501(C)(3)	11 - TYPE I	SLCDC-SL	✓	
(147) ST. MARY'S COMMUNITY HOSPITAL (47-0443636) 1314 3RD AVE, NEBRASKA CITY, NE 68410	HEALTHCARE	NE	501(C)(3)	3	CHI NEBRASKA	✓	
(148) ST. MARY'S HOSPITAL FOUNDATION (47-0707604) 1314 3RD AVE, NEBRASKA CITY, NE 68410	FUNDRAISING	NE	501(C)(3)	7	SMCH	✓	
(149) ST VINCENT FOUNDATION (51-0169537) TWO ST. VINCENT CIRCLE, LITTLE ROCK, AR 72205	FUNDRAISING	AR	501(C)(3)	11 - TYPE I	SVIMC	✓	
(150) ST. VINCENT INFIRMARY MEDICAL CENTER (71-0236917) TWO ST VINCENT CIRCLE, LITTLE ROCK, AR 72205	HEALTHCARE	AR	501(C)(3)	3	CHI	✓	

(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
(151) ST. VINCENT MEDICAL GROUP (71-0830696) TWO ST. VINCENT CIRCLE, LITTLE ROCK, AR 72205	HEALTHCARE	AR	501(C)(3)	9	SVIMC	✓	
(152) THE GOOD SAMARITAN HOSPITAL OF CINCINNATI, OH (31-0537486) 619 OAK ST, ACCOUNTING-3 W, CINCINNATI, OH 45206	HEALTHCARE	OH	501(C)(3)	3	CHI	✓	
(153) THE PHYSICIAN NETWORK (47-0780857) 2000 Q ST, STE 500, LINCOLN, NE 68503	PHYSICIANS	NE	501(C)(3)	11 - TYPE I	CHI NEBRASKA	✓	
(154) TOTAL HEALTHCARE (84-0927232) 188 INVERNESS DRIVE WEST, STE 500, ENGLEWOOD, CO 80112	HEALTHCARE	CO	501(C)(3)	3	CHIC	✓	
(155) UNITY FAMILY HEALTHCARE (41-0721642) 815 SE 2ND ST, LITTLE FALLS, MN 56345	HEALTHCARE	MN	501(C)(3)	3	CHI	✓	
(156) VILLA NAZARETH, INC (45-0226714) 801 PAGE DR, FARGO, ND 58103	LTERM CARE	ND	501(C)(3)	9	CHI	✓	
(157) VISITING NURSE ASSOCIATION OF ST. CLARE'S, INC (22-1768334) 191 WOODPORT RD, SPARTA, NJ 07871	HOME HEALTH	NJ	501(C)(3)	9	SCHS	✓	
(158) WOODLANDS DOCTOR GROUP (27-4499340) 17200 ST. LUKE'S WAY, STE 170, THE WOODLANDS, TX 77384	PHYSICIANS	TX	501(C)(3)	9	SLCHS	✓	

Part III Identification of Related Organizations Taxable as a Partnership (continued)

(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? Yes	(h) Disproportionate allocations? No	(i) Code V - UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) General or managing partner? No	(k) Percentage ownership
(1) ALEGENT HEALTH NORTHWEST IMAGING CENTER, LLC (06-1786985) 3606 N 156TH ST, OMAHA, NE 68116	OP DIAGNOSTICS	NE	ACH	RELATED	116,752	776,649		✓	0	✓		51
(2) AUDUBON LAND COMPANY, LLC (84-1513085) 5390 N ACADEMY BLVD, STE 300, COLORADO SPRINGS, CO 80918	REAL ESTATE	CO	CHIC	RELATED	34,991	8,665,388		✓	0		✓	50 1
(3) AVANTAS, LLC (39-2045003) 11128 JOHN GALT BLVD, STE 400, OMAHA, NE 68137	STAFFING OF NURSES	NE	AHBMHS	RELATED	-319,683	4,762,246		✓	-439,535		✓	95
(4) BERGAN MERCY SURGERY CENTER, LLC (20-8671994) 7710 MERCY RD, STE 200, OMAHA, NE 68124	AMBUL SURG CTR	NE	ACH	RELATED	142,085	3,294,472		✓	0		✓	63.94
(5) BERYWOOD OFFICE PROPERTIES, LLC (62-1875199) 400 BERYWOOD TRAIL, CLEVELAND, TN 37312	PHYS OFFICE	TN	MHCS	RELATED	57,545	1,013,237		✓	0	✓		63
(6) BLUEGRASS REGIONAL IMAGING CENTER (61-1386736) 1218 SOUTH BRDWAY, STE 310, LEXINGTON, KY 40504	DIAGNOSTIC IMAGING	KY	SJHS	RELATED	308,428	3,317,191		✓	0		✓	65
(7) CATHOLIC HEALTH INITIATIVES PHYSICIAN SERVICES, LLC (46-2945938) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	PRACTICE MGMT SRVC	DE	CHI	RELATED	2,478	4,571,498		✓	0	✓		80
(8) CENTRAL NEBRASKA HOME CARE SERVICES (47-0692112) PO BOX 1146, 4502 N SECOND AVE, KEARNEY, NE 68848	HEALTHCARE SRVC	NE	N/A	RELATED	-195,425	216,945		✓	-77,269	✓		100
(9) CENTRAL NEBRASKA REHAB SERVICE (81-0653461) 620 DIERS AVE, STE 300, GRAND ISLAND, NE 68803	PHYSICAL THERAPY	NE	SFMC	RELATED	2,132,606	3,494,427		✓	0		✓	51
(10) CHI OPERATING INVESTMENT PROGRAM, LP (47-0727942) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	INVESTMENTS	CO	CHI	UNRELATED	344,962,532	4,617,413,792		✓	0	✓		92 8
(11) CHIC/AMSURG SURGERY CENTERS, LLC (11-1222333) 188 INVERNESS DRIVE WEST, #500, ENGLEWOOD, CO 80112	SURGERY CENTER	CO	CHIC	RELATED	0	0		✓	0		✓	51
(12) HC SL VINTAGE I, LLC (27-0453767) 18000 W SARAH LANE, STE 250, BROOKFIELD, WI 53045	PROPERTY HOLDING	WI	SL CDC-V	RELATED	1,027,057	105,658,490		✓	0		✓	51
(13) HEALTHCARE SUPPORT SERVICES (72-1546196) PO BOX 9804, GRAND ISLAND, NE 68802	LAUNDRY	NE	N/A	RELATED	98,584	3,190,678		✓	97,006		✓	100
(14) HEARTLAND ONCOLOGY, LLC (22-2333444) 2337 E CRAWFORD ST, SALINA, KS 67401	ONCOLOGY	KS	SCH	RELATED	0	0		✓	0		✓	51
(15) HIGHLINE IMAGING, LLC (20-0460005)	DIAGNOSTIC	WA	HMC	RELATED	375,761	1,784,057		✓	0		✓	80

(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	
275 SW 160TH ST, BURIEN, WA 98166	IMAGING											
(16) LAKESIDE AMBULATORY SURGICAL CENTER, LLC (20-4267902) 17031 LAKESIDE HILLS DR, OMAHA, NE 68130	AMBUL SURG CTR	NE	ACH	RELATED	3,465,880	1,951,221		✓	0		✓	51
(17) LAKESIDE ENDOSCOPY CENTER, LLC (20-5544496) 17001 LAKESIDE HILLS PLZ, STE 201, OMAHA, NE 68130	ENDOSCOPY SRVC	NE	ACH	RELATED	1,455,294	1,013,126		✓	0		✓	52.28
(18) LINCOLN CK LEASING, LLC (26-2496856) 6003 OLD CHENEY RD, LINCOLN, NE 68516	REAL ESTATE	NE	SERMC	RELATED	574,064	425,034		✓	0		✓	53.76
(19) LOUISVILLE S.C., LTD. (06-2119566) 3000 RIVERCHASE GALLERIA, STE 500, BIRMINGHAM, AL 35244	SURGERY CENTER	AL	SCOFL	RELATED	417,359	478,373		✓	0	✓		61 1
(20) NEBRASKA SPINE HOSPITAL, LLC (27-0263191) 6901 N 72ND ST, OMAHA, NE 68122	SPINE HOSPITAL	NE	ACH	RELATED	10,501,730	17,301,869		✓	0		✓	51
(21) NORTH RIVER SURGERY CENTER, LLC (71-0799771) 2209 WILDWOOD AVE, SHERWOOD, AR 72120	AMBUL SURG CTR	AR	SVIMC	RELATED	81,071	1,077,536		✓	0		✓	57.45
(22) ORTHOCOLORADO, LLC (37-1577105) 11650 WEST 2ND PLACE, LAKEWOOD, CO 80255	ORTHO HOSPITAL	CO	THC	RELATED	1,846,183	8,411,844		✓	0		✓	60
(23) PENINSULA RADIATION ONCOLOGY, LLC (87-0808610) 315 MLK JR WAY, STE 111, TACOMA, WA 98405	HEALTHCARE SRVC	WA	FHS	RELATED	256,567	3,262,002		✓	0		✓	60
(24) PENRAD IMAGING (84-1072619) 1390 KELLY JOHNSON BLVD, COLORADO SPRINGS, CO 80920	MEDICAL IMAGING	CO	CHIC	RELATED	715,094	3,489,436		✓	0		✓	70
(25) PMC HOSPITAL, LLC (27-3280598) 4600 E SAM HOUSTON PKWY, SOUTH PASADENA, TX 77505	HOSPITAL	TX	SL CDC-PMC	RELATED	1,092,540	20,751,174		✓	0	✓		51
(26) PRAIRIE HEALTH VENTURES, LLC (20-4962103) 421 S 9TH ST, STE 102, LINCOLN, NE 68508	TECH SRVC	NE	AH-IMC	RELATED	1,011,804	5,564,586		✓	68,565	✓		65 75
(27) PREMIER SURGERY CENTER OF LOUISVILLE, L.P. (72-1378216) 3000 RIVERCHASE GALLERIA, STE 500, BIRMINGHAM, AL 35244	SURGERY CENTER	AL	SCA	RELATED	88,900	254,399		✓	0	✓		51
(28) PUEBLO AMBULATORY SURGERY CENTER, LLC (62-1488737) 188 INVERNESS DRIVE WEST, #500, ENGLEWOOD, CO 80112	SURGERY CENTER	CO	CHIC	RELATED	0	0		✓	0		✓	51
(29) SAINT JOSEPH - PAML, LLC (45-2116736) 424 LEWIS HARGETT CIRCLE, STE 160, LEXINGTON, KY 40503	MGMT SVCS	KY	SJHS	RELATED	-52,573	93,769		✓	0	✓		62.5
(30) SAINT JOSEPH - SCA HOLDINGS, LLC (45-3801157) 1451 HARRODSBURG RD, LEXINGTON, KY 40503	OP SURGERY	DE	SJHS	RELATED	0	0		✓	0	✓		51
(31) SAINT JOSEPH-ANC HOME CARE SERVICES (26-3330545) 1700 EDISON DR, MILFORD, OH 45150	HOME HEALTH	KY	JH	RELATED	88,608	256,606		✓	0		✓	100

(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	
(32) SCA PREMIER SURGERY CENTER OF LOUISVILLE, LLC (72-1386840) 200 ABRAHAM FLEXNER WAY, LOUISVILLE, KY 40202	SURGERY CENTER	KY	JH	RELATED	42,319	631,595		✓	0	✓		51
(33) ST. FRANCIS LAND COMPANY (26-3134100) 5390 N ACADEMY BLVD, STE 300, COLORADO SPRINGS, CO 80918	REAL ESTATE	CO	CHIC	RELATED	-130,967	13,823,763		✓	0		✓	51
(34) ST. FRANCIS MEDICAL CENTER ASSOCIATES (91-1352698) 1717 SOUTH J ST, TACOMA, WA 98405	MED OFFICE	WA	FHS	RELATED	238,717	19,017,063		✓	0		✓	54.21
(35) ST LUKE'S DIAGNOSTIC CATH LAB, LLP (71-0959365) 6620 MAIN ST, STE 1520, HOUSTON, TX 77030	DIAGNOSTICS	TX	SLHS HOLDINGS	RELATED	273,448	868,814		✓	0		✓	57.3
(36) ST. LUKE'S HOSPITAL AT THE VINTAGE, LLC (26-3734516) 6624 FANNIN, STE 2505, HOUSTON, TX 77030	HOSPITAL	TX	SLHS	RELATED	-19,253,743	69,158,748		✓	0	✓		51
(37) ST LUKE'S LAKESIDE HOSPITAL, LLC (30-0427437) 6624 FANNIN, STE 2505, HOUSTON, TX 77030	HOSPITAL	TX	SL CDC-W	RELATED	1,106,628	25,874,619		✓	0	✓		51
(38) ST. LUKE'S THE WOODLANDS SLEEP CENTER, LLC (46-2795726) 6624 FANNIN, STE 800, HOUSTON, TX 77030	DIAGNOSTICS	TX	SLHSH	RELATED	0	0		✓	0	✓		50
(39) SUPERIOR MEDICAL IMAGING, LLC (26-2884555) 5000 NORTH 26TH ST, LINCOLN, NE 68521	OP DIAGNOSTICS	NE	SERMC	RELATED	-200,323	821,112		✓	0	✓		51
(40) SURGERY CENTER OF LEXINGTON, LLC (62-1179539) 424 LEWIS HARGETT CIRCLE, STE 160, LEXINGTON, KY 40503	SURGERY CENTER	DE	SJHS	RELATED	-200,318	4,079,584		✓	0	✓		51
(41) SURGERY CENTER OF LOUISVILLE, LLC (62-1179537) 200 ABRAHAM FLEXNER WAY, LOUISVILLE, KY 40202	SURGERY CENTER	KY	JH	RELATED	-15,452	396,101		✓	0	✓		51

Part IV **Identification of Related Organizations Taxable as a Corporation or Trust** (continued)

(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
(8) CAPTIVE MANAGEMENT INITIATIVES, LTD (98-0663022) PO BOX 10073, APO, GEORGETOWN, GRAND CAYMAN, KY1-1001, CJ	CAPTIVE MANAGEMENT	CJ	CHI	C CORPORATION	0	0	100	✓	
(9) CARMONA-DESOTO BUILDING HORIZONTAL PROPERTY REGIME, INC (71-0771076) 300 WERNER ST, HOT SPRINGS, AR 71913	HEALTHCARE	AR	CHI-SVHS	C CORPORATION	0	0	100	✓	
(10) CATHOLIC HEALTH INITIATIVES CENTER FOR TRANSLATIONAL RESEARCH (27-2269511) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	RESEARCH	CO	CIRI	TRUST	-2286538	1241259	100	✓	
(11) CGH REALTY COMPANY, INC. (23-2326801) 2500 BERNVILLE RD, READING, PA 19603	REAL ESTATE	PA	SJHM	C CORPORATION	0	0	100	✓	
(12) CHI ST. LUKE'S HEALTH BAYLOR COLLEGE OF MEDICINE MEDICAL CENTER CONDO ASSOC (45-5079545) 6624 FANNIN, STE 2505, HOUSTON, TX 77030	CONDO ASSOC	TX	CHI-SLHBCM	C CORPORATION	0	0	100	✓	
(13) CLEARRIVER HEALTH (46-4495960) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	INSURANCE	TN	PHPSI	C CORPORATION	0	0	100	✓	
(14) COMCARE SERVICES, INC (84-0904813) 5570 DTC PARKWAY, ENGLEWOOD, CO 80111	INACTIVE	CO	CHIC	C CORPORATION	0	0	100	✓	
(15) CONSOLIDATED HEALTH SERVICES (31-1378212) 1700 EDISON DR, MILFORD, OH 45150	HOME HEALTH	OH	CHI	C CORPORATION	-879467	52379487	100	✓	
(16) DES MOINES MEDICAL CENTER, INC. (42-0837382) 1111 6TH AVE, DES MOINES, IA 50314	REAL ESTATE	IA	CHI-IA CORP	C CORPORATION	67314	1064032	92.98	✓	
(17) EAST TEXAS CLINICAL SERVICES, INC (45-4736213) 2801 VIA FORTUNA, #500, AUSTIN, TX 78746	HEALTHCARE	TX	MHSET	C CORPORATION	632545	16782	100	✓	
(18) FIRST INITIATIVES INSURANCE, LTD (98-0203038) PO BOX 10073, APO, GEORGETOWN, GRAND CAYMAN, KY1-1001, CJ	INSURANCE	CJ	CHI	C CORPORATION	0	0	100	✓	
(19) FRANCISCAN SERVICES, INC. (23-2487967) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	HEALTHCARE	CO	CHI	C CORPORATION	434854	718254	100	✓	
(20) GOOD SAMARITAN OUTREACH SERVICES (47-0659440) PO BOX 1990, KEARNEY, NE 68848	MEDICAL CLINIC	NE	CHI NEBRASKA	C CORPORATION	-7280	180468	100	✓	
(21) HEALTH SYSTEMS ENTERPRISES, INC (47-0664558) PO BOX 1990, KEARNEY, NE 68848	MGMT	NE	GSH	C CORPORATION	87278	1377820	100	✓	
(22) HEALTHCARE MGMT SERVICES ORGANIZATION, INC (91-1865474) 1717 SOUTH J ST, TACOMA, WA 98405	HEALTH ORG.	WA	FHS	C CORPORATION	0	0	100	✓	
(23) HEARTLANDPLAINS HEALTH (46-4368223) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	INSURANCE	NE	PHPSI	C CORPORATION	0	0	100	✓	
(24) HIGHLINE MEDICAL GROUP (91-1586438) 15811 AMBAUM BLVD SW, STE 170, BURIEN, WA 98166	MEDICAL SERVICES	WA	HMC	C CORPORATION	-6049147	5689139	100	✓	
(25) MEDQUEST (45-0392137) 1602 WEST 11TH ST, WILLISTON, ND 58801	SALE OF DME	ND	MMC WILLISTON	C CORPORATION	-	1152715	100	✓	
(26) MERCY PARK APARTMENTS, LTD (42-1202422) 1111 6TH AVE, DES MOINES, IA 50314	HOUSING	IA	CHI-IA CORP	C CORPORATION	273525	1937218	100	✓	
(27) MERCY SERVICES CORP (93-0824308) 2700 STEWART PARKWAY, ROSEBURG, OR 97471	RETAIL SALES	OR	MMC	C CORPORATION	0	142337	100	✓	

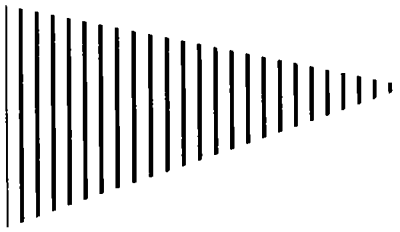
(a) Name, address and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C-corp, S-corp or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
(28) MHI CLINICAL SERVICES (46-1967952) 1201 W. FRANK AVE, LUFKIN, TX 75904	HEALTHCARE	TX	MHSET	C CORPORATION	0	0	100	✓	
(29) MOUNTAIN MANAGEMENT SERVICES, INC. (62-1570739) 6028 SHALLOWFORD RD, CHATTANOOGA, TN 37421	MGMT SVC ORG	TN	MHCS	C CORPORATION	96044	6465179	100	✓	
(30) NAZARETH ASSURANCE COMPANY (03-0304831) PO BOX 10073, APO, GEORGETOWN, GRAND CAYMAN, KY1-1001, CJ	INSURANCE	CJ	CHI	C CORPORATION	0	0	100	✓	
(31) PATIENT TRANSPORT SERVICES, INC. (31-1100798) 1700 EDISON DR, MILFORD, OH 45150	HOME HEALTH	OH	ANC	C CORPORATION	-164340	5488275	100	✓	
(32) PHYSICIAN/HEALTH SYSTEM NETWORK (91-1746721) 1149 MARKET ST., TACOMA, WA 98402	HEALTH ORG.	WA	FHS	C CORPORATION	0	0	100	✓	
(33) PROMINENCE HEALTH PLAN SERVICES, INC (FKA COLLABHEALTH PLAN SERVICES, INC) (46-1224037) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	ADMIN SERVICES	CO	PHI	C CORPORATION	-5339325	38272608	100	✓	
(34) PROMINENCE HEALTH, INC (FKA COLLABHEALTH MANAGED SOLUTIONS, INC) (46-1222808) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	HOLDING CO	CO	CHI	C CORPORATION	0	23806707	100	✓	
(35) QCA HEALTH PLAN, INC (71-0794605) 12615 CHENAL PARKWAY, STE 300, LITTLE ROCK, AR 72211	INSURANCE	AR	QCHI	C CORPORATION	0	0	100	✓	
(36) QUALCHOICE HOLDINGS, INC. (27-4075520) 12615 CHENAL PARKWAY, STE 300, LITTLE ROCK, AR 72211	HOLDING CO	AR	PHPS	C CORPORATION	0	0	100	✓	
(37) QUALCHOICE LIFE AND HEALTH INSURANCE COMPANY, INC (71-0386640) 12615 CHENAL PARKWAY, STE 300, LITTLE ROCK, AR 72211	INSURANCE	AR	QCH	C CORPORATION	0	0	100	✓	
(38) RIVERLINK HEALTH (46-4380824) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	INSURANCE	OH	PHPS	C CORPORATION	0	0	100	✓	
(39) RIVERLINK HEALTH OF KENTUCKY, INC. (46-4828332) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	INSURANCE	KY	PHPS	C CORPORATION	0	0	100	✓	
(40) SAINT CLARE'S PRIMARY CARE, INC. (22-2441202) 66 FORD RD, DENVILLE, NJ 07834	BILLING SERVICES	NJ	SCCC	C CORPORATION	-235604	1361242	100	✓	
(41) SAMARITAN FAMILY CARE, INC. (31-1299450) 40 W FOURTH ST, STE 1700, DAYTON, OH 45402	HEALTHCARE	OH	SHP	C CORPORATION	0	0	100	✓	
(42) SJH SERVICES CORPORATION (23-2307408) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	HEALTHCARE	CO	FSI	C CORPORATION	-197039	3331737	100	✓	
(43) SJL PHYSICIAN MANAGEMENT SERVICES, INC (27-0164198) 424 LEWIS HARGETT CR, STE 160, LEXINGTON, KY 40503	MGMT	KY	SJHS	C CORPORATION	0	0	100	✓	
(44) SLMT PARKING, INC. (76-0637140) 6624 FANNIN, STE 800, HOUSTON, TX 77030	PARKING	TX	SLHS	C CORPORATION	1117934	13768221	100	✓	
(45) SOUNDPATH HEALTH, INC (42-1720801) 32129 WEYERHAEUSER WAY S, STE 201, FEDERAL WAY, WA 98001	INSURANCE	WA	PHPS	C CORPORATION	-154741	10976973	62.6	✓	
(46) ST ANTHONY DEVELOPMENT COMPANY (93-1216943) 1415 SOUTHGATE, PENDLETON, OR 97801	ATHLETIC CLUB	OR	SAH	C CORPORATION	114663	2936102	100	✓	
(47) ST. JOSEPH DEVELOPMENT COMPANY, INC (91-1480569) 1717 SOUTH J ST, TACOMA, WA 98405	RENTAL	WA	FSI	C CORPORATION	63164	11845439	100	✓	

(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
(48) ST. JOSEPH OFFICE PARK ASSOCIATION (61-1079899) 1401 HARRODSBURG RD, BLDG B70, LEXINGTON, KY 40504	MGMT	KY	SJHS	C CORPORATION	0	882139	85	✓	
(49) ST. LUKE'S 6620 MAIN CONDOMINIUM ASSOCIATION (30-0355517) 6624 FANNIN, STE 2505, HOUSTON, TX 77030	CONDO ASSOC	TX	SLPC	C CORPORATION	0	0	100	✓	
(50) ST. LUKE'S ANESTHESIOLOGY ASSOCIATES (46-1517163) 6624 FANNIN, STE 1100, HOUSTON, TX 77030	MEDICAL CLINIC	TX	CHI-SLH	C CORPORATION	0	0	100	✓	
(51) ST. LUKE'S EPISCOPAL HOSPITAL PHYSICIAN HOSPITAL ORGANIZATION, INC (76-0377932) 6720 BERTNER, MC4-262, HOUSTON, TX 77030	PHO	TX	CHI-SLH	C CORPORATION	6	0	60	✓	
(52) ST. LUKE'S HEALTH SYSTEM HOLDINGS, INC. (FKA SLEHS HOLDINGS, INC.) (76-0637138) 6624 FANNIN, STE 800, HOUSTON, TX 77030	HOLDING CO	TX	SLHS	C CORPORATION	1425313	33114103	100	✓	
(53) ST. LUKE'S MEDICAL ARTS CENTER I CONDOMINIUM ASSOCIATION (30-0355518) 6624 FANNIN, STE 2505, HOUSTON, TX 77030	CONDO ASSOC	TX	SLPC	C CORPORATION	0	0	100	✓	
(54) ST LUKE'S MEDICAL TOWER CONDOMINIUM ASSOCIATION (76-0298751) 6624 FANNIN, STE 2505, HOUSTON, TX 77030	CONDO ASSOC	TX	SLMTC	C CORPORATION	0	0	100	✓	
(55) ST VINCENT COMMUNITY HEALTH SERVICES, INC. (71-0710785) TWO ST VINCENT CIRCLE, LITTLE ROCK, AR 72205	HEALTHCARE	AR	SVIMC	C CORPORATION	2408638	15225732	100	✓	
(56) STABLEVIEW HEALTH, INC. (46-4373713) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	INSURANCE	KY	PHPS	C CORPORATION	0	0	100	✓	
(57) SUGAR LAND DOCTOR GROUP (45-4270163) 1317 LAKE POINTE PARKWAY, SUGAR LAND, TX 77478	MEDICAL CLINIC	TX	SLCDC-SL	C CORPORATION	0	0	100	✓	
(58) THE TEXAS HEART INSTITUTE AT ST LUKE'S EPISCOPAL HOSPITAL DENTON A COOLEY BUILDING COMDOMINIUM ASSOCIATION (90-0064009) 6624 FANNIN, STE 2505, HOUSTON, TX 77030	CONDO ASSOC	TX	CHI-SLH	C CORPORATION	0	0	100	✓	
(59) TOWSON MANAGEMENT, INC. (52-1710750) 7601 OSLER DR, TOWSON, MD 21204	MGMT SERVICES	MD	FSI	C CORPORATION	516457	197196	100	✓	

Consolidated Financial Statements and Reports on Federal Award Programs

Catholic Health Initiatives
Year Ended June 30, 2014
With Reports of Independent Auditors

Ernst & Young LLP



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Catholic Health Initiatives

Consolidated Financial Statements and
Reports on Federal Award Programs

Year Ended June 30, 2014

Contents

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Building a better working world

Report of Independent Auditors

The Board of Stewardship Trustees
Catholic Health Initiatives

We have audited the accompanying consolidated financial statements of Catholic Health Initiatives, 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 consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free 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.

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Opinion

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated September 17, 2014, on our consideration of Catholic Health Initiatives' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Catholic Health Initiatives' internal control over financial reporting and compliance.

Ernst & Young LLP

September 17, 2014

Catholic Health Initiatives

Consolidated Balance Sheets
(In Thousands)

	June 30	
	2014	**2013**
Assets		
Current assets:		
Cash and equivalents	**$ 1,042,748**	$ 609,226
Net patient accounts receivable, less allowances for bad debt of $924,395 and $858,394 at 2014 and 2013, respectively	**1,997,468**	1,755,348
Other accounts receivable	**286,673**	197,917
Current portion of investments and assets limited as to use	**24,732**	11,697
Inventories	**271,664**	247,720
Assets held for sale	**202,066**	215,777
Prepaid and other	**197,668**	137,776
Total current assets	**4,023,019**	3,175,461
Investments and assets limited as to use:		
Internally designated for capital and other funds	**5,310,967**	5,452,023
Mission and ministry fund	**137,099**	121,109
Capital resource pool	**515,338**	416,938
Held by trustees	**53,574**	16,726
Held for insurance purposes	**828,078**	825,885
Restricted by donors	**296,472**	266,325
Total investments and assets limited as to use	**7,141,528**	7,099,006
Property and equipment, net	**8,942,520**	7,786,240
Deferred financing costs	**43,074**	36,557
Investments in unconsolidated organizations	**608,088**	416,816
Intangible assets and goodwill, net	**553,462**	364,751
Notes receivable and other	**500,886**	430,888
Total assets	**$ 21,812,577**	$ 19,309,719

	June 30	
	2014	2013
Liabilities and net assets		
Current liabilities:		
Compensation and benefits	$ 679,575	$ 600,837
Third-party liabilities, net	123,804	110,571
Accounts payable and accrued expenses	1,446,233	1,066,930
Liabilities held for sale	104,117	91,412
Variable-rate debt with self liquidity	521,455	321,455
Commercial paper and current portion of debt	711,408	749,617
Total current liabilities	3,586,592	2,940,822
Pension liability	496,358	472,852
Self-insured reserves and claims	634,718	616,652
Other liabilities	831,615	698,283
Long-term debt	7,146,399	6,334,985
Total liabilities	12,695,682	11,063,594
Net assets:		
Net assets attributable to CHI	8,289,188	7,769,310
Net assets attributable to noncontrolling interests	469,296	175,663
Unrestricted	8,758,484	7,944,973
Temporarily restricted	265,639	214,524
Permanently restricted	92,772	86,628
Total net assets	9,116,895	8,246,125
Total liabilities and net assets	$ 21,812,577	$ 19,309,719

See accompanying notes.

Catholic Health Initiatives

Consolidated Statements of Operations
(In Thousands)

	Year Ended June 30	
	2014	**2013**
Revenues:		
Net patient services revenues before provision for doubtful accounts	**$ 13,372,955**	$ 10,714,455
Provision for doubtful accounts	**(965,711)**	(821,465)
Net patient services revenues	**12,407,244**	9,892,990
Nonpatient:		
Donations	**32,366**	31,089
Changes in equity of unconsolidated organizations	**26,922**	19,056
Investment income used for operations	**101,874**	66,529
Gains on business combinations	**421,955**	76,425
Hospital nonpatient revenues	**294,021**	209,413
Insurance premium revenues	**171,465**	50,503
Other	**432,826**	362,220
Total nonpatient revenues	**1,481,429**	815,235
Total operating revenues	**13,888,673**	10,708,225
Expenses:		
Salaries and wages	**5,554,984**	4,424,404
Employee benefits	**1,072,850**	970,824
Purchased services, medical professional fees, consulting and legal	**1,945,579**	1,361,778
Supplies	**2,346,879**	1,832,984
Utilities	**197,479**	152,979
Rentals, leases, maintenance and insurance	**875,833**	616,683
Depreciation and amortization	**698,772**	555,064
Interest	**235,440**	164,353
Other	**857,334**	624,756
Total operating expenses before restructuring, impairment and other losses	**13,785,150**	10,703,825
Income from operations before restructuring, impairment and other losses	**103,523**	4,400
Restructuring, impairment, and other losses	**117,514**	59,343
Loss from operations	**(13,991)**	(54,943)
Nonoperating gains (losses):		
Investment income, net	**748,374**	488,824
Loss on defeasance of bonds	**(5,625)**	(17,998)
Realized and unrealized (losses) gains on interest rate swaps	**(39,424)**	65,843
Other nonoperating (losses) gains	**(55,367)**	7,977
Total nonoperating gains	**647,958**	544,646
Excess of revenues over expenses	**633,967**	489,703
Deficit of revenues over expenses attributable to noncontrolling interest	**5,686**	37
Excess of revenues over expenses attributable to CHI	**$ 639,653**	$ 489,740

See accompanying notes

Catholic Health Initiatives

Consolidated Statements of Changes in Net Assets
(In Thousands)

	Unrestricted Net Assets					
	Attributable to CHI	Attributable to Noncontrolling Interests	Total	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
Balances, July 1, 2012	$ 6,922,466	$ 180,863	$ 7,103,329	$ 136,821	$ 68.033	$ 7,308,183
Excess of revenues over expenses	489,740	(37)	489,703	–	–	489,703
Net loss from discontinued operations	(108,594)	–	(108,594)	–	–	(108,594)
Decrease in pension funded status	483,468	2,082	485,550	–	–	485,550
Temporarily and permanently restricted contributions	–	–	–	33,056	(1,554)	31,502
Net assets released from restriction for capital	15,791	–	15,791	(15,791)	–	–
Net assets released from restriction for operations	–	–	–	(15,728)	–	(15,728)
Investment (loss) income	(45)	–	(45)	5,393	1,280	6,628
Temporarily and permanently restricted assets from acquisitions	–	–	–	74,253	19.171	93,424
Other changes in net assets	(33,516)	(7,245)	(40,761)	(3,480)	(302)	(44,543)
Net increase (decrease) in net assets	846,844	(5,200)	841,644	77,703	18.595	937,942
Balances, June 30, 2013	**7,769,310**	**175,663**	**7,944,973**	**214,524**	**86,628**	**8,246,125**
Excess of revenues over expenses	**639,653**	**(5,686)**	**633,967**	–	–	**633,967**
Net loss from discontinued operations	**(14,768)**	–	**(14,768)**	–	–	**(14,768)**
Increase in pension funded status	**(47,282)**	**(809)**	**(48,091)**	–	–	**(48,091)**
Temporarily and permanently restricted contributions	–	–	–	**50,957**	**523**	**51,480**
Net assets released from restriction for capital	**20,776**	–	**20,776**	**(20,776)**	–	–
Net assets released from restriction for operations	–	–	–	**(17,887)**	–	**(17,887)**
Investment (loss) income	**(40)**	–	**(40)**	**14,701**	**2,218**	**16,879**
Temporarily and permanently restricted assets from acquisitions	–	–	–	**24,197**	**2,003**	**26,200**
Noncontrolling interest issued	–	**286,125**	**286,125**	**12,600**	–	**298,725**
Other changes in net assets	**(78,461)**	**14,003**	**(64,458)**	**(12,677)**	**1,400**	**(75,735)**
Net increase in net assets	**519,878**	**293,633**	**813,511**	**51,115**	**6,144**	**870,770**
Balances, June 30, 2014	**$ 8,289,188**	**$ 469,296**	**$ 8,758,484**	**$ 265,639**	**$ 92,772**	**$ 9,116,895**

See accompanying notes

Catholic Health Initiatives

Consolidated Statements of Cash Flows
(In Thousands)

	Year Ended June 30	
	2014	**2013**
Operating activities		
Increase in net assets	**$ 870,770**	$ 937,942
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	**698,772**	555,064
Provision for bad debts	**965,711**	821,465
Changes in equity of unconsolidated organizations	**(26,922)**	(19,056)
Net gains on business combinations	**(421,955)**	(76,425)
Net gains on sales of facilities and investments in unconsolidated organizations	**(17,116)**	(9,544)
Noncash operating expenses related to restructuring, impairment and other losses	**85,709**	4,872
Loss on defeasance of bonds	**5,625**	17,998
Increase in fair value of interest rate swaps	**(10,200)**	(98,799)
Decrease in unfunded pension liability	**(1,488)**	(484,049)
Net changes in current assets and liabilities		
Net patient and other accounts receivable	**(1,147,685)**	(1,067,716)
Other current assets	**(55,976)**	(6,725)
Current liabilities	**278,147**	89,868
Noncontrolling interest issued	**(298,725)**	–
Other changes	**(604)**	193,461
Net cash provided by operating activities, before net change in investments, and assets limited as to use	**924,063**	858,356
Net decrease in investments and assets limited as to use	**239,686**	474,258
Net cash provided by operating activities	**1,163,749**	1,332,614
Investing activities		
Purchases of property, equipment and other capital assets	**(1,478,741)**	(1,285,330)
Net cash on contributions and acquisitions	**70,851**	67,696
Purchase of CHI St Vincent Hot Springs, net of cash acquired	**(59,571)**	–
Purchase of CHI St Luke's Health System, net of cash acquired	**–**	(961,014)
Purchase of Alegent Creighton Health, net of cash acquired	**–**	(505,542)
Net cash proceeds from asset sales	**71,639**	218,002
Distributions from investments in unconsolidated organizations	**45,991**	35,224
Cash from net repayments of notes receivable	**12,004**	2,843
Other changes	**19,715**	35,306
Net cash used in investing activities	**(1,318,112)**	(2,392,815)
Financing activities		
Proceeds from issuance of debt and bank loans	**1,899,065**	1,591,465
Costs associated with issuance of debt	**(11,354)**	(12,170)
Repayment of debt	**(1,299,826)**	(313,840)
Proceeds from bank loans	**–**	–
Net cash provided by financing activities	**587,885**	1,265,455
Increase in cash and equivalents	**433,522**	205,254
Cash and equivalents at beginning of year	**609,226**	403,972
Cash and equivalents at end of year	**$ 1,042,748**	$ 609,226
Supplemental disclosures of cash flow information		
Cash paid during the year for interest, including amounts capitalized	**$ 272,627**	$ 199,413

See accompanying notes

1. Summary of Significant Accounting Policies

Organization

Catholic Health Initiatives (CHI), established in 1996, is a tax-exempt Colorado corporation and has been granted an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. CHI sponsors market-based organizations (MBO) and other facilities operating in 18 states and includes 92 hospitals, including four academic medical centers, and 24 critical access facilities; community health service organizations; accredited nursing colleges; home health agencies; and other facilities that span the inpatient and outpatient continuum of care. CHI also has an offshore captive insurance company, First Initiatives Insurance, Ltd. (FIIL).

The mission of CHI is to nurture the healing ministry of the Church, supported by education and research. Fidelity to the Gospel urges CHI to emphasize human dignity and social justice as CHI creates healthier communities.

Principles of Consolidation

CHI consolidates all direct affiliates in which it has sole corporate membership or ownership (Direct Affiliates) and all entities in which it has greater than 50% equity interest with commensurate control. All significant intercompany accounts and transactions are eliminated in consolidation.

Fair Value of Financial Instruments

Financial instruments consist primarily of cash and equivalents, patient accounts receivable, notes receivable and accounts payable. The carrying amounts reported in the consolidated balance sheets for these items approximate fair value.

1. Summary of Significant Accounting Policies (continued)

Cash and Equivalents

Cash and equivalents include all deposits with banks and investments in interest-bearing securities with maturity dates of 90 days or less from the date of purchase. In addition, cash and equivalents include deposits in short-term funds held by professional managers. The funds generally invest in high-quality, short-term debt securities, including U.S. government securities, securities issued by domestic and foreign banks, such as certificates of deposit and bankers' acceptances, repurchase agreements, asset-backed securities, high-grade commercial paper and corporate short-term obligations.

Net Patient Accounts Receivable and Net Patient Services Revenues

Net patient accounts receivable has been adjusted to the estimated amounts expected to be collected. These estimated amounts are subject to further adjustments upon review by third-party payors.

The provision for bad debts is based upon management's assessment of historical and expected net collections, taking into consideration historical business and economic conditions, trends in health care coverage, and other collection indicators. Management routinely assesses the adequacy of the allowances for uncollectible accounts based upon historical write-off experience by payor category. The results of these reviews are used to modify, as necessary, the provision for bad debts and to establish appropriate allowances for uncollectible net patient accounts receivable. After satisfaction of amounts due from insurance, CHI follows established guidelines for placing certain patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by each facility. The provision for bad debts is presented on the consolidated statements of operations as a deduction from patient services revenues (net of contractual allowances and discounts) since CHI accepts and treats substantially all patients without regard to the ability to pay.

During fiscal year 2014 and 2013, CHI added approximately $76 million and $400 million, respectively, in net patient accounts receivable due to the acquisition of various new subsidiaries – see Note 4, *Acquisitions, Affiliations and Divestitures*. Effective on January 1, 2014, the Affordable Care Act came into effect, which in certain states has caused a slight shift in payor mix whereby patients that used to be classified as charity now qualify for Medicaid. CHI has not experienced significant changes in write-off trends and there have been no significant changes to its charity care policy.

1. Summary of Significant Accounting Policies (continued)

Details of CHI's allowance activity is as follows (in thousands):

	Reserve for Contractual Allowance	Allowance for Bad Debt	Reserve for Charity	Total Accounts Receivable Allowances
Balance at July 1, 2012	$ (1,947,750)	$ (687,631)	$ (151,348)	$ (2,786,729)
Additions	(21,690,860)	(886,571)	(1,219,555)	(23,796,986)
Reductions	20,778,640	715,808	803,787	22,298,235
Balance at June 30, 2013	(2,859,970)	(858,394)	(567,116)	(4,285,480)
Additions	**(28,747,136)**	**(1,029,699)**	**(1,135,618)**	**(30,912,453)**
Reductions	**28,079,966**	**963,698**	**1,271,588**	**30,315,252**
Balance at June 30, 2014	**$ (3,527,140)**	**$ (924,395)**	**$ (431,146)**	**$ (4,882,681)**

CHI records net patient services revenues in the period in which services are performed. CHI has agreements with third-party payors that provide for payments at amounts different from its established rates. The basis for payment under these agreements includes prospectively determined rates, cost reimbursement and negotiated discounts from established rates, and per diem payments.

Net patient services revenues are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments due to future audits, reviews and investigations, and excluding estimated amounts considered uncollectible. The differences between the estimated and actual adjustments are recorded as part of net patient services revenues in future periods, as the amounts become known, or as years are no longer subject to such audits, reviews and investigations.

Investments and Assets Limited as to Use

Investments and assets limited as to use include assets set aside by CHI for future long-term purposes, including capital improvements and self-insurance. In addition, assets limited as to use include amounts held by trustees under bond indenture agreements, amounts contributed by donors with stipulated restrictions and amounts held for Mission and Ministry programs.

1. Summary of Significant Accounting Policies (continued)

CHI has designated its investment portfolio as trading. Accordingly, unrealized gains and losses on marketable securities are reported within excess of revenues over expenses. In addition, cash flows from the purchases and sales of marketable securities are reported as a component of operating activities in the accompanying consolidated statements of cash flows.

Direct investments in equity securities with readily determinable fair values and all direct investments in debt securities have been measured at fair value in the accompanying consolidated balance sheets. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in excess of revenues over expenses unless the income or loss is restricted by donor or law.

Investments in limited partnerships and limited liability companies are recorded using the equity method of accounting (which approximates fair value as determined by the net asset values of the related unitized interests) with the related changes in value in earnings reported as investment income in the accompanying consolidated financial statements.

Inventories

Inventories, primarily consisting of pharmacy drugs, and medical and surgical supplies, are stated at lower of cost (first-in, first-out method) or market.

Assets and Liabilities Held for Sale

A long-lived asset or disposal group of assets and liabilities that is expected to be sold within one year is classified as held for sale. For long-lived assets held for sale, an impairment charge is recorded if the carrying amount of the asset exceeds its fair value less costs to sell. Such valuations include estimates of fair values generally based upon firm offers, discounted cash flows and incremental direct costs to transact a sale (Level 2 and Level 3 inputs).

Property and Equipment

Property and equipment are stated at historical cost or, if donated or impaired, at fair value at the date of receipt or impairment. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. During fiscal year 2014, CHI conducted a study to reassess the estimated remaining useful lives of its buildings and building improvements. As a result of this study, CHI prospectively adjusted the estimated

1. Summary of Significant Accounting Policies (continued)

remaining useful lives of these assets, which resulted in a reduction to depreciation expense of $23.5 million in 2014. Buildings and improvements are depreciated over estimated useful lives of 5 to 84 years, and equipment and land improvements over 3 to 40 years.

For property and equipment under capital lease, amortization is determined over the shorter period of the lease term or the estimated useful life of the property and equipment. Interest cost incurred during the period of construction of major capital projects is capitalized as a component of the cost of acquiring those assets. Capitalized interest of $44.7 million and $30.4 million was recorded in fiscal years 2014 and 2013, respectively. Costs incurred in the development and installation of internal-use software are typically expensed if they are incurred in the preliminary project stage or post-implementation stage, while certain costs are capitalized if incurred during the application development stage. Amounts capitalized are amortized over the useful life of the developed asset following project completion.

Investments in Unconsolidated Organizations

Investments in unconsolidated organizations are accounted for under the cost or equity method of accounting, as appropriate, based on the relative percentage of ownership or degree of influence over that organization. The income or loss on the equity method investments is recorded in the consolidated statements of operations as changes in equity of unconsolidated organizations.

Intangible Assets and Goodwill

Intangible assets are comprised primarily of trade names, which are amortized over the estimated useful lives ranging from 10 to 25 years using the straight-line method. Amortization expense of $7.9 million and $5.2 million was recorded in 2014 and 2013, respectively. It is estimated that intangible asset amortization expense over the next five years will be $10.0 million per year.

Goodwill is not amortized but is subject to annual impairment tests as well as more frequent reviews whenever circumstances indicate a possible impairment may exist. Impairment testing of goodwill is done at the MBO level by comparing the fair value of the MBO's net assets against the carrying value of the MBO's net assets, including goodwill. Each MBO is defined as a reporting unit for purposes of impairment testing. The fair value of net assets is generally estimated based on quantitative analysis of discounted cash flows. The fair value of goodwill is determined by assigning fair values to assets and liabilities and calculating any remaining fair

1. Summary of Significant Accounting Policies (continued)

value as the implied fair value of goodwill. As a result of its impairment testing in fiscal year 2014, CHI determined that the implied fair value of one of its MBO's goodwill was less than the carrying value. A goodwill impairment charge of $15.0 million is reflected in the consolidated statements of operations for fiscal year 2014.

The changes in the carrying amount of goodwill and intangibles is as follows (in thousands):

	2014	2013
Intangible assets, beginning of year	**$ 97,684**	$ 52,834
Current year acquisitions	**130,124**	43,600
Purchase price allocation adjustments for prior year's acquisitions and other adjustments	**(11,970)**	1,250
Intangible assets, end of year	**215,838**	97,684
Accumulated amortization, beginning of year	**(25,467)**	(20,297)
Intangible amortization expense	**(7,931)**	(5,254)
Other adjustments	**8,169**	84
Accumulated amortization, end of year	**(25,229)**	(25,467)
Intangible assets, net	**190,609**	72,217
Goodwill, beginning of year	**292,534**	130,343
Current year acquisitions	**16,725**	146,142
Impairments	**(15,040)**	–
Purchase price allocation adjustments for prior year's acquisitions and other adjustments	**68,634**	16,049
Goodwill, end of year	**362,853**	292,534
Total intangible assets and goodwill, net	**$ 553,462**	$ 364,751

Intangible assets and goodwill increased during fiscal year 2014, due to the various acquisitions discussed in Note 4, *Acquisitions, Affiliations and Divestitures*. During fiscal year 2014, certain adjustments to the 2013, purchase price allocations were recorded to intangible and goodwill, including the correction to the values assigned to various CHI St. Luke Medical Center buildings, resulting in a $78.5 million increase in goodwill.

1. Summary of Significant Accounting Policies (continued)

Notes Receivable and Other Assets

Other assets consist primarily of notes receivable, pledges receivable, deferred compensation assets, prepaid service contracts, deposits and other long-term assets. Notes receivable from related entities at June 30, 2014 and 2013, include balances from Bethesda Hospital, Inc. (Bethesda), the non-CHI joint operating agreement (JOA) partner in the Cincinnati, Ohio JOA.

A summary of notes receivable and other assets is as follows as of June 30 (in thousands):

	2014	2013
Total notes receivable from related entities	$ 175,466	$ 188,275
Reinsurance recoverable on unpaid losses and loss adjustment expense	29,109	71,801
Deferred compensation assets	51,684	41,014
Other long-term assets	244,627	129,798
Total notes receivable and other	$ 500,886	$ 430,888

Bethesda is a Designated Affiliate in the CHI credit group under the Capital Obligation Document (COD). As conditions of joining the CHI credit group, Bethesda has agreed to certain covenants related to corporate existence, insurance coverage, exempt use of bond-financed facilities, maintenance of certain financial ratios, and compliance with limitations on the incurrence of additional debt. Based upon management's review of the creditworthiness of Bethesda and its compliance with the covenants and limitations, no allowances for uncollectible notes receivable were recorded at June 30, 2014 and 2013.

Net Assets

Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Permanently restricted net assets consist of gifts with corpus values that have been restricted by donors to be maintained in perpetuity, including endowment funds. Temporarily restricted net assets and earnings on permanently restricted net assets, including earnings on endowment funds, are used in accordance with the donor's wishes primarily to purchase equipment, to provide charity care, and to provide other health and educational programs and services.

1. Summary of Significant Accounting Policies (continued)

Unconditional promises to receive cash and other assets are reported at fair value at the date the promise is received. Conditional promises and indications of donors' intentions to give are reported at fair value at the date the conditions are met or the gifts are received. All unrestricted contributions are included in the excess of revenue over expenses as donation revenues. Other gifts are reported as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as donations revenue when restricted for operations or as unrestricted net assets when restricted for property and equipment.

Performance Indicator

The performance indicator is the excess of revenues over expenses, which includes all changes in unrestricted net assets other than changes in the pension liability funded status, net assets released from restrictions for property acquisitions, the cumulative effect of changes in accounting principles, discontinued operations, contributions of property and equipment, and other changes not required to be included within the performance indicator under generally accepted accounting principles.

Operating and Nonoperating Activities

CHI's primary mission is to meet the health care needs in its market areas through a broad range of general and specialized health care services, including inpatient acute care, outpatient services, physician services, long-term care, and other health care services. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Earnings from fixed-income investments held by FIIL are also classified within operating activities as such earnings support FIIL operations. Other activities that result in gains or losses peripheral to CHI's primary mission are considered to be nonoperating. Nonoperating activities include all other investment earnings, gains/losses from bond defeasance, net interest cost and changes in fair value of interest rate swaps, and the nonoperating component of JOA income share adjustments. Any infrequent and nonreciprocal contribution that CHI would make to enter a new market community or to expand upon existing affiliations is also classified as nonoperating.

1. Summary of Significant Accounting Policies (continued)

Charity Care

As an integral part of its mission, CHI accepts and treats all patients without regard to the ability to pay. Services to patients are classified as charity care in accordance with standards established across all MBOs. Charity care represents services rendered for which partial or no payment is expected, and includes the cost of providing services to persons who cannot afford health care due to inadequate resources and/or who are uninsured or underinsured. CHI determines the cost of charity care on the basis of an MBO's total cost as a percentage of total charges applied to the charges incurred by patients qualifying for charity care under CHI's policy. This amount is not included in net patient services revenues in the accompanying consolidated statements of operations and changes in net assets. The estimated cost of charity care provided was $255.2 million and $320.7 million in 2014 and 2013, respectively, for continuing operations, and $1.9 million and $2.0 million in 2014 and 2013, respectively, for discontinued operations. The decline in charity care provided was due primarily to changes in payor mix as a result of the Affordable Care Act.

Other Nonpatient Revenues

Other nonpatient revenues include services sold to external health care providers, gains on acquisitions of subsidiaries, cafeteria sales, rental income, retail pharmacy and durable medical equipment sales, auxiliary and gift shop revenues, electronic health records incentive payments, gains and losses on the sales of assets, the operating portion of revenue-sharing income or expense associated with Direct Affiliates that are part of JOAs, premium revenues, and revenues from other miscellaneous sources.

Derivative and Hedging Instruments

CHI uses derivative financial instruments (interest rate swaps) in managing its capital costs. These interest rate swaps are recognized at fair value on the consolidated balance sheets. CHI has not designated its interest rate swaps related to CHI's long-term debt as hedges. The net interest cost and change in the fair value of such interest rate swaps is recognized as a component of nonoperating (losses) gains in the accompanying consolidated statements of operations. It is CHI's policy to net the value of collateral on deposit with counterparties against the fair value of its interest rate swaps in other liabilities on the consolidated balance sheets.

1. Summary of Significant Accounting Policies (continued)

Functional Expenses

CHI provides health care services, including inpatient, outpatient, ambulatory, long-term care and community-based services to individuals within the various geographic areas supported by its facilities. Support services include administration, finance and accounting, information technology, public relations, human resources, legal, mission services and other functions that are supported centrally for all of CHI. Support services expenses as a percentage of total operating expenses were approximately 6.2% and 4.5% in 2014 and 2013, respectively.

Restructuring, Impairment, and Other Losses

CHI periodically evaluates property, equipment, goodwill, and certain other intangible assets to determine whether assets may have been impaired. Management determined there were certain goodwill impairments in 2014, and certain property and equipment impairments in both 2014 and 2013, to the extent that the fair values (estimated based upon discounted cash flows – Level 3 inputs) of those assets were less than the underlying carrying values.

During the years ended June 30, 2014 and 2013, CHI recorded total charges of $117.5 million and $155.3 million, respectively, relating to asset and goodwill impairments, and changes in business operations, including reorganization and severance costs. Of this amount, $117.5 million and $59.3 million were from continuing operations and reported in the consolidated statements of operations for 2014 and 2013, respectively, and $96.0 million was reported as discontinued operations in the consolidated statements of changes in net assets for 2013. No restructuring or impairment was recorded in 2014, for the discontinued operations.

Income Taxes

CHI is a tax-exempt Colorado corporation and has been granted an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. CHI owns certain taxable subsidiaries and engages in certain activities that are unrelated to its exempt purpose and therefore subject to income tax.

Management reviews its tax positions annually and has determined that there are no material uncertain tax positions that require recognition in the accompanying consolidated financial statements.

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could vary from the estimates.

Meaningful Use of Certified Electronic Health Record Technology Incentive Payments

The American Recovery and Reinvestment Act of 2009 provides for Medicare and Medicaid incentive payments beginning in 2011, to certain hospitals and professionals that implement and achieve meaningful use of certified electronic health record (EHR) technology in ways that demonstrate improved quality and effectiveness of care. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. An initial Medicaid incentive payment is available to providers that adopt, implement or upgrade certified EHR technology. However, in order to receive additional Medicaid incentive payments in subsequent years, providers must demonstrate continued meaningful use of EHR technology.

CHI accounts for meaningful use incentive payments under the gain contingency model. Medicare EHR incentive payments are recognized as revenues when eligible providers demonstrate meaningful use of certified EHR technology and the cost report information for the full cost report year that will determine the full calculation of the incentive payment is available. Medicaid EHR incentive payments are recognized as revenues when an eligible provider demonstrates meaningful use of certified EHR technology. CHI recognized $39.1 million and $32.5 million of Medicare meaningful use revenues and $18.0 million and $8.2 million of Medicaid meaningful use revenues in its consolidated statements of operations for fiscal year 2014 and 2013, respectively.

2. Community Benefit (Unaudited)

In accordance with its mission and philosophy, CHI commits substantial resources to sponsor a broad range of services to both the poor and the broader community. Community benefit provided to the poor includes the cost of providing services to persons who cannot afford health care due to inadequate resources and/or who are uninsured or underinsured. This type of community benefit includes the costs of traditional charity care; unpaid costs of care provided to

2. Community Benefit (Unaudited) (continued)

beneficiaries of Medicaid and other indigent public programs; services such as free clinics and meal programs for which a patient is not billed or for which a nominal fee has been assessed; and cash and in-kind donations of equipment, supplies or staff time volunteered on behalf of the community.

Community benefit provided to the broader community includes the costs of providing services to other populations who may not qualify as poor but may need special services and support. This type of community benefit includes the costs of services such as health promotion and education, health clinics and screenings, all of which are not billed or can be operated only on a deficit basis; unpaid portions of training health professionals such as medical residents, nursing students and students in allied health professions; and the unpaid portions of testing medical equipment and controlled studies of therapeutic protocols.

A summary of the cost of community benefit provided to both the poor and the broader community is as follows (in thousands):

	2014	2013
Cost of community benefit:		
Cost of charity care provided	**$ 255,157**	$ 320,666
Unpaid cost of public programs, Medicaid, and other indigent care programs	**453,386**	289,436
Non-billed services	**28,242**	36,237
Cash and in-kind donations	**4,084**	3,904
Education research	**102,081**	48,186
Other benefit	**62,263**	55,427
Total cost of community benefit from continuing operations	**905,213**	753,856
Total cost of community benefit from discontinued operations	**4,664**	8,095
Total cost of community benefit	**909,877**	761,951
Unpaid cost of Medicare from continuing operations	**776,417**	392,485
Unpaid cost of Medicare from discontinued operations	**16,445**	27,055
Total unpaid cost of Medicare	**792,862**	419,540
Total cost of community benefit and the unpaid cost of Medicare	**$ 1,702,739**	$ 1,181,491

2. Community Benefit (Unaudited) (continued)

The summary above has been prepared in accordance with the Catholic Health Association of the United States (CHA) publication, *A Guide for Planning & Reporting Community Benefit.* Community benefit is measured on the basis of total cost, net of any offsetting revenues, donations or other funds used to defray cost. During fiscal year 2014 and 2013, CHI received $4.0 million and $28.3 million, respectively, in funds used to subsidize charity care provided.

The total cost of community benefit from continuing and discontinued operations was 6.4% and 6.8% of total expenses before operating expenses related to restructuring, impairment and other losses in 2014 and 2013, respectively. The total cost of community benefit and the unpaid cost of Medicare from continuing and discontinued operations was 12.1% and 10.5% of total expenses before operating expenses related to restructuring, impairment and other losses in 2014 and 2013, respectively.

3. Joint Operating Agreements and Investments in Unconsolidated Organizations

Joint Operating Agreements

CHI participates in JOAs with hospital-based organizations in three separate market areas. The agreements generally provide for, among other things, joint management of the combined operations of the local facilities included in the JOAs through Joint Operating Companies (JOC). CHI retains ownership of the assets, liabilities, equity, revenues and expenses of the CHI facilities that participate in the JOAs. The financial statements of the CHI facilities managed under all JOAs are included in the CHI consolidated financial statements. Transfers of assets from facilities owned by the JOA participants generally are restricted under the terms of the agreements.

As of June 30, 2014 and 2013, CHI has a 70% interest in a JOC based in Colorado and has a 50% interest in two other JOCs associated with other JOAs. CHI's interests in the JOCs are included in investments in unconsolidated organizations and totaled $199.4 million and $103.2 million at June 30, 2014 and 2013, respectively. CHI recognizes its investment in all JOCs under the equity method of accounting. The JOCs provide varying levels of services to the related JOA sponsors, and operating expenses of the JOCs are allocated to each sponsoring organization. The JOCs had total assets of $607.7 million and $483.9 million at June 30, 2014 and 2013, respectively, and net assets of $347.2 million and $160.9 million, respectively.

3. Joint Operating Agreements and Investments in Unconsolidated Organizations (continued)

Investments in Unconsolidated Organizations

Conifer Health Solutions (Conifer) – As of June 30, 2014 and 2013, CHI holds a $19.3 million cost method investment in Conifer, acquired as part of an 11-year agreement with Conifer where Conifer provides revenue cycle services for CHI acute care operations. The agreement allows CHI to earn shares in Conifer as transition and other activities are completed, and such shares will be issued at specified future dates. As of June 30, 2014 and 2013, CHI has met certain transition milestones and has earned the right to additional future shares valued at $64.5 million and $19.1 million, respectively, which are reflected in notes receivable and other in the accompanying consolidated balance sheets. This earned value will be amortized as an offset to revenue cycle service fees paid to Conifer over the life of the agreement.

Preferred Professional Insurance Corporation (PPIC) – PPIC is an unconsolidated affiliate of CHI. PPIC provides professional liability insurance and other related services to preferred physician and other health care providers that are associated with its owners. CHI owns a 27% interest in PPIC and accounts for its investment under the equity method of accounting. The book value of the investment was $60.5 million and $56.0 million at June 30, 2014 and 2013, respectively. PPIC had net assets of $224.8 million and $208.0 million at December 31, 2013 and 2012, respectively.

Other Entities – The summarized financial positions and results of operations for the other entities accounted for under the equity method of accounting as of and for the periods ended June 30, excluding the investments described above, are as follows (in thousands):

	2014							
	Medical Office Buildings	Outpatient and Diagnostic Services	Ambulatory Surgery Centers	Physician Practices	Hospital Based Services	ACO/CCO /CIN	Other Investees	Total
Total assets	$ 17,593	$ 270,241	$ 71,266	$ 31,985	$ 119,181	$ 96,337	$ 147,363	$ 753,966
Total debt	14,906	11,707	11,117	13,552	24,605	30,554	22,970	129,411
Net assets	2,560	204,956	49,572	14,839	87,064	65,784	90,145	514,920
Net patient services revenues	–	254,294	151,907	41,686	100,253	–	127,268	675,408
Total revenues, net	2,674	349,029	152,301	44,498	83,719	149,695	188,845	970,761
(Deficit) excess of revenues over expenses	(54)	26,614	39,951	4,031	22,993	10,262	14,251	118,048

3. Joint Operating Agreements and Investments in Unconsolidated Organizations (continued)

	2013							
	Medical Office Buildings	Outpatient and Diagnostic Services	Ambulatory Surgery Centers	Physician Practices	Hospital Based Services	ACO/CCO /CIN	Other Investees	Total
Total assets	$ 34,746	$ 265,568	$ 65,084	$ 28,697	$ 115,036	$ 50,623	$ 110,002	$ 669,756
Total debt	33,106	24,408	11,998	12,535	27,605	14,534	18,335	142,521
Net assets	1,414	195,874	44,996	8,758	71,752	36,090	64,958	423,842
Net patient services revenues	–	260,204	138,577	34,197	95,749	–	72,165	600,892
Total revenues, net	6,309	353,484	142,775	37,065	95,161	51,767	163,511	850,072
Excess of revenues over expenses	872	34,633	44,385	4,241	18,296	3,314	7,806	113,547

4. Acquisitions, Affiliations and Divestitures

The following table is a summary of the business combinations that occurred in fiscal year 2014 (in thousands):

	Harrison	CHI St. Luke's/Baylor	Hot Springs	Memorial	Other	Total
Fiscal year 2014						
Purchase consideration						
Cash	$ –	$ –	$ 59,650	$ –	$ 3,759	$ 63,409
Equity interest in acquisition	–	–	–	–	3,471	3,471
Gain on business combinations	289,030	–	61,839	53,245	17,841	421,955
Noncontrolling interest	–	298,725	–	–	–	298,725
	$ 289,030	$ 298,725	$ 121,489	$ 53,245	$ 25,071	$ 787,560

	Harrison	CHI St. Luke's/Baylor	Hot Springs	Memorial	Other	Total
Fiscal year 2014						
Purchase price allocation						
Cash and investments	$ 217,515	$ –	$ 79	$ 78,798	$ 37,333	$ 333,725
Patient and other accounts receivable	50,556	–	–	21,254	4,638	76,448
Other current assets	11,780	63,200	6,010	7,231	3,269	91,490
Property and equipment	199,127	215,800	126,225	125,863	5,309	672,324
Intangible assets	21,028	79,000	–	2,000	6,096	108,124
Goodwill	–	16,725	–	–	–	16,725
Other assets	8,883	–	133	1,338	3,143	13,497
Current liabilities	(65,858)	–	(4,019)	(21,734)	(10,481)	(102,092)
Pension liability	(19,349)	–	–	–	–	(19,349)
Other liabilities	(9,178)	(76,000)	–	(22,391)	(23,214)	(130,783)
Debt	(120,122)	–	(6,939)	(118,266)	(1,022)	(246,349)
Restricted net assets	(5,352)	–	–	(20,848)	–	(26,200)
	$ 289,030	$ 298,725	$ 121,489	$ 53,245	$ 25,071	$ 787,560

4. Acquisitions, Affiliations and Divestitures (continued)

Harrison Medical Center – Effective August 1, 2013, Harrison Medical Center (Harrison) was acquired by CHI for no consideration, resulting in the recognition of a $289.0 million gain calculated as the fair value of assets acquired and liabilities assumed determined based upon Level 3 inputs including estimated future cash flows and probability-weighted performance assumptions. Harrison is located in Bremerton, Washington, and operates two acute care facilities in the area as well as provides emergency services and a range of general and specialized services to adjacent areas. Excluding the contribution gain, Harrison reported $369.8 million in operating revenues and $33.9 million of excess of revenues over expenses in the CHI consolidated results of operations for the period August 1, 2013 through June 30, 2014.

Mercy Hot Springs – Effective April 1, 2014, Mercy Health based in St. Louis, Missouri, transferred ownership of its Hot Springs, Arkansas facility, including its hospital and physician clinic (Mercy Hot Springs), to CHI for net proceeds of $59.7 million. A $61.8 million gain was recognized, calculated as the fair value of assets acquired and liabilities assumed, determined based upon Level 3 inputs including estimated future cash flows and probability-weighted performance assumptions, less consideration paid. Mercy Hot Springs is a 282-bed acute care hospital, providing an emergency department with a Level 2 Trauma Center designation, a 90-physician clinic organization and a comprehensive range of medical services. Excluding the contribution gain, Mercy Hot Springs reported $63.7 million in operating revenues and $2.2 million of deficit of revenues over expenses in the CHI consolidated results of operations for the period April 1, 2014 through June 30, 2014.

Memorial Health System of East Texas – Effective June 1, 2014, Memorial Health System of East Texas (Memorial) was acquired by CHI for no consideration, resulting in the recognition of a $53.2 million gain calculated as the fair value of assets acquired and liabilities assumed determined based upon Level 3 inputs including estimated future cash flows and probability-weighted performance assumptions. Memorial is a private, nonprofit hospital system with hospitals in Lufkin, Livingston and San Augustine, Texas. Excluding the contribution gain, Memorial reported $16.2 million in operating revenues and $0.8 million of deficiency of revenues over expenses in the CHI consolidated results of operations for the period June 1, 2014 through June 30, 2014.

CHI St. Luke's/Baylor College of Medicine – Effective on January 1, 2014, CHI St. Luke's Medical Center (CHI St. Luke's) acquired certain assets of Baylor College of Medicine (Baylor) in exchange for a 35% noncontrolling interest in the combined operations of certain of the operations of CHI St. Luke's. The parties have agreed to build and operate a new, acute care,

4. Acquisitions, Affiliations and Divestitures (continued)

open-staff hospital on Baylor's McNair Campus and to share in the operations 65% by CHI St. Luke's and 35% by Baylor. CHI St. Luke's and Baylor also entered into an academic affiliation agreement whereby Baylor will provide certain clinical programs and services to certain of the CHI St. Luke's hospital facilities.

The following table is a summary of the business combinations that occurred in fiscal year 2013:

	St. Luke's	Highline	UMC	Alegent	Total
Fiscal year 2013					
Purchase consideration:					
Cash	$ 1,000,000	$ –	$ –	$ 553,700	$ 1,553,700
Note payable	260,000	–	–	–	260,000
Contingent consideration	–	–	217,709	–	217,709
Equity interest in Alegent	–	–	–	33,934	33,934
Gain on business combinations	–	55,436	–	20,989	76,425
	$ 1,260,000	$ 55,436	$ 217,709	$ 608,623	$ 2,141,768

	St. Luke's	Highline	UMC	Alegent	Total
Fiscal year 2013					
Purchase price allocation:					
Cash and investments	$ 1,153,253	$ 57,133	$ 94,061	$ 496,309	$ 1,800,756
Patient and other accounts receivable	180,106	27,268	65,723	118,833	391,930
Other current assets	37,413	5,081	29,601	34,884	106,979
Property and equipment	1,046,341	137,148	176,004	474,996	1,834,489
Intangible assets	41,124	1,494	–	982	43,600
Goodwill	–	–	53,178	92,964	146,142
Other assets	25,600	17,745	9,367	63,798	116,510
Current liabilities	(175,081)	(34,087)	(76,202)	(206,630)	(492,000)
Pension liability	(3,559)	(12,307)	–	(48,216)	(64,082)
Other liabilities	(153,436)	(5,355)	(11,202)	(81,344)	(251,337)
Notes payable to CHI	–	–	–	(337,953)	(337,953)
Debt	(891,761)	(138,684)	(122,821)	–	(1,153,266)
	$ 1,260,000	$ 55,436	$ 217,709	$ 608,623	$ 2,141,768

4. Acquisitions, Affiliations and Divestitures (continued)

CHI St. Luke's Health System – Effective June 1, 2013, CHI acquired the operations of St. Luke's Health System (St. Luke's), a six-hospital system based in Houston, Texas, from Episcopal Health Foundation for cash and a note payable. For the month of June 2013, the operations of CHI St. Luke's contributed $95.2 million in operating revenues and $12.8 million of deficit of revenues over expenses to the CHI consolidated results of operations.

Highline Medical Center – Effective April 1, 2013, Highline Medical Center (Highline) was acquired by CHI for no consideration, resulting in the recognition of a $55.4 million gain calculated as the fair value of assets acquired and liabilities assumed determined based upon Level 3 inputs including estimated future cash flows and probability-weighted performance assumptions. Highline is a 154-bed acute care hospital based in Burien, Washington. Excluding the contribution gain, Highline reported $48.3 million in operating revenues and $2.6 million in deficiency of revenues over expenses to the CHI consolidated results of operations for the period April 1 through June 30, 2013.

University Medical Center and University of Louisville Hospital – Effective March 1, 2013, KentuckyOne Health (a CHI MBO), University Medical Center (UMC) and the University of Louisville entered into a partnership, structured as a joint operating agreement between University Medical Center and KentuckyOne Health, whereby KentuckyOne Health controls substantially all of UMC's operations, which consist of the University of Louisville Hospital and the James Graham Brown Cancer Center (ULH). As part of the agreement, KentuckyOne Health has committed to provide financial support to the University of Louisville over the next 20 years. The fair value of the contingent consideration is adjusted annually by management and is based on Level 3 inputs including estimated future cash flows and probability-weighted performance assumptions, all discounted to net present value. Changes in any of the unobservable inputs alone or together would result in a lower (higher) fair value measurement. The fair value of the commitment based on significant unobservable inputs (Level 3) was $203.2 million at June 30, 2014, compared to an acquisition date value of $217.7 million. For the period from March 1 through June 30, 2013, the operations of ULH contributed $166.3 million of operating revenues and $11.8 million of excess of revenues over expenses to the CHI consolidated results of operations, prior to the effects of the JOA revenue-sharing arrangement.

4. Acquisitions, Affiliations and Divestitures (continued)

Alegent Creighton Health and Affiliates – Effective November 1, 2012, CHI became the sole corporate sponsor of Alegent based in Omaha, Nebraska. In addition to the operations of Bergan Mercy Health System and Affiliates (Bergan Mercy) previously owned and consolidated by CHI, CHI now consolidates the Alegent operations, which include the operations of Immanuel and the operations of Creighton University Medical Center. For the period from November 1, 2012 through June 30, 2013, incremental Alegent (excluding the Bergan Mercy component) contributed $611.1 million in operating revenues and $18.1 million of excess of revenues over expenses to the CHI consolidated results of operations. Upon CHI becoming the sole sponsor of Alegent in November 2012, CHI also recognized a $21.0 million gain in fiscal year 2013, due to the remeasurement of CHI's interest in the Alegent JOC. Such gain is reflected in other nonpatient revenues in the consolidated statements of operations.

On an unaudited pro forma basis, had CHI owned or been party to agreements with Harrison, Hot Springs and Memorial at the beginning of fiscal year 2014, these entities would have contributed $1.2 billion of operating revenues and $415.9 million of excess of revenues of expenses. Had CHI owned or been party to agreements with Harrison, Hot Springs, Memorial, St. Luke's, Highline, University Medical Center and Alegent at the beginning of fiscal year 2013, these entities would have contributed $3.6 billion in operating revenues and $190.6 million in excess of revenues over expenses. However, unaudited pro forma information is not necessarily indicative of the historical results that would have been obtained had the transaction actually occurred on those dates, nor of future results.

Texas Heart Institute Affiliation

Effective on January 1, 2014, CHI and Texas Heart Institute (THI) entered into a ten-year affiliation agreement to further develop research, education and patient care opportunities to reduce the toll of cardiovascular disease. Over the term of the agreement, CHI has committed to fund various programs sponsored by THI. The present value of these commitments was $96.1 million as of the affiliation agreement date, of which $74.1 million was recorded in fiscal year 2014, as other nonoperating (losses) gains in the consolidated statements of operations. As part of the valuation, CHI recorded $22 million in trade name intangibles, which will be amortized over the life of the agreement.

4. Acquisitions, Affiliations and Divestitures (continued)

Discontinued Operations

In 2012, CHI committed to a plan to sell the MBOs in Denville, New Jersey; Towson, Maryland; and Pierre, South Dakota. The Towson MBO was sold to the University of Maryland Medical System effective on December 1, 2012, for preliminary sales proceeds of $154.0 million. Contingent sales proceeds of $45.7 million have been placed in escrow pending final disposition of certain open items. A final determination is expected in fiscal year 2015. The Pierre MBO was sold to Avera Health effective January 1, 2013, for net sales proceeds of $50.0 million and a loss on disposition of $27.7 million. In May 2013, CHI agreed to sell the Denville MBO to Prime Healthcare Services for $100.0 million. The transaction is subject to governmental and Church approvals and is expected to close in fiscal year 2015. In accordance with Accounting Standards Codification (ASC) 205-20, *Discontinued Operations,* and ASC 360-10, *Impairment or Disposal of Long-Lived Assets,* the results of operations associated with these MBOs have been reported as discontinued operations and are included in the consolidated statements of changes in net assets. Assets held for sale consist primarily of net patient accounts receivable, net property and other long-term assets. Liabilities held for sale consist primarily of accrued compensation and benefits, accounts payable and deferred revenues.

Related to discontinued operations, CHI recorded a deficiency of revenues over expenses of $14.8 million and $108.6 million for the years ended June 30, 2014 and 2013, respectively, which is reported as discontinued operations in the accompanying consolidated statements of changes in net assets. Included in fiscal year 2013 is an impairment loss of $64.8 million related to adjusting the carrying value of property and equipment at the Denville MBO to its net realizable value. Total operating revenues and deficiency of revenues over expenses included in the results of discontinued operations for the years ended June 30 are summarized below (in thousands):

	2014	2013
Total operating revenues	$ 296,267	$ 464,809
Total operating expenses	(314,035)	(485,949)
Restructuring and other losses	–	(95,924)
Nonoperating gains	3,000	8,470
Deficiency of revenues over expenses	$ (14,768)	$ (108,594)

4. Acquisitions, Affiliations and Divestitures (continued)

The consolidated statements of cash flows include the use of $18.5 million and $24.9 million of operating, investing and financing activities related to discontinued operations for the years ended June 30, 2014 and 2013, respectively.

5. Net Patient Services Revenues

Net patient services revenues are derived from services provided to patients who are either directly responsible for payment or are covered by various insurance or managed care programs. CHI receives payments from the federal government on behalf of patients covered by the Medicare program, from state governments for Medicaid and other state-sponsored programs, from certain private insurance companies and managed care programs and from patients themselves. A summary of payment arrangements with major third-party payors follows:

Medicare – Inpatient acute care and certain outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge or procedure. These rates vary according to patient classification systems based on clinical, diagnostic and other factors. Certain CHI facilities have been designated as critical access hospitals and, accordingly, are reimbursed their cost of providing services to Medicare beneficiaries. Professional services rendered by physicians are paid based on the Medicare allowable fee schedule.

Medicaid – Inpatient services rendered to Medicaid program beneficiaries are primarily paid under the traditional Medicaid plan at prospectively determined rates per discharge. Certain outpatient services are reimbursed based on a cost reimbursement methodology, fee schedules or discounts from established charges.

Other – CHI has also entered into payment agreements with certain managed care and commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to CHI under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

5. Net Patient Services Revenues (continued)

CHI's Medicare, Medicaid and other payor utilization percentages, based upon net patient services revenues before provision for doubtful accounts, are summarized as follows:

	2014	2013
Medicare	**32%**	32%
Medicaid	**8**	8
Managed care	**41**	40
Self-pay	**8**	8
Commercial and other	**11**	12
	100%	100%

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. Estimated settlements related to Medicare and Medicaid of $117.4 million and $103.0 million at June 30, 2014 and 2013, respectively, are included in third-party liabilities. Net patient services revenues from continuing operations increased by $63.2 million in 2014 and $38.3 million in 2013 due to favorable changes in estimates related to prior-year settlements.

6. Investments and Assets Limited as to Use

CHI's investments and assets limited as to use as of June 30 are reported in the accompanying consolidated balance sheets as presented in the following table (in thousands):

	2014	2013
Cash and equivalents	**$ 433,606**	$ 244,077
CHI Investment Program	**5,814,893**	4,911,135
Marketable equity securities	**390,751**	858,537
Marketable fixed-income securities	**463,036**	773,069
Hedge funds and other investments	**63,974**	323,885
	7,166,260	7,110,703
Less current portion	**(24,732)**	(11,697)
	$ 7,141,528	$ 7,099,006

6. Investments and Assets Limited as to Use (continued)

Net unrealized gains in investments and assets limited to use at June 30, 2014 and 2013, were $668.6 million and $297.3 million, respectively.

CHI attempts to reduce its market risk by diversifying its investment portfolio using cash equivalents, fixed-income securities, marketable equity securities and alternative investments. Most of the U.S. Treasury, money market funds and corporate debt obligations as well as exchange-traded marketable securities held by CHI and the CHI Investment Program (the Program) have an actively traded market. However, CHI also invests in commercial paper, mortgage-backed or other asset-backed securities, alternative investments (such as hedge funds, private equity investments, real estate funds and funds of funds), collateralized debt obligations, municipal securities and other investments that have potential complexities in valuation based upon the current conditions in the credit markets. For some of these instruments, evidence supporting the determination of fair value may not come from trading in active primary or secondary markets. Because these investments may not be readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had an active market for such investments existed. Such differences could be material. However, management reviews the CHI investment portfolio on a regular basis and seeks guidance from its professional portfolio managers related to U.S. and global market conditions to determine the fair value of its investments. CHI believes the carrying amount of these financial instruments in the consolidated financial statements is a reasonable estimate of fair value.

The majority of all CHI long-term investments are held in the Program. The Program is structured under a Limited Partnership Agreement with CHI as managing general partner and numerous limited partners, most sponsored by CHI. The partnership provides a vehicle whereby virtually all entities associated with CHI, as well as certain other unrelated entities, can seek to optimize investment returns while managing investment risk. Entities participating in the Program that are not consolidated in the accompanying financial statements have the ability to direct their invested amounts and liquidate and/or withdraw their interest without penalty as soon as practicable based on market conditions but within 180 days of notification. The Limited Partnership Agreement permits a majority vote of the noncontrolling limited partners to terminate the partnership. Accordingly, CHI recognizes only the portion of Program assets attributable to CHI and its sponsored affiliates. Program assets attributable to CHI and its Direct Affiliates represented 90% of total Program assets at June 30, 2014 and 2013.

6. Investments and Assets Limited as to Use (continued)

The Program asset allocation at June 30 is as follows:

	2014	2013
Marketable equity securities	**44%**	43%
Marketable fixed-income securities	**31**	32
Alternative investments	**23**	24
Cash and equivalents	**2**	1
	100%	100%

The CHI Finance Committee (the Committee) of the Board of Stewardship Trustees is responsible for determining asset allocations among fixed-income, equity, and alternative investments. At least annually, the Committee reviews targeted allocations and, if necessary, makes adjustments to targeted asset allocations. Given the diversity of the underlying securities in which the Program invests, management does not believe there is a significant concentration of credit risk. Investment income is comprised of the following for the years ended June 30 (in thousands):

	2014	2013
Dividend and interest income	**$ 139,612**	$ 142,054
Net realized gains	**345,944**	262,067
Net unrealized gains	**364,692**	151,232
Total investment income from continuing operations	**$ 850,248**	$ 555,353
Included in nonpatient revenue	**$ 101,874**	$ 66,529
Included in nonoperating gains	**748,374**	488,824
Total investment income from continuing operations	**850,248**	555,353
Total investment income from discontinued operations	**3,000**	8,470
Total investment income	**$ 853,248**	$ 563,823

Direct expenses of the Program are less than 0.4% of total assets. Fees paid to the alternative investment managers are not included in the total expense calculation as they are not a direct expense of the Program.

7. Fair Value of Assets and Liabilities

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. ASC 820, *Fair Value Measurements and Disclosures*, 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 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

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 – Valuation is based upon quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Valuation is based upon quoted prices for similar assets and liabilities in active markets or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial asset or liability.

Level 3 – Valuation is based upon other unobservable inputs that are significant to the fair value measurement.

Certain of CHI's alternative investments are made through limited liability companies (LLC) and limited liability partnerships (LLP). These LLCs and LLPs provide CHI with a proportionate share of the investment gains (losses). CHI accounts for its ownership in the LLCs and LLPs under the equity method. CHI also accounts for its ownership in the CHI Investment Program under the equity method. As such, these investments are excluded from the scope of ASC 820.

7. Fair Value of Assets and Liabilities (continued)

Financial assets and liabilities measured at fair value on a recurring basis were determined using the market approach based upon the following inputs at June 30 (in thousands):

	2014			
	Fair Value Measurements at Reporting Date Using			
		(Level 1)	(Level 2)	(Level 3)
	Fair Value as of June 30	Quoted Prices in Active Markets	Other Observable Inputs	Unobservable Inputs
Assets				
Assets limited as to use:				
Cash and short-term investments	$ 433,606	$ 353,077	$ 80,529	$ –
Marketable equity securities	390,751	390,751	–	–
Marketable fixed-income securities	463,036	97,433	365,603	–
Other investments	2,518	–	–	2,518
Deferred compensation assets:				
Cash and short-term investments	13,911	13,911	–	–
	$ 1,303,822	$ 855,172	$ 446,132	$ 2,518
Liabilities				
Interest rate swaps	$ 256,750	$ –	$ 256,750	$ –
Contingent consideration	203,236	–	–	203,236
Deferred compensation liability	13,911	13,911	–	–
	$ 473,897	$ 13,911	$ 256,750	$ 203,236

7. Fair Value of Assets and Liabilities (continued)

	2013			
	Fair Value Measurements at Reporting Date Using			
		(Level 1)	(Level 2)	(Level 3)
	Fair Value as of June 30	Quoted Prices in Active Markets	Other Observable Inputs	Unobservable Inputs
Assets				
Assets limited as to use:				
Cash and short-term investments	$ 244,077	$ 197,385	$ 46,692	$ –
Marketable equity securities	858,537	858,537	–	–
Marketable fixed-income securities	773,069	123,996	649,073	–
Other investments	11,718	–	–	11,718
Deferred compensation assets:				
Cash and short-term investments	12,035	12,035	–	–
	$ 1,899,436	$ 1,191,953	$ 695,765	$ 11,718
Liabilities				
Interest rate swaps	$ 271,634	$ –	$ 271,634	$ –
Contingent consideration	205,169	–	–	205,169
Deferred compensation liability	12,035	12,035	–	–
	$ 488,838	$ 12,035	$ 271,634	$ 205,169

The fair values of the instruments included in Level 1 were determined through quoted market prices. Level 1 instruments include money market funds, mutual funds and marketable debt and equity securities. The fair values of Level 2 instruments were determined through evaluated bid prices based on recent trading activity and other relevant information, including market interest

7. Fair Value of Assets and Liabilities (continued)

rate curves and referenced credit spreads; estimated prepayment rates, where applicable, are used for valuation purposes and are provided by third-party services where quoted market values are not available. Level 2 instruments include corporate fixed-income securities, government bonds, mortgage and asset-backed securities, and interest rate swaps. The fair values of Level 3 securities are determined primarily through information obtained from the relevant counterparties for such investments. Information on which these securities' fair values are based is generally not readily available in the market. The fair value of the contingent liabilities was determined based on estimated future cash flows and probability-weighted performance assumptions, discounted to net present value.

8. Property and Equipment

A summary of property and equipment is as follows as of June 30 (in thousands):

	2014	2013
Land and improvements	**$ 672,103**	$ 596,548
Buildings and improvements	**6,880,281**	6,399,345
Equipment	**5,193,465**	4,612,302
	12,745,849	11,608,195
Less accumulated depreciation	**(5,494,054)**	(5,009,102)
	7,251,795	6,599,093
Construction in progress	**1,690,725**	1,187,147
	$ 8,942,520	$ 7,786,240

CHI evaluates whether events and circumstances have occurred that indicate the remaining useful life of property, equipment and certain other intangible assets may not be recoverable. Management determined there were impairment issues in both 2014 and 2013, to the extent that the undiscounted cash flows estimated to be generated by certain assets were less than the underlying carrying value. CHI recorded $59.6 million and $4.9 million in impairment losses in continuing operations for 2014 and 2013, respectively, resulting from charges related to estimated fair value deficiencies (based upon projected discounted cash flows) at various MBOs.

9. Debt Obligations

The following is a summary of debt obligations as of June 30 (in thousands):

	Interest Rates at June 30, 2014	2014	2013
CHI debt issued under the COD			
Variable-rate Bonds:			
Series 1997B, maturing through 2022	0.12%	$ 7,700	$ 9,200
Series 2000B, maturing 2027	0.10	22,700	24,000
Series 2002B, maturing 2032	0.10	94,700	97,800
Series 2004B, maturing through 2044	0.05–0.11	180,700	180,700
Series 2004C, maturing through 2044	0.04–0.07	163,300	163,300
Series 2008A, maturing 2036	0.11	120,225	120,260
Series 2008C, maturing 2041	0.1	50,000	50,000
Series 2011B, maturing 2046	0.06	158,155	158,155
Series 2011C, maturing 2046	0.1	121,000	123,000
Series 2013B, maturing 2035	0.06	200,000	–
Series 2013C, maturing 2023	0.11	100,000	–
Series 2013E Taxable, maturing 2045	0.15	125,000	–
Series 2013F Taxable, maturing 2045	0.15	75,000	–
Fixed-rate Bonds:			
Series 2002A, maturing 2017	5.5	2,615	3,400
Series 2004A, maturing through 2034	4.75–5.0	146,605	146,605
Series 2006A, maturing 2041	4.0–5.0	270,635	270,635
Series 2006C, maturing through 2041	3.85–5.1	250,000	250,000
Series 2008C, maturing through 2041	4.0–4.1	105,000	105,000
Series 2008D, maturing through 2038	5.0–6.38	471,450	471,450
Series 2009A, maturing 2039	3.75–5.25	724,140	748,760
Series 2009B, maturing through 2039	4.0–5.25	217,720	252,360
Series 2011A, maturing 2041	3.25–5.25	486,090	506,090
Series 2012A, maturing 2035	4.0–5.0	268,980	271,260
Series 2012 Taxable, maturing 2042	1.6–4.35	1,500,000	1,500,000
Series 2013A, maturing 2045	5.0–5.75	600,600	–
Series 2013D Taxable, maturing 2023	2.6–4.2	540,000	–
Commercial Paper		482,362	442,475
Unamortized debt premium		55,660	59,538
Unamortized debt discount		(24,839)	(11,192)
Total CHI debt issued under the COD		7,515,498	5,942,796

9. Debt Obligations (continued)

	Interest Rates at June 30, 2014	2014	2013
St. Luke's debt issued under Master Trust Indenture			
Variable-rate Bonds:			
Series 2005		–	132,600
Series 2008		–	100,000
Series 2012		–	150,220
Fixed-rate Bonds: Series 2009		–	150,798
Unsecured Bank Notes		–	99,798
Total St. Luke's debt issued under Master Trust Indenture		–	633,416
Note payable issued to Episcopal Health Foundation		**230,225**	260,000
Capital leases		**204,291**	106,899
Other debt		**429,248**	462,946
		8,379,262	7,406,057
Less: Amounts classified as current:			
Variable-rate debt with self-liquidity		**(521,455)**	(321,455)
Commercial paper and current portion of debt		**(711,408)**	(749,617)
Long-term debt		**$ 7,146,399**	$ 6,334,985

The fair value of debt obligations was approximately $8.6 billion at June 30, 2014. Management has determined the carrying values of the variable-rate bonds are representative of fair values as of June 30, 2014, as the interest rates are set by the market participants. The fair value of the fixed-rate tax-exempt bond obligations as of June 30, 2014, is determined by applying credit spreads for similar tax-exempt obligations in the marketplace, which are then used to calculate a price/yield for the outstanding obligations (Level 2 inputs).

A summary of scheduled principal payments, based upon stated maturities, on long-term debt for the next five years is as follows (in thousands):

	Amounts Due
Year ending June 30:	
2015	$ 711,408
2016	248,420
2017	123,497
2018	404,908
2019	410,543

9. Debt Obligations (continued)

CHI issues the majority of its debt under the COD and is the sole obligor. Bondholder security resides both in the unsecured promise by CHI to pay its obligations and in its control of its Direct and Designated Affiliates. Covenants include a minimum CHI debt service coverage ratio and certain limitations on secured debt. The Direct Affiliates of CHI, defined as Participants under the COD, have agreed to certain covenants related to corporate existence, maintenance of insurance and exempt use of bond-financed facilities.

During the second quarter of fiscal year 2014, CHI issued $900.6 million of par value tax exempt bonds and $740.0 million of par value taxable bonds. Of the total proceeds, $881.8 million was used to redeem various St. Luke's bonds and bank notes, Harrison bonds, and Highline bonds, resulting in a total loss on defeasance of $10.0 million.

In October 2012, CHI issued $1.5 billion of par value long-term, fixed-rate, taxable bonds. Proceeds were used to finance a wide array of strategic initiatives, including affiliations in key areas.

As a result of redeeming the various St. Luke's obligations, the St. Luke's Health System Obligated Group and Master Trust Indenture were dissolved. Prior to December 31, 2013, St. Luke's had been a member of the St. Luke's Health System Obligated Group, and together with various of its consolidated subsidiaries, were the obligors under each of the St. Luke's bond issues. Obligated Group members were jointly and severally obligated to pay the notes issued under the Master Trust Indenture. Notes issued under the Master Trust Indenture were equally and ratably secured by a pledge of the accounts receivable of St. Luke's Medical Center and St. Luke's Woodlands Hospital.

As part of the December 2012 divestiture of CHI's facilities in Towson, Maryland, $113.5 million of Series 2006A bonds were legally defeased, resulting in a loss on defeasance of $18.0 million.

CHI has two types of external liquidity facilities: those that are dedicated to specific series of variable-rate demand bonds (VRDB) and those that are not dedicated to a particular series of VRDBs but may be used to support CHI's obligations to fund tenders of VRDBs and pay the maturing principal of commercial paper. Liquidity facilities that are dedicated to specific series of bonds were $897.0 million and $605.0 million at June 30, 2014 and 2013, respectively, of which $8.2 million and $7.9 million, respectively, are classified as current debt. The remaining

9. Debt Obligations (continued)

$888.8 million and $597.1 million at June 30, 2014 and 2013, respectively, are reported as long-term debt due to the repayment terms on any associated drawings extending beyond the subsequent fiscal year under the terms of the specific agreements.

Liquidity facilities not dedicated for specific series of VRDBs but used to support CHI's obligations to fund tenders and to pay maturing principal of commercial paper were $420.0 million and $390.0 million at June 30, 2014 and 2013, respectively. At June 30, 2014 and 2013, respectively, $482.4 million and $442.5 million of commercial paper were classified as current due to maturities of less than one year, and $521.5 million and $321.5 million, respectively, of VRDBs and Windows variable-rate bonds (Windows) were also classified as current due to the holder's ability to put such VRDBs and Windows back to CHI without liquidity facilities dedicated to these bonds.

At June 30, 2014, CHI had a $55.0 million credit facility with Bank of New York Mellon. Letters of credit totaling $47.6 million have been issued for the benefit of third parties, principally in support of the self-insurance programs administered by FIIL. At June 30, 2014 and 2013, no amounts were outstanding under this credit facility.

CHI was a party to 13 floating-to-fixed interest rate swap agreements with notional amounts totaling $1.4 billion and $1.6 billion at June 30, 2014 and 2013, respectively. Generally, it is CHI policy that all counterparties have an AA rating or better. The swap agreements require CHI to provide collateral if CHI's liability, determined on a mark-to-market basis, exceeds a specified threshold that varies based upon the rating on CHI's long-term indebtedness. These fixed-payor swap agreements convert CHI's variable-rate debt to fixed-rate debt. The swaps have varying maturity dates ranging from 2025 to 2047. The fair value of the swaps is estimated based on the present value sum of anticipated future net cash settlements until the swaps' maturities. At June 30, 2014 and 2013, the fair value was $256.7 million and $271.6 million, respectively.

During fiscal year 2014, a change in CHI's debt ratings resulted in an increase to its cash collateral postings. Cash collateral balances of $130.5 million and $107.5 million at June 30, 2014 and 2013, respectively, are netted against the fair value of the swaps, and the net amount is reflected in other liabilities. The change in the fair value of these agreements was a net gain of $10.2 million and $98.9 million in 2014 and 2013, respectively.

10. Retirement Plans

The non-contributory, defined benefit retirement plans (Retirement Plans) sponsored by CHI and its direct affiliates were frozen as of December 31, 2013. Benefits earned by employees through December 31, 2013, will remain in the Retirement Plans, and employees will continue to receive interest credits and, if applicable, vesting credits. Beginning January 1, 2014, CHI introduced a new 401(k) Retirement Savings Plan – see *CHI 401(k) Retirement Savings Plan* below for additional information.

Benefits in the Retirement Plans are based on compensation, retirement age and years of service. Vesting occurs over a five-year period. Substantially all of the Plans are qualified as church plans and are exempt from certain provisions of both the Employee Retirement Income Security Act and Pension Benefit Guaranty Corporation premiums and coverage. Funding requirements are determined through consultation with independent actuaries.

CHI recognizes the funded status (that is, the difference between the fair value of plan assets and the projected benefit obligations) of its Plans in the consolidated balance sheets, with a corresponding adjustment to net assets. Actuarial gains and losses that arise and are not recognized as net periodic pension cost in the same periods are recognized as a component of changes in net assets.

During fiscal year 2014 and 2013, CHI acquired the pension plan assets and liabilities of Harrison and Memorial, and Alegent and CHI St. Luke's (the Acquired plans), respectively, which are included below.

10. Retirement Plans (continued)

A summary of the changes in the benefit obligation, fair value of plan assets and funded status of the Plans at the June 30 measurement dates is as follows (in thousands):

	2014	2013
Change in benefit obligation:		
Benefit obligation, beginning of year	**$ 3,877,485**	$ 3,601,231
Service cost	**106,484**	205,037
Interest cost	**177,859**	151,763
Actuarial loss (gain)	**412,995**	(170,282)
Acquired plans	**165,506**	387,189
Transfers	**(3,728)**	–
Curtailments	**(267)**	(134,233)
Settlements	**(30,821)**	(17,931)
Benefits paid	**(230,258)**	(144,838)
Expenses paid	**(1,626)**	(451)
Benefit obligation, end of year	**4,473,629**	3,877,485
Change in the Plans' assets:		
Fair value of the Plans' assets, beginning of year	**3,404,633**	2,708,411
Actual return on the Plans' assets, net of expenses	**575,358**	309,522
Employer contributions	**123,763**	203,564
Acquired plans	**139,480**	346,273
Transfers	**(3,528)**	–
Settlements	**(30,551)**	(17,848)
Benefits paid	**(230,258)**	(144,838)
Expenses paid	**(1,626)**	(451)
Fair value of the Plans' assets, end of year	**3,977,271**	3,404,633
Funded status of the Plans	**$ (496,358)**	$ (472,852)
End-of-year values:		
Projected benefit obligation	**$ 4,473,629**	$ 3,877,485
Accumulated benefit obligation	**4,467,063**	3,844,708

10. Retirement Plans (continued)

During fiscal year 2014 and 2013, the Plans experienced two curtailment events. Plan design changes for certain Plans resulted in future service reductions in fiscal year 2014, and employee transitions in fiscal year 2013 resulted in an adjustment to the benefit obligation as of June 30, 2013.

Included in net assets at June 30, 2014, are unrecognized actuarial losses of $772.7 million that have not yet been recognized in net periodic pension cost. The actuarial losses included in net assets and expected to be recognized in net periodic pension cost during the fiscal year ending June 30, 2015, is $42.0 million.

The components of net periodic pension expense are as follows (in thousands):

	2014	2013
Components of net periodic pension expense:		
Service cost	**$ 106,484**	$ 205,037
Interest cost	**177,859**	151,763
Expected return on the Plans' assets	**(247,121)**	(220,236)
Actuarial losses	**32,733**	91,606
Amortization of prior service benefit	**78**	174
Curtailments	**296**	367
Settlements	**301**	45
	$ 70,630	$ 228,756
Weighted-average assumptions:		
Discount rate, beginning of year	**4.58%**	4.06%
Discount rate, end of year	**4.15**	4.58
Expected return on Plans' assets	**7.60**	7.75
Rate of compensation increase	**n/a**	3.75

The assumption for the expected return on the Plans' assets is based on historical returns and adherence to the asset allocations set forth in the Plans' investment policies. The expected return on the Plans' assets for determining pension cost was 7.60% in 2014 and 7.75% in 2013. The decrease in the discount rate to 4.15% at June 30, 2014, increased the pension benefit obligation by approximately $283.3 million.

10. Retirement Plans (continued)

A summary of the Plans' asset allocation targets, ranges by asset class and allocations by asset class at the measurement dates of June 30 is as follows:

	2014	2013	Target	Range
Fixed-income securities	**33.5%**	25.6%	27.5%	17.5–37.5%
Equity securities	**47.0**	55.1	50.0	40.0–60.0
Alternative investments	**19.5**	19.3	22.5	12.5–32.5

The Plans' assets are invested in a portfolio designed to preserve principal and obtain competitive investment returns and long-term investment growth, consistent with actuarial assumptions, while minimizing unnecessary investment risk. Diversification is achieved by allocating assets to various asset classes and investment styles and by retaining multiple investment managers with complementary philosophies, styles and approaches. Although the objective of the Plans is to maintain asset allocations close to target, temporary periods may exist where allocations are outside of the expected range due to market conditions. The use of leverage is prohibited except as specifically directed in the alternative investment allocation. The portfolio is managed on a basis consistent with the CHI social responsibility guidelines. Alternative investments of $234 million are illiquid and not available for redemption at the Plans' request.

The Plans' assets measured at fair value on a recurring basis were determined using the following inputs at June 30 (in thousands):

	2014			
	Fair Value Measurements at Reporting Date Using			
		(Level 1)	(Level 2)	(Level 3)
	Fair Value as of June 30	Quoted Prices in Active Markets	Other Observable Inputs	Unobservable Inputs
Cash and short-term investments	$ 223,904	$ 201,206	$ 22,698	$ –
Marketable equity securities	1,634,181	1,630,703	3,478	–
Marketable fixed-income securities	1,371,165	324,247	943,170	103,748
Alternative investments	748,021	–	–	748,021
	$ 3,977,271	$ 2,156,156	$ 969,346	$ 851,769

10. Retirement Plans (continued)

	2013			
	Fair Value Measurements at Reporting Date Using			
		(Level 1)	(Level 2)	(Level 3)
	Fair Value as of June 30	Quoted Prices in Active Markets	Other Observable Inputs	Unobservable Inputs
Cash and short-term investments	$ 115,586	$ 102,360	$ 13,226	$ –
Marketable equity securities	1,715,087	1,715,087	–	–
Marketable fixed-income securities	916,766	220,833	695,933	–
Alternative investments	657,194	–	–	657,194
	$ 3,404,633	$ 2,038,280	$ 709,159	$ 657,194

A summary of the changes in the fair value of the Plans' investments for which Level 3 inputs were used at the June 30 measurement dates is as follows (in thousands):

	2014	2013
Beginning investments at fair value	**$ 657,194**	$ 505,720
Purchases of investments	**189,680**	91,868
Proceeds from sale of investments	**(70,488)**	(47,376)
Net change in unrealized appreciation on investments and effect of foreign currency translation	**50,834**	12,778
Net realized gains on investments	**25,531**	25,424
Acquired plan investments	–	53,540
Net transfers (out of) into Level 3	**(982)**	15,240
Ending investments at fair value	**$ 851,769**	$ 657,194

10. Retirement Plans (continued)

CHI expects to contribute $15.0 million to the Plans in fiscal year 2015. A summary of expected benefits to be paid to the Plans' participants and beneficiaries is as follows (in thousands):

	Estimated Payments
Year ending June 30:	
2015	$ 235,323
2016	220,122
2017	236,598
2018	245,390
2019	256,854
2020–2024	1,443,265

CHI 401(k) Retirement Savings Plan

Effective on January 1, 2014, CHI introduced the CHI 401(k) Retirement Savings Plan (401(k) Savings Plan), which replaced the frozen Retirement Plan as an employee retirement benefit. Years of service under the Retirement Plan will automatically transfer to the 401(k) Savings Plan. An employee is fully vested in the plan for employer contributions after three years of service.

As part of the 401(k) Savings Plan, CHI will match 100.0% of the first 1.0% of eligible pay an employee contributes to the plan, and 50.0% of the next 5.0% of eligible pay contributed to the plan, for a maximum employer matching rate of 3.5% of eligible pay. On an annual basis and regardless of whether or not an employee participates in the 401(k) Savings Plan, CHI will also contribute 2.5% of eligible pay to an employee's 401(k) Savings Plan account. This contribution is made if an employee reaches 1,000 hours in the first year of employment or every calendar year thereafter, and is employed on the last day of the calendar year. For the period from January 1 through June 30, 2014, CHI recorded $80.4 million of expense related to the 401(k) Savings Plan.

11. Concentrations of Credit Risk

CHI grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. CHI's exposure to credit risk on patient accounts receivable is limited by the geographical diversity of its MBOs. The mix of net patient accounts receivable at June 30 approximated the following:

	2014	2013
Medicare	27%	28%
Medicaid	12	10
Managed care	31	31
Self-pay	7	7
Commercial and other	23	24
	100%	100%

CHI maintains long-term investments with various financial institutions and investment management firms through its investment program, and its policy is designed to limit exposure to any one institution or investment. Management does not believe there are significant concentrations of credit risk at June 30, 2014 and 2013.

12. Commitments and Contingencies

Litigation

During the normal course of business, CHI may become involved in litigation. Management assesses the probable outcome of unresolved litigation and records estimated settlements. After consultation with legal counsel, management believes that any such matters will be resolved without material adverse impact to the consolidated financial position or results of operations of CHI.

Health Care Regulatory Environment

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Management

12. Commitments and Contingencies (continued)

believes CHI is in compliance with all applicable laws and regulations of the Medicare and Medicaid programs. Compliance with such laws and regulations is complex and can be subject to future governmental interpretation as well as significant regulatory action, including fines, penalties and exclusion from the Medicare and Medicaid programs. Certain CHI entities have been contacted by governmental agencies regarding alleged violations of Medicare practices for certain services. In the opinion of management after consultation with legal counsel, the ultimate outcome of these matters will not have a material adverse effect on CHI's consolidated financial position.

Operating Leases

CHI leases certain real estate and equipment under operating leases, which may include renewal options and escalation clauses. Future minimum lease payments required for the next five years and thereafter for all operating leases that have initial or remaining non-cancelable lease terms in excess of one year at June 30, 2014, are as follows (in thousands):

	Amounts Due
Year ending June 30:	
2015	$ 203,656
2016	136,211
2017	119,885
2018	101,828
2019	79,734
Thereafter	151,073
	$ 792,387

Lease expense under operating leases for continuing operations for the years ended June 30, 2014 and 2013, totaled approximately $285.9 million and $222.6 million, respectively.

13. Insurance Programs

FIIL, a wholly owned captive insurance company of CHI, provides hospital professional liability, employment practices liability, miscellaneous professional liability, and commercial general liability coverage, primarily to MBOs related to CHI either on a directly written basis or through reinsurance fronting relationships with commercial carriers such as PPIC. Policies

13. Insurance Programs (continued)

written provide coverage with primary limits in the amount of $10.0 million for each and every claim in fiscal years 2014 and 2013, respectively. For the policy year July 1, 2013 to July 1, 2014, there is an annual policy aggregate of $85.0 million eroded by hospital professional liability and commercial general liability claims, subject to a $175,000 continuing underlying per claim limit. Effective July 1, 2011, FIIL provided excess umbrella liability coverage for claims in excess of the underlying limits discussed above. The limits provided under such excess coverage are $200.0 million per claim and in the aggregate. FIIL reinsured 100% of the excess coverage layer with various commercial insurance companies. At June 30, 2014 and 2013, investments and assets limited as to use held for insurance purposes included $58.0 million and $55.0 million, respectively, held as collateral for the reinsurance fronting arrangement with PPIC.

FIIL provides workers' compensation coverage, either on a directly written basis or through reinsurance fronting relationships with commercial insurance carriers. Coverage of $350,000 in excess of $650,000 per claim for the policy year July 1, 2013 to July 1, 2014, and $500,000 in excess of $500,000 per claim for the policy year July 1, 2012 to July 1, 2013, is reinsured with an unrelated commercial carrier.

The liability for self-insured reserves and claims represents the estimated ultimate net cost of all reported and unreported losses incurred through June 30. The reserves for unpaid losses and loss adjustment expenses are estimated using individual case-based valuations, statistical analyses and the expertise of an independent actuary.

The estimates for loss reserves are subject to the effects of trends in loss severity and frequency. Although considerable variability is inherent in such estimates, management believes that the reserves for unpaid losses and loss adjustment expenses are adequate. The estimates are reviewed periodically, with consultation from independent actuaries, and any adjustments to the loss reserves are reflected in current operations. As a result of these reviews of claims experience, estimated reserves were reduced by $21.3 million and $48.5 million in 2014 and 2013, respectively. The reserves for unpaid losses and loss adjustment expenses relating to the workers' compensation program were discounted, assuming a 4.0% annual return at June 30, 2014 and 2013, to a present value of $159.1 million and $151.2 million at June 30, 2014 and 2013, respectively, and represented a discount of $52.3 million and $51.3 million in 2014 and 2013, respectively. Reserves related to professional liability, employment practices and general liability are not discounted.

13. Insurance Programs (continued)

FIIL holds $734.4 million and $751.9 million of investments held for insurance purposes as of June 30, 2014 and 2013, respectively. Distribution of amounts from FIIL to CHI are subject to the approval of the Cayman Island Monetary Authority. CHI established a captive management operation (Captive Management Initiatives, Ltd.) based in the Cayman Islands, which currently manages FIIL as well as operations of other unrelated parties.

CHI, through its Welfare Benefit Administration and Development Trust, provides comprehensive health and dental coverage to certain employees and dependents through a self-insured medical plan. Accounts payable and accrued expenses include $69.7 million and $51.0 million for unpaid claims and claims adjustment expenses for CHI's self-insured medical plan at June 30, 2014 and 2013, respectively. Those estimates are subject to the effects of trends in loss severity and frequency. Although considerable variability is inherent in such estimates, management believes that the reserves for unpaid losses and loss adjustment expenses are adequate. The estimates are reviewed periodically and, as adjustments to the liability become necessary, such adjustments are reflected in current operations. CHI has stop-loss insurance to cover unusually high costs of care beyond a predetermined annual amount per enrolled participant.

14. Subsequent Events

CHI's management has evaluated events subsequent to June 30, 2014 through September 17, 2014, which is the date these consolidated financial statements were available to be issued. There have been no material events noted during this period that would either impact the results reflected herein or CHI's results going forward, except as disclosed below.

Effective in August 2014, CHI entered into a definitive agreement with St. Alexius Medical Center to form a regional, coordinated health system in central and western North Dakota. The affiliation is subject to approvals by state regulatory agencies and is anticipated to close by the end of the calendar year.

Effective in September 2014, CHI entered into a definitive agreement to become the sole sponsor of Sylvania Franciscan Health (SFH), which operates various health ministries in Ohio and Texas. The SFH sponsorship transfer is expected to be complete by the end of the calendar year, subject to board approval, and approval from various federal, state and Church authorities.

Reports on Federal Award Programs

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Building a better working world

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Stewardship Trustees
Kevin E. Lofton, President and Chief Executive Officer
Dean Swindle, President Enterprise Business Lines and
Chief Financial Officer
Catholic Health Initiatives

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Catholic Health Initiatives, which comprise the consolidated balance sheet as of June 30, 2014, and the related consolidated statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Catholic Health Initiatives' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Catholic Health Initiatives' internal control. Accordingly, we do not express an opinion on the effectiveness of Catholic Health Initiatives' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Catholic Health Initiatives' consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst & Young LLP

September 17, 2014

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Building a better working world

Report of Independent Auditors on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

The Board of Stewardship Trustees
Kevin E. Lofton, President and Chief Executive Officer
Dean Swindle, President Enterprise Business Lines and
Chief Financial Officer
Catholic Health Initiatives

Report on Compliance for Each Major Federal Program

We have audited Catholic Health Initiatives' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Catholic Health Initiatives' major federal programs for the year ended June 30, 2014. Catholic Health Initiatives' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Catholic Health Initiatives' consolidated financial statements include operations of Appletree Court, which received $855,504 in federal awards which is not included in the schedule of expenditures of federal awards during the year ended June 30, 2014. Our audit, described below, did not include the operations of Appletree Court because Appletree Court engaged other auditors to perform an audit in accordance with OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on each of Catholic Health Initiatives' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance

about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Catholic Health Initiatives' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Catholic Health Initiatives' compliance.

Basis for Qualified Opinions on Major Federal Programs

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient, appropriate audit evidence supporting the compliance of Catholic Health Initiatives with CFDA 10.557 Special Supplemental Nutrition Programs for Women, Infants, and Children as described in Finding 2014-001 – Eligibility, consequently we were unable to determine whether Catholic Health Initiatives complied with those requirements applicable to that program.

As described in the accompanying schedule of findings and questioned costs, Catholic Health Initiatives did not comply with requirements regarding the following:

Finding No.	CFDA No.	Program (or Cluster) Name	Compliance Requirement
2014-002	93.889	National Bioterrorism Hospital Preparedness Program	Equipment and Real Property Management

Compliance with such requirements is necessary, in our opinion, for Catholic Health Initiatives to comply with requirements applicable to that program.

Qualified Opinion on Special Supplemental Nutrition Programs for Women, Infants, and Children

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinions on Major Federal Programs paragraph, Catholic Health Initiatives complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Special Supplemental Nutrition Programs for Women, Infants, and Children for the year ended June 30, 2014.

Qualified Opinion on National Bioterrorism Hospital Preparedness Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinions on Major Federal Programs paragraph, Catholic Health Initiatives complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the National Bioterrorism Hospital Preparedness Program for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Catholic Health Initiatives complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs that are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with OMB Circular A-133, and which are described in the accompanying schedule of findings and questioned costs and summarized in the table below. Our opinion on each major federal program is not modified with respect to these matters.

Finding No.	CFDA No.	Program (or Cluster) Name	Compliance Requirement
2014-003	Various	Research and Development	Allowable Costs/Cost Principles
2014-004	Various	Research and Development	Cash Management
2014-005	93.224	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	Special Tests and Provisions

Catholic Health Initiatives' responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Catholic Health Initiatives' responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of Catholic Health Initiatives is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Catholic Health Initiatives' internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Catholic Health Initiatives' internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs and summarized below to be material weaknesses:

Finding No.	CFDA No.	Program (or Cluster) Name	Compliance Requirement
2014-002	93.889	National Bioterrorism Hospital Preparedness Program	Equipment and Real Property Management

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs and summarized in the table below to be significant deficiencies:

Finding No.	CFDA No.	Program (or Cluster) Name	Compliance Requirement
2014-003	Various	Research and Development	Allowable Costs/Cost Principles
2014-005	93.224	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	Special Tests and Provisions

Catholic Health Initiatives' responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Catholic Health Initiatives' responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the consolidated financial statements of Catholic Health Initiatives as of and for the year ended June 30, 2014, and have issued our report thereon dated September 17, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional

procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Ernst & Young LLP

March 18, 2015

Catholic Health Initiatives

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Research & Development Cluster	Other Federal Expenditures	Total Federal Expenditures
U.S. Department of Agriculture					
Pass-Through From					
North Country Community Health Board					
Special Supplemental Nutrition Program for Women, Infants, and Children	10 557	HE-01661-03	$ –	$ 123,296	$ 123,296
Washington State Department of Health					
Special Supplemental Nutrition Program for Women, Infants, and Children	10 557	N1987300	–	68,773	68,773
Seattle – King County Department of Public Health					
Special Supplemental Nutrition Program for Women, Infants, and Children	10 557	CHS3221	–	228,713	228,713
Washington State Department of Health					
Special Supplemental Nutrition Program for Women, Infants, and Children	10 557	N20126	–	1,479,884	1,479,884
Total CFDA 10 557			–	1,900,666	1,900,666
Iowa Department of Education					
Child and Adult Care Food Program	10 558	778084	–	35,748	35,748
Pennsylvania Department of Education					
Child and Adult Care Food Program	10 558	300-06-000-1/300-06-556-0	–	41,350	41,350
Total CFDA 10 558			–	77,098	77,098
Washington State Department of Health					
WIC Farmers' Market Nutrition Program (FMNP)	10 572	N20126	–	780	780
Total U.S. Department of Agriculture			–	1,978,544	1,978,544
U.S. Department of Defense					
Department of Defense					
Direct Award					
Military Medical Research and Development	12 420		437,960	–	437,960
Pass-Through From					
American Burn Association					
Military Medical Research and Development	12 420	W81XWH-08-1-0683	7,420	–	7,420
Wake Forest University					
Military Medical Research and Development	12 420	WFUHS 441039 CTA-09	67,177	–	67,177
Total CFDA 12 420			512,557	–	512,557
Total U.S. Department of Defense			512,557	–	512,557
U.S. Department of Housing and Urban Development					
Pass-Through From					
Lancaster County Redevelopment Authority					
Community Development Block Grants/Entitlement Grants	14 218		–	14,876	14,876
City of Des Moines					
Supportive Housing Program	14 235	IA0037L7D021205/ IA0038L7D021205	–	503,483	503,483
Total U.S. Department of Housing and Urban Development			–	518,359	518,359
U.S. Department of Justice					
Pass-Through From					
Colorado Department of Public Safety					
Division of Criminal Justice					
Violence Against Women Formula Grants	ARRA-16 588	12-VW-5-14/12-VW-17-32/ 13-VW-5-13/11-VW-17-39	–	93,941	93,941
Total U.S. Department of Justice			–	93,941	93,941

Catholic Health Initiatives

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Research & Development Cluster	Other Federal Expenditures	Total Federal Expenditures
U.S. Department of Transportation					
Pass-Through From					
Highway Safety Cluster					
Minnesota Department of Public Safety					
State and Community Highway Safety	20 600	3-13785	$ –	$ 776	$ 776
Nebraska Office of Highway Safety					
State and Community Highway Safety	20 600	47-0379755	–	3,680	3,680
Minnesota Department of Public Safety					
Occupant Protection Incentive Grants	20 602	SAFE13-2013-STJOEHEALTH-00038	–	3,063	3,063
Nebraska Office of Highway Safety					
Occupant Protection Incentive Grants	20 602	405-14-12-06/405-14-12-02	–	9,956	9,956
Total Highway Safety Cluster			–	17,475	17,475
Total U.S. Department of Transportation			–	17,475	17,475
Environmental Protection Agency					
Direct Award					
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66 034	97738001	–	17,983	17,983
Total Environmental Protection Agency			–	17,983	17,983
U.S. Department of Education					
Direct Awards					
Student Financial Assistance Cluster					
Federal Supplemental Education Opportunity Grants	84 007		–	46,586	46,586
Federal Work-Study Program	ARRA-84 033		–	10,000	10,000
Federal Pell Grant	ARRA-84 063		–	1,905,918	1,905,918
Federal Direct Student Loans	84 268		–	8,512,928	8,512,928
Total Student Financial Assistance Cluster (direct)			–	10,475,432	10,475,432
Pass-Through From					
Des Moines Public Schools					
Title I Grants to Local Educational Agencies	84 010		–	7,224	7,224
Nebraska Department of Education					
Rehabilitation Services Vocational Rehabilitation Grants to States	84 126		–	40,000	40,000
New Jersey Department of Human Services					
Rehabilitation Services Vocational Rehabilitation Grants to States	84 126	70013	–	73,500	73,500
Total CFDA 84 126			–	113,500	113,500
The University of Louisville Research Foundation, Inc					
National Institute on Disability and Rehabilitation Research	84 133	1OICI2-0162Z01	35,145	–	35,145
University of Nebraska Medical Center					
Special Education – Grants for Infants and Families	84 181	94-2810-248-1C4-12/ 94-2810-248-1C5-13/ 36-5507-1021-015	–	11,800	11,800
Total U.S. Department of Education			35,145	10,607,956	10,643,101

Catholic Health Initiatives

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Research & Development Cluster	Other Federal Expenditures	Total Federal Expenditures
U.S. Department of Health and Human Services					
Direct Awards					
Telehealth Programs	93 211		$ –	$ 32,140	$ 32,140
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93 224		–	1,252,032	1,252,032
Rural Access to Emergency Devices Grant and Public Access to Defibrillation Demonstration Grant	93 259		–	133,102	133,102
Affordable Care Act (ACA) Nursing Assistant and Home Health Aide Program	93 503		–	192,606	192,606
Affordable Care Act Initiative to Reduce Avoidable Hospitalizations Among Nursing Facility Residents	93 621		–	971,655	971,655
Pass-Through From					
Area Agency on Aging of West Central Arkansas					
Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	93 043		–	528	528
Aging Cluster					
Area Agency on Aging of West Central Arkansas					
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93 044		–	5,144	5,144
Denver Regional Council of Governments					
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93 044	EX13031	–	107,815	107,815
Total CFDA 93 044			–	112,959	112,959
Area Agency on Aging of West Central Arkansas					
Special Programs for the Aging Title III, Part C Nutrition Services	93 045		–	33,462	33,462
Area Agency on Aging of West Central Arkansas					
Nutrition Services Incentive Program	93 053		–	11,945	11,945
Total Aging Cluster (pass-through)			–	158,366	158,366
Colorado Division of Insurance					
Special Programs for the Aging Title IV and Title II Discretionary Projects	ARRA-93 048	OE SFA 13SMP000002	–	6,749	6,749
North Country Community Health Board					
Public Health Emergency Preparedness	93 069	47765/65492	–	26,832	26,832
Appanoose County Board of Health					
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93 074	5884BT03	–	13,291	13,291
Iowa Department of Public Health					
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93 074	5884BT65/5884BT64	–	27,077	27,077
Kansas Department of Health and Environment					
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93 074		–	127,000	127,000
Loess Hills Healthcare Coalition					
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93 074	5884BT37	–	1,669	1,669
Pennsylvania Department of Health					
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93 074	4100062712	–	35,301	35,301
Polk County Auditor's Office					
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93 074		–	57,703	57,703
Total CFDA 93 074			–	262,041	262,041

Catholic Health Initiatives

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Research & Development Cluster	Other Federal Expenditures	Total Federal Expenditures
U.S. Department of Health and Human Services (continued)					
Goodwill/Easter Seals					
Healthy Marriage Promotion and Responsible Fatherhood Grants	93 086	00-825-230-535/ 00-824-230-536	$ –	$ 78,125	$ 78,125
Health Resources and Services					
Maternal and Child Health Federal Consolidated Programs	93 110	5 H17MC25740-02-00/ 1 H17MC25740-01-00	–	30,773	30,773
Cincinnati Children's Hospital Medical Center					
Research Related to Deafness and Communication Disorders	93 173	5R01DC010202-02	46,116	–	46,116
The University of North Carolina					
Disease Prevention	93 184	5-42318	6,952	–	6,952
Nebraska Department of Health and Human Services					
Affordable Care Act (ACA) Abstinence Education Program	93 235	10395-Y3	–	52,990	52,990
CAHlink					
State Rural Hospital Flexibility Program	93 241		–	48,855	48,855
Nebraska Department of Health and Human Services					
State Rural Hospital Flexibility Program	93 241	20288-Y3	–	18,000	18,000
Nebraska Office of Rural Health					
State Rural Hospital Flexibility Program	93 241	20287-Y3/11460-Y3	–	66,000	66,000
University of North Dakota					
State Rural Hospital Flexibility Program	93 241	UND10098/UND10216	–	9,064	9,064
Total CFDA 93 241			–	141,919	141,919
Iowa Department of Public Health					
Substance Abuse and Mental Health Services – Projects of Regional and National Significance	93 243		–	76,346	76,346
North Country Community Health Board					
Universal Newborn Hearing Screening	93 251	3000001369	–	375	375
University of Texas Health Science Center					
Occupational Safety and Health Program	93 262	R01 OH009697-01A1	11,159	–	11,159
Nebraska Department of Health and Human Services					
Immunization Cooperative Agreements	93 268	5H23IP722562-09/ 5H23IP000756-02	–	6,982	6,982
North Country Community Health Board					
Immunization Cooperative Agreements	93 268		–	300	300
Total CFDA 93 268			–	7,282	7,282
American Psychological Association					
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93 283		–	8,000	8,000
Iowa Department of Public Health					
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93 283	5884NB01	–	14,972	14,972
Kentuckiana Regional Planning					
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93 283		–	412	412
North Country Community Health Board					
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93 283		–	3,400	3,400
North Dakota Department of Health					
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93 283	4521HLH3214003	–	5,000	5,000
Total CFDA 93 283			–	31,784	31,784

Catholic Health Initiatives

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Research & Development Cluster	Other Federal Expenditures	Total Federal Expenditures
U.S. Department of Health and Human Services (continued)					
CAHlink					
Small Rural Hospital Improvement Grant Program	93 301		$ –	$ 69,037	$ 69,037
Iowa Department of Public Health					
Small Rural Hospital Improvement Grant Program	93 301	5884SH01/5883SH72/ 5884SH69	–	22,248	22,248
Minnesota Department of Health					
Small Rural Hospital Improvement Grant Program	93 301	3000009908	–	27,441	27,441
Nebraska Office of Rural Health					
Small Rural Hospital Improvement Grant Program	93 301		–	9,563	9,563
University of North Dakota					
Small Rural Hospital Improvement Grant Program	93 301	UND10073/UND10195/ UND10178/UND10189/ UND10191/UND10071/ UND10085	–	43,170	43,170
Washington Department of Health					
Small Rural Hospital Improvement Grant Program	93 301	N19856	–	9,000	9,000
Total CFDA 93 301			–	180,459	180,459
Oregon Health & Science University					
Cancer Treatment Research	93 395	27469-76	9,175	–	9,175
The University of Louisville Research Foundation					
Cancer Research Manpower	93 398		11,603	–	11,603
State of Colorado Department of Human Services					
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93 505	14 IHA 61336	–	381,921	381,921
State of Colorado Department of Public Health and Environment					
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93 505	13 FLA 50476	–	138,171	138,171
North Country Community Health Board					
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93 505	56659	–	210,287	210,287
Total CFDA 93 505			–	730,379	730,379
Kitsap Public Health District					
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchange	93 525	1168	–	8,484	8,484
North Country Community Health Board					
PPHF Community Transformation Grants and National Dissemination and Support for Community Transformation Grants – financed solely by Prevention and Public Health Funds	93 531	3000006587	–	22,453	22,453
North Country Community Health Board Services					
Temporary Assistance for Needy Families	93 558		–	45,627	45,627
Nebraska Department of Health and Human Services					
Refugee and Entrant Assistance – State Administered Programs	93 566		–	633,646	633,646
Iowa Department of Human Services					
Child Care and Development Block Grant	93 575	ACFS 12-029	–	367,136	367,136
University of Alabama at Birmingham					
Health Care Innovations Awards (HCIA)	93 610	000432302-002	281,496	–	281,496
Area Agency on Aging of West Central Arkansas					
Social Services Block Grant	93 667		–	8,787	8,787

Catholic Health Initiatives

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Research & Development Cluster	Other Federal Expenditures	Total Federal Expenditures
U.S. Department of Health and Human Services (continued)					
North Country Community Health Board Services					
Medical Assistance Program	93 778	GRK 36406	$ –	$ 65,423	$ 65,423
Colorado Division of Insurance					
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93 779	OE SFA 14SHIP00003/ OE SFA 15SHIP00003	–	46,786	46,786
Washington University					
Blood Diseases and Resources Research	93 839	5U01HL088476	22,000	–	22,000
Drexel University					
Arthritis, Musculoskeletal and Skin Diseases Research	93 846	232486	5,615	–	5,615
University of Medicine and Dentistry of New Jersey					
Extramural Research Programs in the Neurosciences and Neurological Disorders	93 853	88285	850	–	850
University of North Dakota					
Child Health and Human Development Extramural Research	93 865		–	15,091	15,091
Iowa Department of Public Health					
National Bioterrorism Hospital Preparedness Program	93 889	5883BHP62/5883BHP61 5883BHP63/5883BHP88 5883BHP14/5883BHP15	–	32,893	32,893
Oregon Health Authority					
National Bioterrorism Hospital Preparedness Program	93 889	139896/143824	–	1,983	1,983
Sanford Bemidji Medical Center					
National Bioterrorism Hospital Preparedness Program	93 889		–	10,408	10,408
Tennessee Department of Health					
National Bioterrorism Hospital Preparedness Program	93 889	GE1439973/GE1439968	–	51,000	51,000
West Central Minnesota Healthcare System					
National Bioterrorism Hospital Preparedness Program	93 889		–	3,910	3,910
Washington State Department of Health/Washington State Hospital Association					
National Bioterrorism Hospital Preparedness Program	93 889	U3REP090228-02-00	–	22,252	22,252
Total CFDA 93 889			–	122,446	122,446
Madison County Memorial Hospital					
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	93 912		–	72,438	72,438
University of Louisville Research Foundation					
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93 918	ULRF 14-0728	13,750	–	13,750
Iowa Department of Health and Human Services					
Block Grants for Community Mental Health Services	93 958	MDHA11-053/ MDHS11-054	–	49,405	49,405
New Jersey Department of Human Services					
Block Grants for Community Mental Health Services	93 958	30305	–	315,957	315,957
Total CFDA 93 958			–	365,362	365,362
Minnesota Department of Human Services					
Block Grants for Prevention and Treatment of Substance Abuse	93 959	29214	–	205,947	205,947

Catholic Health Initiatives

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Research & Development Cluster	Other Federal Expenditures	Total Federal Expenditures
U.S. Department of Health and Human Services (continued)					
Nebraska Department of Health and Human Services					
Preventive Health and Health Services Block Grant	93 991	2B01 DP009036-13	$ –	$ 4,020	$ 4,020
Washington State Department of Commerce – Community Services and Housing Division					
Preventive Health and Health Services Block Grant	93 991	#13-31110-1678/ #14-31110-168	–	12,011	12,011
Total CFDA 93 991			–	16,031	16,031
North Country Community Health Board Services					
Maternal and Child Health Services Block Grant to the States	93 994		–	32,670	32,670
Total U.S. Department of Health and Human Services			408,716	6,394,810	6,803,526
Corporation for National and Community Service					
Pass-Through From					
Foundation for a Healthy Kentucky					
Social Innovation Fund	94 019	2012KHFI013	–	106,112	106,112
Total Corporation for National and Community Service			–	106,112	106,112
U.S. Department of Homeland Security					
Pass-Through From					
Commonwealth of Kentucky Department of Military Affairs					
Division of Emergency Management					
Hazard Mitigation Grant	97 039	HMGP DR-1855-0018-R	–	88,503	88,503
Total U.S. Department of Homeland Security			–	88,503	88,503
Total Expenditures of Federal Awards			$ 956,418	$ 19,823,683	$ 20,780,101

See accompanying notes to schedule of expenditures of federal awards

Catholic Health Initiatives

Notes to Schedule of Expenditures of Federal Awards

June 30, 2014

1. General

The schedule of expenditures of federal awards (SEFA) presents expenditures for all federal programs that were in effect during the year ended June 30, 2014, for Catholic Health Initiatives (CHI), with one exception. Federal expenditures in the amount of $855,504 for CFDA 14.157 – Supportive Housing for the Elderly are not presented in the SEFA as a separate audit was performed as required by the U.S. Department of Housing and Urban Development (HUD).

For purposes of the SEFA, federal awards include all federal assistance entered into directly between CHI and the federal government and sub-awards from nonfederal organizations made under federally sponsored agreements. The SEFA does not include payments received under Medicare and Medicaid reimbursement programs.

2. Basis of Accounting

Expenditures are reported on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The information in the SEFA is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

3. Federal Student Loans

CHI participates in the Federal Direct Student Loans program (CFDA 84.268), which includes the Federal Stafford Loan and the Federal Parent Loans for Undergraduate Students programs. New loans disbursed during the fiscal year ended June 30, 2014, totaled $8,512,928. Loans under the Federal Direct Student Loans program are made directly by the federal government to students. New loans made in the fiscal year ended June 30, 2014, relating to this program are represented as current year federal expenditures, whereas the outstanding loan balances are not.

4. Subrecipients

Of the federal expenditures represented in the SEFA, CHI provided federal awards to subrecipients as follows:

CFDA – Program Title	Amount
12.420 – Military Medical Research and Development	$ 441,223

Catholic Health Initiatives

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Part I – Summary of Auditor's Results

Financial statements section

Type of auditor's report issued (unmodified, qualified, adverse, or disclaimer):	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ **Yes**	X **No**
Significant deficiency(ies) identified?	____ **Yes**	X **None reported**
Noncompliance material to financial statements noted?	____ **Yes**	X **No**

Federal awards section

Internal control over major programs:		
Material weakness(es) identified?	X **Yes**	____ **No**
Significant deficiency(ies) identified?	X **Yes**	____ **None reported**
Type of auditor's report issued on compliance for major programs (unmodified, qualified, adverse, or disclaimer):	Unmodified for all major programs, except for Special Supplemental Nutrition Program for Women, Infants, and Children, and National Bioterrorism Hospital Preparedness Program, which were qualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	X **Yes**	____ **No**

Catholic Health Initiatives

Schedule of Findings and Questioned Costs (continued)

Part I – Summary of Auditor's Results (continued)

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007, ARRA-84.033, ARRA-84.063, 84.268	Student Financial Assistance Cluster
Various	Research and Development Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
93.224	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program
93.566	Refugee and Entrant Assistance – State Administered Programs
93.575	Child Care and Development Block Grant
93.621	Affordable Care Act Initiative to Reduce Avoidable Hospitalizations Among Nursing Facility Residents
93.889	National Bioterrorism Hospital Preparedness Program
93.958	Block Grants for Community Mental Health Services

Dollar threshold used to distinguish between Type A and Type B programs: $ 309,140

Auditee qualified as low-risk auditee? _____ **Yes** __X__ **No**

Part II – Financial Statement Findings Section

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, and abuse related to the consolidated financial statements for which *Government Auditing Standards* require reporting in a Circular A-133 audit.

There were no financial statement findings.

Part III – Federal Award Findings and Questioned Costs Section

This section identifies the audit findings required to be reported by Circular A-133 section .510(a) (for example, material weaknesses, significant deficiencies, and material instances of noncompliance, including questioned costs), as well as any abuse findings involving federal awards that are material to a major program.

Finding 2014-001 – Eligibility

Federal program information:	U.S. Department of Agriculture CFDA 10.557 – Special Supplemental Nutrition Programs for Women, Infants, and Children (WIC) Passed Through Washington State Department of Health – St. Clare Hospital (N20126) Passed through Department of Public Health, Seattle and King County – Highline Medical Center (CHS3221) Passed through North Country Community Health Board – St. Joseph's Area Health Services and Lakewood Health Center
Criteria or specific requirement (including statutory, regulatory or other citation):	Scope Limitation – Eligibility per OMB Circular A-133 Section .5102(5) the auditor should report a finding when the auditor's report on compliance is other than unqualified.
Condition:	CHI was unable to provide sufficient documentation at St. Clare Hospital in Tacoma, Washington, supporting eligibility determinations made for WIC program participants due to the use of a paperless software system required by the State of Washington and the U.S. Department of Agriculture.
Questioned costs:	$0
Context:	Upon the screening of an individual for eligibility for participation in the WIC program, St. Clare Hospital reviews the support for income, residency, etc., and documents the applicant's eligibility in a software program required by the State of Washington and the U.S. Department of Agriculture. Based upon the inputs from screening, the software program indicates whether or not an individual is eligible for WIC. However, St. Clare Hospital is not required to and does not retain evidence of what was documented in the software program.

Effect:	We are not able to test eligibility compliance or controls over compliance for the WIC program at St. Clare Hospital resulting in a scope limitation. Due to the scope limitation at St. Clare Hospital, which accounted for 78% of the WIC expenditures, the scope limitation is reported for the WIC program overall.
Cause:	The paperless software system used for the WIC program at St. Clare Hospital does not require the retention of records supporting eligibility determination, and such records are not retained.
Recommendation:	None.
Views of responsible officials and planned corrective actions:	A scope limitation qualified opinion was issued for Catalog of Federal Domestic Assistance (CFDA) 10.557 – Special Supplemental Nutrition Programs for Women, Infants, and Children (WIC) as the auditors were unable to obtain sufficient documentation supporting the compliance of St. Clare Hospital regarding eligibility for participants. St. Clare Hospital uses a paperless software system as required by the State of Washington and the U.S. Department of Agriculture. Third-party documentation is reviewed by St. Clare Hospital at the time the initial eligibility determination of a WIC participant is made. However, due to the paperless system, these records are not retained. The grantor, State of Washington, has been informed of this finding in prior years and has stated that they do not sustain this finding and that no corrective action is required. As a result, no further corrective action will be taken. CHI notes that this issue is isolated to St. Clare Hospital and does not apply to the other CHI locations that receive funding from the WIC program.

Finding 2014-002 – Material Weakness – Equipment and Real Property Management

Federal program information:	U.S. Department of Health and Human Services (HHS) CFDA 93.889 – National Bioterrorism Hospital Preparedness Program (HPP)
Criteria or specific requirement (including statutory, regulatory or other citation):	In accordance with 2 CFR Section 215.34(f), codified by HHS at 45 CFR Section 74.34(f), property management records for equipment acquired with federal funds shall include all of the following: description of equipment; serial number, model number, or other identification number; source of the equipment, including the award number, whether the title vests in the recipient or federal government; acquisition date; location and condition of equipment; unit acquisition cost; and ultimate disposition date. Also, the recipient shall take a physical inventory of equipment and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.
Condition:	CHI's property management records for equipment acquired with federal HPP funds do not include equipment from grant inception to date and also do not include all of the required information. Physical inventories were not performed or documented adequately for the HPP within the last two years.
Questioned costs:	$0

Context:	CHI did not provide equipment listings, to include equipment purchases for previous years, for the HPP. For HPP – Memorial Health Care System, a list of current year equipment additions was provided and the list included all of the required information for those equipment items; however, no prior year equipment purchases were included on the list. CHI did not provide evidence of a physical inventory of HPP equipment being performed in the last two years.
Effect:	Misappropriation or loss of equipment purchased with federal funds could occur when internal controls designed to prevent and detect noncompliance related to safeguarding and identifying federal equipment are not implemented or operating effectively.
Cause:	Proper controls were not fully implemented to appropriately record equipment information in the system after the equipment was received and tagged and to perform the required physical inventories every two years.
Recommendation:	All equipment purchased with federal funds should be appropriately tagged, and a detailed listing should be maintained with all of the required elements. This listing should include equipment acquired with federal funds from grant inception. A physical inventory observation of federally funded equipment should be performed and documented every two years. The physical inventory could be useful to compile lists of equipment acquired in previous years that were not originally included in equipment listings when purchased.
Views of responsible officials and planned corrective actions:	During FY2015, CHI will compile a listing of HPP equipment purchased with federal funds since program inception that will include all required attributes. CHI will also perform an inventory in FY2015 of this equipment.

Finding 2014-003 – Significant Deficiency – Allowable Costs/Cost Principles

Federal program information:	U.S. Department of Health and Human Services U.S. Department of Education Research and Development Cluster Jewish Hospital and St. Mary's Health Care, Inc. (Jewish) – CFDA 84.133 passed through the University of Louisville Research Foundation, Inc., and CFDA 93.846 passed through Drexel University (11012367) CHI Institute for Research and Innovation – CFDA 93.610 passed through the University of Alabama at Birmingham
Criteria or specific requirement (including statutory, regulatory or other citation):	As required by CFR 45 Part 74 Appendix E and OMB A-122, Attachment B, Paragraph 7, the distribution of salaries and wages must be supported by personnel activity reports for each employee whose compensation is charged in whole or in part to the award. The reports must reflect an assessment of actual activity for each employee, must account for the total activity for which the employee is compensated, must be prepared at least monthly, must coincide with one or more pay periods, and must be signed by the individual employee or a supervisory official having firsthand knowledge of the activities performed by the employee. Budget estimates should not be used as support for expenditures.
Condition:	For award 93.846, each month, the Data Coordinator would invoice Drexel University for the budgeted monthly amount of $1,500 instead of the actual hours spent on the grant. The actual costs incurred working on the grant were lower than the reimbursement requested by $7,885. Additionally, for two selections, time records for December 2013 and January 2014 pay, totaling $241, were not completed with employee and supervisor approval until June 2014. For one selection, the time record for pay, totaling $69, approval was completed in August 2014, reflecting three hours were worked on the grant, although four hours were

	charged to the grant for the pay period, resulting in an excess request of $17. For award 84.133, for two selections, time records for April and May 2014 pay, totaling $3,224, were not completed until July/August 2014. For award 93.610, for one employee selection, $2,855 in salary expenses was requested for reimbursement from grantor in excess of actual expenses.
Questioned costs:	93.846: $8,143 84.133: $3,224 93.610: $2,855
Context:	For awards 84.133 and 93.846, for five of the time records that were selected for testing, only one of the time records was approved timely in accordance with the regulations. Total salary expenditures for CFDA 93.846 and 84.133 totaled $3,758 and $35,145, respectively. For award 93.610, for one of five employee selections, $2,855 in salary expenses was requested for reimbursement from grantor in excess of actual expenditures. Total salary expenditures for CFDA 93.610 totaled $249,965.
Effect:	Actual expenditures were not charged to the grant. Additionally, payroll expenditures were not properly supported at the time the expenditures were charged to the federal program.
Cause:	Proper controls were not implemented to appropriately track and bill time and expenditures in accordance with the grant requirements.

Recommendation:	Personnel activity reports or time and effort records should be prepared at least monthly and coincide with one or more pay periods for employees who charge time to federal programs and be signed by the employee or supervisory official having firsthand knowledge of the activities performed by the employee. Amounts billed to the awarding agency should be for actual time incurred and not based upon budget and should not exceed actual expenditures.
Views of responsible officials and planned corrective actions:	CHI will implement a time and effort reporting policy during FY2015 that incorporates all of the federal requirements.

Finding 2014-004 – Cash Management

Federal program information:	U.S. Department of Defense U.S. Army Medical Command Research and Development Cluster Jewish Hospital and St. Mary's Health Care, Inc. (Jewish) – CFDA 12.420 – Military Medical Research and Development passed through Wake Forest University (WFUHS 441039 CTA-09)
Criteria or specific requirement (including statutory, regulatory or other citation):	OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations* requires (a) Payment methods shall minimize the time elapsing between the transfer of funds from the United States Treasury and the issuance or redemption of checks, warrants, or payment by other means by the recipients. (b) Recipients are to be paid in advance, provided they maintain or demonstrate the willingness to maintain: (1) written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient, and (2) financial management systems that meet the standards for fund control and accountability as established in Section __.21. Cash advances to a recipient organization shall be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual disbursements by the recipient organization for direct program or project costs and the proportionate share of any allowable indirect costs. (g) To the extent available, recipients shall disburse funds available from repayments to and interest earned on a revolving fund, program income, rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments.

Condition:	For CFDA 12.420 – Military Medical Research and Development, WFUHS 441039 CTA-09, the grant terms are on a reimbursement basis. The reimbursement requests were submitted to and received from the pass-through agency prior to paying the subrecipient. Additionally, one of the checks received through the bank lock box by Jewish for $7,421 was made payable to Jewish's subrecipient by Wake Forest University; however, Jewish cashed the check rather than returning the check to Wake Forest University.
Questioned costs:	$7,421
Context:	CFDA 12.420 WFUHS 441039 CTA-09 represents $67,177 or 7% of total R&D Cluster expenditures; of this amount $57,730 was passed through to subrecipients by Jewish representing 6% of total R&D Cluster expenditures. The payment to the subrecipients occurred as follows: Reimbursement #1: $59,755 requested funds June 11, 2014, received funds June 19, 2014, paid funds to the subrecipient Sepetember 18, 2014 and September 9, 2014, respectively. Reimbursement #2: $7,421 requested funds July 9, 2014, received funds July 17, 2014, paid funds to the subrecipient October 23, 2014. Additionally, the check received on July 17, 2014, was made payable to the subrecipient directly by Wake Forest University but was cashed via a lock box deposit by Jewish and then Jewish paid the subrecipient.
Effect:	Program funds were requested before program costs were incurred by Jewish, so the grant was not in accordance with the terms of the grant agreement. Federal funds received that were not made payable to Jewish were not returned to the pass-through entity.
Cause:	The delay in payment to the subrecipient was due to the transition period of the Grant Manager position. The check that was cashed by Jewish was processed through the lock box.

Recommendation:	For grants on a reimbursement basis, program costs should be paid for by CHI funds before reimbursement is requested from the pass-through entity. Checks should be returned to the pass-through entity if they are not made payable to Jewish.
Views of responsible officials and planned corrective actions:	CHI implemented a Cash Management policy during FY2013 that incorporates all of the federal requirements. Personnel at Jewish have been informed of the policy and will comply with requirements in the future.

Finding 2014-005 – Significant Deficiency – Special Tests and Provisions

Federal program information:	U.S. Department of Health and Human Services (HHS) CFDA 93.224 – Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) – Good Samaritan Hospital, Dayton, Ohio
Criteria or specific requirement (including statutory, regulatory or other citation):	Financial Management and Control Policies Health center maintains accounting and internal control systems appropriate to the size and complexity of the organization reflecting Generally Accepted Accounting Principles (GAAP) and separates functions appropriate to organizational size to safeguard assets and maintain financial stability. Health center assures an annual independent financial audit is performed in accordance with Federal audit requirements, including submission of a corrective action plan addressing all findings, questioned costs, reportable conditions, and material weaknesses cited in the Audit Report. (Section 330(k)(3)(D) and (q) of the PHS Act and 45 CFR Parts 74.14, 74.21, and 74.26). Board Authority Health center governing board maintains appropriate authority to oversee the operations of the center. (Section 330(k)(3)(H) of the PHS Act and 42 CFR Part 51c.304). Unless a requirement for a governing board is waived by Health Resources Services Administration (HRSA) or the center is operated by an Indian tribe or tribal or Indian organization under the Indian Self-Determination Act or an urban Indian organization under the Indian Health Care Improvement Act, the health center must have a governing board that (1) is composed of individuals, a majority of whom are being served by the center and who, as a group, represent the individuals being served by the center; (2) meets at least once a month; (3) selects the services to be provided by the center; (4) schedules the hours during which services will be provided by the center; (5) approves the center's annual budget; (6) approves the selection of a director for the center;

	and (7) except in the case of a public center, establishes general policies for the center (42 USC 254b(k)(3)(H)).
Condition:	Financial Management and Control Policies Samaritan Homeless Clinic, a department of Good Samaritan Hospital, developed its budget in a manner that shows anticipated federal and nonfederal resources needed to carry out the project, as required by HRSA, but it does not track the actual expenditure of federal and nonfederal funds at the transaction level. The chart of accounts provides sufficient code structure to properly assign income and expenses to all departments at a high level of detail, but it had no provision that allows Samaritan Homeless Clinic to distinguish between federal and nonfederal transactions, as required by Policy Information Notice (PIN) 2013-01. Board Authority Samaritan Homeless Clinic received a waiver in 2005 that negated the HRSA requirement of monthly board meetings. That waiver was deemed ineffective by HRSA as of January 1, 2014, by PIN 2014-01 that was sent electronically to Samaritan Homeless Clinic by its HRSA Program Officer in January 2014. Samaritan Homeless Clinic was operating under its own advisory committee, which had no authority; however, in accordance with program requirements, Samaritan Homeless Clinic must be operating under the grantee's (Good Samaritan Hospital) board. Samaritan Homeless Clinic is considered a department of Good Samaritan Hospital and, as such, may not operate under its own board. As a result, Good Samaritan Hospital was not maintaining appropriate board authority to oversee operations of Samaritan Homeless Clinic, and the board was not meeting monthly in accordance with the requirements.
Questioned costs:	$0

Context:	We noted and tested controls and compliance for nine requirements under special tests and provisions for the Consolidated Health Centers program in relation to Samaritan Homeless Clinic. For two of nine requirements, we noted noncompliance as discussed above related to financial management and control policies and board authority.
Effect:	Good Samaritan Hospital is noncompliant with special tests and provisions related to the federal program. Due to the board authority finding, Good Samaritan Hospital sent notice to HRSA in November 2014 of its intent to relinquish the grant and request transfer to another entity for the remainder of the project period, from June 1, 2015 through October 31, 2015.
Cause:	Samaritan Homeless Clinic was not aware that a separate chart of accounts was needed for federal versus nonfederal transactions. The waiver received by Samaritan Homeless Clinic in 2005 that negated the HRSA requirement of monthly board meetings was deemed ineffective by HRSA as of January 1, 2014, by PIN 2014-01.
Recommendation:	Financial and Management Controls Good Samaritan Hospital should develop additional account code structure in its chart of accounts to permit it to account for and monitor the actual use of federal and nonfederal resources in a manner consistent with its approved budget. Board Authority Good Samaritan Hospital's board should maintain appropriate authority to oversee the operations of the health center and become compliant with all of aspects related to the federal program requirements over board authority or discuss other alternatives with the funding agency.

Views of responsible officials and planned corrective actions:	Good Samaritan Hospital submitted its intent to relinquish this grant as of June 1, 2015, due to its inability to meet the Board Authority requirement. As of November 1, 2014, the start of the new grant budget period, new accounts were implemented to allow for the separate tracking of expenditures paid for with federal funds. This separate tracking will be maintained until transfer of the grant is complete.

Catholic Health Initiatives

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2014

Finding 2013-001 – SEFA Preparation – Reporting

Current Status: This finding has been corrected. During FY2014, CHI centralized the grant accounting function and has implemented the grant module within its accounting system. The implementation of this module has given CHI a tool to effectively accumulate and report federal expenditures. Within this module, cluster information is stored which ensures the correct classification of research and development grants.

Finding 2013-002 – Eligibility – CFDA 10.557

Current Status: This finding has been repeated as finding 2014-001. Franciscan Medical Group's St. Clare Hospital uses a paperless software system as required by the State of Washington and the U.S. Department of Agriculture. Third-party documentation is reviewed by St. Clare Hospital at the time the initial eligibility determination of a WIC participant is made. However, due to the paperless system, these records are not retained. Since St. Clare Hospital follows the paperless system as required by the grantor, no further corrective action will be taken.

Finding 2013-003 – Procurement – CFDA 10.855, 93.887, 93.889, 93.958, and 93.621

Current Status: This finding has been corrected. During FY2014, CHI implemented a national procurement policy for federal grant funded purchases.

Finding 2013-004 – Equipment and Real Property Management – CFDA 10.855, 93.887, and 93.889

Current Status: This finding has been repeated as finding 2014-002. During FY2014, CHI implemented attributes in its fixed asset accounting module to store the required attributes for assets purchased with federal grant funds in FY2014 and forward. Physical inventories of equipment purchased with federal grant funds are planned for FY2015.

Finding 2013-005 – Allowable Costs/Cost Principles – CFDA 93.889 and 93.958 and R&D Cluster

Current Status: This finding has been repeated as finding 2014-003. CHI began to enforce time and effort reporting requirements in FY2014. In FY2015, a time and effort reporting policy will be implemented and enforced.

Finding 2013-006 – Procurement and Suspension and Debarment – CFDA 10.855

Current Status: This finding has been corrected. During FY2014, CHI implemented a national procurement policy for federal grant funded purchases.

Finding 2013-007 – Cash Management – CFDA 93.621

Current Status: CHI resolved this finding with the grantor agency prior to the issuance of the FY2013 audit report. This finding resulted from a misunderstanding of whether the grant operated on a reimbursement versus cash advance basis.

Finding 2013-008 –Reporting – CFDA 10.855

Current Status: CHI resolved this finding by filing the 2013 report as required and included activity that took place over the term of the grant.

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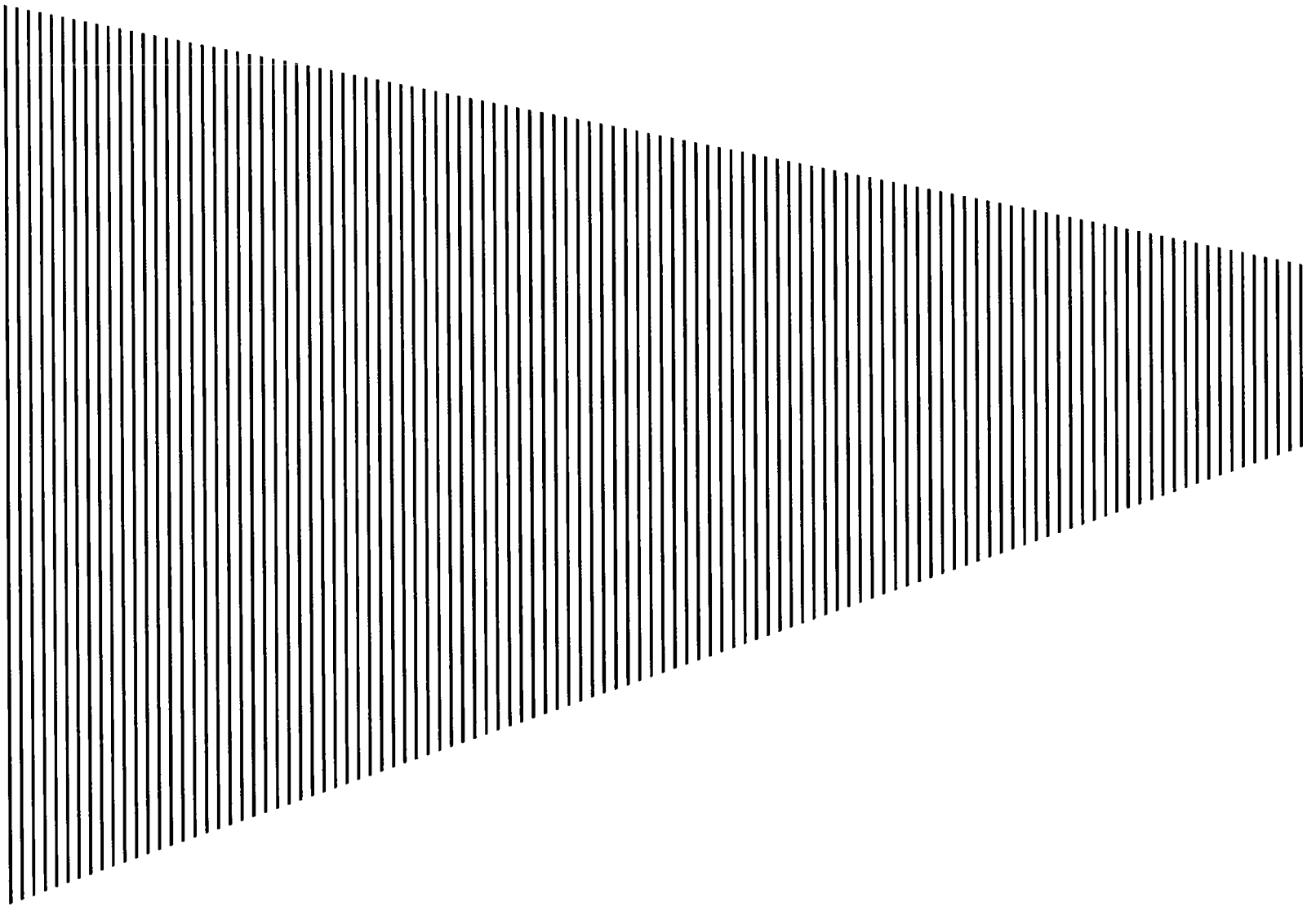

S...	TASK SUBJECT	ACTION	CATEGO...	KE...	COMPLETE BY	!
Priority High 6 item(s)						
	Clinical Informatics CPE In	Draft org dashboard, projects, and Gemba	Project M	None	None	!
	Regional Improvement Pl	Complete divisional report template	Strategy . .	None	None	!
	Regional - ESE/ND	Q2 Training & Development	Training	None	None	!
	NOSL Care Redesign BP D.	Document BPs from StV visit & update Ga.	Project	None	None	!
	Std CPE | Lean Training	200 level intermediate mgr/dir training co .	Standards	None	13-Jan-15	!
	Std PDTS Playbooks	Standard tt development & McKinsey Revi	Standards	None	21-Jan-15	!
Priority Normal 7 item(s)						
	CHI Health @ Home (Jacq	Await response from Jackie after she spea	Training	None	None	
	Inside CHI PEG Profile	When is the meeting to get approval?	Strategy .	6-Fe .	6-Feb-15	
	Scott Spenser Internship	Wants to be involved in NOSL work on To .	Training	None	None	
	Regional - KYOne	Q? Training & Development	Training	None	None	
	Regional - IA	Q? Training & Development	Training	None	None	
	Std Project Tracker	Continue to develop view for download & .	Standards	None	12-Jan-15	
	Foundation Accounting	Foundation Acct progress report	Project M	22-	23-Jan-15	
Priority Low 8 item(s)						
	Standard Work & Executiv	Track PNW work being developed on Stra	CPE Core	None	None	↓
	Regional - NE (CHI Midwe	Document VM notes from 5/1 conversation	Training	None	None	↓
	Regional - PNW	Q? Training & Development	Training .	None	None	↓
	Training Surveys & Certifi		Strategy .	None	9-Jan-15	↓
	Std CPE Align & Sustain .	How to put these to use	Standards	None	12-Jan-15	↓
	Std Daily Management S	Continue collecting innovations here then .	Standards	None	20-Jan-15	↓
	SharePoint Knowledge Re	Revamp/Relaunch CPE SP as knowledge r.	Standards	None	None	↓
	Houston Green Belt Post-	check on progress	Training	None	None	↓

Form **8868**

(Rev January 2014)

Department of the Treasury
Internal Revenue Service

Application for Extension of Time To File an Exempt Organization Return

▶ **File a separate application for each return.**
▶ **Information about Form 8868 and its instructions is at *www.irs.gov/form8868.***

OMB No 1545-1709

- If you are filing for an **Automatic 3-Month Extension, complete only Part I** and check this box . . . . . ▶ ☑
- If you are filing for an **Additional (Not Automatic) 3-Month Extension, complete only Part II** (on page 2 of this form).

Do not complete Part II unless you have already been granted an automatic 3-month extension on a previously filed Form 8868.

Electronic filing (*e-file*). You can electronically file Form 8868 if you need a 3-month automatic extension of time to file (6 months for a corporation required to file Form 990-T), or an additional (not automatic) 3-month extension of time. You can electronically file Form 8868 to request an extension of time to file any of the forms listed in Part I or Part II with the exception of Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts, which must be sent to the IRS in paper format (see instructions). For more details on the electronic filing of this form, visit *www.irs.gov/efile* and click on *e-file for Charities & Nonprofits.*

Part I Automatic 3-Month Extension of Time. Only submit original (no copies needed).

A corporation required to file Form 990-T and requesting an automatic 6-month extension—check this box and complete Part I only . . . . . ▶ ☐

All other corporations (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns

Enter filer's identifying number, see instructions

Type or print	Name of exempt organization or other filer, see instructions.	Employer identification number (EIN) or
File by the due date for filing your return See instructions	MERCY HOSPITAL OF VALLEY CITY	45-0226553
	Number, street, and room or suite no If a P O box, see instructions 570 CHAUTAUQUA BLVD	Social security number (SSN)
	City, town or post office, state, and ZIP code For a foreign address, see instructions VALLEY CITY, ND 58072	

Enter the Return code for the return that this application is for (file a separate application for each return) 0 1

Application Is For	Return Code	Application Is For	Return Code
Form 990 or Form 990-EZ	01	Form 990-T (corporation)	07
Form 990-BL	02	Form 1041-A	08
Form 4720 (individual)	03	Form 4720 (other than individual)	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

- The books are in the care of ▶ KEITH HEUSER

Telephone No ▶ (701)845-6583 Fax No. ▶

- If the organization does not have an office or place of business in the United States, check this box . . . . . ▶ ☐
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the whole group, check this box . . . ▶ ☐. If it is for part of the group, check this box . . . . ▶ ☐ and attach a list with the names and EINs of all members the extension is for.

1 I request an automatic 3-month (6 months for a corporation required to file Form 990-T) extension of time until February 15, 20 15, to file the exempt organization return for the organization named above. The extension is for the organization's return for.

▶ ☐ calendar year 20 ____ or

▶ ☑ tax year beginning July 01, 20 13, and ending June 30, 20 14.

2 If the tax year entered in line 1 is for less than 12 months, check reason: ☐ Initial return ☐ Final return ☐ Change in accounting period

3a	If this application is for Forms 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	3a	$
b	If this application is for Forms 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit.	3b	$
c	**Balance due.** Subtract line 3b from line 3a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions	3c	$

Caution. If you are going to make an electronic funds withdrawal (direct debit) with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions

• If you are filing for an **Additional (Not Automatic) 3-Month Extension, complete only Part II** and check this box . . . . ▶ ☑

Note. Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868.

• If you are filing for an **Automatic 3-Month Extension, complete only Part I** (on page 1).

Part II Additional (Not Automatic) 3-Month Extension of Time. Only file the original (no copies needed).

		Enter filer's identifying number, see instructions
Type or print	Name of exempt organization or other filer, see instructions. MERCY HOSPITAL OF VALLEY CITY	Employer identification number (EIN) or 45-0226553
File by the due date for filing your return. See instructions	Number, street, and room or suite no. If a P.O. box, see instructions 570 CHAUTAUQUA BLVD	Social security number (SSN)
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. VALLEY CITY, ND 58072	

Enter the Return code for the return that this application is for (file a separate application for each return) 0 1

Application Is For	Return Code	Application Is For	Return Code
Form 990 or Form 990-EZ	01		
Form 990-BL	02	Form 1041-A	08
Form 4720 (individual)	03	Form 4720 (other than individual)	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

STOP! Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.

• The books are in the care of ▶ KEITH HEUSER

Telephone No. ▶ (701)845-6583 Fax No. ▶

• If the organization does not have an office or place of business in the United States, check this box . . . . . ▶ ☐

• If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the whole group, check this box . . . ▶ ☐. If it is for part of the group, check this box . . . . ▶ ☐ and attach a list with the names and EINs of all members the extension is for.

4 I request an additional 3-month extension of time until May 15, 20 15.

5 For calendar year _____, or other tax year beginning July 01, 20 13, and ending June 30, 20 14.

6 If the tax year entered in line 5 is for less than 12 months, check reason: ☐ Initial return ☐ Final return ☐ Change in accounting period

7 State in detail why you need the extension ADDITIONAL TIME IS NEEDED TO FILE A COMPLETE AND ACCURATE RETURN

8a	If this application is for Forms 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	**8a**	$
b	If this application is for Forms 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868.	**8b**	$
c	**Balance due.** Subtract line 8b from line 8a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	**8c**	$

Signature and Verification must be completed for Part II only.

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form.

Signature ▶ Eliana O. Bungton Title ▶ Tax Supervisor Date ▶ 1/8/15