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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

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

OMB No 1545-0047

2013

Open to Public Inspection

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

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

C Name of organization
Mark Twain Medical Center

Doing Business As

Number and street (or P O box if mail is not delivered to street address) 768 Mountain Ranch Road Suite | Room/suite

City or town, state or province, country, and ZIP or foreign postal code
San Andreas, CA 95249

D Employer identification number
68-0127677

E Telephone number
(209) 754-3521

G Gross receipts $ 69,834,175

F Name and address of principal officer
CHRIS ROBERTS CFO
768 MOUNTAIN RANCH ROAD
SAN ANDREAS, CA 95249

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

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

H(c) Group exemption number ▶

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

J Website: ▶ www marktwainmedicalcenter org

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

L Year of formation 1987

M State of legal domicile CA

Part I Summary

1 Briefly describe the organization's mission or most significant activities
To continuously improve the health status of our community of our community

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

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	7
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	3
5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	**5**	324
6	Total number of volunteers (estimate if necessary)	**6**	42
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	0
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	99,396	363,191
9	Program service revenue (Part VIII, line 2g)	54,258,798	58,544,169
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,428,899	1,718,377
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	209,774	213,835
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	55,996,867	60,839,572
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	404,758	350,013
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)	30,804,433	31,589,407
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	22,144,283	28,307,944
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	53,353,474	60,247,364
19	Revenue less expenses Subtract line 18 from line 12	2,643,393	592,208

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	43,915,521	51,557,455
21	Total liabilities (Part X, line 26)	5,019,718	10,483,316
22	Net assets or fund balances Subtract line 21 from line 20	38,895,803	41,074,139

Part II Signature Block

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

Sign Here

Signature of officer — Date: 2015-04-30

CHRIS ROBERTS CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
VALERIE J BALL		2015-05-01		P00178114

Firm's name ▶ KPMG LLP — Firm's EIN ▶

Firm's address ▶ 55 SECOND STREET SUITE 1400
SAN FRANCISCO, CA 94105

Phone no (209) 754-2614

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

TO CONTINUOUSLY IMPROVE THE HEALTH STATUS OF OUR COMMUNITY

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 $ 47,848,368 including grants of $ 350,013) (Revenue $ 58,544,169)

The hospital provides routine patient care in private and semi-private rooms as well as various inpatient and outpatient ancillary services such as x-ray, lab, emergency room, etc During the fiscal year 2014, 1,160 patients were admitted to the facility and 84,391 patient visits were recorded at our 5 rural health clinics

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

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

4d Other program services (Describe in Schedule O)

(Expenses $ including grants of $) (Revenue $)

4e Total program service expenses ▶ 47,848,368

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		No
11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII*	11b	Yes	
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI and XII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Parts I and IV*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or other assistance to or for any foreign organization? *If "Yes," complete Schedule F, Parts II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or other assistance to or for foreign individuals? *If "Yes," complete Schedule F, Parts III and IV*	16		No
17	Did the organization report a total of more than $15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I (see instructions)*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospital facilities? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants or other assistance to any domestic organization or government on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**	Yes	
22	Did the organization report more than $5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a*	**24a**		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? *If so, complete Schedule L, Part II*	**26**	Yes	
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**	Yes	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	**34**	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	**35a**		No
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**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	121		
b	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c		Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	324		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b		Yes	
3a	Did the organization have unrelated business gross income of $1,000 or more during the year? . . .	3a			No
b	If "Yes," has it filed a Form 990-T for this year? *If "No" to line 3b, provide an explanation in Schedule O* . . .	3b			
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a			No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? . . .	6a			No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	7a			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .	7f			No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g			
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O	13a			
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .	14b			

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

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

Section A. Governing Body and Management

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

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

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

Section C. Disclosure

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

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

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

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

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

▶ ROBIN AGUILLON ACCOUNTING D 3400 DATA DRIVE
RANCHO CORDOVA, CA 95670 (916) 851-2106

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Robert Campana Board Member	4 0 0 0	X						0	0	0
(2) Dean Kelaita MD Board Member	5 0 0 0	X						6,400	0	0
(3) Ken McInturf Board Member	4 0 0 0	X						0	0	0
(4) Donald Wiley Board Member	4 0 40 0	X						0	721,526	92,592
(5) William Griffin MD Chairman	40 0 0 0	X		X				120,213	0	0
(6) Katherine Medeiros Secretary	4 0 40 0	X		X				0	499,599	69,681
(7) David Woodhams DDS Treasurer	4 0 0 0	X		X				0	0	0
(8) Jacob Lewis VP & CFO	40 0 0 0			X				0	232,277	23,369
(9) Craig Marks President & CEO	40 0 0 0			X				0	422,382	73,316
(10) Curtis Allen MD Director, Clinics	40 0 0 0				X			140,309	0	25,147
(11) Joanne Jeffords VP & CNE	40 0 0 0				X			247,558	0	47,581
(12) Sean Anderson MD VP CMO	20 0 0 0				X			200,531	0	39,360
(13) Larry Cornish VP & COO	40 0 0 0				X			169,709	0	37,169
(14) Richard Gonzales MD Family Practice Physician	40 0 0 0					X		223,389	0	46,105
(15) Star Hildabrand Physician Assistant	40 0 0 0					X		188,547	0	37,985
(16) Steven Mills MD Family Practice Physician	40 0 0 0					X		287,120	0	40,922
(17) Jill Ortiz Director of Pharmacy	40 0 0 0					X		220,750	0	51,669

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) Peggy E Seever	40 0					X		226,555	0	27,738
Registered Nurse	0 0									
(19) Patty Monczewski	0 0						X	0	320,811	35,785
Former Officer	40 0									

1b	**Sub-Total** . . . . . ▶			
c	**Total from continuation sheets to Part VII, Section A** . . . . ▶			
d	**Total (add lines 1b and 1c)** . . . . . ▶	2,031,081	2,196,595	648,419

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 ▶ 84

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
INPATIENT Services OF CA INC, 7032 COLLECTION CTR DR CHICAGO IL 60693	MEDICAL SERVICES	715,413
RODGER ORMAN MD INC, PO BOX 2189 MURPHYS CA 95247	PHYSICIAN SERVICES	669,612
ROBERT W D'ACQUISTO MD, 13270 GRAPE ARBOR RD KNIGHTS FERRY CA 95361	PHYSICIAN SERVICES	581,013
CRAIG H LOVETT MD INC, PO BOX 610 ALTAVILLE CA 95221	PHYSICIAN SERVICES	326,890
SILVER OAK MEDICAL OFFICE INC, PO BOX 636 SAN ANDREAS CA 95249	MEDICAL SERVICES	270,300

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 ▶ 10

Part VIII Statement of Revenue

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

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . .	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations . . .	1d				
	e	Government grants (contributions)	1e	113,191			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	250,000			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f . . . . . ▶		363,191			
Program Service Revenue			Business Code				
	2a	MEDICARE / MEDICAID PAYMENTS	900099	30,122,358	30,122,358		
	b	PATIENT NET OF CHARITY AND BAD DEBT	900099	28,349,398	28,349,398		
	c	MED OFFICE BLDG	900099	18,580	18,580		
	d	HEALTH FAIR REVENUE	900099	42,359	42,359		
	e	MEANINGFUL USE INCENTIVES (EHR)	900099	9,819	9,819		
	f	All other program service revenue		1,655	1,655		
	g	**Total.** Add lines 2a–2f . . . . . ▶		58,544,169			
	3	Investment income (including dividends, interest, and other similar amounts) . . . . . ▶		350,614		0	350,614
	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			
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory	10,359,066	3,300			
	b	Less cost or other basis and sales expenses	8,994,603				
	c	Gain or (loss)	1,364,463	3,300			
	d	Net gain or (loss) . . . . . ▶		1,367,763		0	1,367,763
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . a					
	b	Less direct expenses . . . b					
	c	Net income or (loss) from fundraising events . . ▶		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	CAFETERIA	900099	85,111			85,111
	b	ADMIN SERVICES FOR MOB TENANTS	561000	51,589		0	51,589
	c	ACCOUNTING SERVICES FOR DISTRICT	561000	42,000			42,000
	d	All other revenue		35,135		0	35,135
	e	**Total.** Add lines 11a–11d . . . . . ▶		213,835			
	12	**Total revenue.** See Instructions . . . . . ▶		60,839,572	58,544,169	0	1,932,212

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	349,993	349,993		
2 Grants and other assistance to individuals in the United States See Part IV, line 22	20	20		
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	1,074,179	973,703	100,476	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	262,992	262,992		
7 Other salaries and wages	23,594,449	21,334,133	2,260,316	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	538,427	527,942	10,485	
9 Other employee benefits	4,445,356	3,597,248	848,108	
10 Payroll taxes	1,674,004	1,556,824	117,180	
11 Fees for services (non-employees)				
a Management	0			
b Legal	121,858		121,858	
c Accounting	17,253		17,253	
d Lobbying	54,460	221	54,239	
e Professional fundraising services See Part IV, line 17	0			
f Investment management fees	101,468		101,468	
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	11,278,067	7,588,393	3,689,674	
12 Advertising and promotion	589,034	35,803	553,231	
13 Office expenses	1,226,560	960,740	265,820	
14 Information technology	3,753,554	350,460	3,403,094	
15 Royalties . .	0			
16 Occupancy	916,731	593,793	322,938	
17 Travel	76,561	37,613	38,948	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19 Conferences, conventions, and meetings	36,289	21,749	14,540	
20 Interest	208,131	208,131		
21 Payments to affiliates	0			
22 Depreciation, depletion, and amortization	1,995,993	1,995,993		
23 Insurance	1,073,322	1,073,322		
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	5,993,017	5,991,712	1,305	0
b LICENSES & TAXES	61,694	48,587	13,107	0
c RECRUITING	276,492	0	276,492	0
d FOOD SUPPLIES	201,295	201,295	0	0
e All other expenses	326,165	137,701	188,464	
25 **Total functional expenses.** Add lines 1 through 24e	60,247,364	47,848,368	12,398,996	0
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

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

				(A) Beginning of year		(B) End of year
Assets	1	Cash–non-interest-bearing		1,300	1	2,500
	2	Savings and temporary cash investments		82,276	2	3,063,655
	3	Pledges and grants receivable, net		54,555	3	0
	4	Accounts receivable, net		8,577,965	4	11,119,987
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		51,298	5	25,694
	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		230,856	7	174,258
	8	Inventories for sale or use		1,285,733	8	1,111,408
	9	Prepaid expenses and deferred charges		2,140,418	9	2,502,872
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 35,409,996			
	b	Less accumulated depreciation	10b 23,725,212	12,245,754	10c	11,684,784
	11	Investments—publicly traded securities		14,096,481	11	14,052,307
	12	Investments—other securities See Part IV, line 11		4,115,672	12	6,174,869
	13	Investments—program-related See Part IV, line 11		687,561	13	1,371,107
	14	Intangible assets		0	14	0
	15	Other assets See Part IV, line 11		345,652	15	274,014
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		43,915,521	16	51,557,455
Liabilities	17	Accounts payable and accrued expenses		808,556	17	7,157,477
	18	Grants payable		0	18	0
	19	Deferred revenue		0	19	5,727
	20	Tax-exempt bond liabilities		0	20	0
	21	Escrow or custodial account liability Complete Part IV of Schedule D		0	21	0
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		0	23	0
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		4,211,162	25	3,320,112
	26	**Total liabilities.** Add lines 17 through 25		5,019,718	26	10,483,316
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		38,208,242	27	39,703,031
	28	Temporarily restricted net assets		603,792	28	1,287,338
	29	Permanently restricted net assets		83,769	29	83,769
		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		38,895,803	33	41,074,138
	34	Total liabilities and net assets/fund balances		43,915,521	34	51,557,455

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	60,839,572
2	Total expenses (must equal Part IX, column (A), line 25)	2	60,247,364
3	Revenue less expenses Subtract line 2 from line 1	3	592,208
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	38,895,803
5	Net unrealized gains (losses) on investments	5	902,581
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	683,546
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	41,074,138

Part XII Financial Statements and Reporting

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

			Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☑ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?	2a		No
	If 'Yes,' check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both ☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis			
b	Were the organization's financial statements audited by an independent accountant?	2b	Yes	
	If 'Yes,' check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both ☐ Separate basis ☑ Consolidated basis ☐ Both consolidated and separate basis			
c	If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?	2c	Yes	
	If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a	Yes	
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	Yes	

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Mark Twain Medical Center

Employer identification number
68-0127677

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section A. Public Support

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

Section B. Total Support

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

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

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

Section C. Computation of Public Support Percentage

14 Public support percentage for 2013 (line 6, column (f) divided by line 11, column (f)) **14**

15 Public support percentage for 2012 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2013.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support test—2012.** If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

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

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

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

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

Section A. Public Support

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

Section B. Total Support

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

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

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

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

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

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

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

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

Facts And Circumstances Test		
Return Reference	Explanation	

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SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2013

Open to Public Inspection

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

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

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

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

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

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

Name of the organization	Employer identification number
Mark Twain Medical Center	68-0127677

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

1 Provide a description of the organization's direct and indirect political campaign activities in Part IV

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ $ _____

2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ $ _____

3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ $ _____

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities ▶ $ _____

3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b ▶ $ _____

4 Did the filing organization file **Form 1120-POL** for this year? ☐ Yes ☐ No

5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV

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

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

A Check ▶ ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)

B Check ▶ ☐ if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing organization's totals	(b) Affiliated group totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)		
c Total lobbying expenditures (add lines 1a and 1b)		
d Other exempt purpose expenditures		
e Total exempt purpose expenditures (add lines 1c and 1d)		
f Lobbying nontaxable amount Enter the amount from the following table in both columns		
g Grassroots nontaxable amount (enter 25% of line 1f)		
h Subtract line 1g from line 1a If zero or less, enter -0-		
i Subtract line 1f from line 1c If zero or less, enter -0-		

If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:
Not over $500,000	20% of the amount on line 1e
Over $500,000 but not over $1,000,000	$100,000 plus 15% of the excess over $500,000
Over $1,000,000 but not over $1,500,000	$175,000 plus 10% of the excess over $1,000,000
Over $1,500,000 but not over $17,000,000	$225,000 plus 5% of the excess over $1,500,000
Over $17,000,000	$1,000,000

j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? ☐ Yes ☐ No

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

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

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?	Yes		48,822
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		5,638
j	Total Add lines 1c through 1i			54,460
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

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

Return Reference	Explanation
PART II - B, Line 1i	Lobbying expenditures paid directly by the filing organization for annual membership dues National Association of Rural Health $ 180 California Association of Nurse Practitioners $ 63 Medical Group Management Association (MGMA) $ 44 Academy of Nutrition & Diatetics $ 41 California Academy of Physician Assistants $ 22 ----- SUBTOTAL $ 350 Lobbying expenditures paid by the Parent organization for annual membership dues and other lobbying activities where expenses are allocated to the hospital American Hospital Association $ 1,023 California Hospital Association $ 3,852 Catholic Health Association $ 298 Safety Net Hospitals for Pharmaceutical Access $ 115 California Hospital Committee on Issues $48,822 ------ SUBTOTAL $54,110 ------- TOTAL $54,460 =======

Part IV Supplemental Information *(continued)*

Return Reference	Explanation

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Mark Twain Medical Center

Employer identification number
68-0127677

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Part VI Land, Buildings, and Equipment. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land				
b Buildings	0	16,523,473	9,806,773	6,716,700
c Leasehold improvements	0	3,077,059	2,326,167	750,892
d Equipment	0	14,363,308	10,868,154	3,495,154
e Other	0	1,446,156	724,118	722,038
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				11,684,784

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) POOLED INVESTMENTS	6,174,869	F
Total. *(Column (b) must equal Form 990, Part X, col (B) line 12)* ▶	6,174,869	

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
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
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	

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

1 (a) Description of liability	(b) Book value
Federal income taxes	0
DEFERRED COMPENSATION	19,513
DUE TO RELATED PARTIES	3,226,433
PENSION PAYABLE	849
OTHER NON-CURRENT LIABILITIES	32,656
LTD - NOTES PAYABLE	40,661
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	3,320,112

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

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

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

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

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

Part XIII Supplemental Information

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

Return Reference	Explanation
Sched D, Part X, Line 2 - FIN 48 (ASC 740) FOOTNOTE	DIGNITY HEALTH 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

Part XIII Supplemental Information *(continued)*

Return Reference	Explanation

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Mark Twain Medical Center

Employer identification number
68-0127677

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," was it a written policy?	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year			
	☑ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care	3a	Yes	
	☐ 100% ☐ 150% ☑ 200% ☐ Other _____ %			
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care	3b	Yes	
	☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☑ Other 500 %			
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)		482	314,674	0	314,674	0 520 %
b Medicaid (from Worksheet 3, column a)		24,203	13,335,209	7,123,642	6,211,567	10 310 %
c Costs of other means-tested government programs (from Worksheet 3, column b)		3,314	2,025,710	813,239	1,212,471	2 010 %
d **Total** Financial Assistance and Means-Tested Government Programs		27,999	15,675,593	7,936,881	7,738,712	12 840 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	12	1,620	588,032	1,110	586,922	0 970 %
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)	5	701	285,256	0	285,256	0 470 %
j **Total.** Other Benefits	17	2,321	873,288	1,110	872,178	1 440 %
k **Total.** Add lines 7d and 7j	17	30,320	16,548,881	7,937,991	8,610,890	14 280 %

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy	2	40	1,173	0	1,173	0 %
8 Workforce development	1	10	114,386	0	114,386	0 190 %
9 Other						
10 **Total**	3	50	115,559	0	115,559	0 190 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount	2	2,449,106		
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	16,293,464
6	Enter Medicare allowable costs of care relating to payments on line 5	6	20,829,682
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	-4,536,218
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used		

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

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

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

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

Part V Facility Information

Section A. Hospital Facilities

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

	Name, address, primary website address, and state license number	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
	See Additional Data Table										

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group Mark Twain Medical Center

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

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

Part V Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 500 % If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☑ Asset level			
c ☑ Medical indigency			
d ☑ Insurance status			
e ☑ Uninsured discount			
f ☑ Medicaid/Medicare			
g ☑ State regulation			
h ☐ Residency			
i ☐ Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?	**13**	Yes	
14 Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☑ The policy was posted on the hospital facility's website			
b ☑ The policy was attached to billing invoices			
c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☑ The policy was posted in the hospital facility's admissions offices			
e ☑ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☑ The policy was available upon request			
g ☑ Other (describe in Part VI)			
Billing and Collections			
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Section C)			
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP?	**17**		No
If "Yes," check all actions in which the hospital facility or a third party engaged			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Section C)			

Part V Facility Information *(continued)*

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

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

Policy Relating to Emergency Medical Care

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

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

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

Part V Facility Information *(continued)*

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

Form and Line Reference	Explanation
See Additional Data Table	

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? 7

	Name and address	Type of Facility (describe)
1	Valley Springs Family Medical Center 1919 BISTA DEL LAGO DRIVE VALLEY SPRINGS, CA 95252	OUTPATIENT CLINIC
2	Angels Camp Family Medical Center 222 SOUTH MAIN STREET ANGELS CAMP, CA 95222	OUTPATIENT CLINIC
3	Arnold Family Medical Center 2182 Highway 4 Arnold, CA 95223	Outpatient Clinic
4	San Andreas Clinic 704 Mt Ranch Road Suite 103 San Andreas, CA 95249	Outpatient Clinic
5	Copperopolis Family Medical Center 3505 Spangler Lane Suite 400 Copperopolis, CA 95228	Outpatient Clinic
6	Specialty Clinic-Gastroenterology Center 700 Mountain Ranch Road Suite 102 San Andreas, CA 95249	OUTPATIENT CLINIC
7	Cancer Care Cancer Center 702 Mountain Ranch Road STE B San Andreas, CA 95249	Outpatient Clinic
8		
9		
10		

Part VI Supplemental Information

Provide the following information

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

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

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

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

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

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

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

Form and Line Reference	Explanation
Schedule H, Part I, LINE 7	Line 7 Mark Twain Medical Center (MTMC) follows the method used by Dignity Health For purposes of calculating the amounts provided in the table, MTMC uses a cost accounting system that combines relative value units (RVU) and cost to charge ratios (CCR) to allocate costs to the patient level The cost accounting system algorithm allocates total operating expenses to the procedure charge code level based upon an RVU for procedures that have been studied and assigned an RVU, or based upon a CCR for unstudied procedures that do not have an RVU assigned When a CCR is used, the system calculates that CCR on a departmental specific basis at each individual facility where the services were provided The calculation is similar to the Worksheet 2 of Schedule H, Ratio of Patient Care Cost to Charges, except it is calculated on a departmental specific basis, not in the aggregate The allocated procedure charge code level costs are then rolled up to the patient level based upon the billed procedure charge codes associated with those services provided to each specific patient This is done for all patient segments including inpatient, outpatient, emergency department, private insurance, Medicaid, Medicare, uninsured and self-pay The cost accounting system is utilized to determine the unreimbursed cost of Medicaid and other means-tested government programs The cost of charity care is calculated by applying the CCR derived from the cost accounting system on a per facility basis, to the charges incurred on patients that qualify for charity care at the respective facility The actual cost is reported for other community benefit activities such as community health improvement services, community benefit operations and cash and in-kind donations

Form and Line Reference	Explanation
Schedule H, Part II - Community Building Activities	COMMUNITY BUILDING - ADVOCACY FOR COMMUNITY HEALTH IMPROVEMENT MTMC advocates on behalf of the poor and disenfranchised, particularly for improved access to health care services M TMCS leadership oversees the development of the community benefit implementation plan for the hospital as it strives to meet the health and wellness needs of the local community C ommunity involvement is evidenced by participation of local business and community leaders in the Hospitals Governing Boards, Finance Committee, Ethics Committee and Patient Adviso ry Committee Below are just a few specific programs offered by MTMC Health Fairs (Free A dmission) - Throughout the year, MTMC is involved with many Health Fairs Community Servic e Organizations attend the health fair and provide community education and service to thos e in attendance Cholesterol Screening, Blood Pressure Checks, Bone Density Studies and He alth Education are just a few of the services provided Summer Health Fair (Free Admission) - As a result of the success at the Fall and Spring Health Fairs, and the need to provid e the services to the North-West communities, MTMC now offers an annual Summer Health Fair in Valley Springs in June Mini-Health Fairs - A series of mini-health fairs were conduct ed in the community Partnerships with the Music in the Parks, sponsored by the Calaveras County Arts Council, the Farmer's Market, sponsored by the Angels Camp Business Associatio n, and the First Friday Concerts, hosted by the Murphy's Community Club, all provided venu es for the Fairs The Fairs include health information, blood pressure checks, strength te sting, advice from nurse/mid-level, etc We also participated in an employee health fair a t Black Oak Casino in neighboring Tuolumne County to provide health information to their 4 00+ employees In addition, MTMC partners with others in the community to offer the follow ing Community Health Education Substance Abuse - Collaborative between the Calaveras Coun ty Health Services Agency, Mark Twain Medical Center and the Calaveras County Office of Ed ucation The vision is to have a community free from substance abuse through better educat ion Calaveras County Chronic Disease Self-Management Program - Collaborative between the Calaveras County Health Services Agency, Mark Twain Medical Center, and various agencies Both the walk and the six-week workshop are projects funded through the Center for Disease Control and Prevention as part of the Community Transformation Initiative Calaveras Coun ty was one of 12 rural California counties to receive grant funding to improve rural healt h disparities in key preventative areas - reducing exposure to second-hand smoke, facilita ting healthy communities through reduced consumption of sugary-sweetened beverages and saf e walking routes and the provision of increased clinical and community preventive services Children and Families Master Plan - The goal is to train community advocates for the und erserved children of our communities Mark Twain Medical Centers (RHC's) - Five Federally- qualified Rural Health Clinics strategically located in remote communities of Calaveras Co unty Visitors to these centers are provided primary healthcare services and provide us wi th information about the additional needs and services that are important to their communi ty Women's Health Resource Center - As part of our Strategic Plan for FY2006, we first id entified Women's Health as a major need for services In the years since, our strategic pl an continues to identify a Women's Resource Center as a goal A community advisory group w as identified and provided valuable input into the Center's programs The Center, planned to open in the next few years, will be part of the new Medical Center in Angels Camp, prov iding education, support, and services for our communities COMMUNITY BUILDING - WORKFORCE DEVELOPMENT Mark Twain Medical Center (MTMC) is a Critical Access Hospital with five rura l health clinics (9 MDs, 9 midlevel providers) and four specialty care clinics In 2014 MT MC continued to use CEJKA Search Company to assist in our critical recruitment efforts to meet the demand and supply of primary care physicians and specialists necessary to support community need Calaveras County is located in a rural setting and is a challenging recru itment environment (recruitment to rural community in competitive recruitment environment) Our communities focus remains on our need for growth of rural health clinics and develop ment of 1206 (d) clinics to support physician recruitment Since we began our recruitment e fforts we have been capturing and reporting the expenses associated with our recruitment i n our Community Benefit Reporting Costs have included (1) the retainer for Family Medici ne, Internal Medicine, Internal Medicine/Hospitalist, Pediatrics, Orthopedics, Cardiology, Gynecology, Surgery (2) search assessments, and (3) travel and lodging for candidates and consultants MTMC has successfully recruited 8 of

Form and Line Reference	Explanation
Schedule H, Part II - Community Building Activities	the need for thirty new physicians and specialists over the four year duration

Form and Line Reference	Explanation
Schedule H, Part III	Line 2 The amount of the organization's bad debt at cost is determined by applying the CCR (see above) to patient charges that are deemed to be uncollectible This amount represent s the cost of services provided to patients who are unable or refuse to pay their bills an d do not qualify for free or discounted care, government sponsored programs or other finan cial assistance, and are otherwise uninsured Any portion of a patient bill remaining afte r applying financial, uninsured or other discounts or payments received on the account tha t are ultimately determined to be uncollectible are written off to bad debt MTMC PROVIDES FREE OR DISCOUNTED CARE TO UNINSURED OR UNDER-INSURED INDIVIDUALS THAT FALL INTO THREE CA TEGORIES, UNDER 200%, 201%-350% OR 351%-500% OF THE FEDERAL POVERTY LEVEL MTMC ALSO PROVI DES PATIENTS OPTIONS FOR PROMPT PAY DISCOUNTS, DISCOUNTS FOR THE MEDICALLY INDIGENT, AND I NTEREST-FREE EXTENDED PAYMENT PLANS FOR PATIENTS WHO HAVE DEMONSTRATED GOOD FAITH AND ARE COOPERATING IN RESOLVING THEIR HOSPITAL BILLS ALL ACCOUNTS FOR ELIGIBLE UNINSURED PATIENT S RECEIVE AN AUTOMATIC UNINSURED DISCOUNT OF 25% FOR PATIENTS SEEN THE EXPECTED PATIENT P AYMENT AMOUNT ON THE PATIENT'S BILL REFLECTS THIS DISCOUNT Line 3 MTMC makes every effort in determining if a patient qualifies for financial assistance upon admission MTMC follo ws Dignity Health's financial assistance policy Dignity Health's financial assistance pol icy IS COMMUNICATED TO PATIENTS UPON ADMISSION AND IS AVAILABLE IN THE LANGUAGES PRIMARILY SPOKEN IN THE COMMUNITY IT IS ALSO POSTED IN VARIOUS COMMON AREAS OF THE HOSPITAL, SUCH AS EMERGENCY ROOMS, URGENT CARE CENTERS, ADMITTING AND REGISTRATION DEPARTMENTS, HOSPITAL BUSINESS OFFICES LOCATED ON FACILITY CAMPUSES, AND OTHER PUBLIC PLACES, AND IS PROVIDED UP ON BILLING IF ELIGIBILITY IS NOT PREVIOUSLY DETERMINED ELIGIBILITY IS REEVALUATED AS NEED ED AND AMOUNTS ARE CLASSIFIED AS CHARITY AS SOON AS ELIGIBILITY IS KNOWN DIGNITY HEALTH A LSO UTILIZES A PAYMENT ASSISTANCE RANK ORDERING (PARO) SCORING SYSTEM TO ASSIST IN DETERMI NING IF A PATIENT MAY QUALIFY FOR PAYMENT ASSISTANCE EVEN THOUGH THEY HAVE NOT APPLIED FOR IT PARO IS A METHODOLOGY THAT APPLIES CONSISTENT SCREENING AND APPLICATION STANDARDS TO ALL PATIENTS UTILIZING HISTORICAL DATA TO DEVELOP A PREDICTIVE MODEL FOR HEALTHCARE PAYMEN T ASSISTANCE IN ITS DEVELOPMENT, SPECIAL ATTENTION WAS PAID TO THOSE SOCIOECONOMIC FACTOR S THAT MIGHT ADVERSELY AFFECT THOSE PATIENTS DESERVING THE MOST ATTENTION OTHER CRITERIA ARE ALSO UTILIZED TO ENSURE THAT NO SERVICES THAT HAVE QUALIFIED AS FINANCIAL ASSISTANCE W ERE REPORTED AS BAD DEBT AS SUCH, DIGNITY HEALTH DOES NOT BELIEVE THAT ANY AMOUNTS INCLUD ED IN PART III, LINE 2, ARE ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER THE ORGANIZATION'S PAY MENT ASSISTANCE POLICY, AND THEREFORE, NO PORTION OF BAD DEBT EXPENSE IS INCLUDED AS COMMU NITY BENEFIT EXPENSE Line 4 The following is an excerpt from Dignity Health and its subor dinate corporations' consolidated annual audited financial statements for the year ended J une 30, 2014, related to accounts receivable and allowances for charity and doubtful accou nts Patient accounts receivable and net patient service revenue are reported at the net r ealizable amount from patients, third-party payers, and others for services rendered MTMC manages its collection risk by regularly reviewing its accounts and contracts and by prov iding appropriate allowances Reserves for charity and uncollectible amounts have been est ablished and are netted against patient accounts receivable in the consolidated balance sh eet Line 8 MTMC prepares Medicare cost reports in a manner that comports with Provider Re imbursement Manual (PRM) 15-1, 2150ff and PRM 15-2, 1000ff As such, the following languag e per the PRM 15-1 describes the computation of costs per the Medicare Cost Report Total allowable costs of a provider are apportioned between program beneficiaries and other pati ents so that the share borne by the program is based upon actual services received by prog ram beneficiaries The ratio of covered beneficiary charges to total patient charges for t he services of each ancillary department is applied to the cost of the department Added t o this amount is the cost of routine services for program beneficiaries, determined on the basis of a separate average cost per diem for all patients for general routine patient ca re areas Another factor to be considered is a separate average cost per diem for each int ensive care unit, coronary care unit, and other special care inpatient hospital units Dig nity Health believes that the entire Medicare shortfall of $674 3 million, as reported bel ow in Part VI, Line 6, constitutes community benefit The IRS Community Benefit Standard i ncludes the provision of care to the elderly and Medicare patients Medicare shortfalls mu st be absorbed by MTMC in order to continue treating the elderly in our communities The h ospitals provide care regardless of this shortfall

Form and Line Reference	Explanation
Schedule H, Part III	and thereby relieve the federal government of the burden of paying the full cost for Medi care beneficiaries This shortfall includes $4 5 million reported on Part III, Section B, Line 7, primarily for fee for service Medicare patients, as well as the unreimbursed porti on of Medicare Managed Care and Medicare Capitated programs for MTMC Line 9b MTMC ensures that patient accounts are processed fairly and consistently MTMC also follows Dignity He alth's collection policy Dignity Health's collection policy contains provisions that proh ibit the collection of amounts due from patients who the organization knows qualify for ch arity care Accounts with incorrect or incomplete demographic information are assigned to a collection agency if MTMC or billing company retained by Dignity Health is unable to obt ain an updated address through skip tracing or other means For patients who have an appli cation pending for either government-sponsored financial assistance or for assistance unde r Dignity Health's Patient Payment Assistance Policy, or where the patient is attempting i n good faith to settle an outstanding bill with the facility via payment plans, MTMC will not knowingly send that patient's bill to an outside collection agency Legal action will not be pursued to collect debts from patients who have qualified for charity or are cooper ating in good faith to resolve their debt MTMC does not impose wage garnishments or liens on primary residences On self-pay accounts that do not meet the criteria noted above, th e initial determination of assignment to a collection agency will vary depending on the na ture of the account with the final decision being at the discretion of MTMC'S patient fina ncial assistance department Upon assignment of such a patient account to a collection age ncy, MTMC requires the agency to comply with the Fair Debt Collection Practices Act

Form and Line Reference	Explanation
Schedule H, Part VI, Line 2 - Needs Assessment	Hospital Leadership oversees community benefit activities for the hospital as it strives t o meet the health and wellness needs of the local community Several members of Mark Twain 's senior and middle management team serve the community on a variety of community-based n ot-for-profit Boards, such as Children and Families Commission, Habitat for Humanity, Soro ptimists International, Economic Development Corporation, local Churches and Chamber of Co mmerce, to name a few, and provide insight into the unique needs of the community that may not be apparent in a secondary data base Community benefit leadership of Mark Twain Medi cal Center oversaw the process of the needs assessment, which was conducted by Applied Sur vey Research MTMC Board of Directors, many of whom are recognized community leaders, also represented the medical community As representatives of the community, these leaders and Board members provided insight into the needs assessment through discussion at meetings They also reviewed and approved of the assessment through written correspondence and Board room discussion of content and to establish priorities for the hospital, with a focus on vulnerable populations, particularly those living with chronic conditions One of the area s identified is the lack of access to healthcare in the West Point/Railroad Flat area of t he County The hospital is working with the Health Care District to consider the purchase of a mobile van that could fill the gap Access to care in the County is further supported by five MTMC'S Medical Centers located in Arnold, Angels Camp, Copperopolis, San Andreas, and Valley Springs Services at these Ambulatory Centers include Immediate Care, Primary Care, Behavioral Health, Occupational Health, Pediatrics, General X-ray, Laboratory Draws and Health Education Additionally, MTMC now also operates three Specialty Care Centers i n Angels Camp for Orthopedics and in San Andreas on the Medical Center campus for Cancer a nd Infusion Therapy, and Gastroenterology Specialty Care In the rural environment of our community, small business, agencies and the hospital partner to provide various events thr oughout the year that are focused on promoting the health of the community, enhancing qual ity of life for the residents and showcasing the unique history and natural wonders of our environment Based on the prioritized health need of the community, a specific focus has been on Women's Health issues and primary care and prevention A Community Needs Assessmen t was conducted in 2014 in support of our stated mission - To improve the health of our gr eater community The goal of the assessment is to continually improve the quality of healt h and health care for county residents by providing accurate and reliable information to c ommunity members and health care providers, raising awareness of health needs, changing tr ends, emerging issues, and community challenges, and providing research-based data for the hospital and the community to continue strategic planning efforts The focus of the asses sment is on health and the major factors that impact health such as the economy, public sa fety and the natural environment As compared to the state and the nation, State and Natio n, Community issues identified in the assessment include a higher percentage of Calaveras County children in Calaveras County who are obese, rates of child immunizations are lower, and a motor vehicle accidents which are higher than the state averages To address two of the more prevalent chronic care needs of the community, MTMC'S will continue to focus on providing education and instruction for the Congestive Heart Failure/Chronic Obstructive P ulmonary Disease and Diabetes Education programs The goal of these programs is to improve quality of life for participants by increasing their self-efficacy and avoiding hospital admissions During fiscal year 2014, there were over 29,000 person-visits that benefited f rom our community health programs Highlights included $8,294,510 net benefit for programs and services for the vulnerable and $434,081 for the broader community, with a total hosp ital expenditure of over $43 million The total value of community benefit for FY2014 is $ 8,728 591 at cost Including the shortfall from Medicare, the total expense for community benefits was $9,030,097 Quantifiable Benefits included traditional charity care, unpaid c osts of Medi-Cal and Medicare, community service donations, community health services and education, and community building activities The Community Needs Assessment identified th e following sizeable and severe needs Health Issues -33% of Calaveras County students wer e overweight or obese in 2010, slightly lower than California overall at 38% -The percent age of adults with diabetes is 7 8% and 8 4% in the rest of the state -One-third of resid ents reported that they had been diagnosed with high blood pressure -19% of individuals i n Calaveras County from ages 5 to17 have a disabil

Form and Line Reference	Explanation
Schedule H, Part VI, Line 2 - Needs Assessment	ity, compared to the state level of 10% -Limited services and service providers make it difficult to access mental health, obstetrical and specialty care services -The percentage s of Calaveras County kindergartners with all required immunizations were 78% in 2012-2013 compared to the 90% state average -There is a lack of mental health services in the coun ty -Suicides are increasing at 25 2% over the state average of 10 2% per 100,000 populati on Social Demographic Issues -The area reflects an aging population with approximately 63 % of the population over the age of 40, much higher than in the state at 44% -A declining economy is impacting the community by increased joblessness, decreases in employer-based health insurance, higher costs for transportation and decreased availability of affordable housing -The median household income is $54,971 compared to the state median income of $ 60,883 - Persons below the federal poverty level are 10% -Home ownership rate is 51 0% - A lack of providers in Calaveras County (primary care, mental health, specialists) negativ ely impacts access to care and requires residents to travel outside of the County to obtai n services -1 in 558 houses in Calaveras County was in foreclosure in December 2013 -Les s than one-third of working parents have access to child care in Calaveras -Smoking among adults and teens is a concern

Form and Line Reference	Explanation
Schedule H, Part VI, Line 3 - Patient Education of Eligibility for	ASSISTANCE Communication of the Financial Assistance Program to Patients and the Public Information about patient financial assistance is available at MTMC and all of its community locations, including a contact number for patients to call for information and assistance The information is disseminated by MTMC by various means to include notices on patient bills, brochures at all registration desks and in all waiting rooms, and notices posted in the emergency department Such information is provided in English and Spanish At the point of registration, all patients receive brochures explaining the facility's charity care program and the availability of government sponsored programs Uninsured patients receive copies of the charity care and Medicaid applications in addition to the brochure upon admission to the facility If financial assistance eligibility is not determined prior to billing, initial billing statements to uninsured patients include a request to the patient to provide any insurance information that was valid for the dates of service billed, a statement informing patients without insurance coverage they may be eligible for a government sponsored program or facility funded charity care, instructions on how to apply for a government program or charity care and the provision of such applications Any member of MTMC staff or medical staff may refer a patient for financial assistance The patient, a family member, a close friend or an associate of the patient may also make a request for financial assistance

Form and Line Reference	Explanation
Schedule H, Part VI, Line 4 - Community Information	Calaveras County is approximately 130 miles east of San Francisco, 60 miles southeast of Sacramento, and 50 miles east of Stockton The total population is about 45,000 with an area of 1,008 square miles Our only incorporated city, the Angels Camp, has a population of about 5,400 In Calaveras County, the poorest residents have been severely impacted by the recession and the elimination of programs and services that local governments are no longer able to fund The growing gap in needed services has placed at risk the health of hundreds of underserved individuals and families who are now turning to emergency departments for basic non-acute medical services because they have lost or lack a primary care provider Our 5 Family Medical Centers (rural health clinics) help to fill this gap However, it is still estimated that 28% of the visits to the ED are for non-emergent care Access to care for these patient populations requires collaborative problem solving at the community level Not-for-profit health providers must work together to leverage resources and maximize health assets in innovative ways to restore what has been lost, enhance what still exists and ensure sustainable health programs and services are developed and available over the long-term to the populations that need them the most Community-based collaboration has been and will be a priority and will continue to drive community benefit efforts in the future It will become more important for community stakeholders to work in partnerships to maximize the limited resources that are available The population (2013) of Calaveras County was 44,932, down from a high of 45,702 in 2008 Other demographics include -The population by ethnic group is 83 0% White, 11 2% Hispanic, 1 2% Asian, and 0 4% Black and 4 2% other -Median household income is $54,070 -Uninsured is 18 42% -Unemployment is 13 1% -No High School Diploma is 1 8% -Renter is 20 5% -CNI Score is 3 3% -Medicaid patients is 12 7% -Other Area hospitals 0 Calaveras County is a Health Professional Shortage Area (HPSA) and portions of the County are Medically Underserved Areas (MUA)

Form and Line Reference	Explanation
Schedule H, Part VI, Line 5 - Promotion of Community Health	Hospital Leadership oversees community benefit activities for the hospital as it meets the health and wellness needs of the local community Several members of Mark Twain Medical Center's senior and middle management team serve the community on a variety of community based not for profit Boards, such as Children and Families Commission, Habitat for Humanity, Calaveras County Business Council, Soroptomists International, Chamber of Commerce and United Way, to name a few The Hospital is governed by a Board of Trustees, the majority of whom reside within its primary service area and who are not employees, contractors or family members thereof In addition, most employees have linkages to various service organizations throughout the communities Community involvement is evidenced by participation of local business and community leaders in the Hospital's Governing Boards, Finance Committee, Ethics Committee and our Parish Nurse Advisory Committee MTMC extends medical staff privileges to all qualified physicians in and outside its community who request said privileges All surplus funds generated by MTMC are reinvested back into the organization to improve patient care and provide health care services to its community

Form and Line Reference	Explanation
Schedule H, Part VI, Line 6 - Affiliated Health Care System	MTMC is affiliated with Dignity Health Affiliates of Dignity Health also promote the health of additional communities in Bakersfield, San Bernardino, San Francisco, San Andreas, and Grass Valley/Nevada City, California These affiliates follow practices similar to those noted above in determining the unmet healthcare needs of their communities Total unsponsored community benefit expense for Dignity Health and its subordinate corporations for the year ended June 30, 2014, is as follows Persons Net Comm % of Served Benefit Exp excl Bad Debt Benefits for the Poor Traditional Charity Care 118,274 175,717,000 1 7% Unpaid Costs of Medicaid/Medi-Cal 1,182,999 864,074,000 8 3% Other Means-tested Programs 269,323 51,389,000 0 5% Community Services Community Health Services 434,278 39,122,000 0 4% Health Professions Education 54 24,000 0 0% Subsidized Health Services 108,604 27,467,000 0 3% Donations 128,428 19,579,000 0 2% Community Building Activities 4,623 1,508,000 0 0% Community Benefit Operations 2,886 6,793,000 0 1% Total Community Services for the poor 678,873 94,493,000 1 0% Total Benefits for the Poor 2,249,469 1,185,673,000 11 5% Benefits for the Broader Community Community Services Community Health Services 297,849 13,162,000 0 1% Health Professions Education 37,567 63,515,000 0 6% Subsidized Health Services 3,990 771,000 0 0% Research 408 23,158,000 0 2% Donations 31,034 9,080,000 0 1% Community Building Activities 7,068 3,716,000 0 0% Community Benefit Operations 21 1,110,000 0 0% Total Benefits for the Broader Community 377,937 114,512,000 1 1% Total Community Benefits 2,627,406 1,300,185,000 12 6% Unpaid Costs of Medicare 1,032,864 674,324,000 6 5% Total Community Benefits including Cost of Medicare 3,660,270 1,974,509,000 19 1%

Additional Data

Software ID:
Software Version:
EIN: 68-0127677
Name: Mark Twain Medical Center

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

Form and Line Reference	Explanation
Part V, Section B, Line 3	A Community Health Needs Assessment was last conducted in 2014, as required by State law (SB 697) It was a collaborative effort involving the Mark Twain Medical Center Board of Directors, The Calaveras County Department of Public Health, practicing physicians, various community members and the Calaveras County Superintendent of Schools and various Board members The needs assessment was a primary tool used by the hospital to determine its community benefit plan, which outlined how the hospital gave back to the community in the form of health care and other community services to address unmet community health needs This assessment incorporated components of primary data collection and secondary data analysis that focused on the health and social needs of the MTMC Service Area The primary Service Area encompassed the cities, towns and communities of Calaveras County that include 20 zip code areas Targeted interviews were used to gather primary data collection information and opinions from members of the MTMC community For the interviews, community leaders were contacted and asked to participate in the needs assessment 80% of those contacted agreed to participate Secondary data were collected by obtaining and analyzing a variety of local, county and state sources to present a community profile, birth and death characteristics, access to health care, chronic diseases, social issues, and school and student characteristics

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

Form and Line Reference	Explanation
Part V, Section B, Line 5a	The 2014 Calaveras County Community Needs Assessment is posted on the website http //www marktwainmedicalcenter org/stellent/groups/public/@xinternet_co n_mtw/documents/webcontent/mtmc-cmm-hlth-needs-book pdf

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

Form and Line Reference	Explanation
Part V, Section B, Line 7	MARK TWAIN MEDICAL CENTER IS ACTIVELY RECRUITING PHYSICIANS, BUT IT IS UNABLE AT THIS TIME TO ADDRESS THE NEEDS FOR MENTAL HEALTH PROFESSIONALS, OBSTETRICAL AND SPECIALTY CARE SERVICES DUE TO THE PHYSICIAN AND HEALTH PROFESSIONS SHORTAGE IN THE SERVICE AREA AT THIS TIME, PATIENTS ARE REFERRED OUTSIDE THE COUNTY TO ACCESS OBSTETRICAL AND GYNECOLOGICAL SERVICES THE ESTABLISHED PROGRAMS AND SERVICES WILL INDIRECTLY ADDRESS ISSUES RELATED TO OBESITY, BUT OTHER PROGRAMS OFFERED WITHIN THE COMMUNITY, INCLUDING THE SCHOOL DISTRICT, WILL ADDRESS THE ISSUES OF CHILDHOOD OBESITY MORE DIRECTLY

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

Form and Line Reference	Explanation
Part V, Section B, Line 14g	All language regarding the policy is communicated to patients via the methods outlined below 1 Signage in all admitting areas, 2 At the point of registration, all patients receive brochures explaining the facility's charity care program and the availability of government sponsored programs, 3 All initial statements to uninsured patients includes verbiage informing patients of the facility's charity care program and a copy of the charity care application A telephone number is provided for patients to request further information about the program and assistance is available in languages other than English, 4 Information about the facility's charity care program, access to the application, and contact information is available on the facility's webpage

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

Form and Line Reference	Explanation
Part V, Section B, Line 20d	Patients who are applying for discounts under the discount provision of Hospital Fair Pricing Act - California Health and Safety Code 127400 whose household income is at or below 350% of the FPL are eligible to receive services at the highest average rate the hospital would receive for providing services from Medicare, Medicaid, or any other government-sponsored health program of health benefit in which the hospital participates, whichever is greater

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

▶ **Attach to Form 990**

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Mark Twain Medical Center

Employer identification number
68-0127677

Part I General Information on Grants and Assistance

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . . ☑ Yes ☐ No

2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II Grants and Other Assistance to Governments and Organizations in the United States.

Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than $5,000. Part II can be duplicated if additional space is needed.

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) Mark Twain Foundation 768 Mountain Ranch Road San Andreas, CA 95249	68-0023507	501(c)(3)	238,324		N/A	N/A	Foundation Support
(2) California Health Foundation and Trust 1215 K Street Suite 800 Sacramento, CA 95814	94-1498697	501(c)(3)	74,251	0	N/A	N/A	Community Health

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

3 Enter total number of other organizations listed in the line 1 table . . . . . ▶ 0

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

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

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

Return Reference	Explanation
PART I, LINE 1	As a 501(C)(3) organization, we provide assistance to various charitable organizations to promote MTMC's mission A designated committee consisting primarily of the executive team establishes and evaluates priorities and allocation of funds with emphasis on promotion of healthy communities and community collaboration We do not monitor and report program outcomes Spending is tracked on an ongoing basis to ensure that it is generally within the budgeted amount

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Mark Twain Medical Center

Employer identification number
68-0127677

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

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

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

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

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

Part III Supplemental Information

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

Return Reference	Explanation
PART I, LINE 3	Although the organization employs personnel, the Organization relied on a related organization, Dignity Health, that used one or more of the methods described in Schedule J, Part I, Line 3, to establish the Organization's top management official's compensation See Schedule O disclosure for Form 990, Part VI, Section B, Line 15a for additional information
PART I, LINE 4a	The organization's key employees and its highest compensated employees participate in a severance plan that provides market-standard compensation, ranging from payments of 6 months to 2 years of base compensation, depending on the executive's position, in the event of a position elimination or other involuntary termination, in accordance with the guidelines of the plan No payments were made to any listed persons during 2013 pursuant to this plan
PART I, LINE 4b	Certain officers and key employees participate in the DIGNITY HEALTH Excess Benefit Plan, a nonqualified supplemental benefit plan limited to participants in the DIGNITY HEALTH retirement plan whose benefits are affected by the limitations imposed by Sections 401(a)(17) and 415 of the Internal Revenue Code Benefit service under this plan was frozen as of January 1, 2008 No payments were made to any listed persons during 2013 pursuant to this plan Certain listed persons are eligible to participate in one of two DIGNITY HEALTH non-qualified 457(f) plans that are subject to substantial risk of forfeiture, as required by the IRS The 2007 Executive Deferred Compensation Plan is for executives hired prior to June 30, 2006 The benefit is intended to bridge the difference, if any, between the benefit provided under the Dignity Health Excess Benefit Plan had benefit service not been frozen at January 1, 2008, and the benefits provided from all other qualified and non-qualified plans No benefit will vest under this 457(f) plan before the attainment of age 62 or the completion of 15 years of service The 2010 Executive Deferred Compensation Plan is for certain officers and key employees who are not eligible to participate in the Dignity Health Excess Benefit Plan or the 2007 Executive Deferred Compensation Plan described above This benefit provides an annual accrual of 10% of total compensation and is payable annually on July 1 once vested, which is age 62 with 5 years of service No payments were made under this plan during 2013 Certain listed persons participate in the DIGNITY HEALTH Key Employee Share Option Plan (KeySOP), which was frozen in May 2002 The KeySOP program was established in 2001 with the purpose of providing income deferral opportunities to employees eligible for the company's key employee retention program No payments were made under this plan during 2013 Vested amounts, if any, are reported as deferred compensation in the year vesting occurs (Schedule J, Part II, column C) and are reflected again as reportable compensation in the year paid (Schedule J, Part II, column B(iii))
PART II - SUPPLEMENTAL DISCLOSURES	The organization's executive compensation philosophy is designed to assist the organization in attracting and retaining the caliber of executives required to enable the organization to fulfill its mission of providing high quality healthcare for all persons regardless of their ability to pay for services, improving the quality of life in the communities the organization serves, promoting patient and employee satisfaction, and ensuring financial stability A substantial portion of executive compensation is performance based and is linked to organizational goals approved in advance by the Human Resources and Compensation Committee These goals include attainment of annual and long-term financial performance, certain healthcare quality standards and the organization's commitment to serving the poor and disenfranchised in the communities it serves Total compensation, which includes base salary, annual and long-term incentive compensation, targets the 75th percentile of the market in which the organization competes for executives, commensurate with the size and complexity of the organization

Additional Data

Software ID:
Software Version:
EIN: 68-0127677
Name: Mark Twain Medical Center

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
Donald Wiley Board Member	(I)	0	0	0	0	0	0	0
	(II)	394,698	309,413	17,415	49,497	43,095	814,118	0
Katherine Medeiros Secretary	(I)	0	0	0	0	0	0	0
	(II)	283,576	199,920	16,103	36,290	33,391	569,280	0
Jacob Lewis VP & CFO	(I)	0	0	0	0	0	0	0
	(II)	168,750	54,439	9,088	20,136	3,233	255,646	0
Craig Marks President & CEO	(I)	0	0	0	0	0	0	0
	(II)	246,158	146,076	30,148	30,807	42,509	495,698	0
Curtis Allen MD Director, Clinics	(I)	138,885		1,424	8,194	16,953	165,456	0
	(II)	0	0	0	0	0	0	0
Joanne Jeffords VP & CNE	(I)	184,139	58,259	5,160	21,787	25,794	295,139	0
	(II)	0	0	0	0	0	0	0
Sean Anderson MD VP CMO	(I)	155,017	45,069	445	17,823	21,537	239,891	0
	(II)	0	0	0	0	0	0	0
Larry Cornish VP & COO	(I)	121,142	39,084	9,483	14,400	22,769	206,878	0
	(II)	0	0	0	0	0	0	0
Richard Gonzales MD Family Practice Physician	(I)	204,556	17,980	853	13,132	32,973	269,494	0
	(II)	0	0	0	0	0	0	0
Star Hildabrand Physician Assistant	(I)	120,512	62,444	5,591	16,451	21,534	226,532	0
	(II)	0	0	0	0	0	0	0
Steven Mills MD Family Practice Physician	(I)	258,950	27,130	1,040	18,634	22,288	328,042	0
	(II)	0	0	0	0	0	0	0
Jill Ortiz Director of Pharmacy	(I)	180,097	29,262	11,391	19,129	32,540	272,419	0
	(II)	0	0	0	0	0	0	0
Peggy E Seever Registered Nurse	(I)	224,713	300	1,542	16,674	11,064	254,293	0
	(II)	0	0	0	0	0	0	0
Patty Monczewski Former Officer	(I)	0	0	0	0	0	0	0
	(II)	235,420	84,232	1,159	26,559	9,226	356,596	0

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Mark Twain Medical Center

Employer identification number
68-0127677

Part I Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

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

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

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

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization? To	From	(e) Original principal amount	(f) Balance due	(g) In default? Yes	No	(h) Approved by board or committee? Yes	No	(i) Written agreement? Yes	No
(1) Steven Mills	Family Practice Phys	Physician		X	73,938	25,694		No	Yes		Yes	
Total		▶ $				25,694						

Part III Grants or Assistance Benefitting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

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

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) SILVER OAK MEDICAL OFFICE INC	D Kelaita, BOD	262,992	MEDICAL SERVICES AGREEMENT		No

Part V Supplemental Information

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

Return Reference	Explanation
Part IV, column b	D Kelaita, BOD has greater than 35% ownership

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2013

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Name of the organization
Mark Twain Medical Center

Employer identification number
68-0127677

990 Schedule O, Supplemental Information

Return Reference	Explanation
FORM 990, PARTS VI, VII and XII	
FORM 990 PART IX LINE 11G	DESCRIPTION PHYSICAN/MEDICAL SERVICES TOTAL FEES 5208956
FORM 990 PART IX LINE 11G	DESCRIPTION ADMINISTRATION SERVICES TOTAL FEES 3509360
FORM 990 PART IX LINE 11G	DESCRIPTION BUILDING SERVICES TOTAL FEES 1407381
FORM 990 PART IX LINE 11G	DESCRIPTION OTHER PROF SERVICES TOTAL FEES 154624
FORM 990 PART IX LINE 11G	DESCRIPTION COLLECTION SERVICES TOTAL FEES 191224
FORM 990 PART IX LINE 11G	DESCRIPTION MISC PURCHASED SERVICES TOTAL FEES 806522

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Mark Twain Medical Center

Employer identification number
68-0127677

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	(g) No
(1) Dignity Health 185 Berry Street San Francisco, CA 94107 94-1196203	Hospital	CA	501(c)(3)	3	NA		No

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No

Part V **Transactions With Related Organizations** Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35b, or 36.

		Yes	No
Note. Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule			
1 During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties or **(iv)** rent from a controlled entity	1a		No
b Gift, grant, or capital contribution to related organization(s)	1b		No
c Gift, grant, or capital contribution from related organization(s)	1c		No
d Loans or loan guarantees to or for related organization(s)	1d		No
e Loans or loan guarantees by related organization(s)	1e	Yes	
f Dividends from related organization(s)	1f		No
g Sale of assets to related organization(s)	1g		No
h Purchase of assets from related organization(s)	1h		No
i Exchange of assets with related organization(s)	1i		No
j Lease of facilities, equipment, or other assets to related organization(s)	1j		No
k Lease of facilities, equipment, or other assets from related organization(s)	1k	Yes	
l Performance of services or membership or fundraising solicitations for related organization(s)	1l		No
m Performance of services or membership or fundraising solicitations by related organization(s)	1m	Yes	
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n	Yes	
o Sharing of paid employees with related organization(s)	1o		No
p Reimbursement paid to related organization(s) for expenses	1p	Yes	
q Reimbursement paid by related organization(s) for expenses	1q		No
r Other transfer of cash or property to related organization(s)	1r	Yes	
s Other transfer of cash or property from related organization(s)	1s	Yes	

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

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) NONE			

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

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

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

Part VII Supplemental Information

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

Return Reference	Explanation

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

Consolidated Financial Statements as of and for the Years Ended June 30, 2014 and 2013 and Independent Auditors' Report

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

TABLE OF CONTENTS

Deloitte

Deloitte & Touche LLP
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Dignity Health
San Francisco, California

We have audited the accompanying consolidated balance sheets of Dignity Health and Subordinate Corporations ("Dignity Health") as of June 30, 2014 and 2013, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' 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 of America Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dignity Health as of June 30, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Disclaimer of Opinion on Unsponsored Community Benefit Expense Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole The unsponsored community benefit expense information in Note 24 is presented for the purpose of additional analysis and is not a required part of the basic consolidated financial statements This supplementary information is the responsibility of Dignity Health's management Such information has not been subjected to

the auditing procedures applied in our audits of the basic consolidated financial statements and, accordingly, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Deloitte & Touche LLP

September 23, 2014

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

CONSOLIDATED BALANCE SHEETS
June 30, 2014 and 2013 (in thousands)

Assets	2014	2013
Current assets		
Cash and cash equivalents	$ 324,242	$ 218,159
Short-term investments	1,488,207	1,078,180
Collateral held under securities lending program	187,247	322,468
Assets limited as to use	1,148,886	1,049,373
Patient accounts receivable, net of allowance for doubtful accounts of $648,004 and $438,756 in 2014 and 2013, respectively	1,705,403	1,470,719
Broker receivables for unsettled investment trades	8,354	14,696
Other current assets	680,807	894,586
Total current assets	5,543,146	5,048,181
Assets limited as to use		
Board-designated assets (including $226,059 and $339,161 of assets loaned under securities lending program in 2014 and 2013, respectively) for		
Capital projects	3,448,004	3,478,258
Workers' compensation	435,040	439,624
Professional and general liability	295,076	249,642
Under bond indenture agreements for		
Capital projects	85,098	188,126
Debt service	135,484	136,499
Bond reserves	20,633	20,632
Donor-restricted	427,728	387,805
Other	54,502	55,593
Less amount required to meet current obligations	(1,148,886)	(1,049,373)
Net assets limited as to use	3,752,679	3,906,806
Property and equipment, net	4,629,203	4,422,833
Ownership interests in health-related activities	1,007,710	681,120
Goodwill	509,772	486,773
Intangible assets, net	224,043	232,097
Assets held for sale	-	39,262
Other long-term assets, net	116,841	152,500
Total assets	$ 15,783,394	$ 14,969,572

(Continued)

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

CONSOLIDATED BALANCE SHEETS
June 30, 2014 and 2013 (in thousands)

Liabilities and Net Assets	2014	2013
Current liabilities		
Current portion of long-term debt	$ 229,264	$ 129,112
Demand bonds subject to short-term liquidity arrangements, excluding current maturities	776,400	782,800
Accounts payable	611,187	493,699
Payable under securities lending program	187,289	322,654
Accrued salaries and benefits	590,196	569,098
Accrued workers' compensation	39,431	36,040
Accrued professional and general liability	80,751	78,527
Pension and other postretirement benefit liabilities	220,659	317,772
Broker payables for unsettled investment trades	11,158	19,675
Liabilities held for sale	-	22,824
Other accrued liabilities	582,863	561,636
Total current liabilities	3,329,198	3,333,837
Other liabilities		
Workers' compensation	346,062	350,178
Professional and general liability	247,023	232,055
Pension and other postretirement benefit liabilities	484,773	612,992
Other	226,293	239,564
Total other liabilities	1,304,151	1,434,789
Long-term debt, net of current portion	4,037,607	4,139,717
Total liabilities	8,670,956	8,908,343
Net assets		
Unrestricted - attributable to Dignity Health	6,505,202	5,510,710
Unrestricted - noncontrolling interest	182,593	166,727
Temporarily restricted	317,953	278,707
Permanently restricted	106,690	105,085
Total net assets	7,112,438	6,061,229
Total liabilities and net assets	$ 15,783,394	$ 14,969,572

(Concluded)

See notes to consolidated financial statements

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED June 30, 2014 and 2013 (in thousands)

	2014	2013
Unrestricted revenues and other support		
Patient revenue, net of contractual allowances and discounts	$ 10,455,996	$ 10,538,427
Provision for bad debts	(997,540)	(1,093,868)
Net patient revenue	9,458,456	9,444,559
Premium revenue	497,309	476,950
Revenue from health-related activities, net	152,702	140,909
Other operating revenue	551,899	332,062
Contributions	16,985	17,399
Total unrestricted revenues and other support	10,677,351	10,411,879
Expenses		
Salaries and benefits	5,671,383	5,561,479
Supplies	1,530,723	1,420,242
Purchased services and other	2,507,738	2,550,592
Depreciation and amortization	480,316	463,714
Interest expense, net	198,814	120,856
Income tax expense (benefit)	60,769	(31,095)
Special charges and other costs	554	14,801
Total expenses	10,450,297	10,100,589
Operating income	227,054	311,290
Other income		
Investment income, net	685,626	527,970
Excess of revenues over expenses	$ 912,680	$ 839,260
Less excess of revenues over expenses attributable to noncontrolling interests	27,671	27,324
Excess of revenues over expenses attributable to Dignity Health	$ 885,009	$ 811,936

(Continued)

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED June 30, 2014 and 2013 (in thousands)

	2014	2013
Unrestricted net assets attributable to Dignity Health		
Excess of revenues over expenses attributable to Dignity Health	$ 885,009	$ 811,936
Change in net unrealized gains on available-for-sale investments	(726)	4,015
Net assets released from restrictions used for purchase of property and equipment	16,984	67,423
Change in funded status of pension and other postretirement benefit plans	99,640	447,726
Loss from discontinued operations, net	(14,855)	(22,629)
Change in ownership interests held by controlled subsidiaries	(21,194)	2,765
Change in accumulated unrealized derivative gains, net	2,683	2,683
Funds donated from unconsolidated sources for purchase of property and equipment	20,016	19,906
Other	6,935	(765)
Increase in unrestricted net assets attributable to Dignity Health	994,492	1,333,060
Unrestricted net assets attributable to noncontrolling interests		
Excess of revenues over expenses attributable to noncontrolling interests	27,671	27,324
Change in ownership interest and other, net	(11,805)	1,533
Increase in unrestricted net assets attributable to noncontrolling interests	15,866	28,857
Temporarily restricted net assets		
Contributions	55,123	38,174
Net realized and unrealized gains on investments	6,833	4,254
Net assets released from restrictions	(40,150)	(87,921)
Change in interest in net assets of unconsolidated foundations	25,179	15,340
Other	(7,739)	415
Increase (decrease) in temporarily restricted net assets	39,246	(29,738)
Permanently restricted net assets		
Contributions	(625)	(138)
Net realized and unrealized gains on investments	70	80
Change in interest in net assets of unconsolidated foundations	2,231	551
Other	(71)	(281)
Increase in permanently restricted net assets	1,605	212
Increase in net assets	1,051,209	1,332,391
Net assets, beginning of period	6,061,229	4,728,838
Net assets, end of period	$ 7,112,438	$ 6,061,229

(Concluded)

See notes to consolidated financial statements

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

CONSOLIDATED STATEMENTS OF CASH FLOWS
June 30, 2014 and 2013 (in thousands)

	2014	2013
Cash flows from operating activities		
Change in net assets	$ 1,051,209	$ 1,332,391
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation and amortization, including discontinued operations	482,600	461,148
Health-related activities		
Equity in earnings	(129,313)	(127,029)
Change in control of consolidated entities	(1,620)	(21,418)
Gain, net, on disposal of assets, including discontinued operations	(259,672)	(28,294)
Estimated carrying value adjustment of assets	-	8,000
Goodwill impairment	3,744	-
Change in deferred taxes	59,719	(34,836)
Restricted contributions	(46,951)	(38,036)
Change in funded status of pension and other postretirement benefit plans	(99,640)	(447,726)
Undistributed portion of change in net assets of unconsolidated foundations	(27,410)	(15,891)
Change in net realized and unrealized gains on investments	(625,857)	(452,191)
Change in fair value of swaps	1,135	(72,748)
Changes in certain assets and liabilities		
Accounts receivable, net	(234,669)	(121,255)
Accounts payable	128,954	(57,723)
Workers' compensation and professional and general liabilities	14,044	26,159
Accrued salaries and benefits	20,244	38,854
Pension and other postretirement liabilities	(125,794)	(33,299)
Provider fee assets and liabilities	170,567	(63,168)
Estimated receivables from/payables to third-party payors, net	(283)	(51,551)
Other accrued liabilities	90,876	16,706
Prepaid and other current assets	(39,156)	8,897
Other, net	(10,363)	(8,655)
Cash provided by operating activities	422,364	318,335

(Continued)

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

CONSOLIDATED STATEMENTS OF CASH FLOWS
June 30, 2014 and 2013 (in thousands)

	2014	2013
Cash flows from investing activities		
Purchase of investments	(4,787,919)	(4,657,311)
Proceeds from sale of investments	5,090,962	4,706,792
Cash proceeds on disposal of assets, including discontinued operations	44,851	41,512
Acquisition of U S HealthWorks, net of cash acquired	-	(458,930)
Investments in health-related activities	(27,209)	(69,319)
Cash distributions from health-related activities	35,457	26,038
Additions to operating property and equipment, including discontinued operations	(715,982)	(640,037)
Decrease in securities lending collateral	135,365	13,703
Other, net	11,597	5,036
Cash used in investing activities	(212,878)	(1,032,516)
Cash flows from financing activities		
Borrowings	881,366	1,858,425
Repayments	(894,393)	(1,344,510)
Decrease in payable under securities lending program	(135,365)	(13,703)
Restricted contributions	46,951	38,036
Deferred financing costs	(1,962)	(11,960)
Cash provided by (used in) financing activities	(103,403)	526,288
Net increase (decrease) in cash and cash equivalents	106,083	(187,893)
Cash and cash equivalents at beginning of the year	218,159	406,052
Cash and cash equivalents at end of the year	$ 324,242	$ 218,159
Components of cash and cash equivalents and investments at end of year		
Cash and cash equivalents	324,242	218,159
Short-term investments	1,488,207	1,078,180
Board-designated assets for capital projects	3,448,004	3,478,258
Total	$ 5,260,453	$ 4,774,597
Supplemental disclosures of cash flow information		
Cash paid for interest, net of capitalized interest	$ 200,239	$ 193,552
Supplemental schedule of noncash investing and financing activities		
Property and equipment acquired through capital lease or note payable	$ 9,007	$ 17,872
Accrued purchases of property and equipment	$ 74,367	$ 114,819
Broker receivables for unsettled investment trades	$ 8,354	$ 14,696
Broker payables for unsettled investment trades	$ 11,158	$ 19,675
Investments in health-related activities	$ 233,821	$ -

(Concluded)

See notes to consolidated financial statements

1. ORGANIZATION

Dignity Health ("the Corporation") is a California nonprofit public benefit corporation exempt from federal and state income taxes Dignity Health owns and operates healthcare facilities in California, Arizona and Nevada, and is the sole corporate member (parent corporation) of other primarily nonprofit corporations in California, Arizona and Nevada, which are exempt from federal and state income taxes These organizations provide a variety of healthcare-related activities, education and other benefits to the communities in which they operate Healthcare services include inpatient, outpatient, subacute, and home healthcare services, as well as physician services through Dignity Health Medical Foundation and other affiliated medical groups Dignity Health also provides occupational health and urgent care services in 17 additional states through U S HealthWorks, Inc The accompanying consolidated financial statements include Dignity Health and its subordinate corporations and subsidiaries (together "Dignity Health"), as disclosed in Note 25

As part of a system-wide corporate financing plan, Dignity Health established an Obligated Group to access the capital markets and make loans to its members Obligated Group members are jointly and severally liable for the long-term debt outstanding under a Master Trust Indenture None of the other Dignity Health subordinate corporations and subsidiaries have assumed any financial obligation related to payment of debt service on obligations issued under the Master Trust Indenture A list of Obligated Group members and other subordinate corporations and subsidiaries is included in Note 25

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis for Presentation – The accompanying consolidated financial statements include the accounts of Dignity Health after elimination of intercompany transactions and balances Certain reclassifications and changes in presentation were made in the 2013 consolidated financial statements to conform to the 2014 presentation The consolidated statement of operations and changes in net assets has been retrospectively reclassified to present income tax expense (benefit) as a separate line item from purchased services and other expenses

As previously presented, Dignity Health classified the excess of revenues over expenses attributable to noncontrolling interests in purchased services and other expense in the consolidated statements of operations and changes in net assets Such presentation has been restated in order to present the excess of revenues over expenses attributable to noncontrolling interests as a separate line item to arrive at excess of revenues over expenses attributable to Dignity Health Thus resulted in a reduction of operating expenses and an increase in operating income and total excess of revenues over expenses of $27 3 million for the year ended June 30, 2013

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period Dignity Health considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following recognition of net patient revenue, which includes contractual allowances and discounts, provisions for bad debts and charity care, recorded values of investments and goodwill, losses and expenses related to the self-insured workers' compensation and professional and general liabilities, and risks and assumptions for measurement of pension and other postretirement liabilities Management bases its estimates on historical experience and various other assumptions that it believes are reasonable under the particular facts and circumstances Actual results could differ from those estimates

Cash and Cash Equivalents – Cash and cash equivalents consist primarily of cash and highly liquid marketable securities with an original maturity of three months or less

Securities Lending Program – Dignity Health participates in securities lending transactions with its custodian whereby Dignity Health lends a portion of its investments to various brokers in exchange for collateral for the securities loaned, usually on a short-term basis Dignity Health maintains effective control of the loaned

securities through its custodian during the term of the arrangement in that they may be recalled at any time Collateral is provided by brokers at an amount equal to at least 100% of the original value of the securities on loan, and is subsequently adjusted for market fluctuations Dignity Health must return to the borrower the original value of collateral received regardless of the impact of market fluctuations Under the terms of the agreement, the borrower must return the same, or substantially the same, investments that were borrowed

The securities on loan under this program are recorded in Board-designated assets in the accompanying consolidated balance sheets Dignity Health receives both cash and non-cash collateral Cash collateral is recorded as an asset of the organization The market value of collateral held for loaned securities is reported as collateral held under securities lending program, and an obligation is reported for repayment of collateral upon settlement of the lending transaction as payable under securities lending program

Inventory – Inventories are stated at the lower of cost or market value, determined using the first-in, first-out method

Broker Receivables and Payables for Unsettled Investment Trades – Dignity Health accounts for its investments on a trade date basis Amounts due to/from brokers for investment activity for transactions that have been initiated prior to the consolidated balance sheet date that are formally settled subsequent to the consolidated balance sheet date are recorded in broker receivables for unsettled investment trades for sales of investments and in broker payables for unsettled investment trades for purchases of investments

Investments and Investment Income – The Dignity Health Board of Directors Investment Committee establishes guidelines for investment decisions Within those guidelines, Dignity Health invests in equity and debt securities which are measured at fair value and are classified as trading securities

Dignity Health also invests in alternative investments through limited partnerships Alternative investments are comprised of private equity, real estate, hedge fund and other investment vehicles Dignity Health receives a proportionate share of the investment gains and losses of the partnerships The limited partnerships generally contract with managers who have full discretionary authority over the investment decisions, within Dignity Health`s guidelines These alternative investment vehicles invest in equity securities, fixed income securities, currencies, real estate, commodities, and derivatives

Dignity Health accounts for its ownership interests in these alternative investments under the equity method, whose value is based on the net asset value ("NAV"), which approximates fair value, and is determined using investment valuations provided by the external investment managers and fund managers or the general partners

Alternative investments generally are not marketable and many alternative investments have underlying investments which may not have quoted market values The estimated value of such investments is subject to uncertainty and could differ had a ready market existed Such differences could be material Dignity Health`s risk is limited to its capital investment in each investment and capital call commitments as discussed in Note 8

Investment income or loss is included in excess of revenues over expenses unless the income or loss is restricted by donor or law Income earned on tax-exempt borrowings for specific construction projects is offset against interest expense capitalized for such projects

Board-Designated Assets for Capital Projects – The Board of Directors has a policy of funding depreciation, to the extent that funds are available, to be used for replacement, expansion and improvement of operating property and equipment

Deferred Financing Costs and Original Issue Discounts/Premiums on Bond Indebtedness – Dignity Health amortizes deferred financing costs and original issue discounts/premiums on bond indebtedness over the estimated average period the related bonds will be outstanding Deferred financing costs are included in other long-term assets Original issue discounts/premiums are recorded with the related debt

Property and Equipment – Property and equipment are stated at cost, if purchased, and at fair market value, if donated Depreciation of property and equipment is recorded using the straight-line method for financial statement purposes Amortization of capital leases is included in depreciation expense Estimated useful lives by major classification are as follows

Land improvements	2 to 40 years
Buildings	3 to 65 years
Equipment	2 to 40 years
Software development	5 to 10 years

Asset Retirement Obligations – Dignity Health recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred, if a reasonable estimate of the fair value of the obligation can be made Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statements of operations and changes in net assets Liabilities of $33 0 million and $31 5 million are recorded in other long-term liabilities as of June 30, 2014 and 2013, respectively The year over year increase of $1 5 million relates to accretion of the liability

Asset Impairment – Dignity Health routinely evaluates the carrying value of its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable from estimated future undiscounted cash flows generated by the underlying tangible assets When the carrying value of an asset exceeds the estimated recoverability, an asset impairment charge is recognized The impairment tests are based on financial projections prepared by management that incorporate anticipated results from programs and initiatives being implemented and market value assessments of the assets If these projections are not met, or if negative trends occur that impact the future outlook, the value of the long-lived assets may be impaired, which could be material See Note 21

Goodwill and indefinite-lived intangible assets are tested for impairment annually on various dates, depending on the annual impairment testing date of the reporting unit or intangible asset, or when an event or circumstance indicates the value of the reporting unit or intangible asset may be impaired Dignity Health uses the income and market approaches to estimate the fair value of its reporting units and uses the income approach to estimate the fair value of its indefinite-lived intangible assets If the carrying value exceeds the fair value, an impairment charge is recognized See Notes 11 and 12

Fair Value of Financial Instruments – The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value due to their short maturities The fair value of investments and debt is disclosed in Note 8

Derivative Instruments – Dignity Health utilizes derivative arrangements to manage interest costs and the risk associated with changing interest rates Dignity Health records derivative instruments on the consolidated balance sheets as either an asset or liability measured at its fair value See Notes 8 and 17

Dignity Health does not currently have derivative instruments that are designated as hedges Changes in fair value are included in interest expense, net, in the consolidated statements of operations and changes in net assets

Ownership Interests in Health-Related Activities – Generally, when the ownership interest in health-related activities is more than 50% and Dignity Health has a controlling interest, the ownership interests are consolidated and a noncontrolling interest is recorded in unrestricted net assets When the ownership interest is at least 20%, but not more than 50%, or Dignity Health has the ability to exercise significant influence over operating and financial policies of the investee, it is accounted for under the equity method and the income or loss is reflected in revenue from health-related activities, net Ownership interests for which Dignity Health's ownership is less than 20% or for which Dignity Health does not have the ability to exercise significant influence are carried at the lower of cost or estimated net realizable value Other than the investments in Mercy Care Plan, Scripps, PCH, and Optum360® (see Note 3), these ownership interests are not material to the consolidated financial statements See Note 10

Self-Insurance Plans – Dignity Health maintains self-insurance programs for workers' compensation benefits for employees and for professional and general liability risks Annual self-insurance expense under these programs is based on past claims experience and projected losses Actuarial estimates of uninsured losses for

each program at June 30, 2014 and 2013, have been accrued as liabilities and include an actuarial estimate for claims incurred but not reported

Dignity Health has insurance coverage in place for amounts in excess of the self-insured retention for workers' compensation and professional and general liabilities

Dignity Health maintains separate trusts for these programs from which claims and related expenses and costs of administering the plans are paid Dignity Health's policy is to fund the trusts such that over time, assets held equal liabilities for claims incurred for workers' compensation and claims made for professional liability risks

Self-insurance expense decreased $41 7 million and $28 4 million in 2014 and 2013, respectively, related to revisions to prior years' actuarially estimated liabilities The expenses and related adjustments are recorded in salaries and benefits for workers' compensation benefits and in purchased services and other for professional and general liability risks in the accompanying consolidated statements of operations and changes in net assets

Patient Accounts Receivable, Allowance for Doubtful Accounts and Net Patient Revenue – Dignity Health has agreements with third-party payors that provide for payments at amounts different from each hospital's established rates Payment arrangements with third-party payors include prospectively determined rates per discharge, per diem payments, discounted charges and reimbursed costs Patient accounts receivable and net patient revenue are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered Net patient revenue includes estimated settlements under payment agreements with third-party payors Settlements with third-party payors are accrued on an estimated basis in the period in which the related services are rendered and adjusted in future periods as final settlements are determined

Dignity Health recognizes patient revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered and estimated collectability of deductibles and co-insurance For uninsured patients that meet certain financial criteria, standard charity discounts are recorded For uninsured patients that do not qualify for charity care, Dignity Health recognizes revenue on the basis of discounted rates Dignity Health regularly reviews accounts and contracts and provides appropriate contractual allowances and reserves for charity and uncollectible amounts that are netted against patient accounts receivable in the consolidated balance sheets Based on historical experience, trends in health care coverage, and other collection indicators, a significant portion of Dignity Health's uninsured patients will be unable or unwilling to pay for the services provided Thus, Dignity Health records a significant provision for bad debts related to uninsured patients in the period the services are provided

As part of Dignity Health's mission to serve the community, Dignity Health provides care to patients even though they may lack adequate insurance or may participate in programs with negotiated or regulated payment amounts Dignity Health makes every effort to determine if a patient qualifies for charity care upon admission, though determination may also be made at a later time After satisfaction of amounts due from insurance, the application of any financial, uninsured or other discounts or payments received on the account, and reasonable efforts to collect from the patient have been exhausted, Dignity Health follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by Dignity Health

Premium Revenue – Dignity Health has at-risk agreements with various payors to provide medical services to enrollees Under these agreements, Dignity Health receives monthly payments based on the number of enrollees, regardless of services actually performed by Dignity Health Dignity Health accrues costs when services are rendered under these contracts, including estimates of incurred but not reported ("IBNR") claims and amounts receivable/payable under risk-sharing arrangements The IBNR accrual includes an estimate of the costs of services for which Dignity Health is responsible, including out-of-network services

Traditional Charity Care – Charity care is free or discounted health services provided to persons who cannot afford to pay and who meet Dignity Health's criteria for financial assistance The amount of services quantified as customary charges was $822 5 million and $907 7 million for 2014 and 2013, respectively, including such charges from discontinued operations Dignity Health estimates the cost of charity care by calculating a ratio of cost to usual and customary charges and applying that ratio to the usual and customary uncompensated charges associated with providing care to patients that qualify for charity care The estimated cost of charity care provided in 2014 and 2013 was $175 7 million and $198 4 million, respectively See Note 24

Other Operating Revenue – Other operating revenue includes meaningful use incentives, net gains and losses on the sale of assets, cafeteria revenues, rental revenues, contributions released from restrictions and other nonpatient-care revenues Other operating revenue includes a $230 5 million gain related to the Optum360° transaction (see Note 3) in 2014 and $37 6 million related to a gain on sale of certain assets related to Dignity Health's outreach lab services to two unrelated parties in 2013

Contributions and Restricted Net Assets – Gifts are reported as either temporarily or permanently restricted support 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 met, temporarily restricted net assets related to capital purchases are reclassified as unrestricted and reflected as net assets released from restrictions used for the purchase of property and equipment on the statements of changes in net assets, whereas temporarily restricted net assets related to other gifts are reclassified as unrestricted and recorded as other operating revenue in unrestricted revenues and other support Gifts received with no restrictions are recorded as contributions in unrestricted revenues and other support Gifts of long-lived operating assets, such as property and equipment, are reported as unrestricted net assets unless otherwise specified by the donor

Unconditional promises to give cash and other assets to Dignity Health are recorded at fair value at the date the promise is received Conditional promises to give are recorded when the conditions have been substantially met Indications of intentions to give are not recorded, such gifts are recorded at fair value only upon actual receipt of the gift Investment income on temporarily or permanently restricted net assets is classified pursuant to the intent or requirement of the donor

Endowment assets include donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period Dignity Health preserves the fair value of these gifts as of the date of donation unless otherwise stipulated by the donor Portions of donor-restricted endowment funds that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure Dignity Health considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds (1) the duration and preservation of the fund, (2) the purposes of the organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the organization, and (7) the investment policies of Dignity Health

Dignity Health has investment and spending policies for endowment assets designed to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets

Endowment assets are invested in a manner that is intended to produce results that achieve the respective benchmark while assuming a moderate level of investment risk Actual returns in any given year may vary from this amount To satisfy its long-term rate-of-return objectives, Dignity Health relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends) Dignity Health targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that Dignity Health is required to retain as a fund of perpetual duration Deficits of this nature are reported in unrestricted net assets, unless otherwise specified by the donor

Community Benefits – As part of its mission, Dignity Health provides services to the poor and benefits for the broader community The costs incurred to provide such services are included in excess of revenues over expenses in the consolidated statements of operations and changes in net assets Dignity Health prepares a summary of unsponsored community benefit expense in accordance with Internal Revenue Service Form 990, Schedule H, and the Catholic Health Association of the United States ("CHA") publication, *A Guide for Planning and Reporting Community Benefit* See Note 24

Interest Expense – Interest expense on debt issued for construction projects is capitalized until the projects are placed in service The components of interest expense, net, include interest and fees on debt, swap cash settlements, and market adjustment on swaps See Note 18

Income Taxes – Dignity Health has established its status as an organization exempt from income taxes under the Internal Revenue Code Section 501(c)(3) and the laws of the states in which it operates, and as such, is generally not subject to federal or state income taxes However, Dignity Health is subject to income taxes on net income derived from a trade or business, regularly carried on, which does not further the organization's exempt purpose No significant income tax provisions have been recorded in the accompanying consolidated financial statements for net income, if any, derived from any unrelated trade or business as management has determined that such amounts are not material to the consolidated financial statements taken as a whole

Dignity Health's for-profit subsidiaries account for income taxes related to their operations The for-profit subsidiaries recognize deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of their assets and liabilities along with net operating loss and tax credit carryovers for tax positions that meet the more likely than not recognition criteria Changes in recognition or measurement are reflected in the period in which the change in judgment occurs See Note 22

Dignity Health 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

Performance Indicator – Management considers excess of revenues over expenses attributable to Dignity Health to be Dignity Health's performance indicator Excess of revenues over expenses attributable to Dignity Health includes all changes in unrestricted net assets attributable to Dignity Health except for the effect of changes in accounting principles, losses from discontinued operations, change in net unrealized gains and losses on available-for-sale investments, net assets released from restrictions used for purchase of property and equipment, change in funded status of pension and other postretirement benefit plans, change in ownership interests held by controlled subsidiaries, change in accumulated unrealized derivative gains and losses, and funds donated from unconsolidated sources for purchase of property and equipment

Transactions between Related Organizations – Certain Obligated Group members have a policy whereby assets are periodically transferred as charitable distributions or capital contributions to nonprofit and for-profit corporations, respectively, that are subordinate corporations and subsidiaries of Dignity Health but are not members of the Obligated Group It is anticipated that Obligated Group members will continue to make asset transfers to these organizations

Recent Accounting Pronouncements – In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No 2014-09, *Revenue from Contracts with Customers ("ASU 2014-09")*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance, and requires significantly expanded disclosures about revenue recognition The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services The guidance is effective for Dignity Health as of July 1, 2017 Early adoption is not permitted Dignity Health management is currently evaluating the impact on the consolidated financial statements and the options of adopting using either a full retrospective or a modified approach

In April 2014, the FASB issued ASU No 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity ("ASU 2014-08")*, which amends the definition of a discontinued operation in ASC 205-20 and requires entities to disclose additional information about disposal transactions that do not meet the discontinued operations criteria The guidance is effective for Dignity Health as of July 1, 2015 Early application is permitted for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance The adoption of ASU 2014-08 is not expected to have a material impact on the consolidated financial statements of Dignity Health

Subsequent Events – Dignity Health has evaluated subsequent events occurring between the end of the most recent fiscal year and September 23, 2014, the date the financial statements were available to be issued See Notes 16 and 23

3. MERGERS, ACQUISITIONS AND DIVESTITURES

Investment in Joint Venture – In September 2013, Dignity Health effected an agreement with OptumInsight, Inc., an indirect subsidiary of UnitedHealth Group Incorporated, whereby the parties formed Optum360, LLC ("Optum360") to own and operate certain existing revenue cycle technology, content and services businesses and to perform "end-to-end" revenue cycle management functions for Dignity Health and, it is intended, other prospective healthcare delivery system customers. OptumInsight, Inc. contributed revenue cycle-related technologies, content and service businesses to Optum360 in exchange for a majority membership interest. Dignity Health contributed certain equipment and the intellectual property related to its internal revenue cycle management functions in exchange for a 25% interest in Optum360. Beginning in December 2013, certain Dignity Health employees became employees of Optum360.

The valuation of Dignity Health's interest in Optum360 was based on management's estimates, currently available information and reasonable and supportable assumptions. The fair value was based on Level 3 valuation inputs and was determined using a discounted cash flow model. Dignity Health calculated the present value of the expected future cash flows attributable to Optum360 using a 16.0% discount rate. A gain on the transaction of $230.5 million, representing the difference between the fair value of the interest in Optum360 received in the transaction and the book value of the assets contributed, was recorded in other operating revenue in the accompanying condensed consolidated statement of operations and changes in net assets. As a portion of the investment is held by a for-profit subsidiary of Dignity Health, a deferred tax liability of $59.6 million was recorded in other long-term liabilities, and a corresponding tax expense of $59.6 million was recorded related to the book to tax basis difference of the assets contributed. The net favorable impact of the transaction on operating income was $170.9 million. Dignity Health accounts for the affiliation with Optum360 under the equity method.

Acquisitions – In August 2012, Dignity Health acquired all of the outstanding common stock of USHW Holdings Corporation (dba U.S. HealthWorks) ("USHW"), a multi-state for-profit operator of occupational health and urgent care centers, and paid $455.0 million plus certain working capital adjustments. In addition, Dignity Health agreed to pay additional amounts based on certain events resulting in increased revenue to USHW subject to the terms and conditions of the purchase agreement. The fair value of the contingent consideration recognized on the acquisition was estimated at $51.5 million. As of June 30, 2014, the fair value of the contingent consideration recognized on the acquisition is estimated at $55.0 million and is recorded in other accrued liabilities.

In connection with the acquisition, USHW subsidiaries became indirect subsidiaries of Dignity Health. As of June 30, 2014, these subsidiaries operated approximately 213 occupational health and urgent care centers in 20 states. All tangible and intangible assets acquired and liabilities assumed in the transaction were recorded at fair value in accordance with the acquisition method of accounting. The results of operations of USHW are included in Dignity Health's consolidated financial statements from the date of the acquisition.

The following summarizes the fair values of the assets acquired and liabilities assumed as of the acquisition date (in thousands)

	Amounts Recognized as of Acquisition Date as Adjusted
Current assets, including cash and cash equivalents	$ 81,425
Property and equipment, net	32,581
Goodwill	277,959
Intangible assets, net	
U S HealthWorks trade name	152,700
Customer relationships and other	79,750
Other long-term assets, net	23,711
Total assets acquired	648,126
Current liabilities	35,384
Long-term liabilities	103,390
Total liabilities acquired	138,774
Net acquired assets	$ 509,352

The valuation of assets acquired was based on management's estimates, currently available information and reasonable and supportable assumptions The purchase price allocation was based on the fair value of these assets determined using the income approach and the cost method approach The income approach uses a discounted cash flow model Dignity Health calculated the present value of the expected future cash flows attributable to the acquired intangibles using an 11 5% discount rate With respect to intangible assets, Dignity Health used the excess earnings method and the cost method for valuing customer relationships and the relief from royalties method for valuing the trade name with a royalty rate of 3 0% Contingent consideration was initially valued and is periodically remeasured on a fair value basis using Level 3 pricing inputs as described in Note 8, using a probability weighted approach and a discount rate of 4 1% Dignity Health allocated the residual value to goodwill Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired

Also in connection with the acquisition, Dignity Health reversed an existing valuation allowance against its deferred tax assets of $33 3 million as management anticipates that the tax benefits will be utilized by profitable operations from USHW

Dispositions – In May 2014, Dignity Health sold 100% of the outstanding shares of capital stock of Saint Mary's Healthfirst, Saint Mary's Preferred Health Insurance Company, Inc , and CDS of Nevada, Inc (the "Health Plans"), all in Reno, Nevada, to an unrelated party for $25 7 million, resulting in a gain on the sale of $10 9 million The operations and the gain on sale of the entities are reflected as discontinued in the accompanying statements of operations and changes in net assets for all periods presented

The accompanying consolidated statements of operations and changes in net assets reflect the results of the operations of facilities sold, closed or held for sale as discontinued operations for all periods presented, including revenues of $159 5 million and $149 7 million for 2014 and 2013, respectively

4. NET PATIENT REVENUE AND PATIENT ACCOUNTS RECEIVABLE

The percentage of inpatient and outpatient services, calculated on the basis of usual and customary charges, is as follows

	2014	2013
Inpatient services	60%	61%
Outpatient services	40%	39%

Patient revenue, net of contractual allowances and discounts (before provision for bad debts) is comprised of the following (in thousands)

	2014	2013
Government	$ 4,777,140	$ 4,975,096
Contracted	4,295,333	3,912,367
Self-pay and other	1,383,523	1,650,964
	$10,455,996	$10,538,427

Government payor type includes Medicare fee for service, Medicare capitated, Medicare managed care fee for service, Medicaid fee for service, Medicaid capitated and Medicaid managed care fee for service patient accounts Contracted payor type includes contracted rate payors and commercial capitated patient accounts In prior year financial statements, this information was reflected on a percentage basis

During 2014, patient accounts receivable levels increased due to billing and collection delays in conjunction with business office consolidations, which preceded the management arrangement with Optum360° (see Notes 3 and 23), and system conversions

5. REVENUE FROM GOVERNMENT PROGRAMS

The following revenues, which enhance or adjust the per case, per diem, per procedure or per visit amounts received, have been recognized for patient services

Medicaid Supplemental Reimbursement Programs – Net patient revenue includes $243 2 million and $684 5 million related to supplemental Medi-Cal payments provided under the California provider fee programs in 2014 and 2013, respectively These programs are funded by quality assurance fees paid by participating hospitals and matching federal funds Dignity Health recorded $148 2 million and $432 1 million in such fees in purchased services and other expense in 2014 and 2013, respectively Grant payments to the California Health Foundation and Trust ("CHFT") were recognized in connection with the California provider fee programs resulting in $8 2 million and $22 2 million recorded in purchased services and other expense in 2014 and 2013, respectively Total net income recognized in 2014 and 2013 was $86 8 million and $230 2 million, respectively The California program terminated December 31, 2013, however, final CMS approval for certain managed care plans did not occur prior to June 30, 2014 As such, revenues from these plans totaling $44 5 million have not been recognized, and fee and CHFT payments made prior to June 30, 2014, totaling $31 4 million have been deferred, pending final approval which is anticipated prior to December 31, 2014

In October 2013, the governor of California signed legislation enacting a provider fee covering the period from January 2014 through December 2016 The legislation also created the framework for the fee to continue in perpetuity without requiring further legislation by the State The State Plan Amendment required for the Centers for Medicare & Medicaid Services ("CMS") review and approval of the 2014-2016 fee was submitted as required by March 31, 2014 Based on experience with provider fees in earlier years, management expects partial CMS approval of the fee by December 2014, with completion of the review and approvals at later dates

In April 2013, CMS approved the Access to Care Program adopted by the City of Phoenix, Arizona The program is a provider fee program and covered the period from October 1, 2012, through December 31, 2013

In 2014 and 2013, net patient revenue includes $34 8 million and $56 4 million, respectively, and purchased services and other expense includes $18 0 million and $27 0 million, respectively, related to this program, for a net income impact of $16 8 million and $29 4 million, respectively

In 2014 and 2013, net patient revenue also includes $54 8 million and $30 5 million, respectively, and purchased services and other expense includes $13 9 million and $17 1 million, respectively, of grant expense related to prior year supplemental Medicaid payments received in Arizona, resulting in a net income impact of $40 9 million and $13 4 million, respectively

"Meaningful Use" Incentives –The American Recovery and Reinvestment Act of 2009 established incentive payments under the Medicare and Medicaid programs for certain professionals and hospitals that meaningfully use certified electronic health record ("EHR") technology The Medicare incentive payments are paid out to qualifying hospitals over four consecutive years on a transitional schedule To qualify for Medicare incentives, hospitals and physicians must annually meet EHR "meaningful use" criteria that become more stringent over three stages as determined by CMS

Medicaid programs and payment schedules vary by state The Medicaid programs in California and Arizona require hospitals to register for the program prior to 2016, to engage in efforts to adopt, implement or upgrade certified EHR technology in order to qualify for the initial year of participation, and to demonstrate meaningful use of certified EHR technology in order to qualify for payment for up to three additional years through 2019 for Arizona and 2021 for California Nevada implemented a similar program requiring hospitals to demonstrate meaningful use of EHR technology by 2016 to qualify for payment for up to two additional years through 2018

In 2014 and 2013, Dignity Health recorded meaningful use incentive revenue of $53 8 million and $60 4 million, respectively, related to the Medicare and Medicaid programs These incentives have been recognized in other operating revenue following the grant accounting model, recognizing income ratably over the applicable reporting period as management becomes reasonably assured of meeting the required criteria Amounts recognized represent management's best estimates for payments ultimately expected to be received based on estimated discharges, charity care, and other input data Subsequent changes to these estimates are recognized in the period in which additional information is available

Medicaid Disproportionate Share Payments - Certain hospitals qualified for and received Medi-Cal funding as disproportionate-share hospitals from the State of California in 2014 and 2013 The amounts recorded were $110 8 million and $97 0 million, respectively, and are included in net patient revenue

Cost Reports and Other Settlements – In 2014 and 2013, net patient revenue includes $27 0 million and $67 7 million, respectively, in favorable net prior years' reimbursement settlements from Medicare, Medicaid and other programs In addition, Dignity Health recorded $20 0 million and $41 5 million in recovery audit contractor take-backs, net of recoveries, related to prior year claims, for 2014 and 2013, respectively

At June 30, 2014 and 2013, estimated receivables for third-party payor settlements were $96 5 million and $101 5 million, respectively, and estimated payables for third-party payor settlements were $43 3 million and $52 8 million, respectively Such amounts are reported under other current assets and other accrued liabilities in the consolidated balance sheets

6. OTHER CURRENT ASSETS

Other current assets consist of the following at June 30, 2014 and 2013 (in thousands)

	2014	2013
Inventories	$ 174,034	$ 169,282
Receivables, other than patient accounts receivable	322,573	307,927
Provider fee receivables	20,498	303,090
Deferred provider fee expense	31,434	-
Prepaid expenses	66,580	59,929
Deferred tax asset	28,713	16,233
Other	36,975	38,125
Total other current assets	$ 680,807	$ 894,586

7. INVESTMENTS AND ASSETS LIMITED AS TO USE

Investments and assets limited as to use, including assets loaned under securities lending program, consist of the following at June 30, 2014 and 2013 (in thousands)

	2014	2013
Cash and cash equivalents	$ 554,144	$ 851,237
U S government securities	506,735	583,903
U S corporate bonds	874,057	883,251
U S equity securities	1,539,337	1,651,484
Foreign government securities	11,728	7,687
Foreign corporate bonds	20,715	34,446
Foreign equity securities	1,014,943	526,667
Asset-backed securities	17,984	18,700
Structured debt	100,724	149,157
Private equity investments	211,376	149,239
Multi-strategy hedge fund investments	877,437	557,381
Real estate	201,550	197,183
Other	193,625	185,675
Interest in net assets of unconsolidated foundations	265,417	238,349
Total	$ 6,389,772	$ 6,034,359
Assets limited as to use		
Current	$ 1,148,886	$ 1,049,373
Long-term	3,752,679	3,906,806
Short-term investments	1,488,207	1,078,180
Total	$ 6,389,772	$ 6,034,359

The current portion of assets limited as to use includes the amount of assets available to meet current obligations for debt service and claims payments under the self-insured programs for workers' compensation for employees and professional and general liability

8. FAIR VALUE MEASUREMENTS

Dignity Health accounts for certain assets and liabilities at fair value or on a basis that approximates fair value A fair value hierarchy for valuation inputs prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market Each fair value measurement is reported in one of the three levels and is determined by the lowest level input that is significant to the fair value measurement in its entirety These levels are

Level 1 Quoted prices are available in active markets for identical assets or liabilities as of the measurement date Financial assets and liabilities in this category include U S Treasury securities and listed equities

Level 2 Pricing inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities Financial assets and liabilities in this category generally include asset-backed securities, corporate bonds and loans, municipal bonds, and interest rate swaps

Level 3 Pricing inputs are generally unobservable for the assets or liabilities and include situations where there is little, if any, market activity for the investment The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques Financial assets in this category include alternative investments and contingent consideration

The following represents assets and liabilities measured at fair value on a recurring basis and certain assets accounted for under the equity method as of June 30, 2014 and 2013 (in thousands)

	2014			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Balance at June 30, 2014**
Assets				
Cash and cash equivalents	$ 554,144	$ -	$ -	$ 554,144
U S government securities	458,161	48,574	-	506,735
U S corporate bonds	63,195	616,283	194,579	874,057
U S equity securities	1,207,416	331,921	-	1,539,337
Foreign government securities	-	11,728	-	11,728
Foreign corporate bonds	684	20,031	-	20,715
Foreign equity securities	543,919	471,024	-	1,014,943
Asset-backed securities	-	17,984	-	17,984
Structured debt	1,095	99,629	-	100,724
Private equity investments	-	-	211,376	211,376
Multi-strategy hedge fund investments	-	-	877,437	877,437
Real estate	12,136	-	189,414	201,550
Collateral held under securities lending program	-	187,247	-	187,247
Other fund investments	5,263	-	-	5,263
Total assets	$ 2,846,013	$ 1,804,421	$ 1,472,806	$ 6,123,240
Liabilities				
Contingent consideration	$ -	$ -	$ 55,000	$ 55,000
Derivative instruments	-	156,439	-	156,439
Total liabilities	$ -	$ 156,439	$ 55,000	$ 211,439

	2013			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance at June 30, 2013
Assets				
Cash and cash equivalents	$ 851,237	$ -	$ -	$ 851,237
U S government securities	528,048	55,855	-	583,903
U S corporate bonds	61,967	609,766	211,518	883,251
U S equity securities	1,319,793	331,691	-	1,651,484
Foreign government securities	-	7,687	-	7,687
Foreign corporate bonds	7,731	26,715	-	34,446
Foreign equity securities	522,897	3,770	-	526,667
Asset-backed securities	-	18,700	-	18,700
Structured debt	2,892	146,265	-	149,157
Private equity investments	-	-	149,239	149,239
Multi-strategy hedge fund investments	-	-	557,381	557,381
Real estate	8,694	-	188,489	197,183
Collateral held under securities lending program	-	322,468	-	322,468
Other fund investments	9,239	-	-	9,239
Total assets	$ 3,312,498	$ 1,522,917	$ 1,106,627	$ 5,942,042
Liabilities				
Contingent consideration	$ -	$ -	$ 51,500	$ 51,500
Derivative instruments	-	155,304	-	155,304
Total liabilities	$ -	$ 155,304	$ 51,500	$ 206,804

Assets and liabilities measured at fair value on a recurring basis and certain assets accounted for under the equity method are reported in short-term investments, assets limited as to use, and other accrued liabilities in the consolidated balance sheets Such amounts do not include certain donor-restricted funds and receivables or interests in unconsolidated foundations

There were no transfers to or from Levels 1 or 2 during the periods presented

The Level 2 and 3 instruments listed in the fair value hierarchy tables above use the following valuation techniques and inputs

For marketable securities such as U S and foreign government securities, U S and foreign corporate bonds, U S and foreign equity securities, asset-backed securities, and structured debt, in the instances where identical quoted market prices are not readily available, fair value is determined using quoted market prices and/or other market data for comparable instruments and transactions in establishing prices, discounted cash flow models and other pricing models These inputs to fair value are included in industry-standard valuation techniques such as the income or market approach Dignity Health classifies all such investments as Level 2

For investments such as private equity funds, multi-strategy hedge funds, real estate funds, and other limited partnership investments, fair value is determined using the calculated net asset value ("NAV") provided by the fund The value of underlying investments of private equity funds is estimated based on recent filings, operating results, balance sheet stability, growth, and other business and market sector fundamentals Real estate investments are priced using valuation techniques that include income, sales

comparison (market), and cost approaches Significant inputs include contract and market rents, operating expenses, capitalization rates, discount rates, sales of comparable properties, and market rent growth trends, as well as the use of the value of property plus the cost of building a similar structure of equal utility Hedge funds and other limited partnership investments typically value underlying securities traded on a national securities exchange or reported on a national market at the last reported sales price on the day of the valuation Underlying securities traded in the over-the-counter market and listed securities for which no sale was reported on the valuation date are typically valued at the mean between representative bid and ask quotes obtained Where no fair value is readily available, the fund or investment manager may determine, in good faith, the fair value using models that take into account relevant information considered material Due to the significant unobservable inputs present in these valuations, Dignity Health classifies all such investments as Level 3 Dignity Health's management regularly monitors and evaluates the accounting and valuation methodologies of the investment managers Management also performs, on a regular basis when information is made available, various validations and testing of the NAV provided and determines that the investment managers' valuation techniques are compliant with fair value measurement accounting standards Significant increases (decreases) in any unobservable inputs used for Level 3 holdings, in isolation, would result in significantly lower (higher) fair value measurement

The fair value of collateral held under securities lending program classified as Level 2 is determined using the calculated NAV The collateral held under this program is placed in commingled funds whose underlying investments are valued using techniques similar to those used for the marketable securities noted above Amounts reported do not include non-cash collateral of $44 8 million and $23 7 million as of June 30, 2014 and 2013, respectively

The fair value of liabilities for derivative instruments such as interest rate swaps classified as Level 2 is determined using an industry standard valuation model, which is based on a market approach A credit risk spread (in basis points) is added as a flat spread to the discount curve used in the valuation model Each leg is discounted and the difference between the present value of each leg's cash flows equals the market value of the swap

The fair value of liabilities for derivative instruments such as risk participation agreements classified as Level 3 is determined using the market value of the referenced securities in the agreements, which factors in the credit risk of the issuer

The following table presents the change in the balance of financial assets and liabilities using significant unobservable inputs (Level 3) measured on a recurring basis and certain assets accounted for under the equity method in 2014 and 2013 (in thousands)

	2014				
	Private Equity Investments	Multi-Strategy Hedge Fund Investments	Real Estate	Debt Securities	Total
Balance at beginning of period	$ 149,239	$ 557,381	$ 188,489	$ 211,518	$ 1,106,627
Total realized gains, net, included in excess of revenues over expenses	13,772	7,222	34,891	9,819	65,704
Total unrealized gains (losses), net, included in excess of revenues over expenses	24,894	57,544	(17,578)	4,680	69,540
Purchases	52,704	472,955	102,964	23,656	652,279
Sales	(29,233)	(217,665)	(119,352)	(55,094)	(421,344)
Balance at end of period	$ 211,376	$ 877,437	$ 189,414	$ 194,579	$ 1,472,806

	2013				
	Private Equity Investments	Multi-Strategy Hedge Fund Investments	Real Estate	Debt Securities	Total
Balance at beginning of period	$ 128,358	$ 485,498	$ 173,758	$ 150,223	$ 937,837
Total realized gains, net, included in excess of revenues over expenses	2,249	14,759	-	694	17,702
Total unrealized gains, net, included in excess of revenues over expenses	3,274	43,821	9,273	32,539	88,907
Purchases	34,713	136,420	5,458	34,532	211,123
Sales	(19,355)	(123,117)	-	(6,470)	(148,942)
Balance at end of period	$ 149,239	$ 557,381	$ 188,489	$ 211,518	$ 1,106,627

Included within the assets above are investments in certain entities that report fair value using a calculated NAV or its equivalent The following table and explanations identify attributes relating to the nature and risk of such investments as of June 30, 2014 and 2013 (in thousands)

		As of June 30, 2014			
		Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Level 2					
Debt securities	(1)	$ 357,955	$ -	Daily, Quarterly	1 - 90 days
Equity securities	(2)	745,248	-	Daily, Monthly	1 - 30 days
Collateral held under securities lending	(3)	187,247	-	Daily	10 days
Total Level 2		$ 1,290,450	$ -		
Level 3					
Multi-strategy hedge funds	(4)	$ 877,437	$ -	Monthly, Quarterly, Semi-Annually, Annually	5 - 370 days
Private equity	(5)	211,376	278,350	-	-
Real estate	(6)	189,414	-	Quarterly	90 days
Debt securities	(7)	194,579	15,682	Monthly, Quarterly	1 - 90 days
Total Level 3		1,472,806	294,032		
Total Level 2 and Level 3		$ 2,763,256	$ 294,032		

		As of June 30, 2013			
		Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Level 2					
Debt securities	(1)	$ 262,968	$ -	Daily, Quarterly	1 - 90 days
Equity securities	(2)	329,456	-	Daily, Monthly	1 - 30 days
Collateral held under securities lending	(3)	322,468	-	Daily	10 days
Total Level 2		$ 914,892	$ -		
Level 3					
Multi-strategy hedge funds	(4)	$ 557,381	$ -	Monthly, Quarterly, Semi-Annually, Annually	5 - 370 days
Private equity	(5)	149,239	153,095	-	-
Real estate	(6)	188,489	-	Quarterly	90 days
Debt securities	(7)	211,518	15,681	Quarterly	90 days
Total Level 3		1,106,627	168,776		
Total Level 2 and Level 3		$ 2,021,519	$ 168,776		

(1) This category includes investments in commingled funds that invest primarily in domestic and foreign debt and fixed income securities, the majority of which are traded in over-the-counter markets

(2) This category includes investments in commingled funds that invest primarily in domestic or foreign equity securities with multiple investment strategies A majority of the funds attempt to match the returns of specific equity indices

(3) This category includes investments of collateral held under securities lending program Dignity Health participates in a securities lending program administered by its custodian as a means to augment income from its portfolio Securities are loaned to select brokerage firms who in turn post collateral The collateral is placed in commingled funds that invest primarily in cash and cash equivalents, and domestic and foreign debt securities

(4) This category includes investments in hedge funds that pursue diversification of both domestic and foreign fixed income and equity securities through multiple investment strategies The primary objective for these funds is to seek attractive long-term risk-adjusted absolute returns Under certain circumstances, an otherwise redeemable investment or portion thereof could become restricted Such restrictions were not applicable at June 30, 2014 The following table reflects the various redemption frequencies, notice periods, and any applicable lock-up periods or gates to redemption as of June 30, 2014

Percentage of the Value of Category (4)		Redemption	Redemption Notice	Redemption Locked Up Until	Redemption Gate % of Account
Total	**Subtotal**	**Frequency**	**Period**	**(if applicable)**	**(if applicable)**
22 9%	11 9%	Annually	45 - 90 days	-	-
	4 9%	Annually	45 - 75 days	12 31 2014	-
	6 1%	Annually	60 - 65 days		up to 33 3% - 50 0%
6 7%	6 7%	Semi-Annually	75 - 90 days	-	-
49 4%	25 1%	Quarterly	30 - 370 days	-	-
	3 0%	Quarterly	90 days	-	-
	21 3%	Quarterly	45 - 90 days	-	up to 25 0% - 33 3%
21 0%	14 1%	Monthly	5 - 60 days	-	-
	3 1%	Monthly	120 days	-	-
	3 8%	Monthly	45 days	-	up to 16 7%

(5) This category includes several private equity funds that specialize in providing capital to a variety of investment groups, including but not limited to venture capital, leveraged buyout, mezzanine debt, distressed debt, and other situations There are no provisions for redemptions during the life of these funds Distributions from each fund will be received as the underlying investments of the funds are liquidated, estimated at June 30, 2014, to be over the next 1-11 years

(6) This category includes investments in real estate funds that invest primarily in institutional quality commercial and residential real estate assets within the U S and investments in publicly traded real estate investment trusts

(7) This category includes a commingled fund that invests primarily in a fixed income fund that provides capital in a variety of mezzanine debt, distressed debt and other special debt securities situations

The investments included above are not expected to be sold at amounts that are different from NAV

Fair Value of Debt - The fair value of Dignity Health's debt is estimated based on the quoted market prices and/or other market data for the same or similar issues and transactions in active markets or on the current rates offered to Dignity Health for debt of the same remaining maturities, discounted cash flow models and other pricing models These inputs to fair value are included in industry-standard valuation techniques Based on the inputs and valuation techniques, the fair value of long-term debt is classified as Level 2 within the fair value hierarchy The carrying value of Dignity Health's debt is reported within the current portion of long-term debt, demand bonds subject to short-term liquidity arrangements and long-term debt, net of current portion, on the consolidated balance sheets The estimated fair value of Dignity Health's long-term debt instruments as of June 30, 2014, is as follows (in thousands)

	Carrying Value	Fair Value
Debt issued under Master Trust Indenture		
Fixed rate revenue bonds	$ 2,321,054	$ 2,467,547
Put bonds	49,900	49,906
Taxable bonds	595,750	557,829
Senior secured notes payable	229,543	259,347
Taxable direct placement loans	169,000	169,000
Variable rate demand bonds	782,800	782,800
Auction rate certificates	322,800	322,800
Notes payable to banks under credit agreement	406,163	406,163
Total debt under Master Trust Indenture	4,877,010	5,015,392
Other	166,261	166,261
Total debt	$ 5,043,271	$ 5,181,653

The fair value amounts do not represent the amount Dignity Health would be required to expend to retire the indebtedness

9. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consist of the following at June 30, 2014 and 2013 (in thousands)

	2014	2013
Land	$ 221,669	$ 219,034
Land improvements	115,790	111,035
Buildings	4,846,493	4,512,709
Buildings under capital lease	54,022	54,022
Equipment	3,988,794	3,653,050
Equipment under capital lease	27,756	18,965
Construction in progress	815,330	850,511
Total	10,069,854	9,419,326
Less Accumulated depreciation	(5,440,651)	(4,996,493)
Property and equipment, net	$ 4,629,203	$ 4,422,833

In prior year financial statements, buildings under capital lease were reflected in the buildings category and equipment under capital lease was reflected in the equipment category

10. OWNERSHIP INTERESTS IN HEALTH-RELATED ACTIVITIES

Dignity Health has four significant ownership interests, as further described below, that are accounted for under the equity method and reflected in the accompanying balance sheet in ownership interests in health-related activities

- Dignity Health and Carondelet Health Network (currently a member of Ascension Health) entered into an affiliation agreement in June 1985 by which each affiliate made a 50% investment in Southwest Catholic Healthcare Network, dba Mercy Care Plan Mercy Care Plan operates a health plan for Arizona's Medicaid program, Arizona Health Care Cost Containment System
- Dignity Health and Scripps Health ("Scripps") entered into an affiliation agreement in August 1995 to enhance their mutual ability to serve the San Diego community Through the affiliation, Dignity Health transferred the sole voting membership of one of its subordinate corporations, Mercy Healthcare San Diego ("MHSD") to Scripps, along with the responsibility for its operation and governance MHSD's principal activity is the operation of a hospital and a network of clinics Pursuant to the affiliation agreement, among other things, Dignity Health obtained the right to 20% of the net proceeds, with certain restrictions, upon the liquidation of Scripps Twenty percent of the members of the Scripps Board of Directors are elected from nominees proposed by Dignity Health
- Dignity Health transferred and contributed to Phoenix Children's Hospital, Inc , ("PCH"), an Arizona nonprofit corporation, substantially all of the pediatric program services and related assets of its facility in Phoenix, Arizona in June 2011 Pursuant to the transaction, Dignity Health obtained 20% of the outstanding membership interests of PCH
- Dignity Health transferred and contributed to Optum360® certain equipment and the intellectual property related to its internal revenue cycle management functions for a 25%, noncontrolling minority interest in Optum360® The intent is that Optum360® will also provide revenue cycle management functions for other healthcare customers as further discussed in Notes 3 and 23

The following table summarizes the financial position and results of operations for the health-related organizations discussed above which are accounted for under the equity method, as of and for the 12 months ended June 30, 2014 and 2013 (in thousands)

	2014			
	Mercy Care Plan	Scripps Health	Phoenix Children's Hospital	Optum360®
Total assets	$ 332,244	$ 4,214,175	$ 1,171,545	$ 1,142,532
Total liabilities	153,846	1,328,191	791,847	114,925
Total net assets	178,398	2,885,984	379,698	1,027,607
Total revenues, net	1,799,800	2,714,162	682,236	323,614
Excess of revenues over expenses	42,284	333,189	55,790	8,427
Investment at June 30 recorded in ownership interests in health-related activities	89,199	533,878	56,819	235,928
Income recorded in revenue from health-related activities, net	$ 21,528	$ 70,949	$ 11,322	$ 2,107

	2013		
	Mercy Care Plan	Scripps Health	Phoenix Children's Hospital
Total assets	$ 351,924	$ 3,899,303	$ 1,108,949
Total liabilities	175,130	1,376,524	794,888
Total net assets	176,794	2,522,779	314,061
Total revenues, net	1,726,961	2,842,425	671,203
Excess of revenues over expenses	28,181	415,547	73,684
Investment at June 30 recorded in ownership interests in health-related activities	88,561	462,929	45,497
Income recorded in revenue from health-related activities, net	$ 14,254	$ 87,676	$ 13,537

Related to consolidated investments in health-related activities, Dignity Health recorded net changes in noncontrolling interests related to revenues, expenses, gains, and losses of $27 7 million and $27 3 million in excess of revenues over expenses attributable to noncontrolling interests in the consolidated statements of operations and changes in net assets for 2014 and 2013, respectively

11. GOODWILL

Goodwill is measured as of the effective date of a business combination as the excess of the aggregate of the fair value of consideration transferred over the fair value of the tangible and intangible assets acquired and liabilities assumed

Dignity Health performed its annual goodwill impairment test at September 30, 2013, for the USHW reporting unit and determined that the fair value of the reporting unit exceeded the carrying value The income and market approaches were used to determine fair value and the key assumptions used in the goodwill impairment analysis included projected results Significant changes in this and other assumptions could cause the assessed fair value of the reporting unit to be below its carrying value, and as a result, goodwill would be considered impaired The balance of goodwill for the USHW reporting unit is approximately $317 4 million as of June 30, 2014

The annual impairment test date for other goodwill, recorded primarily at consolidated investments in health-related activities, is March 31

The changes in the carrying amount of goodwill are as follows (in thousands)

	2014	2013
Balance at beginning of period	$ 486,773	$ 123,013
Addition from acquisitions	24,978	364,804
Goodwill impairment	(3,744)	-
Acquisition accounting adjustments	1,765	(1,044)
Balance at end of period	$ 509,772	$ 486,773

12. INTANGIBLE ASSETS, NET

Intangible assets reported in the consolidated balance sheets consist primarily of amounts for the trade name of USHW, customer relationships, developed technology, favorable leasehold interests, non-compete agreements, licensing fees, and management fee contracts related to certain business combinations accounted for under the acquisition method

Dignity Health performed its annual impairment test at September 30, 2013, for the trade name of USHW and determined that the fair value exceeded the carrying value The income approach was used to determine fair value and the key assumptions used in the impairment analysis included projected revenues and the royalty rate

Information related to intangible assets at June 30, 2014 and 2013, is as follows (in thousands)

	2014			
	Gross Carrying Amount	Accumulated Amortization	Net Balance at End of Period	Amortization period
Trademark	$ 152,700	$ -	$ 152,700	Indefinite
Customer relationships	57,600	(7,360)	50,240	15 years
Noncompete agreements	4,773	(1,093)	3,680	36-84 months
Other	31,028	(13,605)	17,423	36-84 months
	$ 246,101	$ (22,058)	$ 224,043	

	2013			
	Gross Carrying Amount	Accumulated Amortization	Net Balance at End of Period	Amortization period
Trademark	$ 152,700	$ -	$ 152,700	Indefinite
Customer relationship	57,600	(3,520)	54,080	15 years
Noncompete agreements	2,926	(168)	2,758	36-84 months
Other	28,404	(5,845)	22,559	36-84 months
	$ 241,630	$ (9,533)	$ 232,097	

The aggregate amount of amortization expense related to intangible assets subject to amortization is $11 2 million and $8 5 million for the years ended June 30, 2014 and 2013, respectively

Estimated amortization expense related to intangible assets subject to amortization for the next five years and thereafter is as follows (in thousands)

	Amortization of Intangible Assets
2015	$ 12,371
2016	10,440
2017	8,301
2018	5,201
2019	3,994
Thereafter	31,036
Total	$ 71,343

13. OTHER LONG-TERM ASSETS, NET

Other long-term assets, net, consist of the following at June 30, 2014 and 2013 (in thousands)

	2014	2013
Notes receivable, primarily secured	$ 30,023	$ 34,069
Deferred financing costs, net	28,719	33,378
Deferred tax asset	3,264	40,686
Other	54,835	44,367
Total other long-term assets, net	$ 116,841	$ 152,500

14. OTHER ACCRUED LIABILITIES

Other accrued liabilities, net, consist of the following at June 30, 2014 and 2013 (in thousands)

	2014	2013
Accrued interest expense	$ 67,736	$ 72,979
Provider fee and CHFT grant payables	25,804	106,394
Derivative liabilities	156,439	155,304
Due to government agencies	43,254	52,757
Accrued health insurance claims incurred but not reported	31,842	27,199
Construction retention and contracts payable	22,941	26,827
Other	234,847	120,176
Total other accrued liabilities	$ 582,863	$ 561,636

15. RETIREMENT PROGRAMS

Dignity Health maintains defined benefit pension plans and other postretirement benefit plans that cover most employees Benefits for both types of plans are generally based on age, years of service and employee compensation

The plans are actuarially evaluated and involve various assumptions These assumptions include the discount rate and the expected rate of return on plan assets (for pension), which are important elements of expense and liability measurement Other assumptions involve demographic factors such as retirement age, mortality, turnover and the rate of compensation increases Dignity Health evaluates assumptions annually and modifies them as appropriate Pension costs and other postretirement benefit costs are allocated over the service period of the employees in the plans The principle underlying this accounting is that employees render service ratably over the period and, therefore, the effects in the consolidated statements of operations and changes in net assets follow the same pattern

Contributions to the defined benefit pension plans are based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants Management believes these plans qualify under a church plan exemption, and as such are not subject to Employee Retirement Income Security Act ("ERISA") funding requirements Dignity Health's funding policy requires that, at a minimum, contributions equal the unfunded normal cost plus amortization of any unfunded actuarial accrued liability Contributions to these plans are anticipated at $204 0 million in 2015

Dignity Health amended pension provisions during 2014 resulting in a reduction to the benefit obligation as of June 30, 2014 and annual expense on an ongoing basis The most significant changes were a new pension formula for certain employees, including transition benefits for participants who meet the eligibility requirements, and making lump sum payments available in certain circumstances where they were previously

unavailable Dignity Health also amended pension provisions during 2013, resulting in a reduction in the benefit obligation as of June 30, 2013, and reduced annual expense on an ongoing basis The most significant changes included updating the actuarial equivalence definition and making lump sum payments available in other circumstances where they were previously unavailable

The accumulated benefit obligation exceeds plan assets for each of the defined benefit plans and postretirement benefit plans for the years ended June 30, 2014 and 2013 The following summarizes the benefit obligations and funded status for the defined benefit pension and postretirement benefit plans for 2014 and 2013 (in thousands)

	2014		2013	
	Pension Plans	Other Benefit Plans	Pension Plans	Other Benefit Plans
Change in benefit obligation.				
Benefit obligation at beginning of period	$ 3,742,989	$ 140,249	$ 3,723,951	$ 122,551
Service cost	208,938	7,236	224,225	6,287
Interest cost	191,696	6,819	183,816	6,412
Plan changes/amendments	(125,028)	-	(194,756)	6
Actuarial loss (gain)	313,731	10,200	(13,307)	12,211
Administrative expenses	(8,613)	-	(8,845)	-
Benefits paid	(129,587)	(8,014)	(172,095)	(7,218)
Benefit obligation at end of period	$ 4,194,126	$ 156,490	$ 3,742,989	$ 140,249
Accumulated benefit obligation	$ 3,948,291	$ 156,490	$ 3,533,520	$ 140,249
Change in plan assets				
Fair value of plan assets at beginning of period	$ 2,956,840	$ -	$ 2,440,136	$ -
Actual return on plan assets	526,239	-	372,042	-
Employer contributions	303,761	8,014	325,602	7,218
Benefits paid	(128,690)	(8,014)	(172,095)	(7,218)
Administrative expenses	(8,613)	-	(8,845)	-
Fair value of plan assets at end of period, net	$ 3,649,537	$ -	$ 2,956,840	$ -
Funded status	$ (544,589)	$ (156,490)	$ (786,149)	$ (140,249)

The following table summarizes the amounts recognized in unrestricted net assets as of June 30, 2014 and 2013 (in thousands)

	2014		2013	
	Pension Plans	Other Benefit Plans	Pension Plans	Other Benefit Plans
Net actuarial loss	$ 1,131,346	$ 28,444	$ 1,149,410	$ 19,007
Prior service cost (credit)	(422,331)	27,178	(337,352)	33,212
Amounts in unrestricted net assets	$ 709,015	$ 55,622	$ 812,058	$ 52,219

The estimated net loss and prior service credit for the pension plans and postretirement benefit plans that will be amortized from unrestricted net assets into net periodic benefit cost in 2015 are $60 3 million and $38 2 million, respectively

Current pension and other postretirement benefit liabilities reflect amounts expected to be funded in the following year The following table summarizes the amounts recognized in the consolidated balance sheets as of June 30, 2014 and 2013 (in thousands)

	2014		2013	
	Pension Plans	Other Benefit Plans	Pension Plans	Other Benefit Plans
Current liabilities	$ 206,047	$ 10,258	$ 305,660	$ 9,317
Long-term liabilities	338,542	146,232	480,489	130,932
Accrued benefit cost	$ 544,589	$ 156,490	$ 786,149	$ 140,249

The following table summarizes the weighted-average assumptions used to determine benefit obligations as of June 30, 2014 and 2013

	2014		2013	
	Pension Plans	Other Benefit Plans	Pension Plans	Other Benefit Plans
To determine benefit obligations				
Discount rate	4 75%	4 25%	5 25%	5 00%
Rate of compensation increase	4 00%	4 03%	4 04%	4 03%
To determine net periodic benefit cost				
Discount rate	5 25%	5 00%	5 00%	5 70%
Expected return on plan assets	8 00%	N/A	8 00%	N/A
Rate of compensation increase	4 04%	4 03%	4 13%	5 08%

The following table summarizes the components of net periodic cost recognized in the consolidated statements of operations and changes in net assets for 2014 and 2013 (in thousands)

	2014		2013	
	Pension Plans	Other Benefit Plans	Pension Plans	Other Benefit Plans
Service cost	$ 208,938	$ 7,236	$ 224,225	$ 6,287
Interest cost	191,696	6,819	183,816	6,412
Expected return on plan assets	(255,078)	-	(204,256)	-
Net prior service cost (credit) amortization	(40,049)	6,034	(16,530)	6,033
Net loss (gain) amortization	60,634	763	93,258	(467)
Net periodic benefit cost	$ 166,141	$ 20,852	$ 280,513	$ 18,265
Net periodic benefit cost, continuing operations	$ 165,804	$ 20,796	$ 279,938	$ 18,192

The following represents the fair value of plan assets, net, measured on a recurring basis as of June 30, 2014 and 2013 (in thousands) See Note 8 for the definition of Levels 1, 2 and 3 in the fair value hierarchy

	2014			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Balance at June 30, 2014**
Assets				
Cash and cash equivalents	$ 183,392	$ -	$ -	$ 183,392
U S government securities	199,868	4,957	-	204,825
U S corporate bonds	-	221,053	81,815	302,868
U S equity securities	1,079,867	214,169	-	1,294,036
Foreign government securities	-	4,058	-	4,058
Foreign corporate bonds	-	4,946	-	4,946
Foreign equity securities	460,700	403,275	-	863,975
Asset-backed securities	-	2,033	-	2,033
Structured debt	-	9,783	-	9,783
Private equity investments	-	-	176,606	176,606 00
Multi-strategy hedge fund investments	-	-	585,206	585,206
Real estate	11,099	-	20	11,119
Collateral held under securities lending program	-	96,082	-	96,082
Other, including due from brokers for unsettled investment trades and prepaid fund subscriptions	-	12,837	-	12,837
Total assets	$ 1,934,926	$ 973,193	$ 843,647	$ 3,751,766
Liabilities				
Payable under securities lending program	$ -	$ 96,082	$ -	$ 96,082
Other, including due to brokers for unsettled investment trades	-	6,147	-	6,147
Total liabilities	$ -	$ 102,229	$ -	$ 102,229
Fair value of plan assets, net	$ 1,934,926	$ 870,964	$ 843,647	$ 3,649,537

	2013			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance at June 30, 2013
Assets				
Cash and cash equivalents	$ 197,958	$ -	$ -	$ 197,958
U S government securities	142,060	4,993	-	147,053
U S corporate bonds	-	201,460	75,422	276,882
U S equity securities	994,625	290,421	-	1,285,046
Foreign government securities	-	2,866	-	2,866
Foreign corporate bonds	-	3,636	-	3,636
Foreign equity securities	484,099	4,592	-	488,691
Asset-backed securities	-	1,647	-	1,647
Structured debt	-	11,474	-	11,474
Private equity investments	-	-	137,658	137,658
Multi-strategy hedge fund investments	-	-	346,955	346,955
Real estate	6,625	-	49,684	56,309
Collateral held under securities lending program	-	103,930	-	103,930
Other, including due from brokers for unsettled investment trades and prepaid fund subscriptions	-	8,436	-	8,436
Total assets	$ 1,825,367	$ 633,455	$ 609,719	$ 3,068,541
Liabilities				
Payable under securities lending program	$ -	$ 103,930	$ -	$ 103,930
Other, including due to brokers for unsettled investment trades	-	7,771	-	7,771
Total liabilities	$ -	$ 111,701	$ -	$ 111,701
Fair value of plan assets, net	$ 1,825,367	$ 521,754	$ 609,719	$ 2,956,840

For information about the valuation techniques and inputs used to measure the fair value of plan assets, see discussion regarding fair value measurements in Note 8

The following represents changes in plan assets using significant unobservable inputs (Level 3) measured on a recurring basis in 2014 and 2013 (in thousands)

	2014				
	Private Equity Investments	Multi-Strategy Hedge Fund Investments	Real Estate	Debt Securities	Total
Balance at beginning of period	$ 137,658	$ 346,955	$ 49,684	$ 75,422	$ 609,719
Total realized gains, net	10,170	5,345	(36,359)	1,812	(19,032)
Total unrealized gains, net	27,112	29,367	41,410	3,623	101,512
Purchases	29,632	359,626	424	15,502	405,184
Sales	(27,966)	(156,087)	(55,139)	(14,544)	(253,736)
Balance at end of period	$ 176,606	$ 585,206	$ 20	$ 81,815	$ 843,647

	2013				
	Private Equity Investments	Multi-Strategy Hedge Fund Investments	Real Estate	Debt Securities	Total
Balance at beginning of period	$ 124,015	$ 309,961	$ 47,068	$ 47,605	$ 528,649
Total realized gains, net	277	9,625	96	-	9,998
Total unrealized gains (losses), net	(509)	36,893	3,349	11,695	51,428
Purchases	30,110	79,819	197	17,277	127,403
Sales	(16,235)	(89,343)	(1,026)	(1,155)	(107,759)
Balance at end of period	$ 137,658	$ 346,955	$ 49,684	$ 75,422	$ 609,719

The following table summarizes the weighted-average asset allocations by asset category for the pension plans for 2014 and 2013

	Plan Assets at June 30	
	2014	2013
Cash and cash equivalents	5%	7%
U S government securities	6%	5%
U S corporate bonds	9%	9%
U S equity securities	35%	43%
Foreign equity securities	24%	17%
Private equity investments	5%	5%
Multi-strategy hedge fund investments	16%	12%
Real estate	0%	2%
Total	100%	100%

The asset allocation policy for the pension plans for 2014 is as follows domestic fixed income, 20% (which may include U S government securities, U S corporate bonds, asset-backed securities and/or structured debt), domestic equity, 28% (including U S equity securities), international equity, 24% (including foreign equity securities), private equity, 12% (which may include private equity investments and/or structured debt), and hedge funds, 16% (which may include hedge fund investments, asset-backed securities and/or structured debt)

Dignity Health's investment strategy for the assets of the pension plans is designed to achieve returns to meet obligations and grow the assets of the portfolio longer term, consistent with a prudent level of risk. The strategy balances the liquidity needs of the pension plans with the long-term return goals necessary to satisfy future

obligations The target asset allocation is diversified across traditional and non-traditional asset classes Diversification is also achieved through participation in U S and non-U S markets, market capitalization, and investment manager style and philosophy The complimentary investment styles and approaches used by both traditional and alternative investment managers are aimed at reducing volatility while capturing the equity premium from the capital markets over the long term Risk tolerance is established through consideration of plan liabilities, plan funded status, and corporate financial condition Consistent with Dignity Health's fiduciary responsibilities, the fixed income allocation generally provides for security of principal to meet near term expenses and obligations Periodic reviews of the market values and corresponding asset allocation percentages are performed to determine whether a rebalancing of the portfolio is necessary

Dignity Health's pension plan portfolio return assumption of 8 0% for 2014 and 2013 was based on the long-term weighted average return of comparative market indices for the asset classes represented in the portfolio and discounted for pension plan expenses, and expectations about future returns

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in thousands)

	Pension Benefits	Other Benefits
2015	$ 151,068	$ 10,258
2016	164,612	11,476
2017	183,194	12,372
2018	200,071	12,873
2019	220,515	14,253
2020 - 2024	1,357,015	73,918
Total	$ 2,276,475	$ 135,150

Dignity Health maintains defined contribution retirement plans for most employees Employer contributions to those plans of $51 7 million and $49 5 million for 2014 and 2013, respectively, are primarily based on a percentage of a participant's contribution Total retirement and postretirement benefit expenses under all plans, including the defined contribution plans, was $250 7 million and $359 6 million for 2014 and 2013, respectively, and are included in salaries and benefits in the consolidated statements of operations and changes in net assets

16. DEBT

Debt consists of the following at June 30, 2014 and 2013 (in thousands)

	2014	2013
Under Master Trust Indenture		
Fixed rate debt		
Fixed rate revenue bonds payable in installments through 2042, interest at 3 0% to 6 25%	$ 2,321,054	$ 2,403,767
Put bonds payable in installments through 2027 with a 2015 mandatory purchase date, interest at 5 0%	49,900	195,970
Taxable bonds payable in equal installments in 2023 and 2043, interest at 3 13% to 4 5%	595,750	595,235
Senior secured notes payable in 2015 and 2018, interest at 6 09% and 6 5%, respectively	229,543	229,426
Total fixed rate debt	3,196,247	3,424,398
Variable rate debt		
Taxable direct placement loan payable in 2019, interest set at prevailing market rates (1 25% at June 30, 2014)	169,000	-
Variable rate demand bonds payable in installments through 2047, interest set at prevailing market rates (0 03% to 0 06% at June 30, 2014)	782,800	785,400
Auction rate certificates payable in installments through 2042, interest set at prevailing market rates (0 1% to 0 5% at June 30, 2014)	322,800	323,400
Notes payable to banks under credit agreement payable in 2019, interest set at prevailing market rates (0 95% at June 30, 2014)	406,163	341,796
Total variable rate debt	1,680,763	1,450,596
Total debt under Master Trust Indenture	4,877,010	4,874,994
Other		
Various notes payable and other debt payable in installments through 2042, interest ranging up to 8 0%	112,004	105,873
Capitalized lease obligations	54,257	70,762
Total debt	5,043,271	5,051,629
Less current portion of long-term debt	(229,264)	(129,112)
Less demand bonds subject to short-term liquidity arrangements, excluding current maturities	(776,400)	(782,800)
Total long-term debt	$ 4,037,607	$ 4,139,717

Scheduled principal debt payments, net of discounts and considering obligations subject to short-term liquidity arrangements as due according to their long-term amortization schedule, for the next five years and thereafter, are as follows (in thousands)

	Long-Term Debt Other Than Demand Bonds	Demand Bonds Subject to Short-Term Liquidity Arrangements	Total Long-Term Debt
2015	$ 222,864	$ 6,400	$ 229,264
2016	138,295	7,000	145,295
2017	112,228	7,600	119,828
2018	276,024	8,300	284,324
2019	680,054	9,000	689,054
Thereafter	2,831,006	744,500	3,575,506
Total	$ 4,260,471	$ 782,800	$ 5,043,271

Master Trust Indenture – Dignity Health issues debt under a Master Trust Indenture of the Obligated Group which requires, among other things, gross revenue pledged as collateral, certain limitations on additional indebtedness, liens on property and disposition or transfers of assets, and the maintenance of certain cash balances and other financial ratios Dignity Health is in compliance with these requirements at June 30, 2014

Debt Arrangements - **Fixed Rate Revenue Bonds** – Dignity Health has fixed rate revenue bonds outstanding that may be redeemed, in whole or in part, prior to the stated maturities without a premium

Put Bonds – Dignity Health issued bonds under multimodal interest rate documents, initially issued at a fixed rate for 10-year periods, with bond maturities that extended to 2027 Dignity Health legally defeased $145 1 million in June 2014 and the remaining $49 9 million in July 2014

Taxable Bonds and Senior Secured Notes Payable – Dignity Health has taxable bonds at a fixed interest rate that are due in 2023 and 2043 and taxable, senior secured notes outstanding at a fixed interest rate that are due at their stated maturity in 2015 and 2018 Early redemption of the debt, in whole or in part, may require a premium depending on market rates

Taxable Direct Placement Loan – Dignity Health has a taxable direct placement loan with a bank at a variable interest rate that resets monthly

Variable Rate Demand Bonds – Variable rate demand bonds ("VRDBs") are remarketed weekly and the VRDBs may be put at the option of the holders Dignity Health maintains bank letters of credit to support $782 8 million of VRDBs The letters of credit serve as credit enhancement to ensure the availability of funds to purchase any bonds tendered that the remarketing agent is unable to remarket

Letters of credit from four banks in amounts to support VRDBs of $57 0 million, $195 6 million, $140 4 million and $90 0 million mature in October 2015 The bank letter of credit supporting $58 8 million, $150 0 million, and $91 0 million of VRDBs are set to expire in July 2016, November 2016 and June 2017, respectively In the event that the remarketing agent is unable to remarket the VRDBs, the bond trustee will make a draw on the bank letters of credit and the tendered VRDBs will become bank bonds

Certain bank bonds are subject to various repayment provisions ranging from two to five years with further accelerations upon successful bond remarketing, early redemptions, bond cancellations, conversion to a different interest rate mode, defaults, substitution of letter of credit providers or under certain other conditions

VRDBs that are not remarketed and are subsequently funded by amounts drawn under the bank letters of credit and held as bank bonds are reported as extinguishments of debt and new borrowings, respectively, in the consolidated statements of cash flows Repayments of these draws from proceeds of remarketed VRDBs are reported as extinguishments of debt and new borrowings, respectively, in the consolidated statements of cash flows

Auction Rate Certificates – Dignity Health has $240 0 million of auction rate certificates ("ARCs") that are remarketed weekly and $82 8 million of ARCs that are remarketed every 35 days The certificates are insured by various bond insurers Holders of ARCs are required to hold the certificates until the remarketing agent can find a new buyer for any tendered certificates

Notes Payable to Banks Under Credit Agreement – In 2014, Dignity Health maintained a $680 0 million syndicated line of credit facility for working capital, letters of credit, capital expenditures and other general corporate purposes During 2014 and 2013, the maximum amount outstanding under the syndicated credit facility was $406 1 million and $474 0 million, respectively There were no letters of credit issued under this facility as of June 30, 2014 and 2013

Dignity Health also maintained a $35 0 million single-bank line of credit facility for standby letters of credit Letters of credit issued under this facility were $19 7 million and $18 8 million as of June 30, 2014 and 2013, respectively, but no amounts have been drawn

Both credit facilities are scheduled to expire in July 2018

2014 Financing Activity – In July 2013, Dignity Health renegotiated and increased the syndicated line of credit facility from $480 0 million to $680 0 million for working capital, letters of credit, capital expenditures and other general corporate purposes The balance of $307 5 million under the previous credit facility was repaid with proceeds from the renegotiated credit facility

Dignity Health also renegotiated the single bank line of credit facility for standby letters of credit This amount was increased from $20 0 million to $35 0 million

In September 2013, Dignity Health entered into a $169 0 million loan with a bank The proceeds were used to refinance outstanding draws on the syndicated line of credit The new loan matures in September 2018

In June 2014, $145 1 million in outstanding put bonds were legally defeased, and in July 2014, the remaining $49 9 million in put bonds were defeased, both financed by draws on the syndicated line of credit

In addition to activity noted above, Dignity Health drew $150 0 million in October 2013 and $75 0 million in February 2014 on its syndicated line of credit facility for general working capital purposes

Throughout 2014, $136 8 million was repaid on the credit facility in addition to the amounts discussed above

2013 Financing Activity – During 2013, Dignity Health drew $840 8 million on its syndicated line of credit facility, using $310 0 million as interim financing of a portion of the acquisition of USHW, $385 8 million to facilitate repurposing of its equipment loan pool program, and $145 0 million to refinance a maturing senior secured note At June 30, 2013, $360 6 million of these draws had been refinanced by taxable bonds and $302 4 million had been repaid from equipment loan pool proceeds

In September 2012, $42 1 million of outstanding bond obligations at Saint Mary's Regional Medical Center in Reno, Nevada, were legally defeased to the first call date, satisfying the remediation requirement pursuant to the sale of the hospital, and a loss on early extinguishment of debt of $8 0 million was recorded in discontinued operations

In October 2012, Dignity Health issued $600 0 million of taxable fixed rate bonds with a discount of $5 2 million, with repayments of $300 0 million to be made in November 2022 and 2042 A portion of the proceeds of the taxable debt were used to repay $360 6 million of outstanding syndicated line of credit facility draws, primarily related to the USHW acquisition

In October 2012, in conjunction with the replacement of the letters of credit supporting VRDBs, as discussed above, $373 8 million of bonds were tendered, of which $223 0 million of the bonds were subject to a mandatory tender and $150 8 million of the bonds were optionally tendered, the bonds were remarketed on the same day

In March 2013, USHW entered into two lines of credit aggregating to $50 0 million with a bank primarily to finance acquisitions and other corporate purposes Both credit facilities mature in February 2016 At June 30, 2013, $25 0 million drawn on one line of credit was outstanding The outstanding draws are included above in various notes payable and other debt payable

17. DERIVATIVE INSTRUMENTS

Dignity Health's derivative instruments include16 floating-to-fixed interest rate swaps as of June 30, 2014 and 2013, respectively Dignity Health uses floating-to-fixed interest rate swaps to manage interest rate risk associated with outstanding variable rate debt Under these swaps, Dignity Health receives a percentage of LIBOR ranging from 57 00% to 58 96% plus a spread ranging from 0 13% to 0 32% and pays a fixed rate Dignity Health's derivative instruments also include four fixed-to-floating risk participation agreements as of June 30, 2014 Dignity Health uses fixed-to-floating risk participation agreements to reduce interest expense associated with fixed rate debt Under these risk participation agreements, Dignity Health receives a fixed rate and pays a variable rate percentage of SIFMA plus a spread

In March 2013, Dignity Health novated swaps with notional amounts of $227 7 million from one counterparty to various counterparties These swaps have various termination provisions as described below Additionally, the option for the counterparty to exercise a put on $209 8 million of notional amount outstanding in May 2013 was extended to May 2015 with put options every two years thereafter

The following table shows the outstanding notional amount of derivative instruments measured at fair value, net of credit value adjustments, as reported in other accrued liabilities in the consolidated balance sheets as of June 30, 2014 and 2013 (in thousands)

	Maturity Date of Derivatives	Interest Rate	Notional Amount Outstanding	Fair Value
			June 30, 2014	
Derivatives not designated as hedges				
Interest rate swaps	2026 - 2042	3 2% - 3 4%	$ 940,450	$ (156,439)
Risk participation agreements	2017, with extension options	SIFMA plus spread	$ 215,000	$ -
			June 30, 2013	
Derivatives not designated as hedges				
Interest rate swaps	2026 - 2042	3 2% - 3 4%	$ 940,600	$ (155,304)
Risk participation agreements	2017, with extension options	SIFMA plus spread	$ 215,000	$ -

Changes in fair value of derivative instruments have been recorded for 2014 and 2013 as follows (in thousands)

	2014	2013
Loss reclassified from unrestricted net assets into interest expense, net, related to derivatives in cash flow hedging relationships		
Interest rate swaps - amortization	$ (2,683)	$ (2,683)
Gain (loss) recognized in interest expense, net		
Changes in fair value of non-hedged derivatives - interest rate swaps	(1,135)	72,748
Amortization of amounts in unrestricted net assets - interest rate swaps	(2,683)	(2,683)
Total	$ (3,818)	$ 70,065

Of the amounts classified in unrestricted net assets as of June 30, 2014, Dignity Health anticipates reclassifying approximately $2 7 million of additional non-cash losses from unrestricted net assets into interest expense, net, in the next twelve months Amounts in unrestricted net assets will be amortized into earnings as the interest payments being economically hedged are made

Of the $940 5 and $940 6 million notional amount of interest rate swaps held by Dignity Health at June 30, 2014 and 2013, respectively, $160 0 million are insured and have a negative fair value of $33 3 million and $31 9 million at June 30, 2014 and 2013, respectively In the event the insurer, Assured Guaranty, is downgraded below A2/A or A3/A- (Moody`s/Standard and Poor`s), the counterparties have the right to terminate the swaps if Dignity Health does not provide alternative credit support acceptable to them within 30 days of being notified of the downgrade If the insurer is downgraded below the thresholds noted above and Dignity Health is downgraded below Baa3/BBB- (Moody`s/Standard and Poor`s), the counterparties have the right to terminate the swaps

Dignity Health had $780 5 million and $780 6 million of interest rate swaps that are not insured as of June 30, 2014 and 2013, respectively While Dignity Health has the right to terminate the swaps prior to maturity for any reason, counterparties have various rights to terminate, including swaps in the outstanding notional amount of $100 0 million at each five-year anniversary date commencing in March 2018 and swaps in the notional amount of $209 8 million at each two-year anniversary commencing in May 2015 Swaps in the notional amount of $60 0 million and swaps in the notional amount of $67 7 million have mandatory puts in March 2021 and March 2023, respectively The termination value would be the fair market value or the replacement cost of the swaps, depending on the circumstances These interest rate swaps have a negative fair value of $70 7 million and $70 2 million at June 30, 2014 and 2013, respectively The remaining uninsured swaps in the notional amount of $343 0 million have a negative fair value of $52 4 million and $53 2 million as of June 30, 2014 and 2013, respectively The fair value of the risk participation agreements is deemed immaterial as of June 30, 2014 and 2013

All of the uninsured swaps and risk participation agreements have certain early termination triggers caused by an event of default or a termination event The events of default include failure to make payments when due, failure to give notice of a termination event, failure to comply with or perform obligations under the agreements, bankruptcy or insolvency, and defaults under other agreements (cross-default provision) The termination events include credit ratings dropping below Baa1/BBB+ (Moody`s/Standard & Poor`s) by either party on a notional amount of $529 8 million of swaps and below Baa2/BBB on a notional amount of $410 7 million and Dignity Health`s cash on hand dropping below 85 days

Dignity Health, under the terms of its Master Trust Indenture, is prohibited from posting collateral on derivative instruments

18. INTEREST EXPENSE, NET

The components of interest expense, net, include the following (in thousands)

	2014	2013
Interest and fees on debt and swap cash settlements	$ 216,306	$ 214,020
Market adjustment on swaps and amortization of amounts in unrestricted net assets	3,818	(70,065)
Total interest expense	220,124	143,955
Capitalized interest expense	(21,310)	(23,099)
Interest expense, net	$ 198,814	$ 120,856

19. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Restricted net assets as of June 30, 2014 and 2013, consist of donor-restricted contributions and grants, which are to be used as follows (in thousands)

	2014	2013
Equipment and expansion	$ 64,176	$ 75,747
Research and education	51,177	50,835
Charity and other	202,600	152,125
Total temporarily restricted net assets	$ 317,953	$ 278,707
Permanently restricted net assets	106,690	105,085
Total restricted net assets	$ 424,643	$ 383,792

The composition of endowment net assets by type of fund as of June 30, 2014 and 2013, is as follows (in thousands)

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment net assets	$ -	$ 37,998	$ 106,690	$ 144,688
Board-designated endowment net assets	19,524	-	-	19,524
Total endowment net assets	$ 19,524	$ 37,998	$ 106,690	$ 164,212

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment net assets	$ -	$ 29,882	$ 105,237	$ 135,119
Board-designated endowment net assets	17,744	-	-	17,744
Total endowment net assets	$ 17,744	$ 29,882	$ 105,237	$ 152,863

Changes in endowment net assets during 2014 and 2013 are as follows (in thousands)

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of period	$ 17,744	$ 29,882	$ 105,237	$ 152,863
Investment returns	597	5,333	59	5,989
Unrealized gains	1,337	2,691	12	4,040
Contributions	-	-	2,512	2,512
Change in interest in unconsolidated foundations	(154)	-	3	(151)
Appropriation of endowment assets for expenditure	-	(2,241)	-	(2,241)
Other	-	2,333	(1,133)	1,200
Endowment net assets, end of period	$ 19,524	$ 37,998	$ 106,690	$ 164,212

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of period	$ 15,698	$ 26,021	$ 104,873	$ 146,592
Investment returns	592	1,584	152	2,328
Unrealized gains	1,466	2,106	16	3,588
Contributions	-	998	(69)	929
Change in interest in unconsolidated foundations	-	-	551	551
Appropriation of endowment assets for expenditure	(42)	(709)	-	(751)
Transfers to remove or add to board-designated endowment funds	-	(1)	(20)	(21)
Other	30	(117)	(266)	(353)
Endowment net assets, end of period	$ 17,744	$ 29,882	$ 105,237	$ 152,863

Included in donor-restricted assets limited as to use are unconditional promises to give which are recorded using discount rates ranging from 3 0 % to 6 0% and are due as follows as of June 30, 2014 and 2013 (in thousands)

	2014	2013
Less than one year	$ 12,550	$ 8,597
One to five years	13,940	11,070
More than five years	61	82
Less allowance for uncollectible contributions receivable	(1,448)	(1,458)
Total contributions receivable, net	$ 25,103	$ 18,291

20. INVESTMENT INCOME, NET

Investment income, net, on assets limited as to use, cash equivalents, collateral held under securities lending program, notes receivable, and investments are comprised of the following (in thousands)

	2014	2013
Interest and dividend income	$ 92,684	$ 111,033
Net realized gains on sales of securities	343,910	232,834
Net unrealized gains on securities	275,769	211,007
Other, net of capitalized investment income	(26,737)	(26,904)
Investment income, net	$ 685,626	$ 527,970

21. SPECIAL CHARGES AND OTHER COSTS

Special charges and other costs consist of the following (in thousands)

	2014	2013
Estimated impairment on carrying value of long-lived assets	$ -	$ 8,000
Acquisition related costs	-	4,664
Restructuring costs for name and governance changes	554	2,137
Total special charges and other costs	$ 554	$ 14,801

An estimated impairment of the carrying value of assets reflects the estimated non-recoverability of the carrying value of the assets of a facility in California

Acquisition related costs relate to the acquisition of USHW

Expenses related to the name change to Dignity Health and governance restructuring announced in 2012 include legal and implementation costs

22. INCOME TAXES

As an exempt organization, Dignity Health is not subject to income taxes, however, certain subordinate corporations and subsidiaries are taxable entities With the acquisition of USHW in 2013 and the investment in Optum360° in 2014, income taxes are now more significant to the operations of Dignity Health as a whole than in prior years and as such, additional comparative disclosures have been added to the financial statements For Dignity Health's taxable entities, the components of income tax expense (benefit) consist of the following (in thousands)

	2014	2013
Current tax expense		
Federal	$ 823	$ 326
State	1,475	178
Total current	2,298	504
Deferred tax expense (benefit)		
Federal	50,432	(32,214)
State	8,039	615
Total deferred	58,471	(31,599)
Total income tax expense (benefit)	$ 60,769	$ (31,095)

A reconciliation between the amount of reported income tax expense (benefit) and the amount computed by multiplying income (loss) from continuing operations before income taxes by the statutory federal income tax rate is shown below

	2014	2013
Computed expected tax expense (benefit) at 35%	$ 52,251	$ (968)
State tax expense	6,014	658
Health insurer fee	747	-
Other permanent differences	152	968
Change in reserves	136	-
Change in valuation allowance	-	(37,851)
Other	1,469	6,098
Income tax expense (benefit)	$ 60,769	$ (31,095)

The components of deferred tax assets (liabilities) as of June 30, 2014 and 2013 consist of the following (in thousands)

	2014	2013
Assets		
Bad debt reserve	$ 5,243	$ 4,554
Deferred rent expense	2,014	1,795
Accrued compensation	2,713	1,948
Accrued workers' compensation	1,590	1,289
Capitalized transaction costs	1,531	1,481
Net operating losses	35,181	44,465
Incentive credits	1,828	1,365
Other deferred tax assets	3,952	2,078
Gross deferred tax assets	54,052	58,975
Valuation allowance	(1,932)	(1,833)
Net deferred tax assets	$ 52,120	$ 57,142
Liabilities		
Book to tax difference in intangible assets	$ 79,466	$ 80,880
Book to tax basis difference in partnerships	56,053	-
Other deferred tax liabilities	239	181
Deferred tax liabilties	$ 135,758	$ 81,061
Net deferred tax liabilities	$ 83,638	$ 23,919
Current deferred tax assets, net	$ 28,713	$ 16,233
Noncurrent deferred tax assets, net	$ 3,264	$ 40,686
Long-term deferred tax liabilities, net	$ 115,615	$ 80,838

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial reporting basis and the respective tax basis of the taxable entities' assets and liabilities, and expected benefits of utilizing net operating loss, capital loss, and tax-credit carryforwards The ultimate realization of deferred tax assets is dependent upon generating sufficient taxable income of the appropriate character within the carryback and carryforward periods available under the tax law Dignity Health considers the reversal of deferred tax liabilities, projected future taxable income of an appropriate nature, and tax-planning strategies in making this assessment Based on the level of historical taxable income and projections for future taxable income over the periods for which the deferred tax assets are deductible, Dignity Health believes that it is more likely than not that the benefits of these deductible differences, net of the existing valuation allowance, will be realized

Dignity Health's taxable entities did not have any material unrecognized income tax benefits as of June 30, 2014 or 2013 The taxable entities are subject to federal tax and various state taxes The taxable entities file on a calendar year basis and the tax years for December 31, 2013 and 2012 are subject to examination by the tax authorities

Income tax interest and penalties are recorded as income tax expense For the years ended June 30, 2014 and 2013, Dignity Health's taxable entities recorded an immaterial amount of interest or penalties as part of the provision for income taxes

23. COMMITMENTS, CONTINGENT LIABILITIES, GUARANTEES AND OTHER

***Litigation, Regulatory and Compliance Matters* - General** – The healthcare industry is subject to voluminous and complex laws and regulations of federal, state and local governments Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time These laws and regulations include, but are not necessarily limited to, the rules governing licensure, accreditation, controlled substances, privacy, government program participation, government reimbursement, antitrust, anti-kickback, prohibited referrals by physicians, false claims, and in the case of tax-exempt organizations, the requirements of tax exemption In recent years, government activity has increased with respect to investigations and allegations of wrongdoing In addition, during the course of business, Dignity Health becomes involved in civil litigation Management assesses the probable outcome of unresolved litigation and investigations and records contingent liabilities reflecting estimated liability exposure Following is a discussion of matters of note

U.S. Department of Justice and OIG Investigations – Dignity Health and/or its facilities periodically receive notices from governmental agencies, such as the U S Department of Justice or the Office of Inspector General ("OIG"), requesting information regarding billing, payment, or other reimbursement matters, or initiating investigations, or indicating the existence of whistleblower litigation The healthcare industry in general is experiencing an increase in these activities, as the federal government increases enforcement activities and institutes new programs designed to identify potential irregularities in reimbursement or quality of patient care Within this category of activities, Dignity Health has received and responded to a subpoena from the OIG with respect to reimbursement related to hospital inpatient stays Resolution of such matters can result in civil and/or criminal charges, cash payments and/or administrative measures by the entity subject to such investigations Based on the information received to date from the government, Dignity Health does not presently have information indicating that these current matters or their resolution will have a material effect on Dignity Health's financial statements, taken as a whole Nevertheless, there can be no assurance that the resolution of matters of these types will not affect the financial condition or operations of Dignity Health, taken as a whole

Medicare Certification – From time to time, Dignity Health and/or its facilities receive notices from CMS indicating that steps to terminate the provider agreements of certain hospital facilities will be taken unless specific corrective actions related to qualification for Medicare participation are undertaken The process of responding to these notices involves plan(s) of correction by the facility and resurvey by CMS or its designee Currently, Mercy Medical Center (Merced), Mark Twain Medical Center, and Mercy Medical Center Redding are in the process of addressing such notices While Dignity Health does not expect a loss of Medicare qualification by any of these facilities, there can be no assurance that the loss of Medicare qualification by a facility or facilities will not occur and have a material adverse effect on the financial condition or operations of Dignity Health, taken as a whole

Pension Plan Litigation – In April 2013, Dignity Health was served with a class action lawsuit filed in the United States District Court for the Northern District of California by a former employee alleging breaches of fiduciary duty and other claims under ERISA in connection with the Dignity Health Pension Plan ("DHPP") Among other things, the complaint alleges that, because Dignity Health is not a church or an association of churches, the DHPP does not qualify as a "church plan" The complaint also challenges the constitutionality of ERISA's church plan exemption Dignity Health and the sponsoring religious orders established the DHPP and determined that the DHPP was a church plan that should be exempt from ERISA, including ERISA's funding requirements, and received private letter rulings from the Internal Revenue Service that confirmed its church plan status The plaintiff seeks to represent a class comprised of participants and beneficiaries of the DHPP as of April 2013, when the complaint was filed On July 22, 2014, the Court ruled that the DHPP is not a church plan and, therefore, is not exempt from ERISA Dignity Health disagrees with the Court's conclusion, will continue to vigorously defend the class action lawsuit and will appeal the Court's ruling regarding the church plan status of the DHPP when first permitted to do so under the federal rules While Dignity Health believes that its position will prevail, there can be no assurance about the ultimate resolution of this matter and under certain circumstances, a negative, final, non-appealable ruling against Dignity Health may have a material adverse effect on the financial condition or operations of Dignity Health, taken as a whole

IRS Examinations of Certain Prior Bonds – In August 2014, the City of Henderson, Nevada (the "City") received letters from the IRS notifying it that the IRS had selected for examination and audit the City's Health

Facility Revenue Bonds Series 2005 A and B and the Health Facility Revenue Bond Series 2007 B issued for the benefit of Dignity Health The notifications stated that the IRS routinely examines municipal debt issuances to determine compliance with federal tax requirements While Dignity Health is cooperating fully in the examinations and has no reason to believe that the examinations will have an adverse effect on the tax-exempt status of the aforementioned bonds, on the tax-exempt status of Dignity Health or any other aspect of Dignity Health's operations, there can be no assurance that the resolution of the examinations will not adversely affect Dignity Health's financial position or results of operations, taken as a whole

Operating Leases – Dignity Health leases various equipment and facilities under operating leases Gross rental expense for 2014 and 2013 was $146 2 million and $136 7 million, respectively, which is offset by sublease income of $2 7 million and $1 5 million for 2014 and 2013, respectively These amounts are recorded in purchased services and other on the accompanying statements of operations and changes in net assets

Net future minimum lease payments under non-cancelable operating leases as of June 30, 2014, are as follows (in thousands)

	Lease Payments	Sublease Income	Net Future Minimum Lease Payments
2015	$ 94,905	$ (3,161)	$ 91,744
2016	77,610	(2,341)	75,269
2017	62,112	(2,240)	59,872
2018	49,454	(2,199)	47,255
2019	40,743	(2,041)	38,702
Thereafter	103,392	(22,549)	80,843
Total	$ 428,216	$ (34,531)	$ 393,685

Long-term Contracts and Agreements – Concurrent with the formation of Optum360° discussed in Note 3, Dignity Health entered into a Master Services Agreement ("MSA") with Optum360° for a 10-year term for the purchase of revenue cycle management services at a cost of approximately $225 0 million per year, subject to annual adjustments for inflation and achievement of certain performance levels, which reflects market terms The MSA is subject to significant penalties for cancellation without cause

In December 2007, Dignity Health entered into a development agreement with the Sequoia Healthcare District ("District") whereby the District relinquished all control over Sequoia Health Services ("SHS") and agreed to provide funding of $75 0 million toward the modernization, upgrading and seismic retrofitting of Sequoia Hospital In return for the funding commitment, the District is entitled to 50% of Sequoia Hospital's annual Operating Earnings Before Interest, Depreciation and Amortization ("EBIDA") exceeding a 9 3% annual Operating EBIDA Margin for 40 years Operating EBIDA is defined as operating income adjusted for certain excluded items Dignity Health committed to funding $150 0 million toward the construction project and approximately $15 0 million in additional funding was anticipated from philanthropic gifts If the construction does not conform to certain agreed-upon specifications or is not completed consistent with the terms of the development agreement related to project timing, the District has the right to require the return of its $75 0 million contribution The multi-phased construction project began in September 2007 and is expected to be substantially completed before the end of calendar 2014 Dignity Health's management expects to meet the required construction specifications and time requirements under the agreement with the District

Capital and Purchase Commitments – Dignity Health has undertaken various construction and expansion projects that may include certain capital commitment requirements and enters into various agreements that require certain minimum purchases of goods and services, such as information technology management services, clinical technology management services, environmental and nutrition services, laundry and linen services, office supplies, printing and copier services, and medical waste disposal services, at levels consistent with normal business requirements Excluding the capital and long-term contract commitments discussed above,

outstanding capital and purchase commitments were approximately $267.4 million and $404.4 million at June 30, 2014, respectively.

Guarantees – Dignity Health has guaranteed the indebtedness of other organizations, which indebtedness was outstanding in the amount of $10.0 million and $14.0 million as of June 30, 2014 and 2013, respectively.

Dignity Health enters into physician recruitment agreements with certain physicians who agree to relocate to its communities to fill a need in the hospitals' service areas and commit to remain in practice there. Under these agreements, Dignity Health makes loans available to the physicians that are earned over the period the physicians fulfill their commitment to the community, which is typically three years, or are repayable by the physicians. The maximum potential amount of future undiscounted payments Dignity Health could be required to make under these guarantees is $15.8 million and $15.6 million as of June 30, 2014 and 2013, respectively. Dignity Health recorded $11.8 million and $10.1 million in other current liabilities as of June 30, 2014 and 2013, respectively, and $4.9 million and $5.5 million in other long-term liabilities as of June 30, 2014 and 2013, respectively, related to these guarantees.

Seismic Standards – The State of California issued seismic safety standards in 1994 which have been amended on several occasions since then. The regulations call for more stringent structural building standards to be in place by January 2013 for buildings remaining in acute care service beyond that date, with a two-year extension in most circumstances upon meeting certain milestone dates, and further extension of the deadlines for achieving compliance in certain circumstances. California law currently imposes a separate more rigorous set of seismic standards that become effective in 2030 for acute care facilities.

Each of the acute care service buildings at Dignity Health's California facilities either (1) already meets the standards in effect until 2030, (2) is not subject to those standards, (3) will not be used for acute care services beyond the extended deadline, or (4) is scheduled to undergo remediation before applicable deadline dates. Management currently estimates that remaining remediation costs required for meeting the standards for projects specific to structural and non-structural performance in effect until 2030 is approximately $300.0 million. Management has initiated planning and design efforts at all facilities to meet the deadlines. Dignity Health may choose to withdraw selected buildings from acute care service rather than satisfy the seismic standards.

24. UNSPONSORED COMMUNITY BENEFIT EXPENSE (UNAUDITED)

Unsponsored community benefits are programs or activities that provide treatment and/or promote health and healing as a response to identified community needs. These benefits (a) generate a low or negative margin, (b) respond to the needs of special populations, such as persons living in poverty and other disenfranchised persons, (c) supply services or programs that would likely be discontinued, or would need to be provided by another nonprofit or government provider, if the decision was made on a purely financial basis, (d) respond to public health needs, and/or (e) involve education or research that improves overall community health.

Benefits for the Poor include services provided to persons who are economically poor or are medically indigent and cannot afford to pay for healthcare services because they have inadequate resources and/or are uninsured or underinsured.

Benefits for the Broader Community refer to persons in the general communities that Dignity Health serves, beyond and including those in a target population. Most services for the broader community are aimed at improving the health and welfare of the overall community. Such services include the interest rate differential on below market rate loans Dignity Health provides to nonprofit organizations that promote the total health of their local communities, including the development of affordable housing for low-income persons and families, increasing opportunities for jobs and job training, and expanding access to healthcare for uninsured and underinsured persons. As of June 30, 2014 and 2013, Dignity Health's community investment loan portfolio totaled $35.6 million and $33.6 million, respectively, which is included in other assets limited as to use.

Traditional Charity Care is free or discounted health services provided to persons who cannot afford to pay and who meet Dignity Health's criteria for financial assistance.

Net Community Benefit, excluding the unpaid cost of Medicare, is the total cost incurred after deducting direct offsetting revenue from government programs, patients, and other sources of payment or reimbursement for

services provided to program patients Including discontinued operations, the comparable amount of net community benefit was $1 1 billion for 2013, and Net Community Benefit including the unpaid cost of Medicare was $1 7 billion for 2013

Following is a summary of Dignity Health's community benefits for 2014, in terms of services to the poor and benefits for the broader community, which has been prepared in accordance with Internal Revenue Service Form 990, Schedule H and the CHA publication, *A Guide for Planning and Reporting Community Benefit* (dollars in thousands)

	Unaudited				
	Persons Served	Total Benefit Expense	Direct Offsetting Revenue	Net Community Benefit	% of Total Expenses
Benefits for the poor					
Traditional charity care	118,274	175,865	(148)	175,717	1 7%
Unpaid costs of Medicaid / Medi-Cal	1,182,999	2,409,271	(1,545,197)	864,074	8 3%
Other means-tested programs	269,323	76,974	(25,585)	51,389	0 5%
Community services					
Community health services	434,278	45,131	(6,009)	39,122	0 4%
Health professions education	54	24	-	24	0 0%
Subsidized health services	108,604	30,570	(3,103)	27,467	0 3%
Donations	128,428	20,120	(541)	19,579	0 2%
Community building activities	4,623	2,728	(1,220)	1,508	0 0%
Community benefit operations	2,886	7,145	(352)	6,793	0 1%
Total community services for the poor	678,873	105,718	(11,225)	94,493	1 0%
Total benefits for the poor	2,249,469	2,767,828	(1,582,155)	1,185,673	11 5%
Benefits for the broader community					
Community services					
Community health services	297,849	14,414	(1,252)	13,162	0 1%
Health professions education	37,567	72,809	(9,294)	63,515	0 6%
Subsidized health services	3,990	1,980	(1,209)	771	0 0%
Research	408	33,538	(10,380)	23,158	0 2%
Donations	31,034	9,425	(345)	9,080	0 1%
Community building activities	7,068	4,128	(412)	3,716	0 0%
Community benefit operations	21	1,110	-	1,110	0 0%
Total benefits for the broader community	377,937	137,404	(22,892)	114,512	1 1%
Total Community Benefits	2,627,406	$ 2,905,232	$ (1,605,047)	$ 1,300,185	12 6%
Unpaid costs of Medicare	1,032,864	2,823,107	(2,148,783)	674,324	6 5%
Total Community Benefits including unpaid costs of Medicare	3,660,270	$ 5,728,339	$ (3,753,830)	$ 1,974,509	19 1%

25. DIGNITY HEALTH, SUBORDINATE CORPORATIONS AND SUBSIDIARIES

Following is a list of subordinate corporations and subsidiaries that are included in the accompanying consolidated financial statements for 2014. Unless otherwise indicated, such entities are nonprofit corporations. The Obligated Group Members are denoted by an asterisk (*). Unless otherwise indicated, subsidiaries are not Obligated Group Members.

- Dignity Health*
  - Operating dba's of Dignity Health
    - Arroyo Grande Community Hospital
    - California Hospital Medical Center – Los Angeles
    - Chandler Regional Medical Center
    - Dominican Hospital
    - French Hospital Medical Center
    - Glendale Memorial Hospital and Health Center
    - Marian Medical Center West
    - Marian Regional Medical Center
    - Mercy General Hospital
    - Mercy Gilbert Medical Center
    - Mercy Hospital (Bakersfield)
    - Mercy Hospital of Folsom
    - Mercy Medical Center (Merced)
    - Mercy Medical Center Mt. Shasta
    - Mercy Medical Center Redding
    - Mercy San Juan Medical Center
    - Mercy Southwest Hospital
    - Methodist Hospital of Sacramento
    - Northridge Hospital Medical Center
    - Sequoia Hospital
    - St. Bernardine Medical Center
    - St. Elizabeth Community Hospital
    - St. John's Pleasant Valley Hospital
    - St. John's Regional Medical Center
    - St. Joseph's Behavioral Health Center
    - St. Joseph's Hospital and Medical Center
    - St. Joseph's Westgate Medical Center
    - St. Joseph's Medical Center of Stockton
    - St. Mary Medical Center
    - St. Mary's Medical Center
    - St. Rose Dominican Hospital Rose de Lima Campus
    - St. Rose Dominican Hospital San Martin Campus
    - St. Rose Dominican Hospital Siena Campus
    - Woodland Memorial Hospital
  - Dignity Health Hospital and Professional Liability Self-Insurance Trust (California trust)
  - Dignity Health Workers' Compensation Self-Insurance Trust (California trust)
  - Dignity Health Insurance Ltd. (Cayman Island corporation)
  - Bakersfield Memorial Hospital*
  - Dignity Health Medical Foundation*
  - Community Hospital of San Bernardino*
  - Mercy McMahon Terrace*
  - Saint Francis Memorial Hospital*
  - Sierra Nevada Memorial-Miners Hospital*
  - Arroyo Grande Community Hospital Foundation
  - California Hospital Medical Center Foundation
  - Community Hospital of San Bernardino Foundation
  - Dignity Health Foundation
  - Dignity Health Foundation East Valley
  - Dominican Hospital Foundation
  - French Hospital Medical Center Foundation
  - Glendale Memorial Health Foundation
  - Marian Regional Medical Center Foundation
  - Mercy Foundation, Bakersfield
  - Mercy Medical Center Merced Foundation
  - Northridge Hospital Foundation
  - St. Bernardine Medical Center Foundation
  - St. Francis Foundation of Santa Barbara
  - St. John's Healthcare Foundation (Oxnard and Pleasant Valley)
  - St. Joseph's Foundation (Phoenix)
  - St. Joseph's Foundation of San Joaquin
  - St. Mary Medical Center Foundation
  - St. Mary's Medical Center Foundation
  - St. Rose Dominican Health Foundation
  - The Congenital Heart Foundation
  - Arizona Care Network, LLC
  - CDS of Nevada, Inc. (for-profit)(Note 3)
  - CHMC Hope Street Family Center Property Management, LLC
  - DHRT Holdings, LLC
  - Dignity Health Holding Corporation (for-profit)
  - Dignity Health Medical Group Nevada, LLC
  - Dignity Health Nevada Imaging Company LLC
  - Dignity Health Purchasing Network, LLC
  - Dominican Health Services
  - Dominican Oaks Corporation
  - Glendale Memorial Services Corporation (for-profit)
  - Golden Umbrella
  - Inland Health Organization of Southern California (for-profit)
  - Management Services Organization of Santa Maria, Inc (for-profit)
  - Marian Health Services, Inc. (for-profit)
  - Mark Twain Medical Center
  - Pacific Central Coast Health Centers
  - Saint Mary's Healthfirst (for-profit)(Note3)
  - Saint Mary's Preferred Health Insurance Company, Inc (for-profit)(Note 3)
  - Sequoia Quality Care Network, LLC
  - Shasta Senior Nutrition Program
  - Southern California Integrated Care Network, LLC
  - St. Francis Foundation, LLC
  - St. John's Regional Imaging Center, LLC
  - St. Mary Catholic Housing Corporation
  - St. Mary Health Ventures, Inc. (for-profit)
  - St. Mary Professional Building, Inc.
  - St. Rose Quality Care Network, LLC
  - TrinityCare, LLC
  - TrinityCare Infusion Services (for-profit)
  - U.S. HealthWorks, Inc. (for-profit)
  - U.S. HealthWorks Holding Company, Inc. (for-profit)
  - USHW Holdings Corporation (for-profit)
  - USHW state subsidiaries (for-profit)

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