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CHANGE OF ACCOUNTING PERIOD

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.

▶ 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 10/01, 2013, and ending 06/30, 20 14

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

C Name of organization: HOAG MEMORIAL HOSPITAL PRESBYTERIAN

Doing Business As:

Number and street (or P O box if mail is not delivered to street address): ONE HOAG DRIVE, BOX 6100

Room/suite:

City or town, state or province, country, and ZIP or foreign postal code: NEWPORT BEACH, CA 92658-6100

D Employer identification number: 95-1643327

E Telephone number: (949) 764-4624

G Gross receipts $ 910,272,672.

F Name and address of principal officer: ROBERT BRAITHWAITE
ONE HOAG DRIVE NEWPORT BEACH, CA 92658-6100

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.HOAG.ORG

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

L Year of formation 1944 M State of legal domicile CA

Part I Summary

1 Briefly describe the organization's mission or most significant activities: OUR MISSION AS A NOT-FOR-PROFIT, FAITH-BASED HOSPITAL IS TO PROVIDE THE HIGHEST QUALITY HEALTH CARE SERVICES TO THE COMMUNITIES WE SERVE.

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	19.
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	11.
	5 Total number of individuals employed in calendar year 2013 (Part V, line 2a)	5	5,581.
	6 Total number of volunteers (estimate if necessary)	6	1,600.
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	2,438,834.
	b Net unrelated business taxable income from Form 990-T, line 34	7b	0

		Prior Year	Current Year
Revenue	8 Contributions and grants (Part VIII, line 1h)	27,150,246.	15,255,606.
	9 Program service revenue (Part VIII, line 2g)	819,803,004.	620,457,115.
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	29,170,024.	36,971,059.
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	36,594,478.	21,856,334.
	12 Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	912,717,752.	694,540,114.
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	7,373,264.	5,368,560.
	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)	375,338,238.	268,821,260.
	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)	441,947,125.	335,447,407.
	18 Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	824,658,627.	609,637,227.
	19 Revenue less expenses Subtract line 18 from line 12	88,059,125.	84,902,887.

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	20 Total assets (Part X, line 16)	2,392,484,752.	2,480,819,862.
	21 Total liabilities (Part X, line 26)	749,125,003.	692,482,634.
	22 Net assets or fund balances. Subtract line 21 from line 20	1,643,359,749.	1,788,337,228.

Part II Signature Block

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

Sign Here

▶ Signature of officer — Date: 5.12.2015

▶ Andrew R. Guarnieri SVP & 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
EVA NITTA	Eva Nitta	5/7/2015		P01286320

Firm's name ▶ ERNST & YOUNG U.S. LLP — Firm's EIN ▶ 34-6565596

Firm's address ▶ 4370 LA JOLLA VILLAGE DR, SUITE 500 SAN DIEGO, CA 92122 — Phone no. 858-535-7200

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

For Paperwork Reduction Act Notice, see the separate instructions. Form **990** (2013)

JSA
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32171V 2020

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Part III **Statement of Program Service Accomplishments**

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

1 Briefly describe the organization's mission:

OUR MISSION AS A NOT-FOR-PROFIT, FAITH-BASED HOSPITAL IS TO PROVIDE THE HIGHEST QUALITY HEALTH CARE SERVICES TO THE COMMUNITIES WE SERVE.

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 $ 369,045,642 including grants of $ 5,368,560) (Revenue $ 639,962,603.)

SEE SCHEDULE O

4b (Code:) (Expenses $ 0 including grants of $ 0) (Revenue $ 0)

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 ▶ 369,045,642.

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

Part IV Checklist of Required Schedules *(continued)*

			Yes	No
21	Did the organization report more than $5,000 of grants or other assistance to any domestic organization or government on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	21	X	
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	X	
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	X	
24 a	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		X
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		
25 a	**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		X
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		X
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payable to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? If so, complete Schedule L, Part II	26	X	
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		X
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		X
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28b	X	
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	X	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	29		X
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	30		X
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	31		X
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		X
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	X	
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	X	
35 a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	X	
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	X	
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		X
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		X
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	X	

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	617		
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		X	
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	5,581		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?	2b		X	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to *e-file* (see instructions)				
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?	3a		X	
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		X	
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			X
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			X
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			X
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			X
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			X
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			X
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			X
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f			X
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g			
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	**Section 501(c)(7) organizations.** Enter:				
a	Initiation fees and capital contributions included on Part VIII, line 12	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter:				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state?	13a			
	Note. See the instructions for additional information the organization must report on Schedule O.				
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			X
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O*	14b			

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

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

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 19 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 11			
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	X	
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		X
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4		X
5	Did the organization become aware during the year of a significant diversion of the organization's assets? . . .	5		X
6	Did the organization have members or stockholders?	6	X	
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	X	
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	X	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:			
a	The governing body?	8a	X	
b	Each committee with authority to act on behalf of the governing body?	8b	X	
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		X

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		X
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	X	
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	X	
b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	X	
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	X	
13	Did the organization have a written whistleblower policy?	13	X	
14	Did the organization have a written document retention and destruction policy?	14	X	
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		X
b	Other officers or key employees of the organization	15b	X	
	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	X	
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	X	

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

[X] Own website [ ] Another's website [X] 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: ▶ANDREW GUARNI ONE HOAG DRIVE, BOX 6100 NEWPORT BEACH, CA 92658-6100 949-764-4448

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(1) GARY S. MCKITTERICK	5.00									
CHAIR	2.00	X		X				0	0	0
(2) JOHN L. BENNER	4.00									
SECRETARY	0	X		X				0	0	0
(3) ROBERT W. EVANS	2.00									
BOARD MEMBER	0	X						0	0	0
(4) DENNIS J. GILMORE	2.00									
BOARD MEMBER	0	X						0	0	0
(5) DICK P. ALLEN	2.00									
BOARD MEMBER	0	X						0	0	0
(6) RAYMOND RICCI, MD	2.00									
BOARD MEMBER	0	X						0	0	0
(7) WESTON G. CHANDLER, MD	2.00									
BOARD MEMBER	0	X						0	0	0
(8) JAKE EASTON III	2.00									
BOARD MEMBER	0	X						20,327.	0	0
(9) MAX W. HAMPTON	2.00									
BOARD MEMBER	0	X						0	0	0
(10) JEFFREY H. MARGOLIS	2.00									
BOARD MEMBER	0	X						0	0	0
(11) MICHAEL D. STEPHENS	2.00									
BOARD MEMBER	0	X						0	0	0
(12) KAREN LINDEN	4.00									
CHAIR-ELECT	0	X		X				0	0	0
(13) VIRGINIA UEBERROTH	2.00									
BOARD MEMBER	0	X						0	0	0
(14) YULUN WANG, PHD	2.00									
BOARD MEMBER	0	X						0	0	0

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

(A) Name and title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(15) CYNTHIA STOKKE	2.00									
BOARD MEMBER	2.00	X						0	0	0
(16) GEORGE H. WOOD	2.00									
BOARD MEMBER	0	X						0	0	0
(17) DOUGLAS R. ZUSMAN, MD	2.00									
BOARD MEMBER	0	X						0	0	0
(18) PAMELA MASSEY	2.00									
BOARD MEMBER	0	X						0	0	0
(19) ROGER KIRWAN	2.00									
BOARD MEMBER	4.00	X						0	0	0
(20) ROBERT BRAITHWAITE	50.00									
PRESIDENT AND CEO	3.00			X				236,406.	660,948.	43,768.
(21) JENNIFER MITZNER	50.00									
SVP CORPORATE SERVICES & CFO	3.00			X				613,583.	0	66,033.
(22) JACK COX, MD	50.00									
SVP & CHIEF QUALITY OFFICER	0				X			585,897.	0	149,013.
(23) RICHARD MARTIN	50.00									
SVP & CHIEF NURSING OFFICER	3.00				X			533,315.	0	59,703.
(24) SANFORD SMITH	50.00									
SVP REAL ESTATE & FACILITIES	0				X			633,946.	0	78,640.
(25) TIMOTHY C.L. MOORE	50.00									
SVP & CHIEF INFO OFFICER	0				X			521,584.	0	84,842.
1b Sub-total ▶								20,327.	0	0
c Total from continuation sheets to Part VII, Section A ▶								9,833,518.	1,531,523.	894,179.
d Total (add lines 1b and 1c) ▶								9,853,845.	1,531,523.	894,179.

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 ▶ 650

		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	X	
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	X	
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		X

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
ATTACHMENT 1		

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 in compensation from the organization ▶ 106

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			
(26) CYNTHIA H. PERAZZO	50.00									
SVP STRATEGIC & BUSINESS DVPMT	0				X			485,820.	0	56,573.
(27) FLYNN ANDRIZZI	3.00									
SVP	50.00				X			451,410.	0	47,567.
(28) JAN BLUE	50.00									
SVP HUMAN RESOURCES	0				X			434,269.	0	34,335.
(29) KRIS IYER, M.D.	50.00									
SVP, CAO HTMS	0				X			369,788.	0	15,927.
(30) GWYN PARRY	50.00									
DIRECTOR OF COMMUNITY MEDICINE	0					X		319,620.	0	28,483.
(31) ROBERT DILLMAN, MD	50.00									
EXECUTIVE MEDICAL DIRECTOR	0					X		343,416.	0	42,377.
(32) MICHAEL BRANT-ZAWADZKI, MD	50.00									
EXECUTIVE MEDICAL DIRECTOR COE	0					X		494,580.	0	43,351.
(33) NINA ROBINSON	50.00									
VP MARKETING AND CORP COMM.	0					X		296,880.	0	22,586.
(34) TERRI CAMMARANO	50.00									
VP LEGAL	0					X		450,832.	0	43,285.
(35) RICHARD F. AFABLE M.D.	0									
FORMER PRES & CEO/BOARD MEMBER	57.00						X	3,062,172.	870,575.	77,696.
1b Sub-total ▶										
c Total from continuation sheets to Part VII, Section A ▶										
d Total (add lines 1b and 1c) ▶										

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 ▶ 650

		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	X	
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	X	
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		X

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation

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

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	13,121,206			
	e Government grants (contributions)	1e	2,134,400.			
	f All other contributions, gifts, grants, and similar amounts not included above	1f				
	g Noncash contributions included in lines 1a-1f $					
	h Total. Add lines 1a-1f		15,255,606			
Program Service Revenue		Business Code				
	2a PATIENT SERVICES	622110	533,180,054	533,180,054.		
	b HMO CAPITATION REVENUE	622100	64,404,895	64,404,895		
	c MOB RENTAL INCOME	531190	16,875,848	16,875,848		
	d CAFETERIA SALES	722514	2,798,255	2,798,255.		
	e REFUNDS & REBATES	532299	1,868,334.	1,868,334		
	f All other program service revenue		1,329,729.	1,329,729		
	g Total. Add lines 2a-2f		620,457,115			
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)		10,194,784			10,194,784
	4 Income from investment of tax-exempt bond proceeds		0			
	5 Royalties		41,106			41,106
		(i) Real	(ii) Personal			
	6a Gross rents					
	b Less: rental expenses					
	c Rental income or (loss)					
	d Net rental income or (loss)		0			
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory	241,221,756	1,287,077			
	b Less. cost or other basis and sales expenses	215,469,748	262,810			
	c Gain or (loss)	25,752,008	1,024,267			
	d Net gain or (loss)		26,776,275	1,188,810		25,587,465
	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 INCOME FROM PARTNERSHIPS	525990	12,559,448	12,719,704	-160,256.	
	b MISC-HOI SERVICES	900099	6,469,441	4,234,709	2,234,732	
	c CHILD CARE PROGRAM	624110	1,059,716			1,059,716.
	d All other revenue	561110	1,726,623	1,362,265.	364,358.	
	e Total. Add lines 11a-11d		21,815,228			
	12 Total revenue. See instructions		694,540,114	639,962,603	2,438,834	36,883,071

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 X

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	5,358,083.	5,358,083.		
2 Grants and other assistance to individuals in the United States See Part IV, line 22	10,477.	10,477.		
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	6,576,763.	740,331.	5,836,432.	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	81,168.	81,168.		
7 Other salaries and wages	208,384,648.	140,468,396.	67,916,252.	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	11,163,174.	2,499,684.	8,663,490.	
9 Other employee benefits	27,639,074.	14,953,016.	12,686,058.	
10 Payroll taxes	14,976,433.	10,158,820.	4,817,613.	
11 Fees for services (non-employees):				
a Management	0			
b Legal	2,634,270.		2,634,270.	
c Accounting	0			
d Lobbying	0			
e Professional fundraising services See Part IV, line 17	0			
f Investment management fees	3,828,025.		3,828,025.	
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	92,927,586.	46,483,362.	46,444,224.	
12 Advertising and promotion	748,334.	24,695.	723,639.	
13 Office expenses	7,202,365.	1,132,447.	6,069,918.	
14 Information technology	6,597,719.	120,271.	6,477,448.	
15 Royalties	0			
16 Occupancy	31,996,690.	13,126,518.	18,870,172.	
17 Travel	116,651.	28,083.	88,568.	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19 Conferences, conventions, and meetings	335,089.	90,744.	244,345.	
20 Interest	13,656,994.	13,520,424.	136,570.	
21 Payments to affiliates	0			
22 Depreciation, depletion, and amortization	57,149,218.	17,542,091.	39,607,127.	
23 Insurance	2,846,624.	1,944,379.	902,245.	
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	79,092,969.	78,411,262.	681,707.	
b QA CA HOSPITAL FEE	19,007,267.	19,007,267.		
c COMMUNITY PROGRAM EXPENSE	5,400,000.		5,400,000.	
d LICENSES AND TAXES	2,960,850.		2,960,850.	
e All other expenses	8,946,756.	3,344,124.	5,602,632.	
25 **Total functional expenses.** Add lines 1 through 24e	609,637,227.	369,045,642.	240,591,585.	
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)	0			

Part X Balance Sheet

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

				(A) Beginning of year		(B) End of year
Assets	1	Cash - non-interest-bearing		93,536,365.	1	108,064,391.
	2	Savings and temporary cash investments		133,926,782.	2	139,196,813.
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		76,040,407.	4	79,734,170.
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L		1,500,000.	5	1,500,000.
	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		337,854.	7	1,194,898.
	8	Inventories for sale or use		6,110,396.	8	5,531,211.
	9	Prepaid expenses and deferred charges		22,745,236.	9	12,711,459.
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 1537493280.			
	b	Less: accumulated depreciation	10b 665,983,960.	870,885,037.	10c	871,509,320.
	11	Investments - publicly traded securities		1,064,476,173.	11	453,954,807.
	12	Investments - other securities. See Part IV, line 11		0	12	708,780,977.
	13	Investments - program-related. See Part IV, line 11		54,944,295.	13	55,870,739.
	14	Intangible assets		0	14	0
	15	Other assets. See Part IV, line 11		67,982,207.	15	42,771,077.
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		2,392,484,752.	16	2,480,819,862.
Liabilities	17	Accounts payable and accrued expenses		137,439,045.	17	99,910,336.
	18	Grants payable		0	18	0
	19	Deferred revenue		7,839,880.	19	1,636,092.
	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		603,846,078.	25	590,936,206.
	26	**Total liabilities.** Add lines 17 through 25		749,125,003.	26	692,482,634.
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ [X] and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		1,643,207,104.	27	1,788,326,510.
	28	Temporarily restricted net assets		152,645.	28	10,718.
	29	Permanently restricted net assets		0	29	0
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ [ ] and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building, or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		1,643,359,749.	33	1,788,337,228.
	34	Total liabilities and net assets/fund balances		2,392,484,752.	34	2,480,819,862.

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	694,540,114.
2	Total expenses (must equal Part IX, column (A), line 25)	2	609,637,227.
3	Revenue less expenses. Subtract line 2 from line 1	3	84,902,887.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	1,643,359,749.
5	Net unrealized gains (losses) on investments	5	68,182,243.
6	Donated services and use of facilities	6	0
7	Investment expenses	7	0
8	Prior period adjustments	8	0
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-8,107,651.
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	1,788,337,228.

Part XII Financial Statements and Reporting

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

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

SCHEDULE A (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization	Employer identification number
HOAG MEMORIAL HOSPITAL PRESBYTERIAN	95-1643327

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	
(A)									
(B)									
(C)									
(D)									
(E)									
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 section 501(c)(3) organization, check this box and **stop here** . . . . . ▶ ☐

Section C. Computation of Public Support Percentage

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

15 Public support percentage from 2012 Schedule A, Part II, line 14 . . . . . 15 %

16a **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 section 501(c)(3) organization, check this box and **stop here** ▶ ☐

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

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

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

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

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

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).

SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

▶ Attach to Form 990.

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization

HOAG MEMORIAL HOSPITAL PRESBYTERIAN

Employer identification number

95-1643327

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)
☐ Protection of natural habitat
☐ Preservation of open space
☐ Preservation of an historically important land area
☐ Preservation of a certified historic structure

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b Assets included in Form 990, Part X ▶$

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		77,330,825.		77,330,825.
b Buildings		878,066,800.	302,182,666.	575,884,134.
c Leasehold improvements		108,375,563.	33,604,774.	74,770,789.
d Equipment		456,501,672.	330,196,520.	126,305,152.
e Other		17,218,420.		17,218,420.
Total. Add lines 1a through 1e. *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				871,509,320.

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) US GOVT AGENCY & TREAS NOTES	33,328,078.	FMV
(B) DEBT SECURITIES	95,584,755.	FMV
(C) EQUITY SECURITIES	483,704.	FMV
(D) EQUITY COMINGLED FUNDS	237,449,865.	FMV
(E) HEDGE FUNDS	229,517,932.	FMV
(F) PRIVATE EQUITY	56,301,990.	FMV
(G) REAL ASSETS	56,114,653.	FMV
(H)		
Total. *(Column (b) must equal Form 990, Part X, col (B) line 12.)* ▶	708,780,977.	

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

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

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

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

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

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	
(2) INTERCO. WITH HEALTH SYSTEM-BONDS	539,763,273.
(3) MEDICAL COST REPORTS	1,336,194.
(4) LEASE INCENTIVE OBLIGATION-IRVINE	13,187,546.
(5) ARO LIABILITY	1,552,563.
(6) ACCRUED INCOME GUARANTEES	4,232,535.
(7) ACCRUED MALPRACTICE LIABILITY	10,578,001.
(8) ACCRUED CAPITATION LIABILITY	18,593,845.
(9) DUE TO ST. JOSEPH HEALTH SYSTEM	1,692,249.
Total. *(Column (b) must equal Form 990, Part X, col. (B) line 25.)* ▶	590,936,206.

[redacted]

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 [X]

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

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

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

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

Part XIII Supplemental Information.

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

SEE PAGE 5

Part XIII Supplemental Information *(continued)*

SCHEDULE D, PART X, LINE 2

FIN 48 (ASC 740) FOOTNOTE

ACCOUNTING STANDARDS CODIFICATION (ASC) 740, INCOME TAXES, CLARIFIES THE ACCOUNTING FOR INCOME TAXES BY PRESCRIBING A MINIMUM RECOGNITION THRESHOLD THAT A TAX POSITION IS REQUIRED TO MEET BEFORE BEING RECOGNIZED IN THE FINANCIAL STATEMENTS. ASC 740 ALSO PROVIDES GUIDANCE ON DERECOGNITION, MEASUREMENT, CLASSIFICATION, INTEREST AND PENALTIES, DISCLOSURE, AND TRANSITION. THE GUIDANCE IS APPLICABLE TO PASS-THROUGH ENTITIES AND TAX EXEMPT ORGANIZATIONS. NO SIGNIFICANT TAX LIABILITY FOR TAX BENEFITS, INTEREST OR PENALTIES WAS ACCRUED AT JUNE 30, 2014 OR 2013.

SCHEDULE F (Form 990)

Department of the Treasury
Internal Revenue Service

Statement of Activities Outside the United States

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 14b, 15, or 16.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule F (Form 990) and its instructions is at *www.irs.gov/form990.*

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization

HOAG MEMORIAL HOSPITAL PRESBYTERIAN

Employer identification number

95-1643327

Part I **General Information on Activities Outside the United States.** Complete if the organization answered "Yes" on Form 990, Part IV, line 14b.

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

2 **For grantmakers.** Describe in Part V the organization's procedures for monitoring the use of its grants and other assistance outside the United States

3 Activities per Region. (The following Part I, line 3 table can be duplicated if additional space is needed.)

(a) Region	(b) Number of offices in the region	(c) Number of employees, agents, and independent contractors in region	(d) Activities conducted in region (by type) (e g , fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures for and investments in region
(1) CENTRAL AMERICA/CARIBBEAN			INVESTMENTS		283,592,676
(2) EAST ASIA AND THE PACIFIC			INVESTMENTS		830,863
(3) EUROPE			INVESTMENTS		27,067,581
(4) NORTH AMERICA			INVESTMENTS		4,257,128
(5)					
(6)					
(7)					
(8)					
(9)					
(10)					
(11)					
(12)					
(13)					
(14)					
(15)					
(16)					
(17)					
3a Sub-total					315,748,248.
b Total from continuation sheets to Part I					
c **Totals** (add lines 3a and 3b)					315,748,248

Part II **Grants and Other Assistance to Organizations or Entities Outside the United States.** Complete if the organization answered "Yes" on Form 990, Part IV, line 15, for any recipient who received more than $5,000. Part II can be duplicated if additional space is needed.

1	(a) Name of organization	(b) IRS code section and EIN (if applicable)	(c) Region	(d) Purpose of grant	(e) Amount of cash grant	(f) Manner of cash disbursement	(g) Amount of non-cash assistance	(h) Description of non-cash assistance	(i) Method of valuation (book, FMV, appraisal, other)
(1)									
(2)									
(3)									
(4)									
(5)									
(6)									
(7)									
(8)									
(9)									
(10)									
(11)									
(12)									
(13)									
(14)									
(15)									
(16)									

2 Enter total number of recipient organizations listed above that are recognized as charities by the foreign country, recognized as tax-exempt by the IRS, or for which the grantee or counsel has provided a section 501(c)(3) equivalency letter. . . . . ▶

3 Enter total number of other organizations or entities . . . . . ▶

Part III **Grants and Other Assistance to Individuals Outside the United States.** Complete if the organization answered "Yes" on Form 990, Part IV, line 16. Part III can be duplicated if additional space is needed.

	(a) Type of grant or assistance	(b) Region	(c) Number of recipients	(d) Amount of cash grant	(e) Manner of cash disbursement	(f) Amount of non-cash assistance	(g) Description of non-cash assistance	(h) Method of valuation (book, FMV, appraisal, other)
(1)								
(2)								
(3)								
(4)								
(5)								
(6)								
(7)								
(8)								
(9)								
(10)								
(11)								
(12)								
(13)								
(14)								
(15)								
(16)								
(17)								
(18)								

Part IV Foreign Forms

1	Was the organization a U S. transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926, Return by a U S Transferor of Property to a Foreign Corporation (see Instructions for Form 926)*	[X] Yes	[ ] No
2	Did the organization have an interest in a foreign trust during the tax year? *If "Yes," the organization may be required to file Form 3520, Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts, and/or Form 3520-A, Annual Information Return of Foreign Trust With a U S Owner (see Instructions for Forms 3520 and 3520-A)*	[ ] Yes	[X] No
3	Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U S Persons With Respect To Certain Foreign Corporations (see Instructions for Form 5471)*	[X] Yes	[ ] No
4	Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund (see Instructions for Form 8621)*	[X] Yes	[ ] No
5	Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U S Persons With Respect To Certain Foreign Partnerships (see Instructions for Form 8865)*	[X] Yes	[ ] No
6	Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see Instructions for Form 5713)*	[ ] Yes	[X] No

Part V Supplemental Information

Complete this part to provide the information required by Part I, line 2 (monitoring of funds), Part I, line 3, column (f) (accounting method; amounts of investments vs expenditures per region); Part II, line 1 (accounting method); Part III (accounting method); and Part III, column (c) (estimated number of recipients), as applicable. Also complete this part to provide any additional information (see instructions).

SCHEDULE F, PART I, LINE 3, COLUMN F

ACCOUNTING METHOD

THE AMOUNTS REPORTED IN PART I, LINE 3, COLUMN F REPRESENT THE MARKET VALUES OF THE INVESTMENTS IN THE IDENTIFIED REGIONS AS OF THE ORGANIZATION'S FISCAL YEAR ENDED JUNE 30, 2014.

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: HOAG MEMORIAL HOSPITAL PRESBYTERIAN

Employer identification number: 95-1643327

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	X	
b	If "Yes," was it a written policy?	X	
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. [X] Applied uniformly to all hospital facilities [ ] Applied uniformly to most hospital facilities [ ] Generally tailored to individual hospital facilities		
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year.		
a	Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care: [ ] 100% [ ] 150% [X] 200% [ ] Other _____ %	X	
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care: [ ] 200% [ ] 250% [ ] 300% [ ] 350% [X] 400% [ ] Other _____ %	X	
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"?	X	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	X	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?		X
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?		
6a	Did the organization prepare a community benefit report during the tax year?	X	
b	If "Yes," did the organization make it available to the public?	X	

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)			4,177,306.		4,177,306.	.65
b Medicaid (from Worksheet 3, column a)			34,776,991.	17,928,106.	16,848,885.	2.63
c Costs of other means-tested government programs (from Worksheet 3, column b)			6,402,385.	706,141.	5,696,244.	.89
d Total Financial Assistance and Means-Tested Government Programs			45,356,682.	18,634,247.	26,722,435.	4.17
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			6,326,193.		6,326,193.	.99
f Health professions education (from Worksheet 5)			368,950.		368,950.	.06
g Subsidized health services (from Worksheet 6)			412,808.		412,808.	.06
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			1,411,424.		1,411,424.	.22
j Total. Other Benefits			8,519,375.		8,519,375.	1.33
k Total. Add lines 7d and 7j			53,876,057.	18,634,247.	35,241,810.	5.50

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support			82,077.		82,077.	.01
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy			10,000.		10,000.	
8 Workforce development						
9 Other						
10 Total			92,077.		92,077.	.01

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

Section A. Bad Debt Expense

			Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1		X
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 13,300,000.		
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		
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)	5 105,265,949.		
6	Enter Medicare allowable costs of care relating to payments on line 5	6 160,308,695.		
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7 -55,042,746.		
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		X
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI	9b		

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

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1	HOAG ORTHO. INST.	SPECIALTY HOSPITAL	51.00000		49.00000
2	MAIN ST SPEC SURGERY	OUTPATIENT SURGERY CENTER	42.36000		14.66000
3	HOAG OUTPATIENT CTR	ENDOSCOPY CENTER	25.63000		74.37000
4	NWPT BCH RADIOSRGRY	SURGERY CENTER	50.00000		50.00000
5	NWPT SURGICAL PRTNS	SURGERY CENTER	15.00000		60.00000
6	NWPT BCH ENDOSCOPY	ENDOSCOPY CENTER	25.63000		74.37000
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

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

How many hospital facilities did the organization operate during the tax year? 2

Name, address, primary website address, and state license number	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (describe)	Facility reporting group
1 HOAG MEMORIAL HOSPITAL PRESBYTERIAN ONE HOAG DRIVE, BOX 6100 NEWPORT BEACH CA 92658 WWW.HOAG.ORG C0194920	X	X			X		X			
2 HOAG ORTHOPEDIC INSTITUTE 1250 SAND CANYON AVE. IRVINE CA 92618 HTTP://ORTHOPEDICHOSPITAL.COM/ 200835010044	X								ORTHOPEDIC HOSPITAL	
3										
4										
5										
6										
7										
8										
9										
10										

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group HOAG MEMORIAL HOSPITAL PRESBYTERIAN

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

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

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 HOAG ORTHOPEDIC INSTITUTE

If reporting on Part V, Section B for a single hospital facility only: line number of hospital facility (from Schedule H, Part V, Section A) 2

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

		Yes	No
	Did the hospital facility have in place during the tax year a written financial assistance policy that:		
9	Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9 X	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	10 X	
	If "Yes," indicate the FPG family income limit for eligibility for free care: 200 %		
	If "No," explain in Section C the criteria the hospital facility used.		
11	Used FPG to determine eligibility for providing *discounted* care?	11 X	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care: 400 %		
	If "No," explain in Section C the criteria the hospital facility used.		
12	Explained the basis for calculating amounts charged to patients?	12 X	
	If "Yes," indicate the factors used in determining such amounts (check all that apply):		
a	[X] Income level		
b	[X] Asset level		
c	[X] Medical indigency		
d	[ ] Insurance status		
e	[ ] Uninsured discount		
f	[X] Medicaid/Medicare		
g	[X] State regulation		
h	[X] Residency		
i	[X] Other (describe in Section C)		
13	Explained the method for applying for financial assistance?	13 X	
14	Included measures to publicize the policy within the community served by the hospital facility?	14 X	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply).		
a	[X] 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	[X] The policy was available on request		
g	[X] Other (describe in Section C)		
Billing and Collections			
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	15 X	
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	X
	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)*

Financial Assistance Policy HOAG ORTHOPEDIC INSTITUTE

		Yes	No
	Did the hospital facility have in place during the tax year a written financial assistance policy that:		
9	Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	X	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	X	
	If "Yes," indicate the FPG family income limit for eligibility for free care: 200 %		
	If "No," explain in Section C the criteria the hospital facility used		
11	Used FPG to determine eligibility for providing *discounted* care?	X	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care: 400 %		
	If "No," explain in Section C the criteria the hospital facility used.		
12	Explained the basis for calculating amounts charged to patients?	X	
	If "Yes," indicate the factors used in determining such amounts (check all that apply):		
a	[X] Income level		
b	[X] Asset level		
c	[X] Medical indigency		
d	[ ] Insurance status		
e	[ ] Uninsured discount		
f	[X] Medicaid/Medicare		
g	[X] State regulation		
h	[X] Residency		
i	[X] Other (describe in Section C)		
13	Explained the method for applying for financial assistance?	X	
14	Included measures to publicize the policy within the community served by the hospital facility?	X	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply):		
a	[X] 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	[X] The policy was available on request		
g	[X] Other (describe in Section C)		

Billing and Collections

15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	X	
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?		X
	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)* HOAG MEMORIAL HOSPITAL PRESBYTERIAN

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

If "No," indicate why:

- a [ ] The hospital facility did not provide care for any emergency medical conditions
- b [ ] The hospital facility's policy was not in writing
- c [ ] The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Section C)
- d [ ] Other (describe in Section C)

Changes 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 [X] The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d [ ] Other (describe in Section C)

21	During the tax year, did the hospital facility charge any FAP-eligible individual to whom the hospital facility provided emergency or other medically necessary services more than the amounts generally billed to individuals who had insurance covering such care?	21		X
	If "Yes," explain in Section C.			
22	During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual?	22		X
	If "Yes," explain in Section C.			

Part V Facility Information *(continued)* HOAG ORTHOPEDIC INSTITUTE

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 [X] Notified individuals of the financial assistance policy in communications with the individuals regarding the individuals' bills
- d [X] 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?		X

If "No," indicate why:

- a [X] The hospital facility did not provide care for any emergency medical conditions
- b [ ] The hospital facility's policy was not in writing
- c [ ] The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Section C)
- d [ ] Other (describe in Section C)

Changes 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 [X] The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d [ ] Other (describe in Section C)

21	During the tax year, did the hospital facility charge any FAP-eligible individual to whom the hospital facility provided emergency or other medically necessary services more than the amounts generally billed to individuals who had insurance covering such care? If "Yes," explain in Section C.		X
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? If "Yes," explain in Section C.		X

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.

SCHEDULE H, PART V, LINE 1

FACILITY 2

HOAG ORTHOPEDIC INSTITUTE IS OPERATED BY THE JOINT VENTURE ORTHOPEDIC INSTITUTE, NOT THE EXEMPT ORGANIZATION UNDER OUR INTERPRETATION OF THE STATUTE.

SCHEDULE H, PART V, LINE 3

INPUT FROM COMMUNITY REPRESENTATIVES

FACILITY 1

AS PART OF THIS COMMUNITY HEALTH NEEDS ASSESSMENT, TWO FOCUS GROUPS WERE HELD ON JUNE 13, 2013. PARTICIPANTS INCLUDED: PHYSICIANS, A PUBLIC HEALTH REPRESENTATIVE, OTHER HEALTH PROFESSIONALS, SOCIAL SERVICE PROVIDERS, BUSINESS LEADERS AND OTHER COMMUNITY LEADERS. HOAG RECRUITED THE PARTICIPANTS FOR THE FOCUS GROUPS. POTENTIAL PARTICIPANTS WERE CHOSEN BECAUSE OF THEIR ABILITY TO IDENTIFY PRIMARY CONCERNS OF THE POPULATIONS WITH WHOM THEY WORK, AS WELL AS OF THE COMMUNITY OVERALL. FINAL PARTICIPATION INCLUDED REPRESENTATIVES OF 20 LOCAL ORGANIZATIONS. THROUGH THIS PROCESS, INPUT WAS GATHERED FROM A REPRESENTATIVE OF PUBLIC HEALTH, AS WELL AS SEVERAL INDIVIDUALS WHOSE ORGANIZATIONS WORK WITH LOW-INCOME, MINORITY (INCLUDING HISPANIC, ASIAN AMERICANS, AND UNDOCUMENTED RESIDENTS), REFUGEES FROM AFRICA AND THE MIDDLE EAST, AND OTHER MEDICALLY UNDERSERVED POPULATIONS (SPECIFICALLY, CHILDREN AND COLLEGE AGE ADOLESCENTS, ELDERLY, DISABLED, THE UNINSURED/UNDERINSURED, AND MEDI-CAL RECIPIENTS).

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.

SCHEDULE H, PART V, LINE 5A

HOAG MEMORIAL HOSPITAL PRESBYTERIAN

THE CHNA CAN BE FOUND ON THE HOAG MEMORIAL HOSPITAL PRESBYTERIAN WEBSITE

AT

HTTP://WWW.HOAG.ORG/WHY-HOAG/DOCUMENTS/2013%20CHNA%20UPDATED%2009122013.PD

F.

SCHEDULE H, PART V, LINE 7

NEEDS NOT ADDRESSED

FACILITY 1 - HOAG MEMORIAL HOSPITAL PRESBYTERIAN

IN ACKNOWLEDGING THE WIDE RANGE OF PRIORITY HEALTH ISSUES THAT EMERGED FROM THE CHNA PROCESS, HOAG DETERMINED THAT IT COULD ONLY EFFECTIVELY FOCUS ON THOSE WHICH IT DEEMED MOST PRESSING, MOST UNDER-ADDRESSED, AND MOST WITHIN ITS ABILITY TO INFLUENCE. PRIORITY HEALTH ISSUES NOT CHOSEN FOR ACTION:

SUBSTANCE ABUSE: SUBSTANCE ABUSE TREATMENT FOR THE VULNERABLE POPULATION IS CURRENTLY BEING ADDRESSED ON A LIMITED SCALE BY THE CHEMICAL DEPENDENCY PROGRAM AT HOAG. HOAG WILL LOOK FOR OPPORTUNITIES TO COLLABORATE WITH LOCAL COMMUNITY ORGANIZATIONS THAT HAVE THE INFRASTRUCTURE AND RESOURCES TO BETTER MEET THIS NEED. SUBSTANCE ABUSE PREVENTION WILL BE ADDRESSED THROUGH COMMUNITY EDUCATION AND OUTREACH OPPORTUNITIES.

TOBACCO USE: HOAG OFFERS AN EIGHT SESSION SMOKING CESSATION PROGRAM THAT IS FREE AND OPEN TO THE COMMUNITY. OTHER COMMUNITY ORGANIZATIONS HAVE THE

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.

INFRASTRUCTURE AND PROGRAMS IN PLACE TO BETTER MEET THIS NEED. LIMITED RESOURCES AND LOWER PRIORITY EXCLUDED THIS AS AN AREA CHOSEN FOR ACTION.

THE 2013 IMPLEMENTATION STRATEGY IS POSTED ON THE HOAG WEBSITE: HTTP://WWW.HOAG.ORG/WHY-HOAG/DOCUMENTS/IMPLEMENTATION%20STRATEGY%20SIGNED%20093013.PDF.

SCHEDULE H, PART V, SECTION B, LINE 12I

FACILITIES 1 & 2

HOAG PROVIDES FINANCIAL ASSISTANCE TO PATIENTS WHO HAVE FAMILY INCOME LEVELS OF UP TO FOUR TIMES THE FEDERAL POVERTY LEVEL (FPL) GUIDELINES. HOAG GIVES CONSIDERATION TO ELIGIBLE PATIENTS WITH INSURANCE IF THEY INCUR HIGH MEDICAL COSTS AS DEFINED BY CALIFORNIA LAW, AND ALSO HAVE FAMILY INCOMES UP TO 400% OF THE FPL. HMHP AND HOI'S POLICY ALSO PROVIDES FOR DISCRETIONARY DETERMINATION OF CHARITY CARE TAKING INTO CONSIDERATION INDIVIDUAL FACTS AND CIRCUMSTANCES.

SCHEDULE H, PART V, SECTION B, LINE 14G

FACILITIES 1 & 2

THE POLICY IS COMMUNICATED VIA OUR WEBSITE AND IS COMMUNICATED VIA OUR FINANCIAL COUNSELORS AT EACH LOCATION. FURTHER, IT IS COMMUNICATED IN OUR SELF-PAY CUSTOMER SERVICE AREA ALONG WITH ANY EXTERNAL COLLECTION VENDORS AS WELL. ANY WRITTEN LETTERS ALSO OFFER THE ASSISTANCE PROGRAM AND TO CONTACT CUSTOMER SERVICE FOR AN APPLICATION.

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? 3

Name and address	Type of Facility (describe)
1 MAIN ST SPECIALTY SURGERY CENTER 280 MAIN ST #100 ORANGE CA 92868	OUTPATIENT SURGERY CENTER
2 ORTHOPEDIC SURGERY CENTER OF ORANGE CO. 22 CORPORATE PLAZA DR. SUITE 150 NEWPORT BEACH CA 92660	OUTPATIENT ORTHOPEDIC SURGERY CENTER
3 NEWPORT IMAGING CENTER 360 SAN MIGUEL NEWPORT BEACH CA 92660	IMAGING CENTER
4	
5	
6	
7	
8	
9	
10	

Part VI Supplemental Information

Provide the following information.

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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.

SCHEDULE H, PART I, LINE 3C

IN DETERMINING ELIGIBILITY FOR FREE OR DISCOUNTED CARE, THE ORGANIZATION ALSO CONSIDERED CERTAIN ASSETS OF A PATIENT. IN ADDITION, A PATIENT'S SPECIAL CIRCUMSTANCES, INCLUDING BUT NOT LIMITED TO DISABILITY AND HOMELESSNESS ARE CONSIDERED WHEN DETERMINING ELIGIBILITY.

SCHEDULE H, PART I, LINE 6A

HOAG HOSPITAL COMPLETED THE FY2014 COMMUNITY BENEFIT REPORT AND SUBMITTED IT TO OSHPD IN NOVEMBER 2014. THE REPORT IS AVAILABLE TO THE PUBLIC THROUGH THE HOAG HOSPITAL WEBSITE:

HTTP://WWW.HOAG.ORG/WHY-HOAG/PAGES/COMMUNITY-BENEFIT/REPORTS.ASPX.

SCHEDULE H, PART I, LINE 7A-I

COST ACCOUNTING SYSTEM WAS USED TO DERIVE THE COST-TO-CHARGE RATIO. OUR TOTAL COSTS (DIRECT AND INDIRECT) AND TOTAL CHARGES WERE $498,140,172 AND $1,606,574,744, RESPECTIVELY. THIS RESULTED IN A COST-TO-CHARGE RATIO OF APPROXIMATELY 32% WHICH WAS USED TO CALCULATE CHARITY CARE AT COST (GROSS PATIENT CHARGES WRITTEN OFF ON THE P&L TIMES COST-TO-CHARGE RATIO). THE

Part VI Supplemental Information

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COST ACCOUNTING SYSTEM ADDRESSES INPATIENT, OUTPATIENT AND VARIOUS PAYOR TYPES. FOR THE SECTIONS OF LINE 7 AS APPLICABLE, WORKSHEET 2 WAS NOT USED WHILE THE COST TO CHARGE RATIO WAS USED.

SCHEDULE H, PART I, LINE 7G

NO COSTS ATTRIBUTABLE TO PHYSICIAN CLINICS WERE INCLUDED.

SCHEDULE H, PART II

COMMUNITY BUILDING ACTIVITIES

THE PRIMARY PURPOSE OF HOAG'S COMMUNITY BUILDING ACTIVITIES IS TO IMPROVE LOCAL HEALTH IN ORANGE COUNTY THROUGH A COLLABORATIVE PROCESS WITH OTHER NON-PROFIT ORGANIZATIONS AND HEALTH CARE DELIVERY SYSTEMS IN PROVIDING FUNDING OPPORTUNITIES FOR HEALTH RELATED COMMUNITY INITIATIVES. HOAG PARTICIPATES IN A VARIETY OF COMMUNITY BUILDING SUCH AS SUPPORTING THE HEALTH FUNDERS PARTNERSHIP OF ORANGE COUNTY ($10,000). THE GOAL OF THE PARTNERSHIP IS TO IMPROVE LOCAL HEALTH BY ENHANCING THE IMPACT AND EFFICIENCY OF HEALTH PHILANTHROPY AND HEALTH SERVICE DELIVERY IN ORANGE COUNTY. THE PARTNERSHIP ADDRESSES THIS GOAL BY IDENTIFYING STRATEGIC

Part VI Supplemental Information

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ISSUES FOR COLLABORATIVE FUNDING AND THE POTENTIAL TO LEVERAGE COMMUNITY RESOURCES. HOAG ALSO ASSISTS WITH COMMUNITY DISASTER PREPAREDNESS PLANNING ($82,077).

SCHEDULE H, PART III, LINE 2

METHODOLOGY FOR CALCULATING BAD DEBT

THE AMOUNTS REPORTED IN THE TABLE WERE CALCULATED USING THE ORGANIZATION'S PATIENT COST-TO-CHARGE RATIO.

SCHEDULE H, PART III, LINE 4

THE FOLLOWING FOOTNOTE COMES FROM THE CONSOLIDATED ST. JOSEPH HEALTH SYSTEM AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDING 6/30/14.

PAGE 11 OF THE AUDITED FINANCIAL STATEMENTS - THE ORGANIZATION RECEIVES PAYMENT FOR SERVICES RENDERED TO PATIENTS FROM FEDERAL AND STATE GOVERNMENTS UNDER THE MEDICARE AND MEDICAID PROGRAMS, PRIVATELY SPONSORED MANAGED CARE PROGRAMS FOR WHICH PAYMENT IS MADE BASED ON TERMS DEFINED UNDER FORMAL CONTRACTS, AND OTHER PAYORS. THE ORGANIZATION BELIEVES THERE

Part VI Supplemental Information

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ARE NO SIGNIFICANT RISKS ASSOCIATED WITH RECEIVABLES FROM GOVERNMENT

PROGRAMS. RECEIVABLES FROM CONTRACTED AND OTHERS ARE FROM VARIOUS PAYORS

WHO ARE SUBJECT TO DIFFERING ECONOMIC CONDITIONS, AND DO NOT REPRESENT

ANY CONCENTRATED RISKS TO THE ORGANIZATION. THE ORGANIZATION ANALYZES ITS

HISTORICAL EXPERIENCE AND IDENTIFIES TRENDS FOR EACH OF ITS MAJOR PAYOR

SOURCES OF REVENUE TO ESTIMATE THE APPROPRIATE ALLOWANCE FOR DOUBTFUL

ACCOUNTS. USING THIS METHODOLOGY, BAD DEBT EXPENSE IS CORRESPONDINGLY

RECORDED IN THE GENERAL LEDGER.

SCHEDULE H, PART III, LINE 8

TREATMENT OF MEDICARE SHORTFALL AS COMMUNITY BENEFIT

THE ORGANIZATION DOES NOT TREAT THE SHORTFALL FROM MEDICARE AS A

COMMUNITY BENEFIT.

MEDICARE COSTING METHODOLOGY

MEDICARE ALLOWABLE COSTS WERE CALCULATED USING A COST TO CHARGE RATIO.

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SCHEDULE H, PART VI, LINE 2

NEEDS ASSESSMENT

IN THE SPRING OF 2013, HOAG EMBARKED ON A COMPREHENSIVE COMMUNITY HEALTH NEEDS ASSESSMENT (CHNA) PROCESS TO IDENTIFY AND ADDRESS THE KEY HEALTH ISSUES OF OUR COMMUNITY. THIS ASSESSMENT WAS CONDUCTED BY PROFESSIONAL RESEARCH CONSULTANTS, INC. (PRC). PRC IS A NATIONALLY-RECOGNIZED HEALTHCARE CONSULTING FIRM WITH EXTENSIVE EXPERIENCE CONDUCTING COMMUNITY HEALTH NEEDS ASSESSMENTS IN COMMUNITIES ACROSS THE UNITED STATES SINCE 1994.

TO ACCESS THE 2013 CHNA REPORT IN ITS ENTIRETY, PLEASE VISIT:

HTTP://WWW.HOAG.ORG/WHY-HOAG/PAGES/COMMUNITY-BENEFIT/REPORTS.ASPX.

THE COMMUNITY HEALTH NEEDS ASSESSMENT (CHNA) IS A SYSTEMATIC, DATA-DRIVEN APPROACH TO DETERMINING THE HEALTH STATUS, BEHAVIORS AND NEEDS OF RESIDENTS IN THE SERVICE AREA OF HOAG. SUBSEQUENTLY, THIS INFORMATION MAY BE USED TO INFORM DECISIONS AND GUIDE EFFORTS TO IMPROVE COMMUNITY HEALTH AND WELLNESS. A CHNA PROVIDES INFORMATION SO THAT COMMUNITIES MAY

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IDENTIFY ISSUES OF GREATEST CONCERN AND DECIDE TO COMMIT RESOURCES TO THOSE AREAS, THEREBY MAKING THE GREATEST POSSIBLE IMPACT ON COMMUNITY HEALTH STATUS. THIS CHNA WILL SERVE AS A TOOL TOWARD REACHING THREE BASIC GOALS:

- TO IMPROVE RESIDENTS' HEALTH STATUS, INCREASE THEIR LIFE SPANS, AND ELEVATE THEIR OVERALL QUALITY OF LIFE. A HEALTHY COMMUNITY IS NOT ONLY ONE WHERE ITS RESIDENTS SUFFER LITTLE FROM PHYSICAL AND MENTAL ILLNESS, BUT ALSO ONE WHERE ITS RESIDENTS ENJOY A HIGH QUALITY OF LIFE.

- TO REDUCE THE HEALTH DISPARITIES AMONG RESIDENTS. BY GATHERING DEMOGRAPHIC INFORMATION ALONG WITH HEALTH STATUS AND BEHAVIOR DATA, IT WILL BE POSSIBLE TO IDENTIFY POPULATION SEGMENTS THAT ARE MOST AT-RISK FOR VARIOUS DISEASES AND INJURIES. INTERVENTION PLANS AIMED AT TARGETING THESE INDIVIDUALS MAY THEN BE DEVELOPED TO COMBAT SOME OF THE SOCIO-ECONOMIC FACTORS WHICH HAVE HISTORICALLY HAD A NEGATIVE IMPACT ON RESIDENTS' HEALTH.

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- TO INCREASE ACCESSIBILITY TO PREVENTIVE SERVICES FOR ALL COMMUNITY RESIDENTS. MORE ACCESSIBLE PREVENTIVE SERVICES WILL PROVE BENEFICIAL IN ACCOMPLISHING THE FIRST GOAL (IMPROVING HEALTH STATUS, INCREASING LIFESPANS, AND ELEVATING THE QUALITY OF LIFE), AS WELL AS LOWERING THE COSTS ASSOCIATED WITH CARING FOR LATE-STAGE DISEASES RESULTING FROM A LACK OF PREVENTIVE CARE.

THIS ASSESSMENT INCORPORATES DATA FROM BOTH QUANTITATIVE AND QUALITATIVE SOURCES. QUANTITATIVE DATA INPUT INCLUDES PRIMARY RESEARCH (THE PRC COMMUNITY HEALTH SURVEY) AND SECONDARY RESEARCH (VITAL STATISTICS AND OTHER EXISTING HEALTH-RELATED DATA); THESE QUANTITATIVE COMPONENTS ALLOW FOR TRENDING AND COMPARISON TO BENCHMARK DATA AT THE STATE AND NATIONAL LEVELS. QUALITATIVE DATA INPUT INCLUDES PRIMARY RESEARCH GATHERED THROUGH TWO KEY INFORMANT FOCUS GROUPS.

THE SURVEY INSTRUMENT USED FOR THIS STUDY IS BASED LARGELY ON THE CENTERS FOR DISEASE CONTROL AND PREVENTION (CDC) BEHAVIORAL RISK FACTOR SURVEILLANCE SYSTEM (BRFSS), AS WELL AS VARIOUS OTHER PUBLIC HEALTH

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SURVEYS AND CUSTOMIZED QUESTIONS ADDRESSING GAPS IN INDICATOR DATA RELATIVE TO HEALTH PROMOTION AND DISEASE PREVENTION OBJECTIVES AND OTHER RECOGNIZED HEALTH ISSUES. THE FINAL SURVEY INSTRUMENT WAS DEVELOPED BY HOAG AND PRC. A PRECISE AND CAREFULLY EXECUTED METHODOLOGY IS CRITICAL IN ASSERTING THE VALIDITY OF THE RESULTS GATHERED IN THE PRC COMMUNITY HEALTH SURVEY. THUS, TO ENSURE THE BEST REPRESENTATION OF THE POPULATION SURVEYED, A TELEPHONE INTERVIEW METHODOLOGY - ONE THAT INCORPORATES BOTH LANDLINE AND CELL PHONE INTERVIEWS - WAS EMPLOYED. THE PRIMARY ADVANTAGES OF TELEPHONE INTERVIEWING ARE TIMELINESS, EFFICIENCY AND RANDOM SELECTION CAPABILITIES. THE SAMPLE DESIGN USED FOR THIS EFFORT CONSISTED OF A RANDOM SAMPLE OF 751 INDIVIDUALS AGE 18 AND OLDER IN HOAG'S SERVICE AREA. ALL ADMINISTRATION OF THE SURVEYS, DATA COLLECTION AND DATA ANALYSIS WAS CONDUCTED BY PROFESSIONAL RESEARCH CONSULTANTS, INC. (PRC). THE SAMPLE DESIGN AND THE QUALITY CONTROL PROCEDURES USED IN THE DATA COLLECTION ENSURE THAT THE SAMPLE IS REPRESENTATIVE. THUS, THE FINDINGS MAY BE GENERALIZED TO THE TOTAL POPULATION OF COMMUNITY MEMBERS IN THE DEFINED AREA WITH A HIGH DEGREE OF CONFIDENCE.

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A VARIETY OF EXISTING (SECONDARY) DATA SOURCES WAS CONSULTED TO COMPLEMENT THE RESEARCH QUALITY OF THIS COMMUNITY HEALTH NEEDS ASSESSMENT. DATA FOR THE SERVICE AREA WERE OBTAINED FROM THE FOLLOWING SOURCES:

- CALIFORNIA DEPARTMENT OF PUBLIC HEALTH
- CENTERS FOR DISEASE CONTROL & PREVENTION
- NATIONAL CENTER FOR HEALTH STATISTICS
- STATE OF CALIFORNIA DEPARTMENT OF JUSTICE
- US CENSUS BUREAU
- US DEPARTMENT OF HEALTH AND HUMAN SERVICES
- US DEPARTMENT OF JUSTICE, FEDERAL BUREAU OF INVESTIGATION

AS PART OF THIS COMMUNITY HEALTH NEEDS ASSESSMENT, TWO FOCUS GROUPS WERE HELD ON JUNE 13, 2013. PARTICIPANTS INCLUDED: PHYSICIANS, A PUBLIC HEALTH REPRESENTATIVE, OTHER HEALTH PROFESSIONALS, SOCIAL SERVICE PROVIDERS, BUSINESS LEADERS AND OTHER COMMUNITY LEADERS. HOAG RECRUITED THE PARTICIPANTS FOR THE FOCUS GROUPS. POTENTIAL PARTICIPANTS WERE CHOSEN

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BECAUSE OF THEIR ABILITY TO IDENTIFY PRIMARY CONCERNS OF THE POPULATIONS WITH WHOM THEY WORK, AS WELL AS OF THE COMMUNITY OVERALL. FINAL PARTICIPATION INCLUDED REPRESENTATIVES OF 20 LOCAL ORGANIZATIONS. THROUGH THIS PROCESS, INPUT WAS GATHERED FROM A REPRESENTATIVE OF PUBLIC HEALTH, AS WELL AS SEVERAL INDIVIDUALS WHOSE ORGANIZATIONS WORK WITH LOW-INCOME, MINORITY (INCLUDING HISPANIC, ASIAN AMERICANS, AND UNDOCUMENTED RESIDENTS), REFUGEES FROM AFRICA AND THE MIDDLE EAST, AND OTHER MEDICALLY UNDERSERVED POPULATIONS (SPECIFICALLY, CHILDREN AND COLLEGE-AGE ADOLESCENTS, ELDERLY, DISABLED, THE UNINSURED/UNDERINSURED, AND MEDICAL RECIPIENTS).

SCHEDULE H, PART VI, LINE 3

PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE

HOAG PROVIDES FINANCIAL ASSISTANCE TO PATIENTS WHO HAVE FAMILY INCOME LEVELS OF UP TO FOUR TIMES THE FEDERAL POVERTY LEVEL (FPL) GUIDELINES. HOAG GIVES CONSIDERATION TO ELIGIBLE PATIENTS WITH INSURANCE IF THEY INCUR HIGH MEDICAL COSTS AS DEFINED BY CALIFORNIA LAW, AND ALSO HAVE FAMILY INCOMES UP TO 400% OF THE FPL.

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SCHEDULE H, PART VI, LINE 4

COMMUNITY INFORMATION

HOAG'S COMMUNITY, AS DEFINED FOR THE PURPOSE OF THE COMMUNITY HEALTH NEEDS ASSESSMENT, INCLUDED EACH OF THE 56 RESIDENTIAL ZIP CODES COMPRISING THE HOSPITAL'S SERVICE AREA. THIS COMMUNITY DEFINITION WAS DETERMINED BECAUSE A MAJORITY OF HOAG'S PATIENTS ORIGINATE FROM THIS AREA.

FOR MORE DETAILED INFORMATION ON HOAG'S COMMUNITY, PLEASE REFER TO HOAG 2013 COMMUNITY BENEFIT REPORT AT HTTP://WWW.HOAG.ORG/WHY-HOAG/PAGES/COMMUNITY-BENEFIT/REPORTS.ASPX.

THE POPULATION OF THE HOSPITAL'S SERVICE AREA IS ESTIMATED AT 1,874,329 PEOPLE. THE AGE DISTRIBUTION OF OUR POPULATION IS SIMILAR TO THAT OF THAT NATION AS A WHOLE, BUT OUR AREA IS RACIALLY AND ETHNICALLY MUCH MORE DIVERSE, WITH NON-HISPANIC WHITE RESIDENTS COMPRISING ONLY A NARROW MAJORITY OF RESIDENTS.

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FOR MORE DETAILS ON THIS INFORMATION, PLEASE REFER TO HOAG 2013 COMMUNITY

BENEFIT REPORT AT

HTTP://WWW.HOAG.ORG/WHY-HOAG/PAGES/COMMUNITY-BENEFIT/REPORTS.ASPX.

OTHER HOSPITALS IN THE AREA INCLUDE, BUT ARE NOT LIMITED TO:

- AHMC ANAHEIM REGIONAL MEDICAL CENTER - ANAHEIM

- ANAHEIM GENERAL HOSPITAL (ANAHEIM, BUENA PARK)

- CHAPMAN MEDICAL CENTER - ORANGE

- CHILDREN'S HOSPITAL AT MISSION - MISSION VIEJO

- CHILDREN'S HOSPITAL OF ORANGE COUNTY - ORANGE

- FOUNTAIN VALLEY RGNL HOSP AND MED CTR -FOUNTAIN VALLEY

- GARDEN GROVE HOSPITAL AND MEDICAL CENTER - GARDEN GROVE

- HUNTINGTON BEACH HOSPITAL - HUNTINGTON BEACH

- KAISER PERMANENTE (IRVINE, ANAHEIM)

- KINDRED HOSPITAL (SANTA ANA, WESTMINSTER)

- LA PALMA INTERCOMMUNITY HOSPITAL - LA PALMA

- MISSION HOSPITAL LAGUNA BEACH - LAGUNA BEACH

- MISSION HOSPITAL REGIONAL MEDICAL CENTER - MISSION VIEJO

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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.

- ORANGE COAST MEMORIAL MEDICAL CENTER - FOUNTAIN VALLEY

- SADDLEBACK MEMORIAL MEDICAL CENTER (LAGUNA HILLS/SAN CLEMENTE)

- ST. JOSEPH HOSPITAL OF ORANGE - ORANGE

- ST. JUDE MEDICAL CENTER - FULLERTON

- UNIVERSITY OF CALIFORNIA IRVINE MEDICAL CENTER - ORANGE

- WESTERN MEDICAL CENTER - SANTA ANA

SCHEDULE H, PART VI, LINE 5

PROMOTION OF COMMUNITY HEALTH

- COMMUNITY BENEFIT STAFF CONTINUOUSLY ASSESS THE HEALTH NEEDS OF THE COMMUNITY BY SERVING ON BOARD OF DIRECTORS AND COMMITTEES OF NONPROFIT ORGANIZATIONS WHICH ALLOWS THEM TO BE ACTIVELY ENGAGED WITH GROWING NEED OF BILINGUAL AND BICULTURAL HEALTH PROFESSIONALS IN ORANGE COUNTY.

- HOAG HOSPITAL AND SHARE OUR SELVES (SOS) CLINIC HAVE NURTURED A UNIQUE PARTNERSHIP SINCE 1984 TO PROVIDE HEALTH CARE TO THE LOW INCOME, UNINSURED, AND UNDERINSURED INDIVIDUALS RESIDING IN THE COMMUNITY. THE SOS AND HOAG COLLABORATION INCLUDES MORE THAN 150 VOLUNTEER HEALTHCARE

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.

SPECIALISTS AVAILABLE TO PROVIDE CARE TO SOS PATIENTS BY PROVIDING DIAGNOSTIC TESTS, PROCEDURES, HOSPITALIZATIONS AND ER VISITS FOR SOS PATIENTS. IN ADDITION, SOS IS ACQUIRING A PEDIATRIC CLINIC FROM THE CHILDREN'S HOSPITAL OF ORANGE COUNTY (CHOC). HOAG WILL BE BUILDING A PHYSICAL SITE FOR THIS CLINIC WHICH WILL SERVE PRIMARILY LOW INCOME FAMILIES FROM THE COSTA MESA AND NEWPORT BEACH COMMUNITIES.

- HOAG HOSPITAL ALSO MAINTAINS A UNIQUE RELATIONSHIP WITH THE ALZHEIMER'S FAMILY RESOURCE CENTER (AFSC) WHICH IS COMMITTED TO THE MISSION OF IMPROVING THE QUALITY OF LIFE FOR FAMILIES CHALLENGED BY ALZHEIMER'S DISEASE OR ANOTHER DEMENTIA THROUGH SERVICES TAILORED TO MEET INDIVIDUAL NEEDS. HOAG HOSPITAL OWNS THE AFSC FACILITY AND PROVIDES IT AT NO CHARGE, INCLUDING MAINTENANCE SERVICES AS SPECIFIED IN THE LEASE, TO THE AGENCY. ADDITIONALLY, THE HOSPITAL PROVIDES ANNUAL OPERATING AND TRANSPORTATION GRANTS, AND IN-KIND SERVICES SUCH AS CONSULTATION IN NURSING AND COMPLIANCE-RELATED ISSUES TO THE CENTER.

- HOAG'S MENTAL HEALTH CENTER (MHC) PROVIDES BILINGUAL BICULTURAL

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.

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SERVICES ON A SLIDING SCALE TO PEOPLE WHO OTHERWISE COULD NOT OBTAIN MENTAL HEALTH SERVICES. DURING FY 2014, THE MHC PROVIDED SERVICES TO 789 CLIENTS IN THE FORM OF PSYCHOTHERAPY, RESOURCE BROKERING, AND/OR CASE MANAGEMENT.

- THROUGH THE HOAG HEALTH MINISTRIES PROGRAM, THE FAITH COMMUNITY NURSE'S (FCN'S) ADMINISTERED 5,828 FLU VACCINE DOSES TO FAITH MEMBERS AND OTHER COMMUNITY MEMBERS.

- IN COLLABORATION WITH HOAG'S NEUROSCIENCES INSTITUTE AND THE ALZHEIMER'S FAMILY SERVICES CENTER, HOAG COMMUNITY BENEFIT SPONSORED THE 2014 SPIRITUALITY CONFERENCE - KEEPING THE CARE IN CAREGIVING. THE CONFERENCE WAS ATTENDED BY 175 COMMUNITY CLERGY, HEALTH CARE PROFESSIONALS AND CAREGIVERS.

- HOAG HOSPITAL EXTENDS MEDICAL STAFF PRIVILEGES TO ALL QUALIFIED PHYSICIANS IN ITS COMMUNITY THOUGH A CREDENTIALING PROCESS. MEMBERSHIP AND PRIVILEGES ARE GRANTED TO QUALIFIED MD'S, DO'S, AND OTHER ALLIED

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

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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

HEALTH PROFESSIONALS BY THE MEDICAL STAFF AND HOAG HOSPITAL BOARD OF DIRECTORS.

- AS A NOT-FOR-PROFIT INSTITUTION, GOVERNANCE IS PROVIDED BY A VOLUNTEER BOARD OF DIRECTORS COMPRISED OF 18 VOTING MEMBERS. A MAJORITY OF THE ORGANIZATION'S GOVERNING BODY IS COMPRISED OF PERSONS WHO RESIDE IN THE ORGANIZATION'S PRIMARY SERVICE AREA AND ARE NEITHER EMPLOYEES NOR CONTRACTORS OF THE ORGANIZATION, NOR FAMILY MEMBERS.

- THE BOARD OF DIRECTORS ALLOCATE A SIGNIFICANT PORTION OF THE NET OPERATING INCOME TO PROMOTING THE HEALTH OF THE COMMUNITY, SPECIFICALLY SERVING THE NEEDS OF THE UNINSURED AND LOW INCOME COMMUNITIES THROUGH CHARITY CARE AND A VARIETY OF FREE OR LOW COST SERVICES AND PROGRAMS PROVIDED BY THE DEPARTMENT OF COMMUNITY HEALTH.

- IN AN EFFORT TO INCREASE THE COMMUNITY POOL OF AVAILABLE TRAINED AND EDUCATED HEALTH PROFESSIONALS, HOAG INVESTS ANNUALLY IN HEALTH PROFESSIONAL TRAINING AND DEVELOPMENT. THE HOSPITAL CURRENTLY WORKS WITH

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.

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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.

A NUMBER OF PROFESSIONAL GROUPS IN THIS ENDEAVOR, INCLUDING NURSES, PHYSICAL THERAPISTS, PHARMACISTS, LABORATORY PROFESSIONALS, SOCIAL WORKERS, AND CLINICAL CARE EXTENDERS.

SCHEDULE H, PART VI, LINE 6

AFFILIATED HEALTH CARE SYSTEM

HOAG HOSPITAL IS A NONPROFIT REGIONAL HEALTHCARE DELIVERY NETWORK CONSISTING OF TWO ACUTE-CARE HOSPITALS, FIVE URGENT CARE CENTERS AND SEVEN HEALTH CENTERS. IN 2013, HOAG HOSPITAL BECAME AFFILIATED WITH ST. JOSEPH HEALTH, AN INTEGRATED HEALTHCARE DELIVERY SYSTEM SPONSORED BY THE ST. JOSEPH HEALTH MINISTRY. ST. JOSEPH HEALTH IS ORGANIZED INTO THREE REGIONS: NORTHERN CALIFORNIA, SOUTHERN CALIFORNIA, AND WEST TEXAS/EASTERN NEW MEXICO. THE SYSTEM INCLUDES 14 ACUTE CARE HOSPITALS, HOME HEALTH AGENCIES, HOSPICE CARE, OUTPATIENT SERVICES, COMMUNITY CLINICS, AND PHYSICIAN ORGANIZATIONS.

IN 1986, ST. JOSEPH HEALTH SYSTEM CREATED A PLAN AND BEGAN AN EFFORT TO FURTHER ITS COMMITMENT TO NEIGHBORS IN NEED. WITH A VISION OF REACHING

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.

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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.

BEYOND THE WALLS OF ITS HEALTHCARE FACILITIES AND TRANSCENDING TRADITIONAL EFFORTS OF PROVIDING FINANCIAL ASSISTANCE FOR THOSE IN NEED OF ACUTE SERVICES, ST. JOSEPH HEALTH SYSTEM CREATED THE ST. JOSEPH HEALTH SYSTEM FOUNDATION TO IMPROVE THE HEALTH OF LOW-INCOME INDIVIDUALS RESIDING IN LOCAL COMMUNITIES. OUR FOUNDATIONAL DOCUMENT, A VISION OF VALUES, FORMALIZES A POLICY THROUGH WHICH THE HOSPITAL MINISTRIES RETURN TEN PERCENT OF THEIR NET INCOME TO THE ST. JOSEPH HEALTH SYSTEM FOUNDATION TO SUPPORT OUTREACH EFFORTS FOR THE MATERIALLY POOR. THE FOUNDATION THEN FUNDS PROGRAMS IN COMMUNITIES SERVED BY ST. JOSEPH HEALTH HOSPITALS THAT EXEMPLIFY THE FOUR CORE VALUES OF ST. JOSEPH HEALTH SYSTEM: SERVICE, EXCELLENCE, DIGNITY, AND JUSTICE.

SCHEDULE H, PART VI, LINE 7

STATE FILING OF COMMUNITY BENEFIT REPORT

CALIFORNIA

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

HOAG MEMORIAL HOSPITAL PRESBYTERIAN

Employer identification number

95-1643327

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? . . . . . [X] 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.

1 (a) Name and address of organization or government	(b) EIN	(c) IRC 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) ACCESS CALIFORNIA SERVICES 2180 W CRESCENT AVE #C ANAHEIM, CA 92801	33-0826205	501(C)(3)	45,000.				EXPANSION OF MENTAL HEALTH PROGRAM
(2) AGE WELL SENIOR SERVICES (SOUTH COUNTY) 24300 EL TORO RD LAGUNA WOODS, CA 92637	93-1163563	501(C)(3)	107,500				SENIOR TRANSP, OPERS MOBILE MEALS
(3) ALZHEIMER'S ASSOCIATION 17771 COWAN AVE #200 IRVINE, CA 92614	95-3702013	501(C)(3)	10,000.				PROGRAM SUPPORT
(4) ALZHEIMER'S FAMILY SERVICES CENTER 9451 INDIANAPOLIS HUNTINGTON BCH, CA 92646	95-3463978	501(C)(3)	1,328,934				OPERATIONS, MATCHING GRANTS & MISC GRANTS
(5) AMERICAN DIABETES ASSOCIATION 151 KALMUS DR. #C100 COSTA MESA, CA 92626	13-1623888	501(C)(3)	15,000.				TOUR DE CURE & PROGRAM SUPPORT
(6) ARTHRITIS FOUNDATION OC 800 W 6TH ST #1250 LOS ANGELES, CA 90017	95-1885447	501(C)(3)	12,000				COMMUNITY OUTREACH & SUPPORT
(7) CASA TERESA INC. 123 WEST MAPLE AVE ORANGE, CA 92866	95-3251986	501(C)(3)	30,000.				EXPANSION OF EDUC & CAREER DEVELOPMENT
(8) CHILDRENS HOSPITAL ORANGE COUNTY (CHOC) 455 S MAIN ST ORANGE, CA 92868	95-2321786	501(C)(3)	320,000.				PEDIATRIC DIABETES
(9) CHOC FOUNDATION 455 S MAIN ST. ORANGE, CA 92868	95-6097416	501(C)(3)	200,000.				IUSD/CHOC ATHLETIC PRGM & CVICU/NICU
(10) CITY OF HUNTINGTON BEACH 1706 ORANGE AVE HUNTINGTON BEACH, CA 92648	51-0179431	GOVERNMENT	105,500				SENIOR TRANSPORT & & HOME VISITATION
(11) CITY OF NEWPORT BEACH P O BOX 1768 NEWPORT BEACH, CA 92658	95-6000751	GOVERNMENT	78,500				OASIS SENIOR CENTER TRANSPORTION SVCS
(12) COUNCIL ON AGING OC 1971 EAST 4TH ST #200 SANTA ANA, CA 92705	95-2874089	501(C)(3)	10,000				JUST IMAGINE LUNCHEON

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

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

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.

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OMB No 1545-0047

2013

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Name of the organization

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95-1643327

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? . . . . . [X] 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.

1 (a) Name and address of organization or government	(b) EIN	(c) IRC 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) COSTA MESA SENIOR CENTER 695 WEST 19TH ST. COSTA MESA, CA 92627	33-8265009	501(C)(3)	84,446				SENIOR TRANS & PROGRAM DEVELOPMENT
(2) EPILEPSY SUPPORT NETWORK 9114 ADAMS AVE HUNTINGTON BEACH, CA 92646	27-0681680	501(C)(3)	20,000.				PROGRAM SUPPORT
(3) GIRLS INCORPORATED OF ORANGE COUNTY 1815 ANAHEIM AVE COSTA MESA, CA 92627	95-1810150	501(C)(3)	10,000				COMMUNITY PROGRAMS - FIT GIRLS & FAMILIES
(4) HEALING HEART, CAMP ERIN 3130 S HARBOR BL #250 SANTA ANA, CA 92704	86-1098602	501(C)(3)	15,000				SUPPORT PROGRAMS FOR GRIEVING CHILDREN
(5) HEALTHY SMILES 10602 CHAPMAN AV #200 GARDEN GRVE, CA 92840	38-3675065	501(C)(3)	28,000.				CHILDREN'S DENTAL SERVICES
(6) HUMAN OPTIONS P.O BOX 53745 IRIVNE, CA 92619	95-3667817	501(C)(3)	10,000.				PROGRAM SUPPORT
(7) HURT FAMILY HEALTH CLINIC ONE HOPE DRIVE TUSTIN, CA 92782	33-0906866	501(C)(3)	17,575				MOBILE CLINIC VISITS
(8) INFECTION DISEASE ASSOCIATION OF CALIFORNIA P O BOX 66751 LOS ANGELES, CA 90006	95-4106813	501(C)(3)	10,000.				EDUCATION CONFERENCE
(9) IRVINE ADULT DAY HEALTH SERVICES 20 LAKE ROAD IRVINE, CA 92604	33-0599371	501(C)(3)	71,500				EDUCATION PROGRAMS & SENIOR TRANSPORT
(10) IRVINE CHILDRENS FUND 14301 YALE AVE IRVINE, CA 92604	33-0177921	501(C)(3)	20,000				CHILD CARE SCHOLARSHIPS
(11) IRVINE PUBLIC SCHOOLS FOUNDATION 18552 MACARTHUR BL #2300 IRVINE, CA 92612	33-0733191	501(C)(3)	58,500				PLEDGE FOR MATCHING GRANTS
(12) LATINO HEALTH ACCESS 1701 N. MAIN ST. #200 SANTA ANA, CA 92706	33-0562943	501(C)(3)	25,000.				LATINO HEALTH ISSUES

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

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

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.

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OMB No 1545-0047

2013

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Name of the organization

HOAG MEMORIAL HOSPITAL PRESBYTERIAN

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95-1643327

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? . . . . . [X] 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.

1 (a) Name and address of organization or government	(b) EIN	(c) IRC 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) MARCH OF DIMES 2222 MARTIN ST. #155 IRVINE, CA 92612	13-1846366	501(C)(3)	10,000				PROGRAM DEVELOPMENT
(2) MOMS 1128 W SANTA ANA SANTA ANA, CA 92703	33-0518078	501(C)(3)	21,000				SUPPORT EDUCATIONAL PROGRAMS
(3) CITY OF NEWPORT BEACH-POLICE EXPLORER PRGM 100 CIVIC CENTER DR NEWPORT BEACH, CA 92658	95-6000751	GOVERNMENT	15,000.				PROGRAM DEVELOPMENT
(4) NEWPORT COMMUNITY COUNSELING CENTER 2200 SAN JOAQUIN HILLS NWPT BCH, CA 92660	20-2108327	501(C)(3)	10,000.				MENTAL HEALTH COUNSELING PROGRAM
(5) NEWPORT-MESA UNIFIED SCHOOL DISTRICT 2985 A. BEAR ST COSTA MESA, CA 92626	95-2417783	GOVERNMENT	250,000.				EXPANSION PROGRAMS FOR HOPE CLINIC
(6) ONE OC 1901 E. FOUTH ST. #100 SANTA ANA, CA 92705	95-2021700	501(C)(3)	78,000				PROGRAM SUPPORT
(7) ORANGE COUNTY HUMAN RELATIONS 1300 S GRAND AVE SANTA ANA, CA 92705	33-0438086	501(C)(3)	55,000				INTERGROUP RELATIONS & VIOLENCE PRVNTION
(8) PEDIATRIC ADOLESCENT DIABETES RESEARCH EDU. 455 SOUTH MAIN ST ORANGE, CA 92868	33-0099451	501(C)(3)	80,537				DIABETES EDUCATION
(9) PROVIDENCE SPEECH & HEARING CENTER 1301 PROVIDENCE AVE ORANGE, CA 92868	95-6154473	501(C)(3)	115,000				LOW INCOME SUBSIDY PROGRAM
(10) SAVE OUR YOUTH 661 HAMILTON #180 COSTA MESA, CA 92627	33-0585600	501(C)(3)	20,000.				OPERATING SUPPORT
(11) SHARE OUR SELVES CLINIC 1550 SUPERIOR AVE COSTA MESA, CA 92627	95-3222316	501(C)(3)	1,587,466				MEDICAL AND DENTAL CLINIC 4 UNDERSERVED
(12) SOMEONE CARES SOUP KITCHEN 720 W 19TH ST. COSTA MESA, CA 92627	33-0279080	501(C)(3)	26,475				FEED THE UNDERSERVED

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

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

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

HOAG MEMORIAL HOSPITAL PRESBYTERIAN

Employer identification number

95-1643327

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? . . . . . [X] 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.

1 (a) Name and address of organization or government	(b) EIN	(c) IRC 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) SWEET SUCCESS EXPRESS PROGRAM P O. BOX 9705 FOUNTAIN VALLEY, CA 92728	34-2044369	501(C)(3)	12,000				DIABETES EDUCATION
(2) UNIVERSITY OF SOUTHERN CALIFORNIA 1520 SAN PABLO ST #4300 L.A., CA 90033	95-1642394	501(C)(3)	50,000				CLINICAL RESEARCH PROGRAMS
(3) UC REGENTS P O BOX 2207 NEWPORT BEACH, CA 92659	95-2226406	501(C)(3)	310,000.				WOMENS HEALTH CARE PROGRAMS & SVCS
(4) YOUTH EMPLOYMENT SERVICES 114 EAST 19TH ST. COSTA MESA, CA 92627	95-2704522	501(C)(3)	25,000				YOUTH PRE-EMPLOYMENT TRAINING & COUNSEL
(5) 211 ORANGE COUNTY P.O.BOX 14277 IRVINE, CA 92623	33-0063532	501(C)(3)	50,000.				211 CALL CENTER OPERATING SUPPORT
(6)							
(7)							
(8)							
(9)							
(10)							
(11)							
(12)							

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . . ▶ 41.

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

Part III **Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" on 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
1	EMERGENCY RESPONSE TRAINING	1	4,700		FMV	
2	FREEDOM FROM SMOKING PROGRAM	1.	4,656		FMV	
3	CPR TRAINING	1	1,121		FMV	
4						
5						
6						
7						

Part IV **Supplemental Information.** Complete this part to provide the information required in Part I, line 2, Part III, column (b), and any other additional information.

SCHEDULE I, PART I, LINE 2

DESCR OF ORGANIZATION'S PROCEDURES FOR MONITORING THE USE OF GRANTS IN ORDER TO BE ELIGIBLE FOR A COMMUNITY BENEFIT GRANT, AN APPLICANT ORGANIZATION (OR FISCAL AGENT) MUST BE DESIGNATED BY THE IRS AS A TAX EXEMPT NON-PROFIT AND SUBMIT A COPY OF THEIR EXEMPT STATUS FOR VERIFICATION. THE ORGANIZATION MUST HAVE AN EXECUTIVE DIRECTOR AND AN ESTABLISHED BOARD OF DIRECTORS THAT MEETS REGULARLY. PRIOR TO FUNDING, RESEARCH IS CONDUCTED REGARDING THE REPUTATION AND PERFORMANCE OF THE ORGANIZATION. GRANT REQUESTS MUST INCLUDE PREVIOUS AND CURRENT YEAR BUDGETS, PROGRAM GOALS AND OBJECTIVES, AND MEASURABLE OUTCOMES FOR THE

Part III **Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" on 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
1						
2						
3						
4						
5						
6						
7						

Part IV **Supplemental Information.** Complete this part to provide the information required in Part I, line 2, Part III, column (b), and any other additional information.

SPECIFIED PROGRAM THAT IS BEING FUNDED. AN INTERVIEW WITH THE EXECUTIVE DIRECTOR AND ONE OR MORE BOARD MEMBERS MAY BE CONDUCTED AS WELL AS A SITE VISIT IN ORDER TO FAMILIARIZE OURSELVES WITH THE ORGANIZATION AND THE PROGRAMS OFFERED. DEPARTMENT STAFF MAY ACTIVELY PARTICIPATE WITH THE ORGANIZATION BY PROVIDING IN-KIND SERVICES AND BOARD PARTICIPATION. ONCE A GRANT REQUEST HAS BEEN APPROVED AND FUNDED, WE REQUIRE PROGRESS REPORTS/AND OR A FINAL REPORT ON THE IMPLEMENTATION STRATEGY AND MEASURABLE OUTCOMES. THROUGHOUT THE FUNDING PERIOD OF A SPECIFIED PROGRAM, THERE MAY BE OCCASIONAL MEETINGS WITH THE DIRECTOR AND PROGRAM PERSONNEL TO RECEIVE REPORTS ON PROGRESS AND UPDATES OF THE ACTIVITIES

Part III **Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" on 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
1						
2						
3						
4						
5						
6						
7						

Part IV **Supplemental Information.** Complete this part to provide the information required in Part I, line 2, Part III, column (b), and any other additional information.

CONDUCTED AS WELL AS THE NUMBER OF INDIVIDUALS SERVED. THIS PROCESS

ALLOWS US TO MONITOR THAT THE DONATED FUNDS ARE BEING USED FOR THE

INTENDED PURPOSE. THOSE THAT REQUEST GRANT FUNDING ON A CONTINUOUS BASIS

PROVIDE A DETAILED YEAR END ANNUAL REPORT DESCRIBING IMPLEMENTATION AND

OUTCOMES FOR THE PROGRAMS.

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
HOAG MEMORIAL HOSPITAL PRESBYTERIAN

Employer identification number
95-1643327

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		
	[ ] Travel for companions		
	[X] Tax indemnification and gross-up payments		
	[ ] Discretionary spending account		
	[X] Housing allowance or residence for personal use		
	[ ] Payments for business use of personal residence		
	[ ] Health or social club dues or initiation fees		
	[ ] Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain 1b	X	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, and officers, including the CEO/Executive Director, regarding the items checked in line 1a? 2	X	
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		
	[X] Compensation committee		
	[X] Independent compensation consultant		
	[ ] Form 990 of other organizations		
	[X] Written employment contract		
	[X] Compensation survey or study		
	[X] 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		X
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan? 4b	X	
c	Participate in, or receive payment from, an equity-based compensation arrangement? 4c		X
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III		
	Only section 501(c)(3) and 501(c)(4) organizations must complete lines 5-9.		
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:		
a	The organization? 5a		X
b	Any related organization? 5b		X
	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		X
b	Any related organization? 6b		X
	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		X
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III 8		X
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)? 9		

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

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

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

	(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
			(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
1	ROBERT BRAITHWAITE PRESIDENT AND CEO	(i)	159,723.	76,531.	152.	16,712.	2,667.	255,785.	0
		(ii)	439,245.	172,502.	49,201.	0	24,389.	685,337.	0
2	JENNIFER MITZNER SVP CORPORATE SERVICES & CFO	(i)	476,582.	134,486.	2,515.	35,498.	30,535.	679,616.	0
		(ii)	0	0	0	0	0	0	0
3	JACK COX, MD SVP & CHIEF QUALITY OFFICER	(i)	406,782.	107,911.	71,204.	135,241.	13,772.	734,910.	0
		(ii)	0	0	0	0	0	0	0
4	RICHARD MARTIN SVP & CHIEF NURSING OFFICER	(i)	419,940.	109,762.	3,613.	49,954.	9,749.	593,018.	0
		(ii)	0	0	0	0	0	0	0
5	SANFORD SMITH SVP REAL ESTATE & FACILITIES	(i)	383,419.	99,372.	151,155.	64,868.	13,772.	712,586.	105,080.
		(ii)	0	0	0	0	0	0	0
6	TIMOTHY C.L. MOORE SVP & CHIEF INFO OFFICER	(i)	409,921.	108,620.	3,043.	57,257.	27,585.	606,426.	0
		(ii)	0	0	0	0	0	0	0
7	CYNTHIA H. PERAZZO SVP STRATEGIC & BUSINESS DVPMT	(i)	383,419.	100,216.	2,185.	29,482.	27,091.	542,393.	0
		(ii)	0	0	0	0	0	0	0
8	FLYNN ANDRIZZI SVP	(i)	357,844.	78,412.	15,154.	21,982.	25,585.	498,977.	0
		(ii)	0	0	0	0	0	0	0
9	JAN BLUE SVP HUMAN RESOURCES	(i)	331,288.	97,961.	5,020.	21,844.	12,491.	468,604.	0
		(ii)	0	0	0	0	0	0	0
10	KRIS IYER, M.D. SVP, CAO HTMS	(i)	320,008.	40,173.	9,607.	12,750.	3,177.	385,715.	0
		(ii)	0	0	0	0	0	0	0
11	GWYN PARRY DIRECTOR OF COMMUNITY MEDICINE	(i)	276,787.	24,264.	18,569.	11,542.	16,941.	348,103.	0
		(ii)	0	0	0	0	0	0	0
12	ROBERT DILLMAN, MD EXECUTIVE MEDICAL DIRECTOR	(i)	282,557.	50,952.	9,907.	20,388.	21,989.	385,793.	0
		(ii)	0	0	0	0	0	0	0
13	MICHAEL BRANT-ZAWADZKI, EXECUTIVE MEDICAL DIRECTOR COE	(i)	417,791.	56,397.	20,392.	20,362.	22,989.	537,931.	0
		(ii)	0	0	0	0	0	0	0
14	NINA ROBINSON VP MARKETING AND CORP COMM.	(i)	236,753.	58,162.	1,965.	21,683.	903.	319,466.	0
		(ii)	0	0	0	0	0	0	0
15	TERRI CAMMARANO VP LEGAL	(i)	348,748.	99,041.	3,043.	12,750.	30,535.	494,117.	0
		(ii)	0	0	0	0	0	0	0
16	RICHARD F. AFABLE M.D. FORMER PRES & CEO/BOARD MEMBER	(i)	127,403.	1,250,598.	1,684,171.	52,800.	2,667.	3,117,639.	1,670,037.
		(ii)	581,750.	190,281.	98,544.	0	22,229.	892,804.	0

Part III Supplemental Information

Complete this part to 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.

SCHEDULE J, PART I, LINE 1A

SUPPLEMENTAL COMPENSATION INFORMATION

THE CHIEF QUALITY OFFICER AND THE FORMER PRESIDENT AND CEO ARE PROVIDED WITH A RELOCATION LOAN IN ACCORDANCE WITH THEIR EMPLOYMENT CONTRACT. THE RELOCATION LOAN PROVIDED TO THE FORMER PRESIDENT AND CEO WAS PAID IN FULL AT 6/30/14. EACH YEAR THERE IS IMPUTED INCOME THAT IS GROSSED UP FOR TAX PURPOSES WHICH IS REPORTED AS TAXABLE INCOME TO THE EXECUTIVES AND INCLUDED IN COLUMN B (III) OF PART II.

SCHEDULE J, PART I, LINE 3

THE ORGANIZATION'S CHIEF EXECUTIVE OFFICER IS ALSO PAID BY ITS TAX EXEMPT PARENT, ST. JOSEPH HEALTH SYSTEM, AND IS DISCLOSED AS A PERSON PAID BY THE FILING AND A RELATED ORGANIZATION. SEE SCHEDULE O, PART VI, LINE 15A FOR THE PROCESS THAT IS COMPLETED BY THE ST. JOSEPH HEALTH SYSTEM.

SCHEDULE J, PART I, LINE 4B

SUPPLEMENTAL COMPENSATION INFORMATION

THE ORGANIZATION MAKES ANNUAL CONTRIBUTIONS TO A SERP PLAN ON BEHALF OF CERTAIN MEMBERS OF SENIOR MANAGEMENT IN ACCORDANCE WITH THEIR EMPLOYMENT

Part III Supplemental Information

Complete this part to 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.

CONTRACTS. CONTRIBUTIONS TO THE SERP IN THE AMOUNT OF $283,798 ARE INCLUDED IN COLUMN C OF PART II.

RICHARD AFABLE RECEIVED A SERP DISRIBUTION UPON RESIGNATION FROM HOAG (457F PLAN) IN THE AMOUNT OF $1,670,037.

SANFORD SMITH RECEIVED A PAYOUT OF $105,080 FROM HIS SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN DURING CALENDAR YEAR 2013.

THE ORGANIZATION MAINTAINS A LEGACY DEFERRED COMPENSATION PLAN THAT IS FROZEN (NO NEW CONTRIBUTION CAN BE MADE). THERE WERE 2,744.799 SHARES EXERCISED DURING CALENDAR YEAR 2013.

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, line 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

HOAG MEMORIAL HOSPITAL PRESBYTERIAN

Employer identification number

95-1643327

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	(d) Corrected? No
(1)					
(2)					
(3)					
(4)					
(5)					
(6)					

2 Enter the amount of tax incurred by the 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	(d) Loan to or from the organization? From	(e) Original principal amount	(f) Balance due	(g) In default? Yes	(g) In default? No	(h) Approved by board or committee? Yes	(h) Approved by board or committee? No	(i) Written agreement? Yes	(i) Written agreement? No
(1)	JACK COX	SENIOR VP	RECRUITMENT		X	1,500,000.	1,500,000.		X	X		X	
(2)													
(3)													
(4)													
(5)													
(6)													
(7)													
(8)													
(9)													
(10)													
Total						▶$	1,500,000.						

Part III Grants or Assistance Benefiting 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
(1)					
(2)					
(3)					
(4)					
(5)					
(6)					
(7)					
(8)					
(9)					
(10)					

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	(e) Sharing of organization's revenues? No
(1)	RANEY & ZUSMAN	SEE PART V	1,198,388	MEDICAL SERVICES		X
(2)	PERSONAL CARE PHYSICIANS	SEE PART V	712,707.	MANAGEMENT SERVICES		X
(3)	HOAG ORTHOPEDIC INSTITUTE	SEE PART V	14,458,619	ADMINISTRATIVE SERVICES		X
(4)	NEWPORT EMERGENCY MEDICAL GROUP	SEE PART V	176,142	PATIENT SERVICES		X
(5)	HMTS, INC	SEE PART V	519,349	SEE PART V		X
(6)	PACIFIC HOSPITALIST ASSOCIATES	SEE PART V	4,371,580	CONTRACTED SERVICES		X
(7)	INTOUCH HEALTH	SEE PART V	122,132	PRODUCT PURCHASES		X
(8)						
(9)						
(10)						

Part V Supplemental Information

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

SCHEDULE L, PART IV

BUSINESS RELATIONSHIPS

LINE (1) - DOUGLAS ZUSMAN, BOARD MEMBER OF HMHP, HAS 50% OWNERSHIP INTEREST IN RANEY & ZUSMAN WHICH PROVIDES MEDICAL SERVICES TO HMHP.

LINE (2) - GEORGE WOOD IS A BOARD MEMBER OF HMHP. HIS SON-IN-LAW, TROY MEDLEY, IS THE CEO OF PERSONAL CARE PHYSICIANS (PCP). PCP MANAGED THE HOAG EXECUTIVE HEALTH PROGRAM AND HOAG PAYS A PROFESSIONAL FEE TO THEM FOR SUCH SERVICES.

IN ADDITION TO THE $712,707 HOAG PAID TO PCP, THERE WAS ALSO A $250,000 LOAN MADE TO PCP THAT WAS OUTSTANDING AS OF 6/30/14.

LINE (3) - JENNIFER MITZNER, ROBERT BRAITHWAITE, JOHN L. BENNER (BOARD SECRETARY OF HMHP) AND GARY MCKITTERICK (BOARD CHAIR OF HMHP) ARE OFFICERS OF HMHP, AND MICHAEL D. STEPHENS, BOARD MEMBER OF HMHP, ALSO SERVE AS BOARD MEMBERS OF HOAG ORTHOPEDIC INSTITUTE (HOI). HMHP PROVIDES ADMINISTRATIVE AND OPERATIONAL SERVICES TO HOI.

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)						
(2)						
(3)						
(4)						
(5)						
(6)						
(7)						
(8)						
(9)						
(10)						

Part V Supplemental Information

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

LINE (4) - RAYMOND RICCI, BOARD MEMBER OF HMHP, IS THE OWNER, PRESIDENT, AND PRACTICING PHYSICIAN OF NEWPORT EMERGENCY MEDICAL GROUP INC., A MEDICAL GROUP THAT PROVIDES EMERGENCY DEPARTMENT COVERAGE SERVICES AND MEDICAL DIRECTORSHIP (RAYMOND AS CHIEF OF SERVICE) TO HOAG.

LINE (5) - KRIS IYER, KEY EMPLOYEE OF HMHP IS AN OFFICER AND ON THE BOARD OF HMTS, INC. A HOAG WHOLLY-OWNED TAXABLE NONPROFIT CORPORATION. ROBERT BRAITHWAITE AND JENNIFER MITZNER, OFFICERS OF HMHP ARE ALSO BOARD MEMBERS OF HMTS, INC. HOAG SUPPORTS THE ACTIVITIES OF HMTS AND PAYS FOR SUPPLIES, OTHER OPERATING EXPENSES, AND LEASES FACILITY SPACE AND EMPLOYEES, ETC.

LINE (6) - WESTON CHANDLER, BOARD MEMBER OF HMHP, SERVES AS PRESIDENT AND CEO OF PACIFIC HOSPITALIST ASSOCIATES WHICH PROVIDES MEDICAL SERVICES TO HMHP.

LINE (7) - YULUN WANG, BOARD MEMBER OF HMHP, SERVES AS AN OFFICER/DIRECTOR AT INTOUCH HEALTH WHICH SELLS PRODUCTS TO HMHP.

SCHEDULE O (Form 990 or 990-EZ)	Supplemental Information to Form 990 or 990-EZ	OMB No 1545-0047
Department of the Treasury Internal Revenue Service	Complete to provide information for responses to specific questions on Form 990 or 990-EZ or to provide any additional information. ▶ Attach to Form 990 or 990-EZ.	2013 Open to Public Inspection

Name of the organization	Employer identification number
HOAG MEMORIAL HOSPITAL PRESBYTERIAN	95-1643327

FORM 990, PART III, LINE 4A

PROGRAM SERVICE ACCOMPLISHMENTS

EXECUTIVE SUMMARY

THE COMMUNITY HEALTH DEPARTMENT AT HOAG MEMORIAL HOSPITAL PRESBYTERIAN WAS ESTABLISHED IN 1995. SINCE ITS BEGINNING THE PROGRAM HAS FOCUSED ON TWO PRINCIPAL STRATEGIES:

- PROVIDE NECESSARY HEALTHCARE-RELATED SERVICES WHICH ARE UNDUPLICATED IN THE COMMUNITY.
- PROVIDE FINANCIAL SUPPORT TO EXISTING COMMUNITY BASED NOT-FOR PROFIT ORGANIZATIONS WHICH ALREADY PROVIDE EFFECTIVE HEALTHCARE AND RELATED SOCIAL SERVICES TO MEET COMMUNITY HEALTH NEEDS.

THE DEPARTMENT OF COMMUNITY HEALTH, LED BY ITS DIRECTOR, GWYN PARRY, MD, IS RESPONSIBLE FOR THE COORDINATION OF HOAG'S COMMUNITY BENEFIT REPORTING, AND PROVIDES FREE PROGRAMS TO ASSIST THE UNDERSERVED IN THE COMMUNITY. THESE INCLUDE MENTAL HEALTH SERVICES, COMMUNITY CASE MANAGEMENT AND HEALTH MINISTRIES COORDINATION. IN ADDITION TO THESE SERVICES, MANY OTHER HOAG DEPARTMENTS PROVIDE COMMUNITY HEALTH SERVICES INCLUDING EDUCATION AND SUPPORT GROUPS WHICH ARE FREE TO THE COMMUNITY. HOAG ALSO HAS SUBSTANTIAL RELATIONSHIPS WITH LOCAL COLLEGES AND UNIVERSITIES TO INVEST IN THE EDUCATION OF VARIOUS HEALTH PROFESSIONS.

COMMUNITY BENEFIT GRANTS SUPPORT HOAG HEALTH ASSOCIATES- ORGANIZATIONS

Name of the organization	Employer identification number
HOAG MEMORIAL HOSPITAL PRESBYTERIAN	95-1643327

THAT PROVIDE A BROAD RANGE OF SERVICES, INCLUDING THE FOLLOWING:

- FREE MEDICAL AND DENTAL CARE
- ADULT DAY CARE AND EDUCATION FOR PERSONS WHO SUFFER FROM ALZHEIMER'S DISEASE OR MILD DEMENTIA, WITH SUPPORT AND EDUCATION FOR THEIR CAREGIVERS AND FAMILIES
- TRANSPORTATION SERVICES FOR LOCAL SENIOR CENTERS

INTRODUCTION

THE HOAG MEMORIAL HOSPITAL PRESBYTERIAN COMMUNITY BENEFIT PROGRAM WAS FORMALIZED IN 1995 AND HAS GROWN SIGNIFICANTLY SINCE THAT TIME. WE HAVE SERVED OVER EIGHTY NOT-FOR-PROFIT COMMUNITY ORGANIZATIONS IN A VARIETY OF HEALTH AND SOCIAL SERVICE CATEGORIES. WE CONTINUE TO EMPHASIZE THE DEVELOPMENT OF SUSTAINED COLLABORATIVE RELATIONSHIPS AND THE PROVISION OF UNDUPLICATED SERVICES TO DISADVANTAGED RESIDENTS IN OUR COMMUNITY AS CORE ELEMENTS OF THE PROGRAM.

HOAG'S NONPROFIT REGIONAL HEALTH CARE DELIVERY NETWORK CONSISTS OF TWO ACUTE-CARE HOSPITALS, SIX URGENT CARE CENTERS AND SIX HEALTH CENTERS, AND HAS DELIVERED A LEVEL OF PERSONALIZED CARE THAT IS UNSURPASSED AMONG ORANGE COUNTY'S HEALTH CARE PROVIDERS. RENOWNED FOR ITS EXCELLENCE, SPECIALIZED HEALTH CARE SERVICES AND EXCEPTIONAL PHYSICIANS AND STAFF, HOAG IS ADMIRED AS ONE OF CALIFORNIA'S LEADING HOSPITALS. IT IS ONE OF THE COUNTY'S LARGEST EMPLOYERS WITH APPROXIMATELY 4,800 EMPLOYEES AND MORE THAN 2,000 VOLUNTEERS. HOAG'S NETWORK OF MORE THAN 1,500 PHYSICIANS

Name of the organization	Employer identification number
HOAG MEMORIAL HOSPITAL PRESBYTERIAN	95-1643327

REPRESENTS 52 DIFFERENT SPECIALTIES.

HOAG HOSPITAL, COMPRISING OF THE NEWPORT BEACH CAMPUS, WHICH HAS SERVED ORANGE COUNTY SINCE 1952, AND THE IRVINE CAMPUS, WHICH OPENED IN 2010, IS A DESIGNATED MAGNET HOSPITAL BY THE AMERICAN NURSES CREDENTIALING CENTER (ANCC) AND ARE FULLY ACCREDITED BY DNV. IN 2013, HOAG ENTERED INTO AN ALLIANCE WITH ST. JOSEPH HEALTH TO FURTHER EXPAND HEALTH CARE SERVICES IN THE ORANGE COUNTY COMMUNITY, KNOWN AS ST. JOSEPH HOAG HEALTH. HOAG OFFERS A VARIETY OF HEALTH CARE SERVICES TO TREAT VIRTUALLY ANY ROUTINE OR COMPLEX MEDICAL CONDITION. THROUGH ITS MEDICAL STAFF, STATE-OF-THE-ART EQUIPMENT AND MODERN FACILITIES, HOAG PROVIDES A FULL SPECTRUM OF HEALTH CARE SERVICES INCLUDING FIVE INSTITUTES THAT PROVIDE SPECIALIZED SERVICES IN THE FOLLOWING AREAS: CANCER, HEART AND VASCULAR, NEUROSCIENCES, WOMEN'S HEALTH, AND ORTHOPEDICS THROUGH HOAG'S AFFILIATE, HOAG ORTHOPEDIC INSTITUTE.

TO FURTHER HOAG'S COMMITMENT TO PROVIDE COMPREHENSIVE CARE TO THE COMMUNITIES WE SERVE, HOAG MEDICAL GROUP WAS ESTABLISHED IN 2012 WITH THE CORE VALUES OF EXCELLENCE, INNOVATION AND COMPASSION. THE PHYSICIAN GROUP COMPRISES SPECIALISTS AND SUB-SPECIALISTS IN INTERNAL MEDICINE, FAMILY MEDICINE, PEDIATRICS, GERIATRICS, ENDOCRINOLOGY, GENETICS, RHEUMATOLOGY, DIABETES, ALLERGY & IMMUNOLOGY, HIV AND ADDICTION MEDICINE.

HOAG HAS BEEN NAMED ONE OF THE BEST REGIONAL HOSPITALS IN THE U.S. NEWS & WORLD REPORT METRO EDITION. THE ORGANIZATION RANKED HIGH-PERFORMING IN

Name of the organization	Employer identification number
HOAG MEMORIAL HOSPITAL PRESBYTERIAN	95-1643327

CANCER, GASTROENTEROLOGY AND GI SURGERY, GERIATRICS, GYNECOLOGY, NEPHROLOGY, NEUROLOGY AND NEUROSURGERY, ORTHOPEDICS, PULMONOLOGY AND UROLOGY. NATIONAL RESEARCH CORPORATION HAS ENDORSED HOAG AS ORANGE COUNTY'S MOST PREFERRED HOSPITAL FOR THE PAST 18 CONSECUTIVE YEARS, AND FOR AN UNPRECEDENTED 19 YEARS, RESIDENTS OF ORANGE COUNTY HAVE CHOSEN HOAG AS ONE OF THE COUNTY'S BEST HOSPITALS IN A NEWSPAPER SURVEY BY THE ORANGE COUNTY REGISTER.

HISTORY

HOAG OPENED IN 1952 AS A COMMUNITY PARTNERSHIP BETWEEN THE ASSOCIATION OF PRESBYTERIAN MEMBERS AND THE GEORGE HOAG FAMILY FOUNDATION, A PRIVATE CHARITABLE FOUNDATION.

THE GEORGE HOAG FAMILY FOUNDATION AND THE ASSOCIATION OF PRESBYTERIAN MEMBERS REPRESENT THE TWO FOUNDING ORGANIZATIONS OF THE HOSPITAL AND CONTINUE TO PROVIDE LEADERSHIP AS CORPORATE MEMBERS OF THE HOAG CORPORATION. THESE MEMBERS ANNUALLY ELECT THE BOARD OF DIRECTORS, WHICH CONSISTS OF 19 MEMBERS WITH REPRESENTATIVES FROM THE HOAG COMMUNITY AND MEDICAL STAFF.

AN ANNUAL MEETING AT THE END OF THE FISCAL YEAR PROVIDES THE CORPORATE MEMBERS THE OPPORTUNITY FOR THE ELECTION/RE-ELECTION OF DIRECTORS FOR THE ENSUING YEAR.

SINCE ITS FOUNDING THE HOSPITAL HAS WELDED A STRONG COMMITMENT TO THE

COMMUNITY THAT IT SERVES, INCLUDING THE PROVISION OF SERVICES FOR THOSE WHO CONSTITUTE A MORE VULNERABLE, AT-RISK POPULATION. SUCH CARE, FOR BOTH INPATIENTS AND OUTPATIENTS, IS OFTEN ONLY PARTIALLY COMPENSATED. WITH EXCELLENCE OF MANAGEMENT AND THE DILIGENT STEWARDSHIP OF FUNDS, HOAG HAS BEEN ABLE TO SUSTAIN ITS FINANCIAL STRENGTH. AS A RESULT, HOAG HAS BEEN ABLE TO MAINTAIN A CONTINUING COMMITMENT TO QUALITY OF CARE WHILE DEVELOPING AND EXPANDING COMMUNITY PROGRAMS AND PARTNERSHIPS. MOST OF THE FUNDS EXPENDED UPON HOAG'S COMMUNITY BENEFIT PROGRAM ARE FROM OPERATING INCOME. INCOME. FUNDS EXPENDED UPON HOAG'S COMMUNITY BENEFIT PROGRAM ARE FROM OPERATING INCOME.

FORM 990, PART VI, LINE 2

FAMILY OR BUSINESS RELATIONSHIPS

- OFFICERS ROBERT BRAITHWAITE, JENNIFER MITZNER, JOHN L. BENNER (BOARD SECRETARY OF HMHP), GARY MCKITTERICK (BOARD CHAIR OF HMHP) AND BOARD MEMBER MICHAEL D. STEPHENS HAVE A BUSINESS RELATIONSHIP.

- BOARD MEMBERS DENNIS GILMORE AND VIRGINIA UEBERROTH HAVE A BUSINESS RELATIONSHIP.

- OFFICERS ROBERT BRAITHWAITE AND JENNIFER MITZNER, AND KEY EMPLOYEE KRIS IYER HAVE A BUSINESS RELATIONSHIP.

FORM 990, PART VI, LINE 6

MEMBERS OR STOCKHOLDERS

THE MEMBERS OF THE CORPORATION CONSIST OF THE FOLLOWING:

Name of the organization	Employer identification number
HOAG MEMORIAL HOSPITAL PRESBYTERIAN	95-1643327

(I) COVENANT HEALTH NETWORK INC,

(II) THE GEORGE HOAG FAMILY FOUNDATION ("GHF FOUNDATION"),

(III) THE CONSTITUENT CHURCHES OF THE LOS RANCHOS PRESBYTERY OF THE PRESBYTERIAN CHURCH (USA) (THE "APM"), AND

(IV) SUCH INDIVIDUAL MEMBERS AS MAY BE APPOINTED BY THE GHF FOUNDATION OR THE APM UP TO A MAXIMUM OF FORTY-EIGHT (48) INDIVIDUAL MEMBERS TO BE DIVIDED EQUALLY BETWEEN THE GHF FOUNDATION AND THE APM.

FORM 990, PART VI, LINE 7A

POWER TO ELECT OR APPOINT MEMBERS

HOAG HAS A TIERED GOVERNANCE IN WHICH THE CORPORATE MEMBERS RESERVE THE RIGHT TO APPOINT TRUSTEES TO THE HOAG BOARD. ALL TRUSTEE APPOINTMENTS THAT COME FROM THE HOAG BOARD AS NOMINATIONS MUST BE APPROVED BY ST. JOSEPH HEALTH SYSTEM, AS A CORPORATE MEMBER, AND ST. JOSEPH HEALTH MINISTRY, AS THE ORGANIZATIONAL SPONSOR. THE TRUSTEES ARE THEN APPROVED AND ELECTED BY THE COVENANT HEALTH NETWORK, INC. BOARD.

FORM 990, PART VI, LINE 7B

DECISIONS RESERVED TO MEMBERS OR STOCKHOLDERS

THE RESERVED RIGHTS IN OUR TIERED GOVERNANCE STRUCTURE CONTEMPLATE PRELIMINARY APPROVAL BY THE COVENANT HEALTH NETWORK, INC. BOARD AND FINAL APPROVAL BY THE ST. JOSEPH HEALTH SYSTEM MEMBER OF FINANCING, BUDGETS, UNBUDGETED EXPENDITURES OF DEFINED AMOUNTS, STRATEGIC PLAN, APPOINTMENT OF AUDITORS, CREATION OR INVESTMENT IN A LEGALLY RECOGNIZED ENTITY, JOINT VENTURES, PURPOSES, AND SALE OR DISPOSITION OF REAL PROPERTY. A SUPERMAJORITY OF THE COVENANT HEALTH NETWORK, INC. BOARD IS REQUIRED TO

Name of the organization	Employer identification number
HOAG MEMORIAL HOSPITAL PRESBYTERIAN	95-1643327

APPROVE ANY MERGER OR SALE OF SUBSTANTIALLY ALL ASSETS, APPOINTMENT AND REMOVAL OF HOAG TRUSTEES, ADOPTION OR AMENDMENT OF BYLAWS AND ARTICLES.

DECISIONS RESERVED TO HOAG MEMBERS OR STOCKHOLDERS

THE POWERS AND RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION INCLUDE, BUT ARE NOT LIMITED TO:

(A) TO ASSURE THE BOARD OF DIRECTORS CARRIES OUT THE CORPORATION'S MISSION;

(B) TO CONSIDER THE QUALIFICATIONS OF DIRECTORS TO BE ELECTED TO THE BOARD OF DIRECTORS;

(C) TO APPROVE ANY AMENDMENT, MODIFICATION OR RESTATEMENT OF THE ARTICLES OF INCORPORATION OR THE BYLAWS OF THE CORPORATION;

(D) TO APPROVE THE ELECTION, APPOINTMENT OR REMOVAL OF ANY DIRECTOR OF THE CORPORATION; AND

(E) TO APPROVE ANY SALE, TRANSFER CONVEYANCE OR OTHER DISPOSITION OF ALL, SUBSTANTIALLY ALL OR A MATERIAL PORTION OF THE ASSETS OF THE CORPORATION, OR ANY MERGER, CONSOLIDATION, AFFILIATION OR DISSOLUTION OF THE CORPORATION.

FORM 990, PART VI, LINE 11B

PROCESS USED TO REVIEW THE FORM 990

THE ORGANIZATION'S BOARD OF DIRECTORS HAS DELEGATED TO THE AUDIT AND COMPLIANCE COMMITTEE OF THE BOARD THE REVIEW OF THE FORM 990 PRIOR TO ISSUANCE. MANAGEMENT, INCLUDING AN OFFICER OF THE ORGANIZATION, PREPARES AND REVIEWS THE FORM 990. THE AUDIT AND COMPLIANCE COMMITTEE IS PROVIDED WITH A DRAFT FORM 990 AND IS PROVIDED AMPLE TIME TO READ THE DOCUMENT AND

DEVELOP QUESTIONS. THE AUDIT AND COMPLIANCE COMMITTEE THEN CONVENES PRIOR TO ISSUANCE OF THE FORM 990 TO REVIEW AND DISCUSS THE DRAFT FORM 990 WITH MANAGEMENT AND EXTERNAL EXPERTS HIRED BY MANAGEMENT. AN ELECTRONIC VERSION OF THE FORM 990 IS POSTED TO A SECURE WEBSITE AVAILABLE TO ALL OF THE BOARD OF DIRECTORS PRIOR TO FILING.

FORM 990, PART VI, LINE 12C

MONITORING AND ENFORCEMENT OF COMPLIANCE WITH CONFLICT OF INTEREST POLICY

THE ORGANIZATION HAS A COMPREHENSIVE CONFLICT OF INTEREST POLICY. OFFICERS, DIRECTORS, NON-DIRECTOR MEMBERS OF BOARD COMMITTEES, AND SENIOR EXECUTIVES ARE REQUIRED TO COMPLETE AN ANNUAL CONFLICT OF INTEREST QUESTIONNAIRE. RESPONSES TO THE QUESTIONNAIRE ARE REVIEWED BY THE CHAIR AND CEO AND MATTERS ARE DISCUSSED AT THE APPROPRIATE LEVEL AS APPLICABLE GIVEN THE SITUATION. INDIVIDUAL TRANSACTIONS THAT OCCUR BETWEEN THE ANNUAL QUESTIONNAIRES ARE REVIEWED BY THE CORPORATION'S LEGAL AND COMPLIANCE OFFICERS FOR POTENTIAL CONFLICTS OF INTEREST. ANY DIRECTOR WHO HAS A CONFLICT OF INTEREST WITH RESPECT TO A PROPOSED CONTRACT, TRANSACTION OR ARRANGEMENT SHALL REFRAIN FROM VOTING ON ANY MATTER RELATING TO THE CONTRACT, TRANSACTION OR ARRANGEMENT, OR BE EXCUSED FROM ANY MEETING WHERE THE PROPOSED CONTRACT IS DISCUSSED.

FORM 990, PART VI, LINE 15A

PROCESS FOR DETERMINING COMPENSATION

THE ORGANIZATION'S CHIEF EXECUTIVE OFFICER IS PAID BY ST. JOSEPH HEALTH SYSTEM, AND IS DISCLOSED AS A PERSON PAID BY A RELATED ORGANIZATION

Name of the organization	Employer identification number
HOAG MEMORIAL HOSPITAL PRESBYTERIAN	95-1643327

DURING TAX YEAR ENDING 6-30-14.

ST. JOSEPH HEALTH SYSTEM'S EXECUTIVE COMPENSATION PROGRAM DESIGN AND ADMINISTRATION IS GOVERNED BY A COMMITTEE OF INDEPENDENT TRUSTEES. THEY FOLLOW A BOARD-APPROVED CHARTER AND OVERALL EXECUTIVE COMPENSATION PHILOSOPHY. THE CHARTER EMPOWERS THE SJHS BOARD WORKLIFE COMMITTEE TO ADMINISTER THE EXECUTIVE COMPENSATION PROGRAM AND TO APPROVE PROGRAM CHANGES AS NECESSARY TO ENSURE ALIGNMENT WITH THE STATED PHILOSOPHY AND ENSURE CONTINUED COMPLIANCE WITH FEDERAL AND STATE REGULATIONS ON BEHALF OF THE SJHS BOARD OF TRUSTEES. OVERALL, THE PHILOSOPHY IS INTENDED TO REWARD A BROAD SPECTRUM OF HIGH ORGANIZATIONAL AND INDIVIDUAL PERFORMANCE EXPECTATIONS, AS WELL AS RETENTION OF KEY MANAGEMENT TALENT. THE EXECUTIVE COMPENSATION PHILOSOPHY DEFINES THE MARKET FOR ADMINISTERING COMPENSATION AS A COMPARABLE SET OF NOT-FOR-PROFIT HEALTH CARE DELIVERY SYSTEMS. SJHS PROVIDES COMPENSATION TO ITS EXECUTIVES IN THE FORM OF BASE SALARY, AN ANNUAL INCENTIVE PROGRAM, AND BENEFITS.

FORM 990, PART VI, LINE 15B
PROCESS FOR DETERMINING COMPENSATION
THE COMPENSATION OF THE CFO AND ALL SENIOR VICE PRESIDENTS (KEY EMPLOYEES) IS REVIEWED BY THE COMPENSATION COMMITTEE OF HOAG'S BOARD OF DIRECTORS, COMPRISED SOLELY OF INDEPENDENT DIRECTORS PLUS ONE OUTSIDE NON-VOTING MEMBER. THE COMPENSATION COMMITTEE RECEIVES A STUDY PERFORMED BY AN INDEPENDENT CONSULTING FIRM THAT REVIEWS LEVELS OF COMPENSATION AT COMPARABLE ORGANIZATIONS FOR COMPARABLE POSITIONS WHEN SETTING COMPENSATION OF THE KEY EXECUTIVES. THE COMPENSATION COMMITTEE'S

Name of the organization	Employer identification number
HOAG MEMORIAL HOSPITAL PRESBYTERIAN	95-1643327

RECOMMENDATIONS RELATIVE TO EXECUTIVE COMPENSATION ARE REVIEWED AND APPROVED BY THE FULL BOARD OF DIRECTORS, MEETING IN EXECUTIVE SESSION, WHOSE MINUTES DOCUMENT THAT THE APPROVED COMPENSATION IS DEEMED REASONABLE. THIS PROCESS OF USING COMPARABLE DATA TO ESTABLISH LEVELS OF COMPENSATION HAS BEEN IN PLACE FOR IN EXCESS OF 37 YEARS. THIS PROCESS WAS LAST COMPLETED IN 2014.

FORM 990, PART VI, LINE 19

PROCESS FOR MAKING DOCUMENTS AVAILABLE TO THE PUBLIC

HOAG'S CODE OF CONDUCT IS POSTED ON ITS PUBLIC WEBSITE (HTTP://WWW.HOAG.ORG/ABOUT-HOAG/DOCUMENTS/CODE%20OF%20CONDUCT.PDF). THE CODE OF CONDUCT PROVIDES READERS WITH AN UNDERSTANDABLE REVIEW OF THE CODE OF CONDUCT THAT MUST BE ADHERED TO BY ALL EMPLOYEES, DIRECTORS AND VENDORS. THE CORPORATION MAKES ITS GOVERNING DOCUMENTS AVAILABLE UPON REQUEST. THE AUDITED FINANCIAL STATEMENTS ARE ATTACHED TO THE FORM 990.

FORM 990, PART IX, LINE 11G

OTHER FEES FOR SERVICES (NON-EMPLOYEES) EXCEEDING 10%

PURCHASED SERVICES	-	$ 39,576,246
HMO PURCHASED SERVICES	-	$ 31,947,393
PHYSICIAN FEES	-	$ 17,037,074
CONSULTING FEES	-	$ 4,366,873
TOTAL		$ 92,927,586

Name of the organization	Employer identification number
HOAG MEMORIAL HOSPITAL PRESBYTERIAN	95-1643327

FORM 990, PART XI, LINE 9

CHANGES IN NET ASSETS OR FUND BALANCE

(8,118,402) - EQUITY TRANSFER TO HERITAGE

160,256 - PARTNERSHIP INVESTMENT LOSS

(141,927) - EXCLUDED SERVICES PER SJH AFFILIATION

(7,578) - ROUNDING

(8,107,651) - TOTAL

ATTACHMENT 1

990, PART VII- COMPENSATION OF THE FIVE HIGHEST PAID IND. CONTRACTORS

NAME AND ADDRESS	DESCRIPTION OF SERVICES	COMPENSATION
PACIFIC HOSPITALIST ASSOCIATES 510 SUPERIOR AVENUE, SUITE 290 NEWPORT BEACH, CA 92663	MEDICAL	5,786,121.
ALLSCRIPTS 8529 SIX FORKS ROAD RALEIGH, NC 27615	SOFTWARE SYSTEMS	4,722,380.
NEWPORT CRITICAL CARE 17 EMERALD TERRACE ALISO VIEJO, CA 92656	TECHNOLOGY SERVICES	2,972,435.
TAYLOR & ASSOCIATES 2220 UNIVERSITY DR., SUITE 200 NEWPORT BEACH, CA 92660	ARCHITECTURE	1,916,243.
DELOITTE & TOUCHE LLP 17360 BROOKHURST STREET FOUNTAIN VALLEY, CA 92708	CONSULTING SERVICES	1,787,703.

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
HOAG MEMORIAL HOSPITAL PRESBYTERIAN

Employer identification number
95-1643327

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

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) NEWPORT HEALTHCARE CENTER LLC 33-1127904 ONE HOAG DRIVE, BOX 6100 NEWPORT BEACH, CA 92663	MEDICAL BLDG	CA	9,161,951.	155695744.	HMHP
(2)					
(3)					
(4)					
(5)					
(6)					

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	(g) No
(1) COVENANT HEALTH NETWORK, INC 46-1259908 3345 MICHELSON DRIVE, STE 100 IRVINE, CA 92612	HEALTHCARE	CA	501(C)(3)	11, III	SJHS	X	
(2) COVENANT HEALTH PARTNERS 61-1573313 3615 19TH STREET LUBBOCK, TX 79410	HEALTHCARE	TX	501(C)(3)	11,I	CHS	X	
(3) COVENANT HEALTH SYSTEM 75-2765566 3615 19TH STREET LUBBOCK, TX 79410	HEALTHCARE	TX	501(C)(3)	3	SJHS	X	
(4) COVENANT HEALTH SYSTEM FOUNDATION 75-2897026 4000 24TH STREET LUBBOCK, TX 79410	HEALTHCARE	TX	501(C)(3)	7	CHS	X	
(5) COVENANT MEDICAL GROUP 75-2743883 3420 22ND PLACE LUBBOCK, TX 79410	HEALTHCARE	TX	501(C)(3)	3	CHS	X	
(6) COVENANT PHYSICIAN PARTNERS 46-3516417 3615 19TH STREET LUBBOCK, TX 79410	HEALTHCARE	TX	501(C)(3)	3	CHS	X	
(7) HOAG CHARITY SPORTS 45-2982422 330 PLACENTIA AVE. NEWPORT BEACH, CA 92663	SUPPORT	CA	501(C)(3)	7	HHF	X	

SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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▶ Attach to Form 990. ▶ See separate instructions.

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2013

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Name of the organization

HOAG MEMORIAL HOSPITAL PRESBYTERIAN

Employer identification number

95-1643327

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	(g) No
(1) HOAG HOSPITAL FOUNDATION 95-3222343 330 PLACENTIA AVE NEWPORT BEACH, CA 92663	FUNDRAISING	CA	501(C)(3)	7	HMHP	X	
(2) HOME CARE PARTNERS 68-0318656 1165 MONTGOMERY DR SANTA ROSA, CA 95405	INACTIVE	CA	501(C)(3)	3	SRMH	X	
(3) HOSPICE OF LUBBOCK 75-2133781 1102 SLIDE ROAD LUBBOCK, TX 79414	HEALTHCARE	TX	501(C)(3)	9	CHS	X	
(4) LUBBOCK METHODIST HOSPITAL FOUNDATION 75-2220963 3615 19TH STREET LUBBOCK, TX 79410	HEALTHCARE	TX	501(C)(3)	7	CHS	X	
(5) METHODIST CHILDREN'S HOSPITAL 75-2428911 3610 21ST STREET LUBBOCK, TX 79410	HEALTHCARE	TX	501(C)(3)	3	CHS	X	
(6) METHODIST HOSPITAL LEVELLAND 75-2246348 1900 COLLEGE AVENUE LEVELLAND, TX 79336	HEALTHCARE	TX	501(C)(3)	3	CHS	X	
(7) METHODIST HOSPITAL PLAINVIEW 75-2426010 2601 DIMMITT ROAD PLAINVIEW, TX 79072	HEALTHCARE	TX	501(C)(3)	3	CHS	X	

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.

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Name of the organization

HOAG MEMORIAL HOSPITAL PRESBYTERIAN

Employer identification number

95-1643327

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	(g) No
(1) MISSION HOSPITAL REGIONAL MEDICAL CTR 95-1643360 27700 MEDICAL CENTER ROAD MISSION VIEJO, CA 92691	HEALTHCARE	CA	501(C)(3)	3	CHN	X	
(2) QUEEN OF THE VALLEY MEDICAL CENTER 94-1243669 1000 TRANCAS STREET NAPA, CA 94558	HEALTHCARE	CA	501(C)(3)	3	SJHS	X	
(3) REDWOOD MEMORIAL FOUNDATION 94-2779313 3300 RENNER DRIVE FORTUNA, CA 95540	HEALTHCARE	CA	501(C)(3)	7	RMH	X	
(4) REDWOOD MEMORIAL HOSPITAL 94-1384665 3300 RENNER DRIVE FORTUNA, CA 95540	HEALTHCARE	CA	501(C)(3)	3	SJHS	X	
(5) SANTA ROSA MEMORIAL HOSPITAL 94-1231005 1165 MONTGOMERY DR SANTA ROSA, CA 95405	HEALTHCARE	CA	501(C)(3)	3	SJHS	X	
(6) SISTERS OF ST. JOSEPH OF ORANGE 95-1643383 480 S. BATAVIA ORANGE, CA 92868	RELIGIOUS ORG	CA	501(C)(3)	1	N/A		X
(7) SRM ALLIANCE HOSPITAL SERVICES 68-0395200 400 NORTH MCDOWELL BLVD PETALUMA, CA 94954	HEALTHCARE	CA	501(C)(3)	3	SRMH	X	

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

HOAG MEMORIAL HOSPITAL PRESBYTERIAN

Employer identification number

95-1643327

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	(g) No
(1) ST. JOSEPH HEALTH MINISTRY 27-1666576 3345 MICHELSON DRIVE, STE 100 IRVINE, CA 92612	RELIGIOUS ORG	CA	501(C)(3)	1	SSJO		X
(2) ST. JOSEPH HEALTH SYSTEM 95-3589356 3345 MICHELSON DRIVE, STE 100 IRVINE, CA 92612	HEALTHCARE	CA	501(C)(3)	11, I	SJHM		X
(3) ST. JOSEPH HEALTH SYSTEM FOUNDATION 33-0143024 3345 MICHELSON DRIVE, STE 100 IRVINE, CA 92612	HEALTHCARE	CA	501(C)(3)	7	SJHS	X	
(4) ST. JOSEPH HOME CARE NETWORK 68-0331084 170 PROFESSIONAL CENTER DR #B ROHNERT PARK, CA 94928	HEALTHCARE	CA	501(C)(3)	9	SJHS	X	
(5) ST. JOSEPH HOSPITAL OF EUREKA 94-1156596 2700 DOLBEER STREET EUREKA, CA 95501	HEALTHCARE	CA	501(C)(3)	3	SJHS	X	
(6) ST. JOSEPH HOSPITAL OF ORANGE 95-1643359 1100 WEST STEWART DRIVE ORANGE, CA 92868	HEALTHCARE	CA	501(C)(3)	3	CHN	X	
(7) ST. JUDE HOSPITAL YORBA LINDA 33-0185031 500 S. MAIN STREET, STE 1000 ORANGE, CA 92868	HEALTHCARE	CA	501(C)(3)	3	SJHS	X	

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.*

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2013

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Name of the organization

HOAG MEMORIAL HOSPITAL PRESBYTERIAN

Employer identification number

95-1643327

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	(g) No
(1) ST JUDE HOSPITAL, INC 95-1643324 101 EAST VALENCIA MESA DRIVE FULLERTON, CA 92635	HEALTHCARE	CA	501(C)(3)	3	CHN	X	
(2) ST. MARY MEDICAL CENTER 95-1914489 18300 HIGHWAY 18 APPLE VALLEY, CA 92307	HEALTHCARE	CA	501(C)(3)	3	CHN	X	
(3) ST. MARY OF THE PLAINS HOSPITAL FDN 75-1653181 4000 24TH STREET LUBBOCK, TX 79410	HEALTHCARE	TX	501(C)(3)	7	CHS	X	
(4) TALLER SAN JOSE 59-3816355 801 NORTH BROADWAY SANTA ANA, CA 92701	WORKFORCE DEV	CA	501(C)(3)	2	SSJO	X	
(5)							
(6)							
(7)							

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) ST. JOSEPH HLTH SYS HOME HLTH SEE PART VII	HOME HEALTH	CA	N/A	N/A								
(2) ST JOSEPH HLTH SYS HOME CARE SEE PART VII	HOME HEALTH	CA	N/A	N/A								
(3) METHODIST DIAGNOSTIC IMAGING SEE PART VII	HEALTHCARE SVCS	TX	N/A	N/A								
(4) SHA, LLC SEE PART VII	INSURANCE	TX	N/A	N/A								
(5) LUBBOCK SURGERY CENTER, LTD SEE PART VII	HEALTHCARE SVCS	TX	N/A	N/A								
(6) COVENANT LONG-TERM CARE, LP SEE PART VII	HEALTHCARE SVCS	TX	N/A	N/A								
(7) HERITAGE INVESTMENT GROUP SEE PART VII	INVESTMENTS	CA	N/A	N/A								

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity? Yes	(i) No
(1) ST JOSEPH PROF SVCS ENTERPRISES, INC 33-0155323 3345 MICHELSON DRIVE, SUITE 100 IRVINE, CA 92612	HEALTHCARE SVCS	CA	N/A	C-CORP					
(2) AMERICAN UNITY GROUP, LTD 58 PAR-LA-VILLE ROAD HAMILTON HM HX, BD	CAPTIVE INSURANCE	BD	N/A	C-CORP					
(3) ALLIANCE PHYSICIAN SERVICES	INACTIVE	CA	N/A	C-CORP					
(4) MISSION VIEJO MEDICAL VENTURES 33-0212905 27800 MEDICAL CENTER RD, #354 MISSION VIEJO, CA 92691	HEALTHCARE SVCS	CA	N/A	C-CORP					
(5) ST. JOSEPH YORBA PARK	INACTIVE	CA	N/A	C-CORP					
(6) LUBBOCK METHODIST HOSPITAL SVCS 75-2118585 P.O. BOX 1201 LUBBOCK, TX 79410	HEALTHCARE SVCS	TX	N/A	C-CORP					
(7) LUBBOCK METHODIST HOSP PRACTICE MGMT 75-2578995 2107 OXFORD STREET, STE 300 LUBBOCK, TX 79410	INACTIVE	TX	N/A	C-CORP					

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) MISSION AMBULATORY SURGICENTER SEE PART VII	HEALTHCARE SVCS	CA	N/A	N/A								
(2) COMPREHENSIVE IMAGING PARTNERS SEE PART VII	HEALTHCARE SVCS	CA	N/A	N/A								
(3) ST JOSEPH PHYSICIAN VENTURES SEE PART VII	REAL ESTATE	CA	N/A	N/A								
(4) ADVANCED SURGERY INSTITUTE LLC SEE PART VII	HEALTHCARE SVCS	CA	N/A	N/A								
(5) HOAG OUTPATIENT CENTERS SEE PART VII	HEALTHCARE SVCS	CA	HMHP	RELATED	489,883	1,754,408		X	0		X	45 2500
(6) NEWPORT IMAGING CENTER SEE PART VII	HEALTHCARE SVCS	CA	HMHP	RELATED	-1,041,854	2,135,737		X	0	X		99.8770
(7) HOAG ORTHOPEDIC INSTITUTE SEE PART VII	HEALTHCARE SVCS	CA	HMHP	RELATED	14,409,038	49,255,409		X	0	X		51 0000

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity? Yes	(i) No
(1) HOAG MANAGEMENT SERVICES, INC 33-0731587 1 HOAG DRIVE, BOX 6100 NEWPORT BEACH, CA 92658	HEALTHCARE SVCS	CA	HMHP	C-CORP	23,104,904	68,911,546	100 0000	X	
(2) COASTAL MANAGEMENT SERVICES ORGANIZATION 33-0676831 1 HOAG DRIVE, BOX 6100 NEWPORT BEACH, CA 92658	HEALTHCARE SVCS	CA	HMHP	C-CORP	250,430	707,610	100 0000	X	
(3) HMTS, INC FKA HOAG MEDICAL FOUNDATION 45-3583707 1 HOAG DRIVE, BOX 6100 NEWPORT BEACH, CA 92658	HEALTHCARE SVCS	CA	HMHP	C-CORP	2,914,805.	4,669,573	100.0000	X	
(4) ST JOSEPH HEALTH SOURCE, INC 46-1900168 3345 MICHELSON DRIVE, SUITE 100 IRVINE, CA 92612	HEALTHCARE SVCS	CA	N/A	C-CORP					
(5) DATU HEALTH, INC 46-3070062 16150 MAIN CIRCLE DR, SUITE 250 CHESTERFIELD, MO 63017	IT SVCS	MO	N/A	C-CORP					
(6) ST. JOSEPH HEALTH 46-2340232 3345 MICHELSON DR, SUITE 100 IRVINE, CA 92612	HOLDING COMPANY	CA	N/A	C-CORP					
(7)									

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) MAIN ST SPECIALTY SURGERY CNTR SEE PART VII	HEALTHCARE SVCS	CA	N/A	N/A								
(2) ORTHOPEDIC SURGERY CNTR OF OC SEE PART VII	HEALTHCARE SVCS	CA	N/A	N/A								
(3) THE INSTITUTE FOR INNOVATION SEE PART VII	HEALTHCARE SVCS	DE	N/A	N/A								
(4) HEALTHCARE DESIGN & CONSTRUCT SEE PART VII	REAL ESTATE	DE	N/A	N/A								
(5) NORTH BAY ENDOSCOPY CENTER SEE PART VII	HEALTHCARE SVCS	CA	N/A	N/A								
(6)												
(7)												

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity? Yes	(i) No
(1)									
(2)									
(3)									
(4)									
(5)									
(6)									
(7)									

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 organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a	Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity	1a	X	
b	Gift, grant, or capital contribution to related organization(s)	1b		X
c	Gift, grant, or capital contribution from related organization(s)	1c	X	
d	Loans or loan guarantees to or for related organization(s)	1d		X
e	Loans or loan guarantees by related organization(s)	1e		X
f	Dividends from related organization(s)	1f		X
g	Sale of assets to related organization(s)	1g		X
h	Purchase of assets from related organization(s)	1h		X
i	Exchange of assets with related organization(s)	1i		X
j	Lease of facilities, equipment, or other assets to related organization(s)	1j		X
k	Lease of facilities, equipment, or other assets from related organization(s)	1k		X
l	Performance of services or membership or fundraising solicitations for related organization(s)	1l	X	
m	Performance of services or membership or fundraising solicitations by related organization(s)	1m	X	
n	Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n		X
o	Sharing of paid employees with related organization(s)	1o		X
p	Reimbursement paid to related organization(s) for expenses	1p	X	
q	Reimbursement paid by related organization(s) for expenses	1q		X
r	Other transfer of cash or property to related organization(s)	1r		X
s	Other transfer of cash or property from related organization(s)	1s		X

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)	HOAG HOSPITAL FOUNDATION	A(IV)	199,631.	ACCRUAL
(2)	HOAG ORTHOPEDIC INSTITUTE	C	5,991,786.	ACCRUAL
(3)	HOAG HOSPITAL FOUNDATION	C	13,121,206.	ACCRUAL
(4)	HOAG HOSPITAL FOUNDATION	L	67,500.	ACCRUAL
(5)	COASTAL MANAGEMENT SERVICES ORGANIZATION	L	96,878.	ACCRUAL
(6)	NEWPORT IMAGING CENTER	L	37,257.	ACCRUAL

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 organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a	Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity	1a		
b	Gift, grant, or capital contribution to related organization(s)	1b		
c	Gift, grant, or capital contribution from related organization(s)	1c		
d	Loans or loan guarantees to or for related organization(s)	1d		
e	Loans or loan guarantees by related organization(s)	1e		
f	Dividends from related organization(s)	1f		
g	Sale of assets to related organization(s)	1g		
h	Purchase of assets from related organization(s)	1h		
i	Exchange of assets with related organization(s)	1i		
j	Lease of facilities, equipment, or other assets to related organization(s)	1j		
k	Lease of facilities, equipment, or other assets from related organization(s)	1k		
l	Performance of services or membership or fundraising solicitations for related organization(s)	1l		
m	Performance of services or membership or fundraising solicitations by related organization(s)	1m		
n	Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n		
o	Sharing of paid employees with related organization(s)	1o		
p	Reimbursement paid to related organization(s) for expenses	1p		
q	Reimbursement paid by related organization(s) for expenses	1q		
r	Other transfer of cash or property to related organization(s)	1r		
s	Other transfer of cash or property from related organization(s)	1s		

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

	(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1)	HOAG MANAGEMENT SERVICES INC	M	1,940,962.	ACCRUAL
(2)	HMTS INC	L	519,349.	ACCRUAL
(3)				
(4)				
(5)				
(6)				

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

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

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

Part VII **Supplemental Information**
Complete this part to provide additional information for responses to questions on Schedule R (see instructions).

SCHEDULE R, PART III

IDENTIFICATION OF RELATED ORGANIZATIONS TAXABLE AS A PARTNERSHIP

ST. JOSEPH HEALTH SYSTEM HOME HEALTH AGENCY

EIN: 33-0282945

ADDRESS: 1845 W. ORANGEWOOD AVENUE, STE. 200 ORANGE, CA 92868-2012

ST. JOSEPH HEALTH SYSTEM HOME CARE SERVICES

EIN: 33-0307672

ADDRESS: 1845 W. ORANGEWOOD AVENUE, STE. 100, ORANGE, CA 92868-2012

METHODIST DIAGNOSTIC IMAGING

EIN: 75-2343261

ADDRESS: 4005 24TH STREET, LUBBOCK, TX 79410

SHA, LLC

EIN: 75-2569094

ADDRESS: 12940 NORTH HIGHWAY 183, AUSTIN, TX 78750

LUBBOCK SURGERY CENTER, LTD.

EIN: 75-2177401

ADDRESS: 2301 QUAKER, LUBBOCK, TX 79410

COVENANT LONG-TERM CARE, LP

EIN: 20-5033419

ADDRESS: 4000 24TH STREET, LUBBOCK, TX 79410

Part VII **Supplemental Information**
Complete this part to provide additional information for responses to questions on Schedule R (see instructions).

HERITAGE INVESTMENT GROUP I, LLC

EIN: 27-1000061

ADDRESS: 3345 MICHELSON DRIVE, STE. 100, IRVINE, CA 92612

MISSION AMBULATORY SURGICENTER, LTD

EIN: 33-0355575

ADDRESS: 27800 MEDICAL CENTER ROAD, STE. 362, MISSION VIEJO, CA 92691

COMPREHENSIVE IMAGING PARTNERS OF ORANGE COUNTY, LLC

EIN: 26-4591502

ADDRESS: ONE CITY BOULEVARD WEST, SUITE 1100, ORANGE, CA 92868

ST. JOSEPH PHYSICIAN VENTURES I, LLC

EIN: 45-4521884

ADDRESS: 1100 WEST STEWART DRIVE, ORANGE, CA 92868

ADVANCED SURGERY INSTITUTE, LLC

EIN: 26-2299255

ADDRESS: 1739 4TH STREET, SANTA ROSA, CA 95404

HOAG OUTPATIENT CENTERS

EIN: 45-3587572

ADDRESS: 1 HOAG DRIVE, BOX 6100, NEWPORT BEACH, CA 92658

Part VII **Supplemental Information**

Complete this part to provide additional information for responses to questions on Schedule R (see instructions).

NEWPORT IMAGING CENTER

EIN: 33-0191776

ADDRESS: 360 SAN MIGUEL, NEWPORT BEACH, CA 92660

HOAG ORTHOPEDIC INSTITUTE

EIN: 61-1588294

ADDRESS: 1 HOAG DRIVE, BOX 6100, NEWPORT BEACH, CA 92658

MAIN ST SPECIALTY SURGERY CENTER

EIN: 95-4813223

ADDRESS: 280 MAIN STREET, STE 100, ORANGE, CA 92868

ORTHOPEDIC SURGERY CENTER OF OC, LLC

EIN: 33-0841806

ADDRESS: 22 CORPORATE PLAZA, NEWPORT BEACH, CA 92660

THE INSTITUTE FOR INNOVATION, LLC

EIN: 90-0745066

ADDRESS: 1 CENTERPOINTE DRIVE SUITE 200, LA PALMA, CA 90623-1052

HEALTHCARE DESIGN AND CONSTRUCTION

EIN: 46-2611662

ADDRESS: 1 CENTERPOINTE DRIVE SUITE 200, LA PALMA, CA 90623-1052

Part VII **Supplemental Information**
Complete this part to provide additional information for responses to questions on Schedule R (see instructions).

NORTH BAY ENDOSCOPY CENTER, LLC

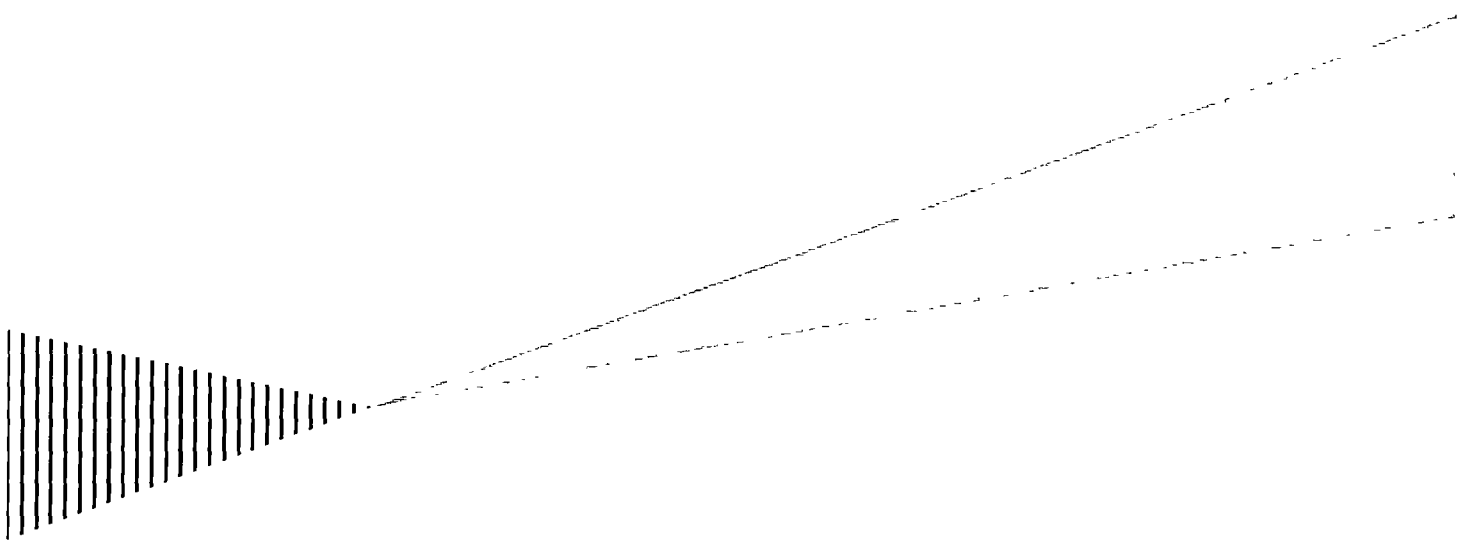
EIN: 61-1559876

ADDRESS: 1383 N. MCDOWELL BLVD SUITE 110, PETALUMA, CA 94954

Consolidated Financial Statements and Supplementary Information

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation
Fiscal Years Ended June 30, 2014 and 2013
With Report of Independent Auditors

Ernst & Young LLP



EY
Building a better working world

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidated Financial Statements
and Supplementary Information

Fiscal Years Ended June 30, 2014 and 2013

Contents

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Suite 1000
18111 Von Karman Avenue
Irvine, CA 92612-7101

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Fax. +1 949 437 0590
ey.com

Building a better working world

Report of Independent Auditors

The Board of Trustees
St. Joseph Health System and Affiliates

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Building a better working world

Opinion

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

Supplementary Information

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

Ernst & Young LLP

September 26, 2014

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidated Balance Sheets
(In Thousands)

	June 30	
	2014	2013
Assets		
Current assets:		
Cash and equivalents	$ 269,991	$ 329,513
Short-term marketable securities	852,635	782,752
Patient accounts receivable, less allowance for doubtful accounts ($240,482 and $262,282 as of June 30, 2014 and 2013, respectively)	641,384	607,548
Other assets	258,722	294,900
Total current assets	2,022,732	2,014,713
Long-term marketable securities	1,080,035	990,317
Assets limited as to use		
Board designated	1,546,445	1,350,270
Held in trust	115,077	127,810
Total assets limited as to use	1,661,522	1,478,080
Property and equipment, net	3,853,737	3,641,852
Investments and other	130,225	115,250
Collateral held for swap counterparty	–	8,926
Notes receivable	21,711	23,152
Deferred financing costs, net	22,570	23,247
Goodwill and other intangibles, net	234,176	255,935
	408,682	426,510
Total assets	$ 9,026,708	$ 8,551,472
Liabilities and net assets		
Current liabilities		
Accounts payable	$ 133,843	$ 176,866
Accrued compensation and related liabilities	302,343	309,424
Accrued liabilities	491,547	366,648
Payable to third-party payors	62,317	75,873
Current maturities of long-term debt	49,025	202,453
Total current liabilities	1,039,075	1,131,264
Interest rate swaps	85,838	85,983
Other liabilities	257,313	252,227
Long-term debt, less current maturities	2,327,367	2,118,137
Total liabilities	3,709,593	3,587,611
Net assets:		
Unrestricted		
Controlling interest	4,893,626	4,598,399
Noncontrolling interests in subsidiaries	107,624	76,418
Temporarily restricted	246,259	223,370
Permanently restricted	69,606	65,674
	5,317,115	4,963,861
Total liabilities and net assets	$ 9,026,708	$ 8,551,472

See accompanying notes

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidated Statements of Operations and Changes in Net Assets
(In Thousands)

	Year Ended June 30	
	2014	2013
Revenues:		
Patient service, net of contractual allowances and discounts	$ 4,480,661	$ 4,088,718
Provision for doubtful accounts	205,438	236,897
Net patient service, net of provision for doubtful accounts	4,275,223	3,851,821
Premium	1,130,559	943,634
Other	225,884	160,245
Total revenues	5,631,666	4,955,700
Expenses:		
Compensation and benefits	2,467,614	2,179,898
Supplies and other	1,139,382	1,048,765
Professional fees and purchased services	1,598,746	1,369,459
Depreciation and amortization	303,521	235,496
Interest	110,737	72,346
Impairment of goodwill	27,754	–
Total expenses	5,647,754	4,905,964
Operating (loss) income	(16,088)	49,736
Nonoperating gains, net	324,875	159,584
Contribution from affiliation	–	1,712,981
Excess of revenues over expenses	308,787	1,922,301
Less: Excess of revenues over expenses attributable to noncontrolling interests	15,985	41,314
Excess of revenues over expenses attributable to controlling interests	$ 292,802	$ 1,880,987
Unrestricted net assets		
Excess of revenues over expenses attributable to controlling interests	$ 292,802	$ 1,880,987
Net assets released from restrictions and other attributable to controlling interests	2,425	7,737
Increase in unrestricted net assets attributable to controlling interests	295,227	1,888,724
Excess of revenues over expenses attributable to noncontrolling interests	15,985	41,314
Net assets released from restrictions and other attributable to noncontrolling interests	15,221	(816)
Increase in unrestricted net assets attributable to noncontrolling interests	31,206	40,498
Increase in unrestricted net assets	326,433	1,929,222
Temporarily and permanently restricted net assets		
Restricted contributions and other, net	60,205	53,529
Restricted net assets released from restrictions	(33,384)	(36,932)
Restricted net assets contribution from affiliation	–	136,981
Increase in temporarily and permanently restricted net assets	26,821	153,578
Increase in net assets	353,254	2,082,800
Net assets at beginning of year	4,963,861	2,881,061
Net assets at end of year	$ 5,317,115	$ 4,963,861

See accompanying notes.

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidated Statements of Cash Flows
(In Thousands)

	Year Ended June 30	
	2014	2013
Cash flows from operating activities and nonoperating gains		
Increase in net assets	$ 353,254	$ 2,082,800
Adjustments to reconcile increase in net assets to net cash provided by operating activities and nonoperating gains		
Impairment of goodwill	27,754	–
Contribution from affiliation	–	(1,849,962)
Provision for doubtful accounts	205,438	236,897
Depreciation and amortization	303,521	235,496
Loss on disposal of assets	5,906	–
Loss on debt extinguishment	7,326	–
Amortization of deferred financing costs	1,078	891
Change in fair value of investments designated as trading	(181,967)	2,976
Restricted contributions and other, net	(60,205)	(16,597)
Change in fair value of interest rate swap agreements	(145)	(34,720)
Changes in operating assets and liabilities:		
Patient accounts receivable	(239,274)	(263,340)
Investments designated as trading	(161,076)	69,795
Other assets	38,515	(73,502)
Accounts payable	(43,023)	32,453
Accrued compensation and related liabilities	(7,081)	22,239
Accrued liabilities	85,416	56,199
Payable to third-party payors	(13,556)	11,085
Other liabilities	5,086	12,770
Net cash provided by operating activities and nonoperating gains	326,967	525,480
Investing activities		
Purchase of property and equipment	(458,010)	(472,060)
(Increase) decrease in investments and other	(15,725)	1,883
Decrease in collateral held for swap counterparty	8,926	31,476
Decrease (increase) in notes receivable	1,441	(18,441)
Cash contribution from Hoag affiliation	–	147,078
Acquisitions, net of cash acquired	(26,092)	(145,210)
Net cash used in investing activities	(489,460)	(455,274)
Financing activities		
Restricted contributions and other	60,205	16,597
Proceeds from line of credit	–	121,000
Repayment of line of credit	(24,000)	(40,000)
Proceeds from long-term debt	701,720	2,646
Refunding of long-term debt	(552,844)	–
Repayment of long-term debt	(44,849)	(41,115)
Payment of debt extinguishment	(33,303)	–
(Increase) decrease in deferred financing costs	(3,958)	239
Net cash provided by financing activities	102,971	59,367
(Decrease) increase in cash and equivalents	(59,522)	129,573
Cash and equivalents at beginning of year	329,513	199,940
Cash and equivalents at end of year	$ 269,991	$ 329,513
Supplemental disclosure of noncash information		
Construction obligation	$ 39,253	$ 36,474
Capital lease obligation	$ 5,571	$ 13,835

See accompanying notes

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Notes to Consolidated Financial Statements

June 30, 2014

1. Summary of Significant Accounting Policies

Organization

St. Joseph Health System and Affiliates (collectively, the Health System) is a nonprofit organization previously sponsored by the Sisters of St. Joseph of Orange, a religious order of the Roman Catholic Church, with its Motherhouse in Orange, California. The sponsorship of the Health System was expanded to include the laity in a new nonprofit organization, St. Joseph Health Ministry (SJHM). SJHM is a public juridic person, a pontifical structure that allows laypeople to assume sponsorship responsibilities of "temporal goods" of the Catholic Church such as the Health System. SJHM formally assumed sponsorship responsibilities previously exercised by the General Council of the Sisters of St. Joseph of Orange. There was no direct impact on the operations of the Health System and its affiliates as a result of the expanded sponsorship.

Hoag Memorial Hospital Presbyterian and Affiliates

The Health System's affiliation with Hoag Memorial Hospital Presbyterian and Affiliates (Hoag) became effective on March 1, 2013. The affiliation did not require a transfer of assets and was accomplished through the creation of a new entity, Covenant Health Network (CHN), a California nonprofit public benefit corporation. CHN became the third member of Hoag along with the then-current members comprising of the Hoag Family Foundation and the Association of Presbyterian Ministers (APM). CHN also became a member, joining the Health System, of the four Southern California hospital ministries: St. Joseph Hospital of Orange, St. Jude Medical Center, Mission Hospital, and St. Mary Medical Center. A majority of CHN's board of directors are designated by the Health System, and the balance of directors are appointed by the Hoag Family Foundation and the APM.

Hoag is a nonprofit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the IRC). Hoag Orthopedic Institute (HOI), an orthopedic specialty hospital, is 51% owned by Hoag and is consolidated with Hoag's financial statements. Hoag Hospital Foundation (Hoag Foundation) is a wholly owned nonprofit corporation that raises funds to support Hoag Hospital. Hoag's consolidated financial statements have been consolidated with those of the Health System. The results of operations of Hoag have been included in the consolidated statements of operations and changes in net assets of the Health System as of the March 1, 2013, the effective date of the affiliation.

1. Summary of Significant Accounting Policies (continued)

Lubbock Methodist Hospital System and Affiliates

In 1998, the Health System entered into an affiliation agreement with Lubbock Methodist Hospital System and affiliates (collectively, LMHS). The agreement provided for the formation of Covenant Health System (Covenant) (1,102 licensed beds) with contributions by the Health System and LMHS of substantially all of the assets, liabilities, and operations of St. Mary of the Plains Hospital and Rehabilitation Center and Foundation, Lubbock, Texas, and LMHS to Covenant.

The Members Agreement restricts the ability of the Health System to exit its relationship with Covenant and also precludes the Health System and Covenant from entering into a wide variety of transactions that could result in Covenant assets or affiliates being conveyed to a third party, except conveyances in the ordinary course of business. These precluded transactions are referred to as Covered Transactions. Should Covenant or the Health System undertake a Covered Transaction, each is obligated to provide notice and information to LMHS and to make a "reciprocal offer" to LMHS, including an offer to purchase LMHS's membership rights in Covenant and a simultaneous obligation to offer to sell the Health System's membership rights in Covenant to LMHS at the same purchase price, adjusted upward by a formula that reflects the dissolution percentages (57% Health System, 43% LMHS).

Covenant is a nonprofit corporation that is exempt from income taxes under Section 501(c)(3) of the IRC. Firstcare, a licensed Texas health maintenance organization, is 67% owned by Covenant. Covenant's financial results have been combined with those of the Health System, as the two entities are operated under common management and control and certain Covenant hospitals are members of the Health System Obligated Group (as defined below).

Including the above affiliations, the Health System is the sole or joint corporate member of 14 acute care hospital affiliates (3,996 licensed beds), which also offer associated ancillary, skilled nursing, psychiatric, substance abuse, rehabilitation, outpatient surgery, home health, and hospice services. Outpatient services and physician practice management are also provided through affiliated nonprofit subsidiaries and controlling interests in various partnerships. The hospital affiliates are:

- St. Joseph Hospital of Orange, Orange, California
- St. Jude Hospital, Inc. (dba St. Jude Medical Center), Fullerton, California

1. Summary of Significant Accounting Policies (continued)

- Mission Hospital Regional Medical Center (dba Mission Hospital), Mission Viejo, California, and Laguna Beach, California
- St. Mary Medical Center, Apple Valley, California
- Hoag Memorial Hospital Presbyterian, Newport Beach, California, and Irvine, California
- Queen of the Valley Medical Center, Napa, California
- Santa Rosa Memorial Hospital, Santa Rosa, California
- SRM Alliance Hospital Services (dba Petaluma Valley Hospital), Petaluma, California
- St. Joseph Hospital of Eureka, Eureka, California
- Redwood Memorial Hospital, Fortuna, California
- Covenant Health System (dba Covenant Medical Center – Lakeside and Covenant Medical Center), Lubbock, Texas
- Methodist Children's Hospital (dba Covenant Children's Hospital), Lubbock, Texas
- Methodist Hospital Levelland (dba Covenant Levelland), Levelland, Texas
- Methodist Hospital Plainview (dba Covenant Hospital Plainview), Plainview, Texas

The Health System owns a captive insurance company, American Unity Group, Ltd. (the Captive). The Health System's hospital affiliates are also the corporate members of St. Jude Hospital Yorba Linda dba St. Joseph Heritage Healthcare (Heritage), a nonprofit corporation providing physician practice management services. The Health System is also the sole corporate member of St. Joseph Professional Services Enterprises, Inc. (PSE), a company formed to participate in health care-related ventures; Revenue Cycle Services, LLC, a company formed to provide billing and collection services from health plan payors on behalf of the hospital affiliates; and St. Joseph Health System Foundation, a company formed to administer funds for

1. Summary of Significant Accounting Policies (continued)

charitable purposes. Through PSE, the Health System owns a controlling interest in Heritage Investment Group I, LLC, a real estate company formed to construct, own, and manage a medical office building. As of June 30, 2014, the Health System owns 71% of Innovation Institute, a company formed to engage in health care-related activities with other health systems, technology companies, and private investors and 95% of Datu Health, a company formed to develop technology applications for physicians and patients.

The Health System office and its hospital affiliates are members of the Obligated Group, as defined under trust indentures, for purposes of entering into long-term debt arrangements (see Note 5).

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the affiliated members of St. Joseph Health System and entities controlled by its affiliates, Hoag, and Covenant. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Use of Estimates

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

Cash and Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The carrying amount approximates fair value because of the short maturity of the investments.

1. Summary of Significant Accounting Policies (continued)

Marketable Securities

Marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value based on quoted market prices or similar instruments in markets that are not active. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses, unless the income or loss is restricted by donor or law.

The Health System has designated its investment portfolio as "trading." Unrealized gains and losses on marketable securities that have been designated as trading securities are included within excess of revenues over expenses. In addition, cash flows from the purchases and sales of the Health System's investment portfolio designated as trading are reported as a component of operating activities in the accompanying consolidated statements of cash flows.

Direct investments in equity securities with readily determinable fair values and all direct investments in debt securities have been measured at fair value in the accompanying consolidated balance sheets based upon quoted market prices. Investments that are not anticipated to be utilized in the current period are classified as noncurrent.

Investments in partnerships and limited liability companies with underlying interest in equity and debt securities are recorded using the equity method of accounting with the related changes in value in earnings reported as nonoperating gains, net in the accompanying consolidated financial statements.

1. Summary of Significant Accounting Policies (continued)

Patient Accounts Receivable

The Health System receives payment for services rendered to patients from the federal and state governments under the Medicare and Medicaid programs, privately sponsored managed care programs for which payment is made based on terms defined under formal contracts, and other payors. The following table summarizes the percentages of gross accounts receivable from all payors as of June 30:

	2014	2013
Government	44%	38%
Contracted	42	45
Self-pay and others	14	17
	100%	100%

The Health System believes there are no significant credit risks associated with receivables from government programs. Receivables from contracted and others are from various payors who are subject to differing economic conditions and do not represent any concentrated risks to the Health System. Accounts receivables are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the Health System analyzes its historical experience and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for doubtful accounts. The Health System regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Health System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for doubtful accounts, if necessary. For receivables associated with self-pay patients, which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Health System records a significant provision for doubtful accounts in the period of service on the basis of its past experience. The difference between the standard rates, or the discounted rates if negotiated, and the amounts actually expected to be collected after all reasonable collection efforts have been exhausted are recorded as allowance for doubtful accounts.

1. Summary of Significant Accounting Policies (continued)

The Health System's allowance for doubtful accounts as a percentage of self-pay and others accounts receivable decreased from 87% as of June 30, 2013, to 85% as of June 30, 2014, due to an increase in collections in this payor category. The Health System had no significant changes in its charity care or uninsured discount policies during its fiscal years 2014 and 2013. The Health System does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors in the fiscal year ended June 30, 2014.

Other Assets

Other assets primarily consist of inventories, prepaid expenses, and other current assets expected to be utilized within a year. Inventories, consisting principally of supplies, are stated at the lower of cost (first-in, first-out basis) or market value.

Other assets consist of the following as of June 30:

	2014	2013
	(In Thousands)	
Inventories	$ 64,673	$ 58,053
California Hospital Fee receivable	30,312	95,461
Other current assets	163,737	141,386
	$ 258,722	$ 294,900

Assets Limited as to Use

Assets limited as to use primarily include assets held by trustees under indenture agreements and designated assets set aside by the Health System's Board of Trustees (the Board) for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes.

1. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment acquisitions are recorded at cost. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized. Depreciation is recorded over the estimated useful life of each class of depreciable asset, ranging from 3 to 40 years, and is computed using the straight-line method. Leases that have been capitalized are amortized over the life of the lease, which approximates the useful life of the assets. Lease amortization is included within depreciation. Depreciation expense for the fiscal years ended June 30, 2014 and 2013, was $294,648,000 and $230,653,000, respectively. Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Deferred Financing Costs

Costs incurred in obtaining long-term financing are deferred and amortized over the terms of the related obligations using the effective-interest method.

Goodwill and Other Intangibles

Goodwill and other intangible assets consist primarily of costs in excess of the fair value of tangible assets of acquired entities. The Health System assesses goodwill for impairment by testing the carrying value of goodwill for impairment at the reporting unit level on an annual basis, or more frequently if significant indicators of impairment exist. The Health System primarily uses the income and market approaches to valuation that include the discounted cash flow method, the guideline company method, as well as other generally accepted valuation methodologies to determine the fair value of its reporting units (Level 3 within the fair value hierarchy). Indefinite-lived intangibles are assessed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Definite-lived intangible assets are amortized using the straight-line method over the estimated useful lives of the assets. Customer and contract intangibles are amortized over 18 years. Covenants not to compete are amortized over a period of five to eight years. Certain trade names are amortized over a useful life ranging from two to five years. To the extent that operating results indicate the probability that the carrying values of such assets have been impaired, provisions for losses are recorded based upon the discounted cash flows of the acquired entities over the remaining amortization period.

1. Summary of Significant Accounting Policies (continued)

In fiscal year 2014, goodwill impairment was recorded due to certain future cash flow projections not supporting the recorded goodwill balance. The Health System completed the fair value assessment as of April 1, 2014, its annual impairment test date, and identified that the estimated fair value of one of its reporting units was less than its carrying value. The Health System then compared the implied fair value of the goodwill with the carrying amount of that goodwill. As the carrying amount of the reporting unit's goodwill exceeded the implied fair value, the Health System recognized a noncash impairment charge of $27,754,000.

The Health System's goodwill balance was $161,033,000 as of June 30, 2014, and $173,919,000 as of June 30, 2013. The accumulated impairment losses were $45,655,000 as of June 30, 2014, and $17,901,000 as of June 30, 2013.

The Health System's other intangibles balances as of June 30 are as follows (see Acquisitions and Affiliations):

	2014	2013	Average Useful Life (Years)
	(In Thousands)		
Customer and contract	**$ 34,500**	$ 34,500	18
Covenant not-to-compete	**24,601**	24,601	7
Trade name – Hoag	**16,000**	16,000	Indefinite
Trade name – other	**3,400**	3,400	4
Other	**11,322**	11,322	7
	89,823	89,823	
Accumulated amortization	**(16,680)**	(7,807)	
Other intangibles, net	**$ 73,143**	$ 82,016	

1. Summary of Significant Accounting Policies (continued)

Amortization expense for the fiscal years ended June 30, 2014 and 2013, was $8,873,000 and $4,843,000, respectively. The future amortization of identifiable intangible assets by year, as of June 30, 2014, is as following (in thousands):

2015	$ 8,873
2016	8,873
2017	8,873
2018	8,873
2019	8,873
2020 and thereafter	12,778
	$ 57,143

Self-Insurance

The Health System is self-insured, through the Captive, for professional and general liability risks for its affiliates, except Hoag, subject to certain limitations. Risks in excess of $5,000,000 per occurrence are reinsured with major independent insurance companies. Hoag is self-insured for professional and general liability risks, with risks in excess of $2,000,000 re-insured with major independent insurance companies. Based on actuarially determined estimates, provisions have been made in the accompanying consolidated financial statements, with the current portion included within accrued liabilities and the noncurrent portion within other liabilities, for all known claims and incurred but not reported claims as of June 30, 2014 and 2013. The undiscounted accruals for professional and general liability claims totaled $38,200,000 at June 30, 2014, and $44,902,000 at June 30, 2013. Estimation differences between actual payments and amounts recorded in previous years are recognized as expense in the year such amounts become determinable.

Workers' Compensation Insurance

The Health System's affiliates in California, except Hoag, are insured for workers' compensation claims with major independent insurance companies, subject to certain deductibles of $1,000,000 per occurrence as of June 30, 2014 and 2013. Hoag is self-insured for workers' compensation claims, with risks in excess of $1,000,000 re-insured with major independent insurance companies. In connection with the workers' compensation plan, the Health System has filed

1. Summary of Significant Accounting Policies (continued)

bank letters of credit with the insurance companies. Based on actuarially determined estimates, provisions have been made in the accompanying consolidated financial statements, with the current portion included within accrued compensation and the noncurrent portion within other liabilities, for all known claims and incurred but not reported claims as of June 30, 2014 and 2013. The undiscounted accruals for workers' compensation claims totaled $117,059,000 at June 30, 2014, and $112,006,000 at June 30, 2013. Receivables for insurance recoveries for Hoag were $10,552,000 and $11,433,000 at June 30, 2014 and 2013, respectively, and are primarily included in investments and other assets. Estimation differences between actual payments and amounts recorded in previous years are recognized as expense in the year such amounts become determinable.

Other Liabilities

Other liabilities consist of the following as of June 30:

	2014	2013
	(In Thousands)	
Workers' compensation	$ 89,723	$ 83,909
Professional and general liability	17,534	19,967
Other liabilities	150,056	148,351
	$ 257,313	$ 252,227

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those assets whose use by the Health System has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Health System in perpetuity (see Note 11).

1. Summary of Significant Accounting Policies (continued)

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Health System are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The 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 the purpose for restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the consolidated financial statements.

Net Patient Service Revenues

The Health System has agreements with third-party payors that provide for payments at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments.

Patient service revenues are reported at net realizable amounts from patients, third-party payors, and others for services rendered, including estimated settlements under reimbursement agreements with third-party payors. Settlements are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Favorable differences between final settlements and amounts accrued in previous years of $23,858,000 and $24,331,000 are reflected in net patient service revenue for the fiscal years ended June 30, 2014 and 2013, respectively.

The Health System recognizes significant amounts of patient service revenue at the time the services are rendered even though a patient's ability to pay is not assessed. The Health System records its provision for doubtful accounts based upon historical experience, as well as collections trends for major payor types.

1. Summary of Significant Accounting Policies (continued)

Patient service revenues, net of contractual allowances and discounts, recognized for the fiscal years ended June 30 are as follows:

	2014	2013
	(In Thousands)	
Government	**$ 1,739,320**	$ 1,519,596
Contracted	**2,421,859**	2,066,329
Self-pay and others	**319,482**	502,793
	$ 4,480,661	$ 4,088,718

The Health System is reimbursed for services provided to patients under certain programs administered by governmental agencies. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Health System believes that it is in compliance with all applicable laws and regulations, and management is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs (see Note 12).

Premium Revenues

Firstcare contracts with various employers to provide medical services to subscribing participants. Firstcare receives monthly premium payments from employers and contracts with various medical providers to provide medical care. Firstcare's premium revenue for the fiscal years ended June 30 was $514,042,000 in 2014 and $484,312,000 in 2013.

In addition to the Firstcare contracts, the Health System has contracts with various health plans to provide medical services to subscribing participants. Under these agreements, the Health System's hospital affiliates and Heritage receive monthly capitation payments based on the number of each health plan's participants enrolled with participating affiliated or local physician groups that have designated the hospital affiliates as their provider. Under these arrangements, the hospital affiliates are responsible for hospital-contracted services provided to plan participants, including services received at other health care facilities. The Health System's

1. Summary of Significant Accounting Policies (continued)

premium revenue for the contracts for the fiscal years ended June 30 was $616,517,000 in 2014 and $459,322,000 in 2013. Firstcare and the hospital affiliates have accrued for estimated claims for professional services and services from other providers (included in accrued liabilities). Claims accruals of $86,143,000 and $71,369,000 at June 30, 2014 and 2013, respectively, related to these services are generally based on claims lag analyses and are continually monitored and reviewed.

Charity Care

The Health System provides care to patients who meet certain criteria under its charity care policies without charge or at amounts less than its established rates. Because the Health System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Operating Income

The Health System's primary purpose is to provide diversified health care services to the community served by its affiliates. Activities directly associated with the furtherance of this purpose are considered operating activities and classified as unrestricted operating revenues and expenses. Operating revenues include those generated from direct patient care, related support services, and other revenues related to the operation of the Health System, including gifts and bequests not restricted by donors.

Other activities that result in gains or losses unrelated to the Health System's primary purpose are considered to be nonoperating. Nonoperating gains and losses include investment income, realized and unrealized gains and losses on trading securities, gains and losses from the sale of property and equipment, and gains and losses on extinguishment of debt.

The Health System considers the performance indicator to be the excess of revenues over expenses.

Income Taxes

The principal operations of the Health System are exempt from taxation pursuant to IRC Section 501(c)(3) and the related state provisions.

1. Summary of Significant Accounting Policies (continued)

Accounting Standards Codification (ASC) 740, *Income Taxes*, clarifies the accounting for income taxes by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. ASC 740 also provides guidance on derecognition, measurement, classification, interest and penalties, disclosure, and transition. The guidance is applicable to pass-through entities and tax-exempt organizations. No significant tax liability for tax benefits, interest or penalties was accrued at June 30, 2014 or 2013.

The Health System and affiliates currently file Form 990 *(Return of Organization Exempt From Income Taxes)* and Form 990-T *(Exempt Organization Business Income Tax Return)* in the U.S. federal jurisdiction and the states of California and Texas for each tax-exempt organization as appropriate. The Health System and affiliates are not subject to income tax examinations prior to 2010 in major tax jurisdictions.

Acquisitions and Affiliations

The accounting for acquisitions requires extensive use of estimates and judgments to measure the fair value of the identifiable tangible and intangible assets acquired. The fair value of acquired tangible and identifiable intangible assets and liabilities assumed are based on their estimated fair values at the acquisition date and are measured using an income and market approach with significant unobservable inputs. For significant acquisitions, the Health System engages an independent third-party valuation firm to help determine the fair value of identifiable intangible assets. The Health System believes that the fair values assigned to the assets acquired and liabilities assumed are based on reasonable assumptions. However, actual values may differ, and unanticipated events and circumstances may occur.

The Health System accounts for acquisitions and affiliations in accordance with the business combinations accounting standard for not-for-profit entities.

Hoag Memorial Hospital Presbyterian and Affiliates

The affiliation with Hoag did not involve consideration and resulted in an excess of assets acquired over liabilities assumed under the business combination accounting guidance, which was recorded as a contribution to the Health System of $1,849,962,000 for the fiscal year ended June 30, 2013. The unrestricted portion of the contribution of $1,712,981,000 was classified as a nonoperating gain, and the remaining $136,981,000 of the contribution was restricted and was

1. Summary of Significant Accounting Policies (continued)

recorded in restricted net assets in the consolidated statements of operations and changes in net assets. The Health System recognized tangible and intangible assets acquired and liabilities assumed in connection with the affiliation based upon their estimated fair values at the transaction date. The Health System recognized the following fair value estimates of Hoag assets acquired and liabilities assumed as of March 1, 2013 (in thousands):

Cash and equivalents	$ 147,078
Patient accounts receivable, net	95,607
Marketable securities and board designated assets	1,081,034
Other assets	46,672
Property and equipment, net	1,009,314
Goodwill – historical HOI	43,889
Covenant not to compete – historical HOI	11,629
Trade name	16,000
Lease intangible	11,322
Restricted assets	136,981
Other noncurrent assets	65,961
Current liabilities	(94,591)
Long-term debt	(591,202)
Other noncurrent liabilities	(129,732)
Total identifiable net assets assumed	$ 1,849,962

Hoag's financial results for the four months ending June 30, 2013, included in the Health System's results from the date of the affiliation closing on March 1, 2013, were as follows (in thousands):

Total revenues	$ 313,863
Operating income	5,651
Excess of revenues over expenses	22,938

1. Summary of Significant Accounting Policies (continued)

The following pro forma (unaudited) consolidated financial information presents the Health System's results assuming the affiliation was in place for the entire year:

	2013	
	Actual	Pro Forma (Unaudited)
Total revenues	$ 4,955,700	$ 5,610,129
Operating income	49,736	104,637
Excess of revenues over expenses	1,922,301	335,792

Pro forma results for the fiscal year ending June 30, 2013, include historical Hoag results for the eight-month period ended February 28, 2013, prior to the affiliation. Purchase accounting adjustments are included within pro forma results. A nonrecurring contribution of $1,712,981,000 is included within pro forma results.

Mission Internal Medical Group

Effective November 2012, Heritage acquired tangible and intangible assets as well as a management company from Mission Internal Medical Group, Inc. (MIMG), a Southern California physician medical group, for $110,223,000. MIMG is located in the south Orange County market, providing physician services and unique ancillary services, including cardiac diagnostic services, an infusion center, medical travel clinic, and sleep center. Upon the effective date of the transaction, MIMG became the exclusive medical group partner in south Orange County providing professional services to patients whose contractual relationship is owned and managed by Heritage. The transaction was accounted for as an acquisition and resulted in goodwill and intangible assets of $105,016,000. Intangible assets primarily related to covenants not to compete and customer contracts.

High Desert Primary Care

Effective December 2012, Heritage acquired tangible and intangible assets as well as a management company from High Desert Primary Care for $34,987,000. The transaction was accounted for as an acquisition and resulted in goodwill and intangible assets of $30,642,000. Intangible assets primarily related to covenants not to compete and customer contracts.

1. Summary of Significant Accounting Policies (continued)

California Hospital Quality Assurance Program

California legislation established a program that imposes a Quality Assurance Fee (QA Fee) on certain general acute care hospitals in order to make supplemental payments and increased capitation payments (Supplemental Payments) to hospitals up to the aggregate upper payment limit for various periods. There have been three such programs since inception. The first two programs were the 21-month program (21-Month Program) covering the period April 1, 2009 to December 31, 2010, and the 6-month program (6-Month Program) covering the period January 1, 2011 to June 30, 2011 (the Original Programs), and the third, a 30-month program covering the period from July 1, 2011 to December 31, 2013 (30-Month Program, collectively, the Programs). The 30-Month Program was signed into law by the Governor of California in September 2011. The Programs are designed to make supplemental inpatient and outpatient Medi-Cal payments to private hospitals, including additional payments for certain facilities that provide high-acuity care and trauma services to the Medi-Cal population. This hospital QA Fee program provides a mechanism for increasing payments to hospitals that serve Medi-Cal patients, with no impact on the state's General Fund. Payments are made directly by the state or Medi-Cal managed care plans, which will receive increased capitation rates from the state in amounts equal to the Supplemental Payments. Outside of the legislation, the California Hospital Association has created a private program, operated by the California Health Foundation and Trust (CHFT), which was established to alleviate disparities potentially resulting from the implementation of the Programs.

The Original Programs required full federal approval (i.e., by the Centers for Medicare and Medicaid Services (CMS)) in order for them to be fully enacted. If final federal approval was not ultimately obtained, provisions in the underlying legislation allowed for the QA Fee, previously assessed, and Supplemental Payments, previously received, to be returned and recouped, respectively. As such, revenue and expense recognition was not allowed until full CMS approval was obtained.

In June 2012, the legislation governing the 30-Month Program was amended to allow for the fee-for-service portion to be administered separately from the managed care portion. CMS approval for the fee-for-service portion of the 30-Month Program was obtained in June 2012. In May and June 2013, CMS approved the managed care portion of the 30-Month Program covering the period from July 1, 2011 to June 30, 2013. Accordingly, the Health System recognized the

1. Summary of Significant Accounting Policies (continued)

impact of the managed care portion for the approved period and continued to recognize the fee-for-service portion of the 30-Month Program. The Health System recognized payments to the California Department of health Care Services for the QA Fee in the amount of $138,530,000 and pledge payments to CHFT of $6,269,000 within supplies and other expenses for the fiscal year ended June 30, 2013. During the fiscal year ended June 30, 2013, the Health System also recognized Supplemental Payment revenue in the amount of $210,922,000 pertaining to the 30-Month Program within net patient service revenues.

As of June 30, 2014, the managed care portion of the 30-Month Program covering the period from July 1, 2013 to December 31, 2013, had not been approved by CMS. As a result, the Health System recognized only the fee-for-service portion of the 30-Month Program. During the fiscal year ended June 30, 2014, the Health System recognized QA Fees in the amount of $44,506,000 and pledge payments to CHFT of $938,000 within supplies and other expenses as well as Supplemental Payment revenue of $45,657,000 within net patient service revenues.

Electronic Health Records Incentive Payments

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

The Health System accounts for Medicare and Medicaid EHR incentive payments as a gain contingency. For the fiscal years ended June 30, 2014 and 2013, Medicare incentives of $15,668,000 and $5,997,000, respectively, were recognized in other revenues upon demonstration of compliance with the meaningful use criteria over the entire applicable compliance period and the end of the 12-month cost report period that will be used to determine the final incentive payment. The Health System also recognized Medicaid incentives of

1. Summary of Significant Accounting Policies (continued)

$5,103,000 in 2014 and $1,954,000 in 2013, in other revenues, upon demonstration of compliance with the criteria. Income from incentive payments is subject to retrospective adjustment as the incentive payments are calculated using Medicare cost report data that is subject to audit. Additionally, the Health System's compliance with meaningful use criteria is subject to audit by the federal government.

Adoption of New Accounting Pronouncements

Effective July 1, 2013, the Health System adopted a new accounting standard relating to the offsetting of financial instruments. Adoption of the new standard did not have a significant impact on the Health System's consolidated financial statements.

In October 2012, an accounting standard was released that requires classification of cash receipts from the sale of donated financial assets to be consistent with cash donations received within the statement of cash flows. The Health System adopted the accounting standard effective July 1, 2013, which did not have a significant effect on the Health System's consolidated financial statements.

Recent Accounting Pronouncements

In February 2013, an accounting standard was released and effective for the Health System beginning July 1, 2014, requiring jointly and severally liable entities to measure the obligation as the aggregate amount the entity has agreed with co-obligors to pay and any additional amount it expects to pay on behalf of one or more co-obligors. The Health System is currently evaluating the effect of this standard to the consolidated financial statements.

In April 2013, an accounting standard was released and effective for the Health System beginning July 1, 2014, requiring nonprofits to recognize uncompensated services received from affiliates that provide a direct benefit at cost. The Health System is currently evaluating the effect of this standard to the consolidated financial statements.

1. Summary of Significant Accounting Policies (continued)

Subsequent Events

The Health System has evaluated subsequent events occurring between the end of the most recent fiscal year ended June 30, 2014 and September 26, 2014, the date the consolidated financial statements were issued. In August 2014, the Health System increased its outstanding borrowings on its revolving credit lines by $130,000,000 in conjunction with a property acquisition (see Note 4).

2. Fair Value Measurements

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Health System utilizes a three-tier fair value hierarchy, as determined at the end of the reporting period, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 – Pricing is based on observable inputs such as quoted prices in active markets. Financial assets in Level 1 include certain cash and cash equivalents, money market funds, mutual funds, corporate debt and equity securities, and certain commingled funds.

- Level 2 – Pricing inputs are based on 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 include commercial paper, U.S. Treasury securities, corporate debt and equity securities, municipal bonds, interest rate swap obligations, and other securities.

2. Fair Value Measurements (continued)

- Level 3 – Pricing inputs are generally unobservable 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 factors that involve considerable judgment and interpretations, including, but not limited to, private and public comparables and discounted cash flow models. This category primarily includes certain corporate debt and equity securities and commingled funds.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques as follows:

(a) Market approach. Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

(b) Cost approach. Amount that would be required to replace the service capacity of an asset (replacement cost).

(c) Income approach. Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing, and excess earnings models).

The Health System has invested in funds that are included in long-term marketable securities and assets limited as to use in the accompanying consolidated balance sheets. Specifically, the Health System has invested in hedge funds, private equity funds, and real return asset funds. The funds use various strategies, including but not limited to long/short equities, arbitrage, and event driven strategies, to seek positive returns, regardless of market direction. The terms and conditions upon which the Health System may redeem investments in hedge funds range from monthly with 60 days' notice to rolling three years with 45 days' notice. Hedge funds may hold, directly or indirectly, side pocket investments where no redemptions are permitted until such investments are liquidated or deemed realized. These investments are primarily made through limited partnerships and offshore corporations where liquidity may be limited on new contributions for up to three years. Private equity investments generally have initial investment terms of ten years or greater and can be accessed on the partnership termination date. Certain of the Health System's investments in real return asset funds are subject to redemption limitations ranging

2. Fair Value Measurements (continued)

from daily liquidity with 10 days' notice to quarterly liquidity with 60 days' notice. The remaining real return positions have initial investment terms greater than ten years and can be accessed on the partnership termination date. Certain funds reserve the right to reduce or suspend redemptions and to satisfy redemptions by making distributions in-kind, under certain circumstances. The Health System may not withdraw or sell, assign, or transfer its interests in certain limited partnerships except in very limited circumstances, subject to consent by the general partners of the funds.

Total unfunded commitments were $76,666,000 and $58,993,000 as of June 30, 2014 and 2013, respectively. The value for these funds recorded under the equity method of accounting and included within the tables below was $982,413,000 at June 30, 2014, and $771,333,000 at June 30, 2013.

The following tables provide the composition of certain assets and liabilities as of June 30:

	June 30, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Method Investments	Equity Method Investments	Valuation Technique (a,b,c)
			(In Thousands)				
Current assets							
Cash and equivalents	$ 269,991	$ 244,887	$ 25,104	$ –	$ 269,991	$ –	a
Short-term marketable securities							
Money market funds and commercial papers	$ 21,135	$ 21,135	$ –	$ –	$ 21,135	$ –	a
Mutual funds	12,451	12,451	–	–	12,451	–	a
U S Treasury securities	279,789	–	279,789	–	279,789	–	a
Corporate and other debt securities	330,419	21,278	309,139	2	330,419	–	a,c
Corporate equity securities	208,312	208,312	–	–	208,312	–	a
Other	529	–	529	–	529	–	a
	$ 852,635	$ 263,176	$ 589,457	$ 2	$ 852,635	$ –	
Long-term marketable securities							
Mutual funds	$ 196,508	$ 196,508	$ –	$ –	$ 196,508	$ –	a
U S Treasury securities	70,535	–	70,535	–	70,535	–	a
Corporate and other debt securities	53,331	–	53,331	–	53,331	–	a
Corporate equity securities	444,035	443,988	–	47	444,035	–	a
Other	315,626	–	–	–	–	315,626	a
	$ 1,080,035	$ 640,496	$ 123,866	$ 47	$ 764,409	$ 315,626	

2. Fair Value Measurements (continued)

	June 30, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Method Investments	Equity Method Investments	Valuation Technique (a,b,c)
			(In Thousands)				
Assets limited as to use							
Board designated							
Money market funds and commercial papers	$ 334,843	$ 334,843	$ –	$ –	$ 334,843	$ –	a
Mutual funds	213,592	213,592	–	–	213,592	–	a
U S Treasury securities	115,212	–	115,212	–	115,212	–	a
Corporate and other debt securities	102,791	–	102,791	–	102,791	–	a
Corporate equity securities	211,532	211,001	280	251	211,532	–	a
Other	683,552	8,177	8,588	–	16,765	666,787	a
	$ 1,661,522	$ 767,613	$ 226,871	$ 251	$ 994,735	$ 666,787	
Liabilities							
Interest rate swaps	$ 85,838	$ –	$ 85,838	$ –	$ 85,838	$ –	c

	June 30, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Method Investments	Equity Method Investments	Valuation Technique (a,b,c)
			(In Thousands)				
Current assets							
Cash and equivalents	$ 329,513	$ 300,792	$ 28,721	$ –	$ 329,513	$ –	a
Short-term marketable securities							
Mutual funds	$ 70,527	$ 70,527	$ –	$ –	$ 70,527	$ –	a
U S Treasury securities	285,681	–	285,681	–	285,681	–	a
Corporate and other debt securities	211,202	9,281	201,921	–	211,202	–	a
Corporate equity securities	214,775	214,775	–	–	214,775	–	a,c
Other	567	–	567	–	567	–	a
	$ 782,752	$ 294,583	$ 488,169	$ –	$ 782,752	$ –	a
Long-term marketable securities							
Money market funds and commercial papers	$ 1,557	$ 1,557	$ –	$ –	$ 1,557	$ –	a
Mutual funds	104,581	104,581	–	–	104,581		
U S Treasury securities	60,229	–	60,229	–	60,229	–	a
Corporate and other debt securities	47,620	–	45,631	1,989	47,620	–	a
Corporate equity securities	460,206	460,101	105	–	460,206	–	
Other	316,124	–	–	–	–	316,124	a
	$ 990,317	$ 566,239	$ 105,965	$ 1,989	$ 674,193	$ 316,124	a

2. Fair Value Measurements (continued)

	June 30, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Method Investments	Equity Method Investments	Valuation Technique (a,b,c)
				(In Thousands)			
Assets limited as to use							
Board designated							
Money market funds and commercial papers	$ 319,344	$ 319,344	$ –	$ –	$ 319,344	$ –	a
Mutual funds	327,055	327,055	–	–	327,055	–	a
U S Treasury securities	131,752	–	131,752	–	131,752	–	a
Corporate and other debt securities	171,823	10,476	161,347	–	171,823	–	a
Corporate equity securities	62,119	60,755	–	1,364	62,119	–	
Other	465,987	1,365	9,412	1	10,778	455,209	
	$ 1,478,080	$ 718,995	$ 302,511	$ 1,365	$ 1,022,871	$ 455,209	a
							a
Cash collateral held by swap counterparty							
U S Treasury securities	$ 8,926	$ –	$ 8,926	$ –	$ 8,926	$ –	a
Liabilities							
Interest rate swaps	$ 85,983	$ –	$ 85,983	$ –	$ 85,983	$ –	c

Activity for the fiscal year ended June 30, 2014, for investments with significant unobservable inputs (Level 3) consists of the following (in thousands):

Balance at July 1, 2013	$ 3,354
Sales	(3,876)
Transfers, net	346
Realized gains, included in nonoperating gains	328
Net unrealized gains, included in nonoperating gains	148
Balance at June 30, 2014	$ 300

2. Fair Value Measurements (continued)

In addition to amounts included in the previous table, the Health System's investments in partnerships, limited liability companies, and similarly structured entities of $18,058,000 and $15,596,000 as of June 30, 2014 and 2013, respectively, are included in investments and other in the accompanying consolidated balance sheets and accounted for using the equity method of accounting, which is not a fair value measurement.

The Health System sponsors certain deferred compensation plans for which plan assets of $49,701,000 and $41,782,000 comprised of certain mutual funds (Level 1) were maintained and recorded within investments and other as of June 30, 2014 and 2013, respectively.

The Health System received restricted and unrestricted pledges and contributions. Amounts remaining to be collected were $38,318,000 and $36,713,000 for the fiscal years ended June 30, 2014 and 2013, respectively. Included in these amounts are long-term irrevocable planned gifts that are valued using discounted cash flow projections.

Investment Gains and Losses

Interest, dividends, and realized gains on sales of marketable securities of $174,743,000 and $159,455,000, net of related fees, are included in nonoperating gains, net for the fiscal years ended June 30, 2014 and 2013, respectively.

Also included in nonoperating gains, net are net unrealized gains of $181,967,000 and $2,976,000 for the fiscal years ended June 30, 2014 and 2013, respectively.

3. Property and Equipment

Property and equipment consist of the following at June 30:

	2014	2013
	(In Thousands)	
Land	**$ 298,540**	$ 296,524
Buildings and improvements	**3,555,435**	3,445,550
Equipment	**2,148,431**	2,201,129
Construction in progress	**886,511**	635,080
	6,888,917	6,578,283
Less accumulated depreciation	**(3,035,180)**	(2,936,431)
	$ 3,853,737	$ 3,641,852

The Health System is required to recognize a liability for the fair value of conditional asset retirement obligations if the fair value of the liability can be reasonably estimated. The fair value of a liability for conditional asset retirement obligations must be recognized when incurred, generally upon acquisition, construction, or development and/or through the normal operation of the asset. The Health System estimated the fair value of known conditional asset retirement obligations relating to the costs of asbestos abatement that will result from the Health System's current plans to renovate and/or demolish certain of its facilities. This computation is based on a number of assumptions, which may change in the future based on the availability of new information, technology changes, changes in costs of remediation, and other factors. The conditional asset obligation at June 30, 2014 and 2013, was $11,735,000 and $11,959,000, respectively, and is included in other liabilities in the accompanying consolidated balance sheets.

Lease Financing Obligations

In June 2006, St. Joseph Hospital of Orange (SJO) executed a 55-year lease arrangement with a developer, whereby the developer agreed to construct a 130,000-square-foot medical office building and a parking structure on SJO's land. Under the ground lease, SJO received nominal base rent until construction was completed in August 2008, at which time SJO took occupancy. SJO guaranteed to lease 64,000 square feet of the medical office building for ten years and is required to pay lease payments for the parking structure for five years. At the end of the lease term, SJO will have title to both the parking structure and the medical office building. The

3. Property and Equipment (continued)

aggregate cost of the project was $43,527,000 and is included in buildings and improvements. All construction costs were substantially financed by the developer.

In May 2005, SJO executed a 22-year lease arrangement, including two five-year lease term extensions, with a joint venture partnership in which SJO has a 35% ownership interest. The joint venture partnership owned and constructed a 56,000-square-foot medical office building and parking structure on its land. SJO committed to leasing the whole building, but subleased approximately 43,000 square feet to Heritage for physician offices. The aggregate cost of the project was $28,158,000 and is included in building and improvements. Substantially all construction costs were financed by the joint venture partnership.

SJO is considered the owner of both the medical office buildings and parking structures for financial reporting purposes due to certain financial arrangements that effectively fund a portion of the construction costs. Heritage is also considered a separate owner of the medical office building since it is affiliated with SJO, which has a 35% ownership interest in the joint venture partnership. Accordingly, the assets and long-term debt of the medical office buildings and parking structures are recorded in the accompanying consolidated financial statements at June 30, 2014 and 2013 (see Note 5). The medical office buildings and parking structures are included in buildings and improvements as of June 30, 2014 and 2013. SJO and Heritage did not meet the criteria necessary to derecognize the asset and related long-term debt when construction was complete in 2009 and the lease terms began.

The cost of the medical office buildings and parking structures are amortized over the economic life. Rent payments paid by SJO and Heritage are recorded as debt service payments on the debt obligation with the portion not relating to interest reducing the principal balance. Minimum estimated payments under lease financing obligations, excluding the effect of Consumer Price Index adjustments, are estimated to be as follows (in thousands):

Year:	
2015	$ 341
2016	460
2017	588
2018	727
2019	306
Thereafter	63,811
Total	$ 66,233

4. Credit Facilities

In June 2014, the Health System extended its syndicated credit arrangement (the Credit Agreement) to $400,000,000 in revolving credit lines and renewed the arrangement to expire on June 19, 2019. The Health System had $107,000,000 and $131,000,000 in outstanding borrowings under this credit facility at June 30, 2014 and 2013, respectively (see Note 5). In August 2014, the Health System increased its outstanding borrowings on its revolving credit lines by $130,000,000 in conjunction with a property acquisition.

The Health System has a credit facility with a bank to cumulatively borrow up to $80,000,000. Borrowings under this credit facility bear interest at rates based on specified margins from published indices. The Health System had $31,000,000 and $39,000,000 in outstanding borrowings as of June 30, 2014 and 2013, respectively (see Note 5). The credit facility was renewed in January 2014 to expire on January 31, 2017.

The Health System has a bank credit facility that provides for the issuance of up to an aggregate of $55,000,000 under letters of credit. Such letters of credit are collateralized under trust indentures (see Note 5). At June 30, 2014, the Health System had provided an aggregate of $50,650,000 of these letters of credit for its workers' compensation and other insurance plans. At June 30, 2014 and 2013, none of these letters have been drawn upon.

5. Long-Term Debt

At June 30, 2014, the Health System Obligated Group is jointly and severally liable for certificates of participation and tax-exempt revenue bonds issued on its behalf by the California Statewide Communities Development Authority (CSCDA), California Health Facilities Financing Authority (CHFFA), and the Lubbock Health Facilities Development Corporation (LHFDC). At June 30, 2013, Hoag was liable for outstanding tax-exempt revenue bonds issued on its behalf by the City of Newport Beach (CNB) prior to the affiliation with the Health System.

5. Long-Term Debt (continued)

Long-term debt consists of the following at June 30:

	2014	2013
	(In Thousands)	
CSCDA Series 1999, 2000, and 2007A-F fixed rate tax-exempt bonds, net of unamortized premium of $2,139, due in varying amounts through 2047; coupon rates of 4.50% to 5.75%	**$ 592,719**	$ 606,342
LHFDC Series 2008A multi-annual three-year put bonds due in 2030; coupon rate of 3.05%	**43,925**	45,375
LHFDC Series 2008B fixed rate tax-exempt bonds, due in varying amounts through 2023; coupon rates of 4.00% to 5.00%	**83,050**	94,425
CHFFA Series 2009A fixed rate tax-exempt bonds, net of unamortized discount of $2,525, due in varying amounts through 2039; coupon rates of 5.50% and 5.75%	**182,570**	182,469
CHFFA Series 2009BCD fixed rate multi-annual three-, five- and seven-year put bonds, net of unamortized premium of $6,714, due in varying amounts through 2034; coupon rates of 4.00% to 5.25%	**231,624**	237,429
CHFFA Series 2011ABCD variable rate tax-exempt bonds with credit facility liquidity, due in varying amounts through 2041; interest rates varying from 0.01% to 0.12%	**302,110**	302,110
CHFFA Series 2013A fixed rate tax-exempt bonds, net of unamortized premium of $4,477, due in varying amounts through 2037; coupon rates of 4.00% to 5.00%	**329,287**	–
CHFFA Series 2013BCD fixed rate multi-annual four-, six- and seven-year put bonds, net of unamortized premium of $40,961, due in varying amounts through 2043; coupon rates of 4.15% to 4.26%	**370,961**	–
CNB Series 2008C variable rate tax-exempt bonds with self-liquidity, due in varying amounts through 2040; interest rates varying from 0.06% to 0.15%	–	70,095
CNB Series 2008DEF variable rate tax-exempt bonds with credit facility liquidity, refunded in July 2013	–	244,890

5. Long-Term Debt (continued)

	2014	2013
	(In Thousands)	
CNB Series 2009A fixed rate tax-exempt term bonds, refunded in July 2013	$ –	$ 62,384
CNB Series 2009DE fixed rate private placement tax-exempt bonds, refunded in July 2013	–	70,980
CNB Series 2011A fixed rate tax-exempt bonds, refunded in July 2013	–	104,495
Bank line of credit, balloon payment due June 2019; interest rates of 0.88% to 1.00%	**107,000**	131,000
Bank line of credit, balloon payment due January 2017; interest rate of 0.69% to 0.75%	**31,000**	39,000
Lease financing obligation (see Note 3)	**66,233**	66,569
Fair value adjustment from Hoag affiliation	–	29,534
Capitalized leases	**23,088**	17,746
Other	**12,825**	15,747
	2,376,392	2,320,590
Less current portion of long-term debt	**(49,025)**	(202,453)
	$ 2,327,367	$ 2,118,137

The effective interest rate on tax-exempt debt was 5.21% and 4.72% at June 30, 2014 and 2013, respectively.

The aggregate amount of principal maturities and sinking fund requirements related to long-term debt at June 30, 2014, is as follows (in thousands):

Year:	
2015	$ 49,025
2016	51,525
2017	50,769
2018	48,034
2019	156,685
Thereafter	2,020,354
	$ 2,376,392

5. Long-Term Debt (continued)

In July 2011, the Health System issued $302,110,000 of CHFFA variable rate tax-exempt demand bonds with interest rates reset daily or weekly and liquidity supported by irrevocable credit facilities. Proceeds of this issuance are being used to finance prospective projects and reimburse prior capital spending at various hospitals.

In conjunction with the issuance of the CHFFA variable rate tax-exempt demand bonds in July 2011, the Health System secured $306,878,000 of credit facilities to provide liquidity for the outstanding bonds. In June 2014, the Health System extended the credit facilities to mature on June 19, 2019.

The fair value of the fixed rate tax-exempt bonds was estimated at $1,955,963,000 and $1,456,462,000 at June 30, 2014 and 2013, respectively. Fair value is estimated using a discounted cash flow analysis, based on current market interest rates for similar types of borrowing arrangements (Level 2 within the fair value hierarchy). The carrying amount of the Health System's variable rate tax-exempt bonds approximates its fair value as the interest rates change with the market.

At June 30, 2014, the Health System, was party to seven interest rate swap agreements with a current notional amount totaling $516,675,000 and with varying expirations. In June 2014, the Health System novated and restructured four swap agreements totaling $222,600,000, diversifying counterparties and increasing collateral threshold limits. There was no change to the notional value of the interest rate swaps. The swap agreements require fixed rate payment in exchange for a variable rate. The market risk exposure of these agreements occurs when the fixed rate paid is greater than the variable rate received. At June 30, 2014 and 2013, the total fair value of the combined interest rate swaps of $85,838,000 and $85,983,000, respectively, represents the estimated amount the Health System would have paid upon termination of these agreements as of these dates. Fair values are based on independent valuations obtained and are determined by calculating the value of the discounted cash flows of the differences between the fixed interest rate of the interest rate swaps and the counterparty's forward London Interbank Offered Rate curve, which is the input used in the valuation, taking also into account any nonperformance risk. Changes in the fair value of the interest rate swaps are included within nonoperating gains and losses. The Health System did not restrict any assets as collateral held for the swap counterparty at June 30, 2014. As required by its swap agreements, the Health System restricted $8,926,000 in collateral held for the swap counterparty at June 30, 2013.

5. Long-Term Debt (continued)

In July 2013, the Health System issued $654,840,000 of CHFFA fixed rate revenue bonds, of which $324,840,000, net of unamortized premium of $4,624,000, is due in varying amounts through 2037 at coupon rates of 4.00% to 5.00%, and $330,000,000 of multi-annual four-, six-, and seven-year put bonds, net of unamortized premium of $42,255,000, is due in varying amounts through 2043 at coupon rates of 4.15% to 4.26%. The proceeds of the issuance were used to refund Hoag's outstanding obligations of $552,844,000, to reimburse certain prior expenditures, and to prospectively finance projects at various hospitals. Effective with the issuance of the CHFFA fixed rate revenue bonds, Hoag Hospital Newport Beach and Irvine entered the Health System's Obligated Group, and St. Joseph Home Health North exited the group.

Debt Covenants

As of June 30, 2014, the Health System continued to be subject to its existing Master Trust Indentures. The Health System's financing agreements contain restrictive covenants and limitations on certain working capital and liquidity ratios, amount of combined debt of the corporations comprising the Obligated Group, and amount of transfer of assets to non-Obligated Group members. Additionally, the trust indentures require that funds are established with, and controlled by, a trustee during the period the bonds remain outstanding.

If the Health System does not have a maximum annual debt service coverage ratio at the end of any fiscal year, including June 30, 2014, ranging from at least 2.0 to 1.0, pursuant to its trust indentures for the tax-exempt bonds issued through CSCDA, CHFFA, and LHFDC, the Health System is required to fund the applicable debt service reserve fund seven days after the required reporting date. As of June 30, 2014, the Health System is in compliance with all debt covenants.

Interest Cost

Interest cost incurred for the fiscal years ended June 30 is summarized as follows:

	2014	2013
	(In Thousands)	
Interest paid	**$ 109,659**	$ 71,455
Amortization of deferred financing costs	**1,078**	891
Total interest expense	**$ 110,737**	$ 72,346

6. Children's Hospital of Orange County

SJO provided Children's Hospital of Orange County (CHOC) with specified facilities and ancillary services and other operating services under an agreement that required CHOC to reimburse SJO for the costs of providing such services. The agreement terminated on March 31, 2013. Net patient service revenues include $55,509,000 for the fiscal year ended June 30, 2013, relating to these services.

In January 1993, Mission Hospital Regional Medical Center (MHRMC) and CHOC entered into an asset purchase agreement, a long-term lease, and an operating agreement forming Children's Hospital at Mission (CHM), a wholly owned subsidiary of CHOC. Pursuant to the asset purchase agreement, CHM purchased substantially all of the pediatric services and operations of MHRMC and certain tangible and intangible assets related to those activities and operations for $10,200,000.

CHM has agreed to rent space from MHRMC through December 2022, with a ten-year renewal option available under the long-term lease. MHRMC provides CHM and its patients certain hospital services and facilities at an agreed-upon cost plus a percentage markup under the operating agreement. Net patient service revenues include $12,974,000 and $13,250,000 for the fiscal years ended June 30, 2014 and 2013, respectively, for these services. Other revenue includes $6,186,000 and $6,280,000 for the fiscal years ended June 30, 2014 and 2013, respectively, for other services provided to CHM.

7. Employee Benefit Plans

Retirement Plan

The Health System sponsors defined contribution retirement plans that cover substantially all employees. The plans provide for employer matching contributions in an amount equal to a percentage of employee pretax contributions, up to a maximum amount. In addition, the Health System makes contributions to all eligible employees based on years of service. The Health System contributed $90,184,000 and $83,857,000 in 2014 and 2013, respectively, to the plan.

7. Employee Benefit Plans (continued)

Postretirement Health

The Health System offers a retiree health reimbursement plan to provide employees who have satisfied the conditions of eligibility, with certain retiree medical expense reimbursement benefits. Eligibility for plan benefits is based on age and years of service.

The following table sets forth the change in benefit obligations and components of net periodic benefit cost for the postretirement health plan. As of June 30, 2014 and 2013, there were no plan assets.

	2014	2013
	(In Thousands)	
Change in benefit obligations:		
Accumulated postretirement benefit obligation at beginning of year	$ 40,975	$ 39,510
Service cost	2,582	2,639
Interest cost	1,710	1,501
Actuarial gain	(438)	(1,405)
Benefits paid	(1,528)	(1,270)
Change in plan provision	36	–
Accumulated postretirement benefit obligation at end of year recognized in the consolidated balance sheets	$ 43,337	$ 40,975
Amounts recognized in changes to unrestricted net assets:		
Prior service cost	$ (12,408)	$ (15,541)
Net actuarial gain	13,126	13,379
Total	$ 718	$ (2,162)
Components of net periodic benefit costs:		
Service cost	$ 2,582	$ 2,639
Interest cost	1,710	1,501
Amortization of net loss	(691)	(646)
Amortization of prior service cost	3,169	3,169
Net periodic benefit cost	$ 6,770	$ 6,663

7. Employee Benefit Plans (continued)

The assumptions used to determine the net benefit obligation and net periodic benefit cost for the retirement plan are set forth below:

	2014	2013
Weighted-average discount rate for benefit obligation	**3.70%**	4.05%
Weighted average discount rate for net periodic benefit cost	**4.05%**	3.65%

The assumed annual health care cost trend rate for the retiree health plan is 8.00% for 2014, gradually decreasing to 5.00% in 2020 and remaining at that level thereafter.

Information about the expected cash flows for the retiree health reimbursement plan follows (in thousands):

Expected employer contributions 2015	$ 2,658
Expected benefit payments:	
2015	$ 2,658
2016	4,019
2017	4,566
2018	4,774
2019	4,696
2020–2024	23,114

8. Functional Expenses

The Health System provides general health care services to residents within the geographic locations served by its affiliates. Expenses related to providing these services for the fiscal years ended June 30 are as follows:

	2014	2013
	(In Thousands)	
Health care services	**$ 4,514,610**	$ 4,020,490
General and administrative	**1,133,144**	885,474
	$ 5,647,754	$ 4,905,964

9. Charity Care

The Health System's policy is to accept all patients regardless of their ability to pay. In assessing a patient's ability to pay, the Health System's policy uses generally recognized income levels, but also considers cases where incurred charges are significant when compared to income. Health care services rendered to patients who are unable to pay according to these criteria are classified as traditional charity care.

The Health System's policy is to report charity care and community benefits disclosures on a cost basis and to report any offsetting funds separately. Charity care amounts are determined using both a ratio of cost to gross charges as well as cost accounting systems. Funds received from sources such as government programs or private grants, which offset or subsidize charity services, are separately disclosed.

The Health System incurred charity care costs for the fiscal years ended June 30 of $89,117,000 and $92,735,000, in 2014 and 2013, respectively.

10. Community Benefits (Unaudited)

The Health System's policy is also to sponsor numerous health care-related programs for the general community and the medically underserved population in the area it serves. Some of these programs include mobile medical vans, health and dental clinics, prenatal programs, AIDS residences, health referral services, and bilingual health education and are referred to as community services.

In addition to traditional charity care and other direct community services, the Health System incurred a shortfall from services rendered to patients covered by certain public programs. This shortfall is defined as the cost of providing services to state Medicaid and local indigent program beneficiaries in excess of government payments. The Health System's QA Fee payments and Supplemental Payment revenues from the California Hospital Quality Assurance Program are included within unpaid cost of state and local programs.

10. Community Benefits (Unaudited) (continued)

The cost of the aforementioned programs for the Health System is summarized for the fiscal years ended June 30 as follows:

2014	Total Community Benefit Expense, at Cost		Direct Offsetting Revenue	Unsponsored Community Benefit Expense, at Cost	
	Amount	% of Total Expenses		Amount	% of Total Expenses
			(In Thousands)		
Benefits for the poor					
Traditional charity care (audited)	$ 89,117	1.6%	$ –	$ 89,117	1.6%
Community services for the poor	47,113	0.8%	2,950	44,163	0.8%
Unpaid cost of state and local programs	620,670	11.0%	385,479	235,191	4.2%
Total quantifiable benefits for the poor	756,900	13.4%	388,429	368,471	6.6%
Community services for the broader community	49,185	0.9%	1,318	47,867	0.8%
Total community benefits	$ 806,085	14.3%	$ 389,747	$ 416,338	7.4%

2013	Total Community Benefit Expense, at Cost		Direct Offsetting Revenue	Unsponsored Community Benefit Expense, at Cost	
	Amount	% of Total Expenses		Amount	% of Total Expenses
			(In Thousands)		
Benefits for the poor					
Traditional charity care (audited)	$ 92,735	1 9%	$ –	$ 92,735	1 9%
Community services for the poor	42,547	0 9%	4,349	38,198	0 8%
Unpaid cost of state and local programs	657,805	13 4%	492,333	165,472	3.4%
Total quantifiable benefits for the poor	793,087	16 2%	496,682	296,405	6 1%
Community services for the broader community	42,237	0 9%	812	41,425	0 8%
Total community benefits	$ 835,324	17.1%	$ 497,494	$ 337,830	6.9%

In addition, the Health System incurred $387,278,000 and $371,326,000 in costs in excess of reimbursement from the Medicare program for the fiscal years ended June 30, 2014 and 2013, respectively.

10. Community Benefits (Unaudited) (continued)

The Health System's affiliated hospitals, excluding Hoag, dedicate approximately 10% of revenues in excess of expenses attributable to controlling interests each year to the St. Joseph Health System Foundation (Foundation). The Foundation administers various programs for the poor and underserved in local and other communities. Such programs are reflected in community services for the poor.

11. Temporarily and Permanently Restricted Net Assets

A summary of net assets at June 30 follows:

	2014	2013
	(In Thousands)	
Unrestricted	**$ 5,001,250**	$ 4,674,817
Temporarily restricted	**246,259**	223,370
Permanently restricted	**69,606**	65,674
Total net assets	**$ 5,317,115**	$ 4,963,861

Temporarily and permanently restricted net assets are donor-restricted assets appropriated for facility expansion, capital acquisition, health services, and other specific purposes.

Endowments

The Health System's endowment consists of approximately 157 separate endowment funds included in assets limited as to use established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees of the hospital foundations to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor restrictions to the contrary. As a result of this interpretation, the Health System classifies as permanently restricted net assets

11. Temporarily and Permanently Restricted Net Assets (continued)

(i) the original value of gifts donated to the permanent endowment, (ii) the original value of subsequent gifts to the permanent endowment, and (iii) accumulations to the permanent endowment made in accordance with the direction of applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily net assets until those amounts are appropriated for expenditure by the Health System in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Health System considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

a. The duration and preservation of the fund

b. The purposes of the hospital and the donor-restricted endowment fund

c. General economic conditions

d. The possible effect of inflation and deflation

e. The expected total return from income and the appreciation of investments

f. Other resources of the hospital

g. The investment policies of the hospital

The endowment net asset composition as of June 30, by fund type, was as follows (in thousands):

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	$ 62,937	$ 17,560	$ 3,017	$ 83,514
Donor-restricted endowment funds	–	40,273	66,589	106,862
Total funds	$ 62,937	$ 57,833	$ 69,606	$ 190,376

11. Temporarily and Permanently Restricted Net Assets (continued)

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	$ 56,425	$ 13,819	$ –	$ 70,244
Donor-restricted endowment funds	–	29,873	65,674	95,547
Total funds	$ 56,425	$ 43,692	$ 65,674	$ 165,791

Changes in endowment net assets during the fiscal years ended June 30 were as follows (in thousands):

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2013	$ 56,425	$ 43,692	$ 65,674	$ 165,791
Realized investment gains (losses), net	5,703	9,566	(65)	15,204
Unrealized gains, net	2,914	5,705	33	8,652
Contributions, net	(1,508)	1,693	3,845	4,030
Appropriation of endowment assets for expenditure	(597)	(2,823)	119	(3,301)
Endowment net assets, June 30, 2014	$ 62,937	$ 57,833	$ 69,606	$ 190,376

11. Temporarily and Permanently Restricted Net Assets (continued)

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2012	$ 19,074	$ 5,614	$ 9,601	$ 34,289
Contributions from Hoag	33,457	36,972	53,818	124,247
Realized investment gains, net	1,737	1,467	539	3,743
Unrealized gains, net	2,104	1,090	2	3,196
Contributions, net	967	(421)	1,715	2,261
Appropriation of endowment assets for expenditure	(914)	(1,030)	(1)	(1,945)
Endowment net assets, June 30, 2013	$ 56,425	$ 43,692	$ 65,674	$ 165,791

The Health System has investment and spending policies for endowment assets that attempt to provide a stream of funding to programs supported by its endowment while balancing the risk of investment loss with the long-term preservation of purchasing power. Endowment assets include those assets of donor-restricted funds that the Health System must hold in perpetuity or for a donor-specified period as well as board-designated funds. The Health System seeks to maintain the purchasing power of the endowment assets portfolio and to achieve rates of returns that over time exceed inflation by a specified margin. To achieve its long-term investment objectives within prudent risk constraints, the Health System develops strategic asset allocation ranges and targets for the endowment portfolio and considers factors including, but not limited to, time horizon, liquidity, and risk tolerance. The current asset allocation targets emphasize diversification across asset classes to manage risk and enhance returns. Actual allocations may differ from target allocations in the short term or during periods of significant market fluctuations. In addition, the Health System confirms the asset allocation ranges on an annual basis and updates the investment policy and/or target allocations, as needed, if there is a significant change in capital market expectations and/or investment objectives, including spending requirements.

The Health System expects that the returns achieved for the endowment portfolio will be accompanied by capital market risk, but the Health System seeks to achieve returns, adjusted for this risk, that will compare favorably to the returns of the applicable markets and representative peers.

11. Temporarily and Permanently Restricted Net Assets (continued)

The Health System's policy allows each hospital's Board of Trustees to determine a spending rate from endowment investments. In establishing this policy, the Health System considers the fair market value and long-term expected return on its endowment and the factors described above.

12. Commitments and Contingencies

Operating Leases

The Health System leases land, buildings, and equipment under various noncancelable operating leases excluding lease financing obligations (see Note 3) for terms up to 32 years. Lease expense for the fiscal years ended June 30 was $90,416,000 in 2014 and $70,574,000 in 2013. Sublease revenues relating to building space under various noncancelable leases were $13,873,000 in 2014 and $16,997,000 in 2013. The leases provide that the minimum monthly lease payments may be adjusted for inflation. Minimum lease commitments at June 30, 2014, are as follows (in thousands):

Year:	
2015	$ 84,958
2016	77,563
2017	70,219
2018	63,906
2019	60,528
Thereafter	226,506
	583,680
Less sublease revenue	(39,190)
	$ 544,490

12. Commitments and Contingencies (continued)

Litigation

In February 2012, the Health System became aware of and notified 31,800 patients that personal health information records residing on its internal computer networks had been accessible through external search engines. All affected patients and regulatory agencies have been notified, and corrective actions have been in progress. As of June 30, 2014, the outstanding class action suits filed against the Health System have been coordinated into a single proceeding. Given the ongoing discovery and developing case law affecting the issues, the financial impact is currently unknown.

The Health System has been named in complaints alleging various wage and hour violations in California. Similar actions have been filed against other California employers including other hospitals and health systems. The Health System is vigorously defending the action. All such current cases are in the preliminary stages, and as a result, the likelihood of an unfavorable outcome in any such case and the potential financial impact are unknown.

St. Joseph Hospital of Eureka has been named in a complaint alleging the existence of toxic mold at its facility and damages resulting therefrom. The case has been filed but not served, and as a result, the likelihood of an unfavorable outcome and the potential financial impact are unknown.

The Civil Division of the Department of Justice (DOJ) has contacted the Health System in connection with its nationwide review of whether, in certain cases, hospital charges to the federal government relating to implantable cardio-defibrillators (ICDs) met the CMS criteria. In connection with this nationwide review, the DOJ has indicated that it will be reviewing certain ICD billing and medical records at certain of the Health System's hospitals for the period from October 2003 to the present. The review could give rise to claims against the Health System under the federal false claims act or other statutes, regulations, or laws. At this time, management cannot predict what effect, if any, this review or any resulting claims could have on the Health System.

Certain claims, suits, and complaints arising in the ordinary course of business have also been filed or are pending against the Health System. In the opinion of management, such claims, if disposed of unfavorably, would not have a material adverse effect on the Health System's consolidated financial position, results of operations, or cash flows.

12. Commitments and Contingencies (continued)

Seismic Compliance (Unaudited)

The Health System has completed facility master plans for each of its California hospitals, including an assessment of earthquake retrofit requirements. The Health System has received an extension for compliance with seismic standards for all of its California hospitals through January 1, 2015, for some hospitals for factors beyond the hospital's control. Excluding Hoag, the Health System projects total costs of $1,083,225,325 to meet these seismic standards, and in some cases these projects will meet enhanced standards for 2030. Of the total projected costs, $1,013,038,000 has been spent through June 30, 2014, with additional commitments of $119,931,000.

Supplementary Information

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Balance Sheet
(In Thousands)

June 30, 2014

	Consolidated	Eliminations	Total Regional Entities	System Office	American Unity Group	Professional Services Group	Heritage Investment Group I	Revenue Cycle Services	Innovation Institute	St Joseph Health System Foundation	Data Health	Obligated Group	Non-Obligated Group
Assets													
Current assets													
Cash and equivalents	$ 269,991	$ (40,591)	$ 258,542	$ –	$ 8,941	$ 3,098	$ 1,273	$ –	$ 32,390	$ 3,402	$ 2,936	$ 120,512	$ 149,479
Short-term marketable securities	852,635	–	662,604	101,383	13,676	–	–	–	–	74,972	–	726,886	125,749
Patient accounts receivable, less allowance for doubtful accounts	641,384	–	641,384	–	–	–	–	–	–	–	–	546,267	95,117
Other assets	258,722	–	218,651	28,301	1,119	214	60	70	6,216	1,911	2,180	200,486	58,236
Total current assets	2,022,732	(40,591)	1,781,181	129,684	23,736	3,312	1,333	70	38,606	80,285	5,116	1,594,151	428,581
Long-term marketable securities	1,080,035	–	876,882	136,235	66,918	–	–	–	–	–	–	955,544	124,491
Assets limited as to use													
Board designated	1,546,445	–	1,513,438	–	–	–	–	–	–	33,007	–	1,359,297	187,148
Held in trust	115,077	–	13,885	101,192	–	–	–	–	–	–	–	104,745	10,332
Total assets limited as to use	1,661,522	–	1,527,323	101,192	–	–	–	–	–	33,007	–	1,464,042	197,480
Property and equipment, net	3,853,737	88,202	3,449,681	287,772	–	10,959	12,027	79	2,340	–	2,677	3,616,596	237,141
Investments and other	130,225	(58,228)	115,569	48,117	235	11,484	8,030	184	4,834	–	–	341,315	(211,090)
Notes receivable	21,711	–	1,938	19,773	–	–	–	–	–	–	–	21,711	–
Deferred financing costs, net	22,570	–	19,063	3,507	–	–	–	–	–	–	–	22,570	–
Goodwill and other intangibles, net	234,176	24,093	194,146	–	–	–	–	–	1,069	–	14,868	38,879	195,297
	408,682	(34,135)	330,716	71,397	235	11,484	8,030	184	5,903	–	14,868	424,475	(15,793)
Total assets	$ 9,026,708	$ 13,476	$ 7,965,783	$ 726,280	$ 90,889	$ 25,755	$ 21,390	$ 333	$ 46,849	$ 113,292	$ 22,661	$ 8,054,808	$ 971,900
Liabilities and net assets													
Current liabilities													
Accounts payable	$ 133,843	$ –	$ 121,461	$ 2,374	$ 698	$ –	$ –	$ 212	$ 6,026	$ 327	$ 2,745	$ 96,093	$ 37,750
Accrued compensation and related liabilities	302,343	–	243,133	46,216	–	–	–	4,336	4,634	–	4,024	257,179	45,164
Accrued liabilities	491,547	(1,419)	296,154	169,519	17,513	–	2,580	5,832	–	–	1,368	357,372	134,175
Payable to third-party payors	62,317	–	62,317	–	–	–	–	–	–	–	–	62,317	–
Current maturities of long-term debt	49,025	(32,085)	35,524	45,586	–	–	–	–	–	–	–	45,937	3,088
Total current liabilities	1,039,075	(33,504)	758,589	263,695	18,211	–	2,580	10,380	10,660	327	8,137	818,898	220,177
Interest rate swaps	85,838	–	–	85,838	–	–	–	–	–	–	–	85,838	–
Other liabilities	257,313	–	117,874	128,786	10,109	6	–	185	–	–	353	208,834	48,479
Notes payable and interest due to (from) affiliates	–	1,887,245	90,477	(2,007,878)	114	–	11,740	22,528	(825)	(3,504)	103	(230,673)	230,673
Long-term debt, less current maturities	2,327,367	(1,934,463)	1,993,193	2,248,065	–	20,572	–	–	–	–	–	2,319,646	7,721
Total liabilities	3,709,593	(80,722)	2,960,133	718,506	28,434	20,578	14,320	33,093	9,835	(3,177)	8,593	3,202,543	507,050
Net assets													
Controlling interest	5,209,491	77,729	4,914,495	7,774	62,455	5,177	7,070	(32,760)	37,014	116,469	14,068	4,852,265	357,226
Noncontrolling interests in subsidiaries	107,624	16,469	91,155	–	–	–	–	–	–	–	–	–	107,624
	5,317,115	94,198	5,005,650	7,774	62,455	5,177	7,070	(32,760)	37,014	116,469	14,068	4,852,265	464,850
Total liabilities and net assets	$ 9,026,708	$ 13,476	$ 7,965,783	$ 726,280	$ 90,889	$ 25,755	$ 21,390	$ 333	$ 46,849	$ 113,292	$ 22,661	$ 8,054,808	$ 971,900

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Balance Sheet of Regional Entities
(In Thousands)

June 30, 2014

	Total Regional Entities	Eliminations	Southern California Region	Northern California Region	Texas Region	Heritage
Assets						
Current assets						
Cash and equivalents	$ 258,542	$ (93,574)	$ 212,190	$ 40,633	$ 93,567	$ 5,726
Short-term marketable securities	662,604	–	404,615	154,078	88,344	15,567
Patient accounts receivable, less allowance for doubtful accounts	641,384	–	344,223	130,092	136,631	30,438
Other assets	218,651	–	83,512	37,920	72,439	24,780
Total current assets	1,781,181	(93,574)	1,044,540	362,723	390,981	76,511
Long-term marketable securities	876,882	2,365	512,486	198,668	163,363	–
Assets limited as to use						
Board designated	1,513,438	–	1,479,418	13,361	19,159	1,500
Held in trust	13,885	–	3,344	7,045	3,496	–
Total assets limited as to use	1,527,323	–	1,482,762	20,406	22,655	1,500
Property and equipment, net	3,449,681	–	2,430,710	634,818	289,121	95,032
Investments and other	115,569	–	76,713	5,071	29,185	4,600
Notes receivable	1,938	–	1,021	815	102	–
Deferred financing costs, net	19,063	–	13,643	4,336	1,084	–
Goodwill and other intangibles, net	194,146	–	66,273	–	–	127,873
	330,716	–	157,650	10,222	30,371	132,473
Total assets	$ 7,965,783	$ (91,209)	$ 5,628,148	$ 1,226,837	$ 896,491	$ 305,516
Liabilities and net assets						
Current liabilities						
Accounts payable	$ 121,461	$ 2	$ 61,003	$ 21,641	$ 21,627	$ 17,188
Accrued compensation and related liabilities	243,133	–	131,836	52,598	47,215	11,484
Accrued liabilities	296,154	–	137,872	34,977	82,833	40,472
Payable to third-party payors	62,317	–	32,654	17,500	12,163	–
Current maturities of long-term debt	35,524	–	16,288	4,738	14,140	358
Total current liabilities	758,589	2	379,653	131,454	177,978	69,502
Other liabilities	117,874	–	68,929	6,718	35,916	6,311
Notes payable and interest due to (from) affiliates	90,477	(93,576)	126,939	24,287	(280)	33,107
Long-term debt, less current maturities	1,993,193	–	1,474,866	340,298	132,847	45,182
Total liabilities	2,960,133	(93,574)	2,050,387	502,757	346,461	154,102
Net assets						
Controlling interest	4,914,495	2,365	3,506,543	723,814	530,359	151,414
Noncontrolling interests in subsidiaries	91,155	–	71,218	266	19,671	–
	5,005,650	2,365	3,577,761	724,080	550,030	151,414
Total liabilities and net assets	$ 7,965,783	$ (91,209)	$ 5,628,148	$ 1,226,837	$ 896,491	$ 305,516

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Balance Sheet of Southern California Region
(In Thousands)

June 30, 2014

	Southern California Region	Eliminations	St. Joseph Orange	St Jude Medical Center	Mission Hospital	St Mary Medical Center	Hoag Hospital	Hoag Foundation	Newport Healthcare Center	St. Joseph Home Health South	Other
Assets											
Current assets											
Cash and equivalents	$ 212,190	$ –	$ –	$ –	$ 2,171	$ 625	$ 123,309	$ 15,305	$ 13,118	$ 5,947	$ 51,715
Short-term marketable securities	404,615	–	70,987	64,667	89,565	65,746	110,734	2,916	–	–	–
Patient accounts receivable, less allowance for doubtful accounts	344,223	(945)	63,185	51,076	80,218	48,137	79,037	–	–	7,874	15,641
Other assets	83,512	(17,076)	18,130	10,390	14,144	6,561	28,567	4,536	12,627	449	5,184
Total current assets	1,044,540	(18,021)	152,302	126,133	186,098	121,069	341,647	22,757	25,745	14,270	72,540
Long-term marketable securities	512,486	–	208,374	279,012	–	25,100	–	–	–	–	–
Assets limited as to use											
Board designated	1,479,418	–	58,939	26,079	94,308	3,819	1,162,748	133,525	–	–	–
Held in trust	3,344	–	3,344	–	–	–	–	–	–	–	–
Total assets limited as to use	1,482,762	–	62,283	26,079	94,308	3,819	1,162,748	133,525	–	–	–
Property and equipment, net	2,430,710	(51,564)	475,955	613,834	343,645	138,036	741,576	–	129,934	2,157	37,137
Investments and other	76,713	(283,434)	14,402	(626)	21,251	1,210	237,601	32,835	16	–	53,458
Notes receivable	1,021	–	939	–	–	82	–	–	–	–	–
Deferred financing costs, net	13,643	–	5,495	4,192	2,612	1,344	–	–	–	–	–
Goodwill and other intangibles, net	66,273	(1,791)	–	–	13,717	–	–	–	–	–	54,347
	157,650	(285,225)	20,836	3,566	37,580	2,636	237,601	32,835	16	–	107,805
Total assets	$ 5,628,148	$ (354,810)	$ 919,750	$ 1,048,624	$ 661,631	$ 290,660	$ 2,483,572	$ 189,117	$ 155,695	$ 16,427	$ 217,482
Liabilities and net assets (deficit)											
Current liabilities											
Accounts payable	$ 61,003	$ (81)	$ 21,386	$ 355	$ 1,743	$ 1,106	$ 31,236	$ 119	$ 253	$ 109	$ 4,777
Accrued compensation and related liabilities	131,836	(2,909)	22,938	17,371	18,630	11,354	56,786	732	–	2,170	4,764
Accrued liabilities	137,872	(10,680)	17,557	27,115	40,741	14,059	42,229	63	481	1,410	4,897
Payable to third-party payors	32,654	–	1,111	3,998	14,716	11,493	1,336	–	–	–	–
Current maturities of long-term debt	16,288	(358)	6,317	4,149	3,165	964	–	–	–	–	2,051
Total current liabilities	379,653	(14,028)	69,309	52,988	78,995	38,976	131,587	914	734	3,689	16,489
Other liabilities	68,929	(3,220)	7,919	2,022	4,017	731	49,908	2,539	–	–	5,013
Notes payable and interest due to (from) affiliates	126,939	–	12,552	6,041	82,153	6,711	(25,807)	2,797	–	17,713	24,779
Long-term debt, less current maturities	1,474,866	(26,063)	372,881	349,973	177,726	55,922	539,763	–	–	–	4,664
Total liabilities	2,050,387	(43,311)	462,661	411,024	342,891	102,340	695,451	6,250	734	21,402	50,945
Net assets (deficit)											
Controlling interest	3,506,543	(382,717)	457,089	637,600	318,740	188,320	1,788,121	182,867	154,961	(4,975)	166,537
Noncontrolling interests in subsidiaries	71,218	71,218	–	–	–	–	–	–	–	–	–
	3,577,761	(311,499)	457,089	637,600	318,740	188,320	1,788,121	182,867	154,961	(4,975)	166,537
Total liabilities and net assets	$ 5,628,148	$ (354,810)	$ 919,750	$ 1,048,624	$ 661,631	$ 290,660	$ 2,483,572	$ 189,117	$ 155,695	$ 16,427	$ 217,482

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Balance Sheet of Northern California Region
(In Thousands)

June 30, 2014

	Northern California Region	Eliminations	Queen of the Valley	Santa Rosa Memorial	Petaluma Valley	St. Joseph Eureka	Redwood Memorial	St. Joseph Home Health North	Redwood Memorial Foundation	Advanced Surgery Institute	Northbay Endoscopy Center	Queen of the Valley Foundation
Assets												
Current assets												
Cash and equivalents	$ 40,633	$ –	$ 16,106	$ 6,921	$ 7,872	$ –	$ 4,256	$ –	$ 42	$ 235	$ 26	$ 5,175
Short-term marketable securities	154,078	–	77,150	54,110	–	163	19,686	–	2,969	–	–	–
Patient accounts receivable, less allowance for doubtful accounts	130,092	–	32,048	55,692	9,969	24,441	6,448	879	–	615	–	–
Other assets	37,920	(694)	6,640	14,265	2,797	11,758	1,661	18	–	211	–	1,264
Total current assets	362,723	(694)	131,944	130,988	20,638	36,362	32,051	897	3,011	1,061	26	6,439
Long-term marketable securities	198,668	–	92,154	71,372	–	602	31,568	–	–	–	–	2,972
Assets limited as to use												
Board designated	13,361	–	–	5,213	2,076	6,072	–	–	–	–	–	–
Held in trust	7,045	–	–	–	–	(60)	–	–	–	–	–	7,105
Total assets limited as to use	20,406	–	–	5,213	2,076	6,012	–	–	–	–	–	7,105
Property and equipment, net	634,818	–	215,607	184,396	16,439	205,801	9,564	756	227	1,505	428	95
Investments and other	5,071	(3,441)	994	5,541	233	1,060	185	–	478	21	–	–
Notes receivable	815	–	135	–	–	548	132	–	–	–	–	–
Deferred financing costs, net	4,336	–	1,339	2,378	16	582	21	–	–	–	–	–
	10,222	(3,441)	2,468	7,919	249	2,190	338	–	478	21	–	–
Total assets	$ 1,226,837	$ (4,135)	$ 442,173	$ 399,888	$ 39,402	$ 250,967	$ 73,521	$ 1,653	$ 3,716	$ 2,587	$ 454	$ 16,611
Liabilities and net assets (deficit)												
Current liabilities												
Accounts payable	$ 21,641	$ 1	$ 602	$ 11,549	$ 2,062	$ 5,656	$ 774	$ 3	$ –	$ 994	$ –	$ –
Accrued compensation and related liabilities	52,598	–	19,635	15,671	3,682	10,193	2,592	772	–	53	–	–
Accrued liabilities	34,977	(694)	15,532	10,373	2,237	6,125	946	205	–	152	–	101
Payable to third-party payors	17,500	–	3,494	3,130	(573)	8,225	3,224	–	–	–	–	–
Current maturities of long-term debt	4,738	–	1,343	2,322	104	–	71	–	–	898	–	–
Total current liabilities	131,454	(693)	40,606	43,045	7,512	30,199	7,607	980	–	2,097	–	101
Other liabilities	6,718	–	994	2,606	177	1,170	185	–	–	–	56	1,530
Notes payable and interest due to (from) affiliates	24,287	(1)	(5,375)	(33,537)	21,487	34,748	(635)	8,003	525	–	–	(928)
Long-term debt, less current maturities	340,298	(1)	151,110	126,115	234	60,857	1,764	–	–	219	–	–
Total liabilities	502,757	(695)	187,335	138,229	29,410	126,974	8,921	8,983	525	2,316	56	703
Net assets (deficit)												
Controlling interest	723,814	(3,706)	254,838	261,659	9,992	123,993	64,600	(7,330)	3,191	271	398	15,908
Noncontrolling interests in subsidiaries	266	266	–	–	–	–	–	–	–	–	–	–
	724,080	(3,440)	254,838	261,659	9,992	123,993	64,600	(7,330)	3,191	271	398	15,908
Total liabilities and net assets	$ 1,226,837	$ (4,135)	$ 442,173	$ 399,888	$ 39,402	$ 250,967	$ 73,521	$ 1,653	$ 3,716	$ 2,587	$ 454	$ 16,611

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Balance Sheet of Texas Region
(In Thousands)

June 30, 2014

	Texas Region	Eliminations	Covenant Lubbock	Covenant Levelland	Covenant Plainview	Covennnt LTAC	Covenant Medical Group	Methodist Medical Group	Covenant Surgicenter	Covenant Diagnostic Imaging	Hospice of Lubbock	Covenant Health Partners	First Care	Methodist Service Provider Organization	Covenant Foundation
Assets															
Current assets															
Cash and equivalents	$ 93,567	$ –	$ 31,147	$ 2,315	$ 19,363	$ 4,802	$ 5,704	$ –	$ 754	$ 157	$ 5,010	$ 3,000	$ 12,790	$ 3,378	$ 5,147
Short-term marketable securities	88,344	–	68,621	4,060	15	–	95	–	1,096	–	–	–	14,457	–	–
Patient accounts receivable, less allowance for doubtful accounts	136,631	–	87,317	1,837	6,863	1,725	5 165	–	2,253	795	675	–	30,001	–	–
Other assets	72,439	–	51,154	2,559	3,472	150	5,644	–	590	115	180	391	5 291	285	2 608
Total current assets	390,981	–	238,239	10,771	29,713	6 677	16,608	–	4,693	1,067	5,865	3,391	62,539	3 663	7,755
Long-term marketable securities	163,363	–	108,763	–	–	–	–	–	–	–	–	–	45,398	–	9,202
Assets limited as to use															
Board designated	19,159	–	2	41	–	–	–	–	–	–	–	–	–	–	19,116
Held in trust	3,496	–	269	–	–	–	–	–	–	–	–	–	–	–	3,227
Total assets limited as to use	22,655	–	271	41	–	–	–	–	–	–	–	–	–	–	22,343
Property and equipment, net	289,121	–	258,513	1,757	6,648	1,075	1,954	–	1,769	447	154	–	14,825	1 973	6
Investments and other	29,185	(35,113)	11,347	–	–	–	25,060	536	154	–	143	–	–	27,058	–
Notes receivable	102	–	102	–	–	–	–	–	–	–	–	–	–	–	–
Deferred financing costs, net	1 084	–	1 084	–	–	–	–	–	–	–	–	–	–	–	–
	30,371	(35,113)	12,533	–	–	–	25,060	536	154	–	143	–	–	27 058	–
Total assets	$ 896,491	$ (35,113)	$ 618,319	$ 12,569	$ 36,361	$ 7,752	$ 43,622	$ 536	$ 6,616	$ 1,514	$ 6 162	$ 3 391	$ 122 762	$ 32 694	$ 39 306
Liabilities and net assets (deficit)															
Current liabilities															
Accounts payable	$ 21,627	$ –	$ 14,829	$ 487	$ 1,929	$ 387	$ 252	$ –	$ 453	$ 38	$ 242	$ 5	$ 1,578	$ 7	$ 1,420
Accrued compensation and related liabilities	47,215	–	27,048	789	4,274	467	9,092	–	188	166	135	2,904	2,129	–	23
Accrued liabilities	82,833	–	5,481	902	120	201	2,688	–	–	35	–	–	73,222	–	184
Payable to third-party payors	12,163	–	11,219	107	837	–	–	–	–	–	–	–	–	–	–
Current maturities of long-term debt	14 140	–	14 000	–	–	–	–	–	–	–	–	–	140	–	–
Total current liabilities	177,978	–	72,577	2,285	7,160	1,055	12,032	–	641	239	377	2,909	77,069	7	1,627
Other liabilities	35,916	–	10,320	–	–	–	25,060	536	–	–	–	–	–	–	–
Notes payable and interest due to (from) affiliates	(280)	–	(165,969)	623	9,959	112	104,602	–	135	–	144	(2,014)	–	50,201	1,927
Long-term debt, less current maturities	132 847	–	130 984	–	–	–	–	–	–	–	–	–	1 863	–	–
Total liabilities	346,461	–	47,912	2,908	17,119	1,167	141,694	536	776	239	521	895	78,932	50,208	3,554
Net assets (deficit)															
Controlling interest	530,359	(54,784)	570,407	9,661	19,242	6,585	(98,072)	–	5,840	1,275	5,641	2,496	43,830	(17 514)	35,752
Noncontrolling interests in subsidiaries	19,671	19 671	–	–	–	–	–	–	–	–	–	–	–	–	–
	550 030	(35 113)	570 407	9 661	19 242	6 585	(98 072)	–	5 840	1 275	5 641	2 496	43 830	(17 514)	35 752
Total liabilities and net assets	$ 896,491	$ (35,113)	$ 618 319	$ 12 569	$ 36,361	$ 7,752	$ 43,622	$ 536	$ 6,616	$ 1 514	$ 6 162	$ 3,391	$ 122,762	$ 32 694	$ 39 306

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Statements of Operations
(In Thousands)

Year Ended June 30, 2014

	Consolidated	Eliminations	Total Regional Entities	System Office	American Unity Group	Professional Services Enterprises	Heritage Investment Group I	Revenue Cycle Services	Innovation Institute	St. Joseph Health System Foundation	Data Health	Obligated Group	Non-Obligated Group
Revenues													
Patient service, net of contractual allowances and discounts	$ 4,480,661	$ –	$ 4,480,661	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 3,968,450	$ 512,211
Provision for doubtful accounts	205,438	–	205,438	–	–	–	–	–	–	–	–	185,084	20,354
Net patient service, net of provision for doubtful accounts	4,275,223	–	4,275,223	–	–	–	–	–	–	–	–	3,783,366	491,857
Premium	1,130,559	–	1,130,559	–	–	–	–	–	–	–	–	316,303	814,256
Other	225,884	(134,254)	(124,750)	280,377	12,840	3,346	3,354	75,198	80,840	–	28,933	166,174	59,710
Total revenues	5,631,666	(134,254)	5,281,032	280,377	12,840	3,346	3,354	75,198	80,840	–	28,933	4,265,843	1,365,823
Expenses													
Compensation and benefits	2,467,614	(34,370)	2,264,587	150,286	–	–	–	53,042	22,631	–	11,438	2,022,148	445,466
Supplies and other	1,139,382	(22,110)	1,109,404	38,640	2,273	(97)	1,093	2,467	4,600	–	3,112	937,101	202,281
Professional fees and purchased services	1,598,746	(69,311)	1,425,796	134,270	156	–	33	42,025	50,556	–	15,221	790,840	807,906
Depreciation and amortization	303,521	5,776	284,013	12,128	–	649	335	206	326	–	88	278,096	25,425
Interest	110,737	(6,328)	96,292	16,891	–	3,256	620	–	–	–	6	109,683	1,054
Impairment of goodwill	27,754	(5,525)	33,279	–	–	–	–	–	–	–	–	1,002	26,752
Total expenses	5,647,754	(131,868)	5,213,371	352,215	2,429	3,808	2,081	97,740	78,113	–	29,865	4,138,870	1,508,884
Operating (loss) income	(16,088)	(2,386)	67,661	(71,838)	10,411	(462)	1,273	(22,542)	2,727	–	(932)	126,973	(143,061)
Nonoperating gains (losses), net	324,875	5,061	320,717	(25,204)	7,263	603	3	(6)	31	16,407	–	349,836	(24,961)
Excess (deficiency) of revenues over expenses	308,787	2,675	388,378	(97,042)	17,674	141	1,276	(22,548)	2,758	16,407	(932)	476,809	(168,022)
Less Excess of revenues over expenses attributable to noncontrolling interests	15,985	1,399	14,586	–	–	–	–	–	–	–	–	–	15,985
Excess (deficiency) of revenues over expenses attributable to controlling interests	$ 292,802	$ 1,276	$ 373,792	$ (97,042)	$ 17,674	$ 141	$ 1,276	$ (22,548)	$ 2,758	$ 16,407	$ (932)	$ 476,809	$ (184,007)

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Statements of Operations of Regional Entities
(In Thousands)

Year Ended June 30, 2014

	Total Regional Entities	Eliminations	Southern California Region	Northern California Region	Texas Region	Heritage
Revenues						
Patient service, net of contractual allowances and discounts	$ 4,480,661	$ –	$ 2,497,878	$ 984,150	$ 768,944	$ 229,689
Provision for doubtful accounts	205,438	–	90,447	62,248	45,626	7,117
Net patient service, net of provision for doubtful accounts	4,275,223	–	2,407,431	921,902	723,318	222,572
Premium	1,130,559	–	301,260	15,044	512,205	302,050
Other	(124,750)	(272,411)	41,999	24,752	55,436	25,474
Total revenues	5,281,032	(272,411)	2,750,690	961,698	1,290,959	550,096
Expenses						
Compensation and benefits	2,264,587	(29,187)	1,241,304	469,631	433,318	149,521
Supplies and other	1,109,404	(8,539)	633,911	179,824	211,981	92,227
Professional fees and purchased services	1,425,796	(234,684)	503,695	196,183	557,608	402,994
Depreciation and amortization	284,013	–	182,901	54,336	34,414	12,362
Interest	96,292	–	66,693	17,542	8,153	3,904
Impairment of goodwill	33,279	32,277	1,002	–	–	–
Total expenses	5,213,371	(240,133)	2,629,506	917,516	1,245,474	661,008
Operating income (loss)	67,661	(32,278)	121,184	44,182	45,485	(110,912)
Nonoperating gains, net	320,717	–	257,179	39,973	22,502	1,063
Excess (deficiency) of revenues over expenses	388,378	(32,278)	378,363	84,155	67,987	(109,849)
Less Excess (deficiency) of revenues over expenses attributable to noncontrolling interests	14,586	–	17,544	(101)	(2,857)	–
Excess (deficiency) of revenues over expenses attributable to controlling interests	$ 373,792	$ (32,278)	$ 360,819	$ 84,256	$ 70,844	$ (109,849)

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Statements of Operations of Southern California Region
(In Thousands)

Year Ended June 30, 2014

	Southern California Region	Eliminations	St. Joseph Orange	St. Jude Medical Center	Mission Hospital	St. Mary Medical Center	Hoag Hospital	Hoag Foundation	Newport Healthcare Center	St Joseph Home Health South	Other
Revenues											
Patient service, net of contractual allowances and discounts	$ 2,497,878	$ (2,673)	$ 466,626	$ 377,633	$ 473,948	$ 269,655	$ 726,580	$ –	$ –	$ 45,547	$ 140,562
Provision for doubtful accounts	90,447	–	8,854	19,756	22,189	14,613	24,020	–	–	839	176
Net patient service, net of provision for doubtful accounts	2,407,431	(2,673)	457,772	357,877	451,759	255,042	702,560	–	–	44,708	140,386
Premium	301,260	–	90,305	89,839	9,638	20,893	90,585	–	–	–	–
Other	41,999	(128,766)	12,995	10,335	14,870	2,671	53,762	20,788	11,858	121	43,365
Total revenues	2,750,690	(131,439)	561,072	458,051	476,267	278,606	846,907	20,788	11,858	44,829	183,751
Expenses											
Compensation and benefits	1,241,304	(27,919)	263,612	201,338	200,514	141,029	363,334	–	–	30,163	69,233
Supplies and other	633,911	(33,384)	122,704	80,285	104,103	53,103	211,276	23,226	3,117	11,618	57,863
Professional fees and purchased services	503,695	(74,221)	142,189	107,462	95,840	62,837	141,901	–	1,731	5,943	20,013
Depreciation and amortization	182,901	(1,649)	40,592	26,195	22,834	10,447	74,530	–	2,793	785	6,374
Interest	66,693	(1,013)	16,745	19,213	10,316	2,817	18,322	–	–	8	285
Impairment of goodwill	1,002	–	–	1,002	–	–	–	–	–	–	–
Total expenses	2,629,506	(138,186)	585,842	435,495	433,607	270,233	809,363	23,226	7,641	48,517	153,768
Operating income (loss)	121,184	6,747	(24,770)	22,556	42,660	8,373	37,544	(2,438)	4,217	(3,688)	29,983
Nonoperating gains, net	257,179	(27,576)	33,224	50,215	14,242	7,878	172,637	3,815	74	9	2,661
Excess (deficiency) of revenues over expenses	378,363	(20,829)	8,454	72,771	56,902	16,251	210,181	1,377	4,291	(3,679)	32,644
Less Excess of revenues over expenses attributable to noncontrolling interests	17,544	17,544	–	–	–	–	–	–	–	–	–
Excess (deficiency) of revenues over expenses attributable to controlling interests	$ 360,819	$ (38,373)	$ 8,454	$ 72,771	$ 56,902	$ 16,251	$ 210,181	$ 1,377	$ 4,291	$ (3,679)	$ 32,644

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Statements of Operations of Northern California Region
(In Thousands)

Year Ended June 30, 2014

	Northern California Region	Eliminations	Queen of the Valley	Santa Rosa Memorial	Petaluma Valley	St. Joseph Eureka	Redwood Memorial	St. Joseph Home Health North	Redwood Memorial Foundation	Advanced Surgery Institute	Northbay Endoscopy Center	Queen of the Valley Foundation
Revenues												
Patient service, net of contractual allowances and discounts	$ 984,150	$ (537)	$ 232,466	$ 393,362	$ 84,821	$ 216,602	$ 42,558	$ 9,700	$ –	$ 4,528	$ 650	$ –
Provision for doubtful accounts	62,248	–	14,379	25,269	7,448	11,482	3,443	212	–	15	–	–
Net patient service, net of provision for doubtful accounts	921,902	(537)	218,087	368,093	77,373	205,120	39,115	9,488	–	4,513	650	–
Premium	15,044	–	10,775	4,269	–	–	–	–	–	–	–	–
Other	24,752	(1,174)	9,274	5,677	2,319	4,633	1,194	–	–	6	–	2,823
Total revenues	961,698	(1,711)	238,136	378,039	79,692	209,753	40,309	9,488	–	4,519	650	2,823
Expenses												
Compensation and benefits	469,631	–	136,554	173,711	43,083	86,503	19,811	8,309	–	1,367	293	–
Supplies and other	179,824	(369)	43,575	67,296	11,558	44,706	5,806	2,171	–	2,243	267	2,571
Professional fees and purchased services	196,183	(1,342)	49,182	70,928	17,707	48,761	8,922	1,396	–	506	29	94
Depreciation and amortization	54,336	–	16,378	18,620	3,608	13,370	1,408	345	–	566	27	14
Interest	17,542	–	6,771	6,784	23	3,659	98	139	–	68	–	–
Total expenses	917,516	(1,711)	252,460	337,339	75,979	196,999	36,045	12,360	–	4,750	616	2,679
Operating income (loss)	44,182	–	(14,324)	40,700	3,713	12,754	4,264	(2,872)	–	(231)	34	144
Nonoperating gains (losses), net	39,973	96	18,588	15,137	(443)	431	6,005	–	6	–	–	153
Excess (deficiency) of revenues over expenses	84,155	96	4,264	55,837	3,270	13,185	10,269	(2,872)	6	(231)	34	297
Less Deficiency of revenues over expenses attributable to noncontrolling interests	(101)	(101)	–	–	–	–	–	–	–	–	–	–
Excess (deficiency) of revenues over expenses attributable to controlling interests	$ 84,256	$ 197	$ 4,264	$ 55,837	$ 3,270	$ 13,185	$ 10,269	$ (2,872)	$ 6	$ (231)	$ 34	$ 297

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Statements of Operations of Texas Region
(In Thousands)

Year Ended June 30, 2014

	Texas Region	Eliminations	Covenant Lubbock	Covenant Levelland	Covenant Plainview	Covenant LTAC	Covenant Medical Group	Covenant Surgicenter	Covenant Diagnostic Imaging	Hospice of Hospice of Lubbock	Covenant Health Partners	First Care	Methodist Service Provider Organization	Covenant Foundation
Revenues														
Patient service, net of contractual allowances and discounts	$ 768,944	$ (53,476)	$ 617,000	$ 21,260	$ 46,478	$ 21,152	$ 91,386	$ 13,204	$ 5,121	$ 6,819	$ –	$ –	$ –	$ –
Provision for doubtful accounts	45,626	–	27,222	1,424	4,985	372	10,503	385	738	(3)	–	–	–	–
Net patient service, net of provision for doubtful accounts	723,318	(53,476)	589,778	19,836	41,493	20,780	80,883	12,819	4,383	6,822	–	–	–	–
Premium	512,205	(1,837)	–	–	–	–	–	–	–	–	–	514,042	–	–
Other	55,436	(38,120)	35,040	1,564	5,270	2	31,044	–	35	180	3,265	12,926	–	4,230
Total revenues	1,290,959	(93,433)	624,818	21,400	46,763	20,782	111,927	12,819	4,418	7,002	3,265	526,968	–	4,230
Expenses														
Compensation and benefits	433,318	(1,837)	243,177	11,013	17,372	8,931	108,439	3,721	2,060	2,923	1,766	35,165	–	588
Supplies and other	211,981	(5,155)	148,146	3,404	11,037	5,266	16,840	4,905	769	1,510	219	21,567	12	3,461
Professional fees and purchased services	557,608	(92,356)	132,803	5,839	8,178	3,345	9,628	1,794	719	1,731	2,588	483,093	–	246
Depreciation and amortization	34,414	–	29,333	354	1,016	218	260	452	191	180	–	2,338	72	–
Interest	8,153	–	8,035	5	3	–	26	–	–	–	–	84	–	–
Total expenses	1,245,474	(99,348)	561,494	20,615	37,606	17,760	135,193	10,872	3,739	6,344	4,573	542,247	84	4,295
Operating income (loss)	45,485	5,915	63,324	785	9,157	3,022	(23,266)	1,947	679	658	(1,308)	(15,279)	(84)	(65)
Nonoperating gains (losses), net	22,502	299	27,843	387	122	7	26	280	2	212	244	276	(11,914)	4,718
Excess (deficiency) of revenues over expenses	67,987	6,214	91,167	1,172	9,279	3,029	(23,240)	2,227	681	870	(1,064)	(15,003)	(11,998)	4,653
Less Deficiency of revenues over expenses attributable to noncontrolling interests	(2,857)	(2,857)	–	–	–	–	–	–	–	–	–	–	–	–
Excess (deficiency) of revenues over expenses attributable to controlling interests	$ 70,844	$ 9,071	$ 91,167	$ 1,172	$ 9,279	$ 3,029	$ (23,240)	$ 2,227	$ 681	$ 870	$ (1,064)	$ (15,003)	$ (11,998)	$ 4,653

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Balance Sheet
(In Thousands)

June 30, 2013

	Consolidated	Eliminations	Total Regional Entities	System Office	Unity American Group	Professional Services Enterprises	Heritage Investment Group I	Revenue Cycle Services	Innovation Institute	St Joseph Health System Foundation	Obligated Group	Non-Obligated Group
Assets												
Current assets												
Cash and equivalents	$ 329,513	$ (14,956)	$ 299,774	$ –	$ 11,789	$ 2,755	$ 1,556	$ 507	$ 20,469	$ 7,619	$ 73,780	$ 255,733
Short-term marketable securities	782,752	–	615,063	100,281	–	–	–	–	–	67,408	605,291	177,461
Patient accounts receivable, less allowance for doubtful accounts	607,548	–	607,548	–	–	–	–	–	–	–	451,452	156,096
Other assets	294 900	–	276 169	17 987	1 117	1	61	21	(458)	2	215 354	79 546
Total current assets	2 014,713	(14,956)	1,798,554	118,268	12,906	2,756	1,617	528	20,011	75,029	1,345,877	668,836
Long-term marketable securities	990,317	–	795,383	130,238	64,696	–	–	–	–	–	870,179	120,138
Assets limited as to use												
Board designated	1,350,270	–	1,319,971	–	–	–	–	–	–	30,299	158,330	1,191,940
Held in trust	127,810	–	44 810	83,000	–	–	–	–	–	–	118 282	9 528
Total assets limited as to use	1,478,080	–	1,364,781	83,000	–	–	–	–	–	30 299	276,612	1,201,468
Property and equipment, net	3 641,852	95,935	3,376,579	144,039	–	11,608	12 362	63	1,266	–	2,677 248	964,604
Investments and other	115,250	(45,143)	107,699	33,242	269	11,042	7 724	–	417	–	96,933	18,317
Collateral held for swap counterparty	8,926	–	–	8,926	–	–	–	–	–	–	8,926	–
Notes receivable	23,152	–	2,853	20,299	–	–	–	–	–	–	22,222	930
Deferred financing costs, net	23,247	–	22,396	851	–	–	–	–	–	–	19,521	3,726
Goodwill and other intangibles, net	255 935	20 188	234,678	–	–	–	–	–	1 069	–	41 770	214 165
	426 510	(24 955)	367 626	63 318	269	11 042	7 724	–	1 486	–	189 372	237 138
Total assets	$ 8,551,472	$ 56,024	$ 7,702,923	$ 538,863	$ 77,871	$ 25,406	$ 21,703	$ 591	$ 22,763	$ 105,328	$ 5 359 288	$ 3 192 184
Liabilities and net assets (deficit)												
Current liabilities												
Accounts payable	$ 176,866	$ (197)	$ 145,517	$ 28,664	$ 608	$ –	$ –	$ –	$ 2,201	$ 73	$ 126,095	$ 50,771
Accrued compensation and related liabilities	309,424	–	247,826	56,095	–	–	–	2,919	2,584	–	223 820	85,604
Accrued liabilities	366,648	(1,461)	243,773	99,071	21,655	–	2 253	1,357	–	–	201,732	164,916
Payable to third-party payors	75,873	–	75,873	–	–	–	–	–	–	–	73,800	2,073
Current maturities of long-term debt	202 453	(30 969)	192 415	41 007	–	–	–	–	–	–	41 340	161,113
Total current liabilities	1,131,264	(32,627)	905,404	224,837	22,263	–	2,253	4,276	4,785	73	666,787	464,477
Interest rate swaps	85,983	–	37,328	48,655	–	–	–	–	–	–	48,655	37,328
Other liabilities	252,227	–	116,047	125,464	10,716	–	–	–	–	–	151,130	101,097
Notes payable and interest due to (from) affiliates	–	1,350 859	98 403	(1,467 843)	113	–	12 757	6,527	(1 361)	545	(148,416)	148,416
Long-term debt less current maturities	2 118 137	(1 343 442)	1 830 234	1 610 979	–	20 366	–	–	–	–	1 712,710	405,427
Total liabilities	3,587,611	(25,210)	2,987,416	542,092	33,092	20,366	15,010	10,803	3,424	618	2,430,866	1,156,745
Net assets (deficit)												
Controlling interest	4,887,443	77,902	4,642,421	(3,229)	44,779	5,040	6,693	(10,212)	19,339	104,710	2,928,422	1,959,021
Noncontrolling interests in subsidiaries	76 418	3 332	73 086	–	–	–	–	–	–	–	–	76 418
	4 963 861	81 234	4 715 507	(3 229)	44 779	5 040	6 693	(10 212)	19 339	104 710	2 928 422	2 035 439
Total liabilities and net assets	$ 8 551 472	$ 56 024	$ 7 702 923	$ 538 863	$ 77 871	$ 25 406	$ 21 703	$ 591	$ 22 763	$ 105 328	$ 5 359 288	$ 3 192 184

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Balance Sheet of Regional Entities
(In Thousands)

June 30, 2013

	Total Regional Entities	Eliminations	Southern California Region	Northern California Region	Texas Region	Heritage
Assets						
Current assets						
Cash and equivalents	$ 299,774	$ (23,352)	$ 206,276	$ 40,112	$ 66,702	$ 10,036
Short-term marketable securities	615,063	–	357,207	154,923	87,870	15,063
Patient accounts receivable, less allowance for doubtful accounts	607,548	–	351,836	116,036	117,700	21,976
Other assets	276,169	–	169,354	54,677	39,131	13,007
Total current assets	1,798,554	(23,352)	1,084,673	365,748	311,403	60,082
Long-term marketable securities	795,383	2,365	449,284	165,623	178,111	–
Assets limited as to use						
Board designated	1,319,971	–	1,297,281	6,941	14,648	1,101
Held in trust	44,810	–	3,050	28,572	13,188	–
Total assets limited as to use	1,364,781	–	1,300,331	35,513	27,836	1,101
Property and equipment, net	3,376,579	–	2,381,933	627,486	287,035	80,125
Investments and other	107,699	–	76,530	5,144	23,793	2,232
Notes receivable	2,853	–	2,793	–	21	39
Deferred financing costs, net	22,396	–	16,099	5,111	1,186	–
Goodwill and other intangibles, net	234,678	32,277	69,497	269	–	132,635
	367,626	32,277	164,919	10,524	25,000	134,906
Total assets	$ 7,702,923	$ 11,290	$ 5,381,140	$ 1,204,894	$ 829,385	$ 276,214
Liabilities and net assets						
Current liabilities						
Accounts payable	$ 145,517	$ –	$ 88,437	$ 26,855	$ 20,360	$ 9,865
Accrued compensation and related liabilities	247,826	–	139,008	57,423	43,103	8,292
Accrued liabilities	243,773	–	118,055	32,064	68,817	24,837
Payable to third-party payors	75,873	–	42,004	22,511	9,652	1,706
Current maturities of long-term debt	192,415	–	173,903	4,631	13,582	299
Total current liabilities	905,404	–	561,407	143,484	155,514	44,999
Interest rate swaps	37,328	–	37,328	–	–	–
Other liabilities	116,047	–	74,876	1,759	31,831	7,581
Notes payable and interest due to affiliates	98,403	(23,352)	97,501	21,577	(18,603)	21,280
Long-term debt, less current maturities	1,830,234	–	1,302,791	334,598	147,483	45,362
Total liabilities	2,987,416	(23,352)	2,073,903	501,418	316,225	119,222
Net assets						
Controlling interest	4,642,421	34,642	3,252,537	703,448	494,802	156,992
Noncontrolling interests in subsidiaries	73,086	–	54,700	28	18,358	–
	4,715,507	34,642	3,307,237	703,476	513,160	156,992
Total liabilities and net assets	$ 7,702,923	$ 11,290	$ 5,381,140	$ 1,204,894	$ 829,385	$ 276,214

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Balance Sheet of Southern California Region
(In Thousands)

June 30, 2013

	Southern California Region	Eliminations	St. Joseph Orange	St Jude Medical Center	Mission Hospital	St Mary Medical Center	Hoag Hospital	Hoag Foundation	Newport Healthcare Center	St. Joseph Home Health South	Other
Assets											
Current assets											
Cash and equivalents	$ 206,276	$ –	$ –	$ –	$ 6,405	$ 14,063	$ 121,332	$ 15,305	$ 7,319	$ –	$ 41,852
Short-term marketable securities	357,207	–	45,014	127,925	81,982	31,153	68,269	2,864	–	–	–
Patient accounts receivable, less allowance for doubtful accounts	351,836	–	70,104	49,902	81,258	47,737	80,490	–	–	6,719	15,626
Other assets	169,354	(9,676)	45,257	21,511	29,601	18,516	31,504	9,390	14,981	324	7,946
Total current assets	1,084,673	(9,676)	160,375	199,338	199,246	111,469	301,595	27,559	22,300	7,043	65,424
Long-term marketable securities	449,284	–	181,171	246,290	–	21,823	–	–	–	–	–
Assets limited as to use											
Board designated	1,297,281	–	55,246	19,014	76,039	681	1,027,699	118,602	–	–	–
Held in trust	3,050	–	3,050	–	–	–	–	–	–	–	–
Total assets limited as to use	1,300,331	–	58,296	19,014	76,039	681	1,027,699	118,602	–	–	–
Property and equipment, net	2,381,933	(50,480)	502,444	548,338	329,567	135,577	742,559	–	128,943	2,930	42,055
Investments and other	76,530	(285,021)	15,086	4,051	29,122	1,161	230,194	25,954	16	–	55,967
Notes receivable	2,793	–	1,902	–	–	–	–	–	–	–	891
Deferred financing costs, net	16,099	–	4,826	4,395	2,736	416	3,726	–	–	–	–
Goodwill and other intangibles, net	69,497	(2,050)	–	1,002	13,717	–	–	–	–	–	56,828
	164,919	(287,071)	21,814	9,448	45,575	1,577	233,920	25,954	16	–	113,686
Total assets	$ 5,381,140	$ (347,227)	$ 924,100	$ 1,022,428	$ 650,427	$ 271,127	$ 2,305,773	$ 172,115	$ 151,259	$ 9,973	$ 221,165
Liabilities and net assets (deficit)											
Current liabilities											
Accounts payable	$ 88,437	$ (31)	$ 22,504	$ 8,506	$ 14,528	$ 9,252	$ 26,969	$ 142	$ 132	$ 339	$ 6,096
Accrued compensation and related liabilities	139,008	(2,566)	26,807	20,778	20,295	11,582	56,380	225	–	1,303	4,204
Accrued liabilities	118,055	(4,128)	15,028	12,918	22,993	8,266	54,160	81	457	433	7,847
Payable to third-party payors	42,004	–	508	6,503	18,001	16,626	366	–	–	–	–
Current maturities of long-term debt	173,903	(299)	6,145	3,975	3,070	944	157,971	–	–	–	2,097
Total current liabilities	561,407	(7,024)	70,992	52,680	78,887	46,670	295,846	448	589	2,075	20,244
Interest rate swaps	37,328	–	–	–	–	–	37,328	–	–	–	–
Other liabilities	74,876	(2,659)	6,379	4,599	3,564	5	55,487	2,137	–	39	5,325
Notes payable and interest due to (from) affiliates	97,501	–	(3,213)	(1,369)	84,679	7,696	(22,033)	1,839	–	8,854	21,048
Long-term debt, less current maturities	1,302,791	(26,720)	358,551	354,150	180,959	34,375	394,873	–	–	–	6,603
Total liabilities	2,073,903	(36,403)	432,709	410,060	348,089	88,746	761,501	4,424	589	10,968	53,220
Net assets (deficit)											
Controlling interest	3,252,537	(365,524)	491,391	612,368	302,338	182,381	1,544,272	167,691	150,670	(995)	167,945
Noncontrolling interests in subsidiaries	54,700	54,700	–	–	–	–	–	–	–	–	–
	3,307,237	(310,824)	491,391	612,368	302,338	182,381	1,544,272	167,691	150,670	(995)	167,945
Total liabilities and net assets	$ 5,381,140	$ (347,227)	$ 924,100	$ 1,022,428	$ 650,427	$ 271,127	$ 2,305,773	$ 172,115	$ 151,259	$ 9,973	$ 221,165

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Balance Sheet of Northern California Region
(In Thousands)

June 30, 2013

	Northern California Region	Eliminations	Queen of the Valley	Santa Rosa Memorial	Petaluma Valley	St. Joseph Eureka	Redwood Memorial	St Joseph Home Health North	Redwood Memorial Foundation	Advanced Surgery Institute	Queen of the Valley Foundation
Assets											
Current assets											
Cash and equivalents	$ 40,112	$ –	$ 18,308	$ 3,319	$ 9,127	$ –	$ 5,875	$ –	$ 65	$ 144	$ 3,274
Short-term marketable securities	154,923	–	70,619	63,604	–	150	18,020	–	2,530	–	–
Patient accounts receivable, less allowance for doubtful accounts	116,036	–	30,942	45,309	9,097	23,959	5,345	970	–	414	–
Other assets	54,677	–	16,661	16,416	3,160	14,323	2,560	30	–	126	1,401
Total current assets	365,748	–	136,530	128,648	21,384	38,432	31,800	1,000	2,595	684	4,675
Long-term marketable securities	165,623	–	80,124	58,430	131	523	23,545	–	–	–	2,870
Assets limited as to use											
Board designated	6,941	–	–	3,950	1,795	1,196	–	–	–	–	–
Held in trust	28,572	–	22,076	–	–	–	–	–	–	–	6,496
Total assets limited as to use	35,513	–	22,076	3,950	1,795	1,196	–	–	–	–	6,496
Property and equipment, net	627,486	–	204,317	178,887	17,985	212,513	10,306	1,091	227	2,047	113
Investments and other	5,144	(29)	817	1,081	–	2,774	–	–	478	23	–
Deferred financing costs, net	5,111	–	1,403	2,019	1,061	605	23	–	–	–	–
Goodwill and other intangibles, net	269	–	–	–	–	269	–	–	–	–	–
	10,524	(29)	2,220	3,100	1,061	3,648	23	–	478	23	–
Total assets	$ 1,204,894	$ (29)	$ 445,267	$ 373,015	$ 42,356	$ 256,312	$ 65,674	$ 2,091	$ 3,300	$ 2,754	$ 14,154
Liabilities and net assets (deficit)											
Current liabilities											
Accounts payable	$ 26,855	$ (1)	$ 8,601	$ 9,539	$ 1,604	$ 5,486	$ 952	$ 26	$ –	$ 634	$ 14
Accrued compensation and related liabilities	57,423	–	16,772	21,181	5,114	11,317	2,598	411	–	30	–
Accrued liabilities	32,064	–	6,994	13,859	2,420	7,902	576	131	–	101	81
Payable to third-party payors	22,511	–	(283)	6,362	90	12,779	3,563	–	–	–	–
Current maturities of long-term debt	4,631	–	1,303	2,255	99	–	69	–	–	905	–
Total current liabilities	143,484	(1)	33,387	53,196	9,327	37,484	7,758	568	–	1,670	95
Other liabilities	1,759	–	–	–	–	355	–	–	–	–	1,404
Notes payable and interest due to (from) affiliates	21,577	–	(5,738)	(34,392)	22,322	34,078	322	5,900	4	–	(919)
Long-term debt, less current maturities	334,598	–	152,494	118,074	342	60,823	1,838	–	–	1,027	–
Total liabilities	501,418	(1)	180,143	136,878	31,991	132,740	9,918	6,468	4	2,697	580
Net assets (deficit)											
Controlling interest	703,448	(56)	265,124	236,137	10,365	123,572	55,756	(4,377)	3,296	57	13,574
Noncontrolling interests in subsidiaries	28	28	–	–	–	–	–	–	–	–	–
	703,476	(28)	265,124	236,137	10,365	123,572	55,756	(4,377)	3,296	57	13,574
Total liabilities and net assets	$ 1,204,894	$ (29)	$ 445,267	$ 373,015	$ 42,356	$ 256,312	$ 65,674	$ 2,091	$ 3,300	$ 2,754	$ 14,154

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Balance Sheet of Texas Region
(In Thousands)

June 30, 2013

	Texas Region	Eliminations	Covenant Lubbock	Covenant Levelland	Covenant Plainview	Covenant LTAC	Covenant Medical Group	Methodist Medical Group	Covenant Surgicenter	Covenant Diagnostic Imaging	Hospice of Lubbock	Covenant Health Partners	First Care	Methodist Service Provider Organization	Covenant Foundation
Assets															
Current assets															
Cash and equivalents	$ 66,702	$ –	$ 25,593	$ 1,760	$ 12,683	$ 2 329	$ 1,536	$ –	$ 705	$ 260	$ 3,908	$ 2,647	$ 10,599	$ 391	$ 4,291
Short-term marketable securities	87,870	–	62,813	3,716	15	–	92	–	1,092	–	–	–	20 142	–	–
Patient accounts receivable, less allowance for doubtful accounts	117,700	–	80,005	1,901	4,924	2,812	7,331	–	1 890	752	669	–	17,416	–	–
Other assets	39 131	–	28 634	333	279	172	2 318	–	623	146	184	280	1 777	2 699	1,686
Total current assets	311,403	–	197,045	7,710	17,901	5,313	11,277	–	4,310	1,158	4,761	2,927	49 934	3,090	5,977
Long-term marketable securities	178,111	–	125,539	–	–	–	–	–	–	–	–	–	42,911	–	9,661
Assets limited as to use															
Board designated	14,648	–	371	39	–	–	–	–	–	–	–	–	–	–	14,238
Held in trust	13 188	–	10 156	–	–	–	–	–	–	–	–	–	–	–	3 032
Total assets limited as to use	27,836	–	10,527	39	–	–	–	–	–	–	–	–	–	–	17,270
Property and equipment, net	287,035	–	260,551	1,860	7,056	995	932	–	1,920	638	339	–	10,687	2,049	8
Investments and other	23,793	(34,693)	9,604	–	(6)	–	20,592	475	163	–	119	–	–	27 539	–
Notes receivable	21	–	–	21	–	–	–	–	–	–	–	–	–	–	–
Deferred financing costs, net	1,186	–	1,186	–	–	–	–	–	–	–	–	–	–	–	–
	25 000	(34 693)	10 790	21	(6)	–	20 592	475	163	–	119	–	–	27 539	–
Total assets	$ 829 385	$ (34 693)	$ 604 452	$ 9 630	$ 24 951	$ 6 308	$ 32 801	$ 475	$ 6 393	$ 1 796	$ 5 219	$ 2 927	$ 103 532	$ 32 678	$ 32 916
Liabilities and net assets (deficit)															
Current liabilities															
Accounts payable	$ 20,360	$ –	$ 15,415	$ 268	$ 752	$ 142	$ 123	$ –	$ 206	$ 39	$ 284	$ 19	$ 414	$ 7	$ 2,691
Accrued compensation and related liabilities	43,103	–	26,553	632	3,685	496	6,667	–	180	179	123	2,806	1,747	–	35
Accrued liabilities	68,817	–	8,535	–	–	117	1,795	–	–	34	–	–	58 152	–	184
Payable to third-party payors	9,652	–	7,245	752	1,655	–	–	–	–	–	–	–	–	–	–
Current maturities of long-term debt	13,482	–	13,442	–	–	–	–	–	–	–	–	–	140	–	–
Total current liabilities	155,514	–	71,190	1,652	6,092	755	8,585	–	386	252	407	2,825	60,453	7	2,910
Other liabilities	31,831	–	10,764	–	–	–	20,592	475	–	–	–	–	–	–	–
Notes payable and interest due to (from) affiliates	(18,603)	–	(141,509)	(511)	8,898	218	78,456	–	307	–	65	(3,459)	–	38 187	745
Long-term debt, less current maturities	147,483	–	145 237	–	–	–	–	–	–	–	–	–	2 246	–	–
Total liabilities	316,225	–	85,682	1,141	14,990	973	107,633	475	693	252	472	(634)	62,699	38 194	3,655
Net assets (deficit)															
Controlling interest	494,802	(53,051)	518,770	8,489	9,961	5,335	(74,832)	–	5,700	1,544	4,747	3,561	40,833	(5,516)	29,261
Noncontrolling interests in subsidiaries	18 358	18 358	–	–	–	–	–	–	–	–	–	–	–	–	–
	513,160	(34 693)	518 770	8,489	9 961	5 335	(74 832)	–	5,700	1,544	4 747	3 561	40 833	(5 516)	29 261
Total liabilities and net assets	$ 829 385	$ (34 693)	$ 604 452	$ 9 630	$ 24 951	$ 6 308	$ 32 801	$ 475	$ 6 393	$ 1 796	$ 5 219	$ 2 927	$ 103 532	$ 32 678	$ 32 916

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Statements of Operations
(In Thousands)

Year Ended June 30, 2013

	Consolidated	Eliminations	Total Regional Entities	System Office	American Unity Group	Professional Services Enterprises	Heritage Investment Group I	Revenue Cycle Services	Innovation Institute	St. Joseph Health System Foundation	Obligated Group	Non-Obligated Group
Revenues												
Patient service, net of contractual allowances and discounts	$ 4,088,718	$ –	$ 4,088,718	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 3,494,088	$ 594,630
Provision for doubtful accounts	236,897	–	236,897	–	–	–	–	–	–	–	211,144	25,753
Net patient service, net of provision for doubtful accounts	3,851,821	–	3,851,821	–	–	–	–	–	–	–	3,282,944	568,877
Premium	943,634	–	943,634	–	–	–	–	–	–	–	154,241	789,393
Other	160,245	(69,956)	(177,959)	261,456	15,741	3,348	3,360	78,976	45,279	–	88,325	71,920
Total revenues	4,955,700	(69,956)	4,617,496	261,456	15,741	3,348	3,360	78,976	45,279	–	3,525,510	1,430,190
Expenses												
Compensation and benefits	2,179,898	(16,906)	1,981,489	150,415	–	–	–	48,617	16,283	–	1,694,796	485,102
Supplies and other	1,048,765	(19,216)	1,010,573	37,860	9,604	357	1,092	2,704	5,791	–	827,593	221,172
Professional fees and purchased services	1,369,459	(32,057)	1,243,504	96,687	151	–	38	33,347	27,789	–	620,547	748,912
Depreciation and amortization	235,496	1,260	224,456	8,310	–	648	340	278	204	–	193,018	42,478
Interest	72,346	(6,304)	70,546	4,598	–	2,753	753	–	–	–	65,781	6,565
Total expenses	4,905,964	(73,223)	4,530,568	297,870	9,755	3,758	2,223	84,946	50,067	–	3,401,735	1,504,229
Operating income (loss)	49,736	3,267	86,928	(36,414)	5,986	(410)	1,137	(5,970)	(4,788)	–	123,775	(74,039)
Nonoperating gains, net	159,584	(20,299)	129,173	42,253	–	570	8	21	42	7,816	158,824	760
Contribution from affiliation	1,712,981	1,712,981	–	–	–	–	–	–	–	–	1,712,981	–
Excess (deficiency) of revenues over expenses	1,922,301	1,695,949	216,101	5,839	5,986	160	1,145	(5,949)	(4,746)	7,816	1,995,580	(73,279)
Less Excess (deficiency) of revenues over expenses attributable to noncontrolling interests	41,314	43,698	(2,384)	–	–	–	–	–	–	–	43,128	(1,814)
Excess (deficiency) of revenues over expenses attributable to controlling interests	$ 1,880,987	$ 1,652,251	$ 218,485	$ 5,839	$ 5,986	$ 160	$ 1,145	$ (5,949)	$ (4,746)	$ 7,816	$ 1,952,452	$ (71,465)

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Statements of Operations of Regional Entities
(In Thousands)

Year Ended June 30, 2013

	Total Regional Entities	Eliminations	Southern California Region	Northern California Region	Texas Region	Heritage
Revenues						
Patient service, net of contractual allowances and discounts	$ 4,088,718	$ –	$ 2,138,279	$ 995,656	$ 763,136	$ 191,647
Provision for doubtful accounts	236,897	–	94,935	60,569	77,421	3,972
Net patient service, net of provision for doubtful accounts	3,851,821	–	2,043,344	935,087	685,715	187,675
Premium	943,634	–	176,468	8,931	482,465	275,770
Other	(177,959)	(255,874)	(574)	22,052	39,518	16,919
Total revenues	4,617,496	(255,874)	2,219,238	966,070	1,207,698	480,364
Expenses						
Compensation and benefits	1,981,489	(29,325)	996,678	472,269	426,565	115,302
Supplies and other	1,010,573	(17,219)	537,918	207,729	212,228	69,917
Professional fees and purchased services	1,243,504	(209,330)	392,946	184,815	540,629	334,444
Depreciation and amortization	224,456	–	124,933	54,312	34,619	10,592
Interest	70,546	–	45,314	12,815	8,611	3,806
Total expenses	4,530,568	(255,874)	2,097,789	931,940	1,222,652	534,061
Operating income (loss)	86,928	–	121,449	34,130	(14,954)	(53,697)
Nonoperating gains, net	129,173	–	82,882	25,177	20,620	494
Excess (deficiency) of revenues over expenses	216,101	–	204,331	59,307	5,666	(53,203)
Less Excess (deficiency) of revenues over expenses attributable to noncontrolling interests	(2,384)	–	716	(34)	(3,066)	–
Excess (deficiency) of revenues over expenses attributable to controlling interests	$ 218,485	$ –	$ 203,615	$ 59,341	$ 8,732	$ (53,203)

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Statements of Operations of Southern California Region
(In Thousands)

Year Ended June 30, 2013

	Southern California Region	Eliminations	St. Joseph Orange	St. Jude Medical Center	Mission Hospital	St. Mary Medical Center	Hoag Hospital	Hoag Foundation	Newport Healthcare Center	St. Joseph Home Health South	Other
Revenues											
Patient service, net of contractual allowances and discounts	$ 2,138,279	$ 15,398	$ 601,059	$ 422,586	$ 484,291	$ 288,327	$ 238,815	$ –	$ –	$ 40,952	$ 46,851
Provision for doubtful accounts	94,935	–	21,243	18,194	12,244	32,290	9,213	–	–	1,413	338
Net patient service, net of provision for doubtful accounts	2,043,344	15,398	579,816	404,392	472,047	256,037	229,602	–	–	39,539	46,513
Premium	176,468	–	60,004	64,628	3,143	17,535	31,158	–	–	–	–
Other	(574)	(83,684)	12,657	7,444	10,780	5,344	19,188	4,068	3,789	–	19,840
Total revenues	2,219,238	(68,286)	652,477	476,464	485,970	278,916	279,948	4,068	3,789	39,539	66,353
Expenses											
Compensation and benefits	996,678	(1,038)	280,708	208,919	196,482	134,482	125,502	–	–	26,326	25,297
Supplies and other	537,918	(1,234)	154,843	99,556	115,788	56,996	68,932	8,292	1,109	8,688	24,948
Professional fees and purchased services	392,946	(63,112)	141,939	102,577	88,947	62,061	45,161	–	644	4,721	10,008
Depreciation and amortization	124,933	(1,621)	38,181	25,718	22,507	10,401	24,882	–	916	759	3,190
Interest	45,314	(986)	15,331	13,480	9,401	1,778	6,170	–	–	12	128
Total expenses	2,097,789	(67,991)	631,002	450,250	433,125	265,718	270,647	8,292	2,669	40,506	63,571
Operating income (loss)	121,449	(295)	21,475	26,214	52,845	13,198	9,301	(4,224)	1,120	(967)	2,782
Nonoperating gains (losses), net	82,882	(7,692)	21,839	36,562	6,089	4,643	20,139	528	45	23	706
Excess (deficiency) of revenues over expenses	204,331	(7,987)	43,314	62,776	58,934	17,841	29,440	(3,696)	1,165	(944)	3,488
Less Excess of revenues over expenses attributable to noncontrolling interests	716	716	–	–	–	–	–	–	–	–	–
Excess (deficiency) of revenues over expenses attributable to controlling interests	$ 203,615	$ (8,703)	$ 43,314	$ 62,776	$ 58,934	$ 17,841	$ 29,440	$ (3,696)	$ 1,165	$ (944)	$ 3,488

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Statements of Operations of Northern California Region
(In Thousands)

Year Ended June 30, 2013

	Northern California Region	Eliminations	Queen of the Valley	Santa Rosa Memorial	Petaluma Valley	St. Joseph Eureka	Redwood Memorial	St. Joseph Home Health North	Redwood Memorial Foundation	Advanced Surgery Institute	Queen of the Valley Foundation
Revenues											
Patient service, net of contractual allowances and discounts	$ 995,656	$ (558)	$ 260,854	$ 379,041	$ 87,307	$ 208,702	$ 47,906	$ 9,968	$ –	$ 2,436	$ –
Provision for doubtful accounts	60,569	–	11,997	22,265	8,055	12,222	5,641	389	–	–	–
Net patient service, net of provision for doubtful accounts	935,087	(558)	248,857	356,776	79,252	196,480	42,265	9,579	–	2,436	–
Premium	8,931	–	7,993	938	–	–	–	–	–	–	–
Other	22,052	5,047	8,218	3,181	2,443	2,205	958	–	–	–	–
Total revenues	966,070	4,489	265,068	360,895	81,695	198,685	43,223	9,579	–	2,436	–
Expenses											
Compensation and benefits	472,269	2,663	136,159	174,761	47,579	82,714	19,740	8,031	–	622	–
Supplies and other	207,729	6,433	55,304	74,379	14,550	48,268	6,007	1,531	–	1,257	–
Professional fees and purchased services	184,815	(1,459)	44,531	72,699	16,921	41,101	9,630	1,131	–	261	–
Depreciation and amortization	54,312	58	17,502	19,145	4,085	11,308	1,615	295	–	304	–
Interest	12,815	33	3,901	6,091	26	2,398	96	209	–	61	–
Total expenses	931,940	7,728	257,397	347,075	83,161	185,789	37,088	11,197	–	2,505	–
Operating income (loss)	34,130	(3,239)	7,671	13,820	(1,466)	12,896	6,135	(1,618)	–	(69)	–
Nonoperating gains (losses), net	25,177	2,949	10,712	8,904	143	(281)	2,739	–	140	–	(129)
Excess (deficiency) of revenues over expenses	59,307	(290)	18,383	22,724	(1,323)	12,615	8,874	(1,618)	140	(69)	(129)
Less Deficiency of revenues over expenses attributable to noncontrolling interests	(34)	(34)	–	–	–	–	–	–	–	–	–
Excess (deficiency) of revenues over expenses attributable to controlling interests	$ 59,341	$ (256)	$ 18,383	$ 22,724	$ (1,323)	$ 12,615	$ 8,874	$ (1,618)	$ 140	$ (69)	$ (129)

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Statements of Operations of Texas Region
(In Thousands)

Year Ended June 30, 2013

	Texas Region	Eliminations	Covenant Lubbock	Covenant Levelland	Covenant Plainview	Covenant LTAC	Covenant Medical Group	Covenant Surgicenter	Covenant Diagnostic Imaging	Hospice of Lubbock	Covenant Health Partners	First Care	Methodist Service Provider Organization	Covenant Foundation
Revenues														
Patient service, net of contractual allowances and discounts	$ 763,136	$ (57,983)	$ 629,072	$ 20,278	$ 39,056	$ 18,851	$ 88,378	$ 12,430	$ 5,911	$ 7,143	$ –	$ –	$ –	$ –
Provision for doubtful accounts	77,421	–	57,027	2,109	7,467	(203)	9,998	440	517	66	–	–	–	–
Net patient service, net of provision for doubtful accounts	685,715	(57,983)	572,045	18,169	31,589	19,054	78,380	11,990	5,394	7,077	–	–	–	–
Premium	482,465	(1,847)	–	–	–	–	–	–	–	–	–	484,312	–	–
Other	39,518	(30,375)	24,337	340	3,556	1	26,810	–	49	184	4,522	10,094	–	–
Total revenues	1,207,698	(90,205)	596,382	18,509	35,145	19,055	105,190	11,990	5,443	7,261	4,522	494,406	–	–
Expenses														
Compensation and benefits	426,565	693	246,828	11,567	16,952	8,602	100,379	3,650	2,277	2,839	1,336	31,442	–	–
Supplies and other	212,228	1,996	150,284	3,613	9,406	4,828	16,801	4,015	869	1,384	216	17,944	872	–
Professional fees and purchased services	540,629	(96,050)	139,224	5,061	7,197	2,915	11,785	1,940	577	2,153	3,198	462,629	–	–
Depreciation and amortization	34,619	–	29,937	437	1,097	249	249	524	147	181	–	1,726	72	–
Interest	8,611	–	8,468	3	–	–	–	–	–	–	–	140	–	–
Total expenses	1,222,652	(93,361)	574,741	20,681	34,652	16,594	129,214	10,129	3,870	6,557	4,750	513,881	944	–
Operating (loss) income	(14,954)	3,156	21,641	(2,172)	493	2,461	(24,024)	1,861	1,573	704	(228)	(19,475)	(944)	–
Nonoperating gains (losses), net	20,620	3,664	19,028	571	81	6	29	486	–	27	51	3,203	(10,902)	4,376
Excess (deficiency) of revenues over expenses	5,666	6,820	40,669	(1,601)	574	2,467	(23,995)	2,347	1,573	731	(177)	(16,272)	(11,846)	4,376
Less Deficiency of revenues over expenses attributable to noncontrolling interests	(3,066)	(3,066)	–	–	–	–	–	–	–	–	–	–	–	–
Excess (deficiency) of revenues over expenses attributable to controlling interests	$ 8,732	$ 9,886	$ 40,669	$ (1,601)	$ 574	$ 2,467	$ (23,995)	$ 2,347	$ 1,573	$ 731	$ (177)	$ (16,272)	$ (11,846)	$ 4,376

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