



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



Form 990



Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

Do not enter Social Security numbers on this form as it may be made public By law, the IRS generally cannot redact the information on the form
Information about Form 990 and its instructions is at www.irs.gov/form990

OMB No 1545-0047

2013

Open to Public Inspection

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

B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization

Bakersfield Memorial Hospital

Doing Business As

Number and street (or P O box if mail is not delivered to street address) PO Box 1888 Suite

Room/suite

City or town, state or province, country, and ZIP or foreign postal code
Bakersfield, CA 933011888

D Employer identification number

95-1802779

E Telephone number

(661) 327-1792

G Gross receipts \$ 413,563,219

F Name and address of principal officer

Jon VanBoening
420 34th Street
Bakersfield, CA 93301

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 Bakersfieldmemorial org

K Form of organization

☒ Corporation☐ Trust☐ Association☐ Other

L Year of formation 1951

M State of legal domicile CA

Part I Summary																																																																																
Activities & Governance	1 Briefly describe the organization's mission or most significant activities TO PROVIDE MEDICAL AND HEALTHCARE SERVICES TO THE COMMUNITY TO THE COMMUNITY																																																																															
	2 Check this box ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets																																																																															
	<table><tr><td>3</td><td>Number of voting members of the governing body (Part VI, line 1a)</td><td>3</td><td>12</td></tr><tr><td>4</td><td>Number of independent voting members of the governing body (Part VI, line 1b)</td><td>4</td><td>10</td></tr><tr><td>5</td><td>Total number of individuals employed in calendar year 2013 (Part V, line 2a)</td><td>5</td><td>1,797</td></tr><tr><td>6</td><td>Total number of volunteers (estimate if necessary)</td><td>6</td><td>218</td></tr><tr><td>7a</td><td>Total unrelated business revenue from Part VIII, column (C), line 12</td><td>7a</td><td>1,568,688</td></tr><tr><td>b</td><td>Net unrelated business taxable income from Form 990-T, line 34</td><td>7b</td><td>1,165,266</td></tr></table>	3	Number of voting members of the governing body (Part VI, line 1a)	3	12	4	Number of independent voting members of the governing body (Part VI, line 1b)	4	10	5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	5	1,797	6	Total number of volunteers (estimate if necessary)	6	218	7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	1,568,688	b	Net unrelated business taxable income from Form 990-T, line 34	7b	1,165,266																																																							
3	Number of voting members of the governing body (Part VI, line 1a)	3	12																																																																													
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	10																																																																													
5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	5	1,797																																																																													
6	Total number of volunteers (estimate if necessary)	6	218																																																																													
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	1,568,688																																																																													
b	Net unrelated business taxable income from Form 990-T, line 34	7b	1,165,266																																																																													
<table><tr><th rowspan="6">Revenue</th><th rowspan="6"></th><th colspan="2">Prior Year</th><th colspan="2">Current Year</th></tr><tr><td>8</td><td>Contributions and grants (Part VIII, line 1h)</td><td>1,737,868</td><td>2,782,413</td></tr><tr><td>9</td><td>Program service revenue (Part VIII, line 2g)</td><td>330,652,703</td><td>353,793,788</td></tr><tr><td>10</td><td>Investment income (Part VIII, column (A), lines 3, 4, and 7d)</td><td>4,271,326</td><td>14,508,441</td></tr><tr><td>11</td><td>Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)</td><td>2,152,474</td><td>1,940,279</td></tr><tr><td>12</td><td>Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)</td><td>338,814,371</td><td>373,024,921</td></tr><tr><td rowspan="8">Expenses</td><td>13</td><td>Grants and similar amounts paid (Part IX, column (A), lines 1–3)</td><td>3,811,686</td><td>2,826,163</td></tr><tr><td>14</td><td>Benefits paid to or for members (Part IX, column (A), line 4)</td><td>0</td><td>0</td></tr><tr><td>15</td><td>Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)</td><td>159,946,886</td><td>163,998,250</td></tr><tr><td>16a</td><td>Professional fundraising fees (Part IX, column (A), line 11e)</td><td>0</td><td>0</td></tr><tr><td>b</td><td>Total fundraising expenses (Part IX, column (D), line 25) ☐ 0</td><td></td><td></td></tr><tr><td>17</td><td>Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)</td><td>144,712,557</td><td>161,198,114</td></tr><tr><td>18</td><td>Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)</td><td>308,471,129</td><td>328,022,527</td></tr><tr><td>19</td><td>Revenue less expenses Subtract line 18 from line 12</td><td>30,343,242</td><td>45,002,394</td></tr><tr><td rowspan="4">Net Assets or Fund Balances</td><td colspan="2"></td><th>Beginning of Current Year</th><th colspan="2">End of Year</th></tr><tr><td>20</td><td>Total assets (Part X, line 16)</td><td>417,574,175</td><td colspan="2">462,999,678</td></tr><tr><td>21</td><td>Total liabilities (Part X, line 26)</td><td>116,442,757</td><td colspan="2">110,207,401</td></tr><tr><td>22</td><td>Net assets or fund balances Subtract line 21 from line 20</td><td>301,131,418</td><td colspan="2">352,792,277</td></tr></table>	Revenue		Prior Year		Current Year		8	Contributions and grants (Part VIII, line 1h)	1,737,868	2,782,413	9	Program service revenue (Part VIII, line 2g)	330,652,703	353,793,788	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	4,271,326	14,508,441	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	2,152,474	1,940,279	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	338,814,371	373,024,921	Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	3,811,686	2,826,163	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)	159,946,886	163,998,250	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)	144,712,557	161,198,114	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	308,471,129	328,022,527	19	Revenue less expenses Subtract line 18 from line 12	30,343,242	45,002,394	Net Assets or Fund Balances			Beginning of Current Year	End of Year		20	Total assets (Part X, line 16)	417,574,175	462,999,678		21	Total liabilities (Part X, line 26)	116,442,757	110,207,401		22	Net assets or fund balances Subtract line 21 from line 20	301,131,418	352,792,277	
Revenue				Prior Year		Current Year																																																																										
				8	Contributions and grants (Part VIII, line 1h)	1,737,868	2,782,413																																																																									
				9	Program service revenue (Part VIII, line 2g)	330,652,703	353,793,788																																																																									
				10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	4,271,326	14,508,441																																																																									
				11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	2,152,474	1,940,279																																																																									
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)		338,814,371	373,024,921																																																																											
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	3,811,686	2,826,163																																																																												
	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)	159,946,886	163,998,250																																																																												
	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)	144,712,557	161,198,114																																																																												
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	308,471,129	328,022,527																																																																												
	19	Revenue less expenses Subtract line 18 from line 12	30,343,242	45,002,394																																																																												
Net Assets or Fund Balances			Beginning of Current Year	End of Year																																																																												
	20	Total assets (Part X, line 16)	417,574,175	462,999,678																																																																												
	21	Total liabilities (Part X, line 26)	116,442,757	110,207,401																																																																												
	22	Net assets or fund balances Subtract line 21 from line 20	301,131,418	352,792,277																																																																												

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

JON VANBOENING PRESIDENT

Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name

VALERIE J BALL

Preparer's signature

Date

2015-05-01

Check ☐ if self-employed

PTIN
P00178114

Firm's name

KPMG LLP

Firm's EIN

Firm's address

55 SECOND STREET SUITE 1400
SAN FRANCISCO, CA 94105

Phone no

(661) 327-4647

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

☒ Yes☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2013)

Part IIStatement of Program Service Accomplishments

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

1

Briefly describe the organization’s mission

BAKERSFIELD MEMORIAL HOSPITAL (BMH) IS DEDICATED TO DELIVERING HEALTH SERVICES THAT ARE COMPASSIONATE, HIGH-QUALITY AND AFFORDABLE WE PROMOTE HEALTHY LIFESTYLES AS AN INTEGRAL PART OF THE COMMUNITY WE SERVE, WITH A SPECIAL CONCERN FOR THE UNDERSERVED

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 \$ 183,632,247 including grants of \$ 2,826,163) (Revenue \$ 259,033,648)

BAKERSFIELD MEMORIAL HOSPITAL'S MISSION IS TO CONTRIBUTE TO THE HEALTH OF THE COMMUNITY THROUGH THE PROVISION OF QUALITY SERVICES DELIVERED IN A COMPASSIONATE AND COST EFFECTIVE MANNER THE HOSPITAL HAS 426 BEDS AND SERVICED PATIENTS AS FOLLOWS OUTPATIENT VISITS OF 141,213, EMERGENCY VISITS OF 69,473, INPATIENT AND OUTPATIENT OPERATING ROOM CASES OF 8,761, AND INPATIENT AND OUTPATIENT CARDIAC PROCEDURES OF 5,849 BMH HAS A 24-HOUR EMERGENCY ROOM AND PROVIDES SERVICES TO BENEFICIARIES OF THE MEDICARE PROGRAM AS WELL AS A WIDE RANGE OF COMMERCIALLY INSURED BMH ALSO PROVIDES SERVICES TO INDIVIDUALS WITHOUT THE ABILITY TO PAY - SERVICES FOR WHICH BMH RECEIVES NO REIMBURSEMENT FROM ANY OUTSIDE SOURCE INPATIENT SERVICES ACUTE MEDICAL/SURGICAL CARE/PSYCHIATRIC, CANCER CENTER, CARDIOVASCULAR SURGERY, CARDIAC CATHETERIZATION LAB, PEDIATRIC ACUTE AND INTENSIVE CARE, NEONATAL INTENSIVE CARE, EMERGENCY/QUICK CARE, INTENSIVE CARE, PHARMACY, SURGERY, SPEECH PATHOLOGY, SOCIAL SERVICES, RESPIRATORY CARE, PHYSICAL THERAPY, TRANSITIONAL CARE UNIT AND WOMEN AND INFANT CARE UNIT OUTPATIENT SERVICES AMBULATORY TREATMENT CENTER, CARDIAC REHABILITATION, CARDIOPULMONARY, DIAGNOSTIC IMAGING, LABORATORY, OUTPATIENT SURGERY CENTER, REHABILITATION SERVICES, AND WELLNESS/OCCUPATIONAL MEDICINE SUPPORT SERVICES CHAPLAINCY PROGRAM, EDUCATIONAL SERVICES, HEALTH SCIENCES LIBRARY, AS WELL AS SUPPORT, TIME AND MONEY TO ORGANIZATIONS AND INDIVIDUALS THROUGHOUT THE COMMUNITY

4b

(Code) (Expenses \$ 34,350,038 including grants of \$ 0) (Revenue \$ 56,770,435)

CBCC OFFSITE INFUSION CENTER SERVICE LINE

4c

(Code) (Expenses \$ 36,133,378 including grants of \$ 0) (Revenue \$ 36,492,993)

CARDIOVASCULAR SERVICE LINE

(Code) (Expenses \$ 23,746,886 including grants of \$ 0) (Revenue \$)

ORTHOPEDICS SERVICE LINE

4d

Other program services (Describe in Schedule O)

(Expenses \$ 23,746,886 including grants of \$ 0) (Revenue \$)

4e

Total program service expenses

277,862,549

Part IV Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22	Yes	
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b	Yes	
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		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If so, complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

☐

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	175	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		1c	Yes
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2a	1,797
b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).		2b	Yes
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?		3a	Yes
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	Yes
4a At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		4a	No
b If "Yes," enter the name of the foreign country: See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.			
5a Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		5a	No
b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		5b	No
c If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		5c	
6a Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		6a	No
b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		6b	
7 Organizations that may receive deductible contributions under section 170(c).			
a Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		7a	No
b If "Yes," did the organization notify the donor of the value of the goods or services provided?		7b	
c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		7c	No
d If "Yes," indicate the number of Forms 8282 filed during the year.		7d	
e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		7e	No
f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		7f	No
g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		7g	
h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		7h	
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8	
9 Sponsoring organizations maintaining donor advised funds.			
a Did the organization make any taxable distributions under section 4966?		9a	
b Did the organization make a distribution to a donor, donor advisor, or related person?		9b	
10 Section 501(c)(7) organizations. Enter			
a Initiation fees and capital contributions included on Part VIII, line 12.		10a	
b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		10b	
11 Section 501(c)(12) organizations. Enter			
a Gross income from members or shareholders.		11a	
b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		11b	
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		12a	
b If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		12b	
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
a Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.		13a	
b Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.		13b	
c Enter the amount of reserves on hand.		13c	
14a Did the organization receive any payments for indoor tanning services during the tax year?		14a	No
b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		14b	

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	12	
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			
1b	Enter the number of voting members included in line 1a, above, who are independent	10	
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	Yes
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	a The governing body?	8a	Yes
8b	b Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	CA
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. ☐ Own website ☐ Another's website ☒ Upon request ☐ Other (explain in Schedule O)	
19	Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year	
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization LARA HARROW 3400 DATA DRIVE RANCHO CORDOVA, CA 95670 (916) 851-2106	

Part VII

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

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

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

- 1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year
- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation Enter -0- in columns (D), (E), and (F) if no compensation was paid

List all of the organization's **current** key employees, if any See instructions for definition of "key employee "

List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations

List all of the organization's **former** officers, key employees, or highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations

List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) John R Findley MD	8 0	X						0	0	0
Director	0 0									
(2) D Bradley Hannink	8 0	X						0	0	0
Director	0 0									
(3) Susan P Helper MD	8 0	X						0	0	0
Director	0 0									
(4) Stephen Helvie MD	8 0	X						0	0	0
Director	0 0									
(5) Russell Judd	8 0	X						0	618,916	73,704
Director	40 0									
(6) Javier Miro MD	8 0	X						0	0	0
Director	0 0									
(7) Bruce Peters	20 0	X						420,415	0	44,641
Director	20 0									
(8) Sandra Serrano	8 0	X						0	0	0
Director	0 0									
(9) Susie Small	8 0	X						0	0	0
Director	0 0									
(10) Stephen T Clifford	8 0	X		X				0	0	0
Vice-Chairman	0 0									
(11) Robert Nonega	8 0	X		X				0	0	0
Secretary / Treasurer	0 0									
(12) Thomas W Smith	8 0	X		X				0	0	0
Chairman	0 0									
(13) Jon Van Boening	40 0	X		X				0	921,019	110,718
President & CEO	0 0									
(14) Jesica Hanson	40 0			X				317,900	0	43,724
VP / CFO	0 0									
(15) Susan Benham	40 0				X			175,147	0	28,778
VP Chief Dev Officer	0 0									
(16) Tern Church	40 0				X			265,073	0	35,859
VP / CNE	0 0									
(17) Sheri Comaianni	40 0				X			303,537	0	38,506
VP / HR	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			
(18) Gary Frazier VP Bus Development	40 0 0 0				X			222,028	0	39,609
(19) Rodney Mark Root MD VP / CMO	40 0 0 0				X			330,896	0	42,164
(20) Whabong Anderson Registered Nurse	40 0 0 0					X		264,436	0	26,026
(21) Gena L Cook Registered Nurse	40 0 0 0					X		213,450	0	23,003
(22) Editha Lolin Registered Nurse	40 0 0 0					X		206,587	0	21,532
(23) David J Lozano Director of Pharmacy	40 0 0 0					X		190,504	0	42,299
(24) Karen J Simpson Registered Nurse	40 0 0 0					X		233,943	0	20,548
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								3,143,916	1,539,935	591,111

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▶348

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

Section B. Independent Contractors

1

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

(A) Name and business address	(B) Description of services	(C) Compensation
OBHG CALIFORNIA PC, 10 CENTIMETERS DR MAULDING SC 29662	Medical services	1,592,809
PEDIATRIC ANESTHESIA ASSOCIATES, 6235 N FRESNO ST SUITE 103 FRESNO CA 93710	Medical services	1,553,395
PREMIER HOSPITALISTS OF BFL, 3838 SAN DIMAS ST SUITE 250 BAKERSFIELD CA 93301	Medical services	1,536,066
COMPREHENSIVE BLOOD CANCER, 6501 TRUXTUN AVE BAKERSFIELD CA 93309	Medical services	1,246,055
FLEXCARE LLC, PO BOX 202056 DALLAS TX 753202056	Medical Staffing SVC	1,010,991

2

Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ▶29

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	2,782,413			
	e	Government grants (contributions) 1e				
	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	2,782,413			
Program Service Revenue	2a	PATIENT REV/CHARITY CARE	Business Code 900099	248,148,276	248,148,276	
	b	MEDICARE/MEDICAID PAYMENTS	900099	101,556,919	101,556,919	
	c	MEANINGFUL USE INCENTIVES (EHR)	900099	2,312,264	2,312,264	
	d	MILLENNIUM SURGERY CENTER INC	621990	1,496,712	1,496,712	
	e	MANAGEMENT SERVICES	541610	188,389	188,389	
	f	All other program service revenue		91,228	91,228	
	g	Total. Add lines 2a-2f	353,793,788			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)	7,813,372			7,813,372
	4	Income from investment of tax-exempt bond proceeds	0			
	5	Royalties	0			
	6a	Gross rents	(i) Real 43,080	(ii) Personal		
	b	Less rental expenses				
	c	Rental income or (loss)	43,080	0		
	d	Net rental income or (loss)	43,080			43,080
	7a	Gross amount from sales of assets other than inventory	(i) Securities 42,444,211	(ii) Other 4,789,156		
	b	Less cost or other basis and sales expenses	39,511,499	1,026,799		
	c	Gain or (loss)	2,932,712	3,762,357		
	d	Net gain or (loss)	6,695,069			6,695,069
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a			
	b	Less direct expenses	b			
	c	Net income or (loss) from fundraising events		0		
	9a	Gross income from gaming activities See Part IV, line 19	a			
	b	Less direct expenses	b			
	c	Net income or (loss) from gaming activities		0		
	10a	Gross sales of inventory, less returns and allowances	a			
	b	Less cost of goods sold	b			
	c	Net income or (loss) from sales of inventory		0		
		Miscellaneous Revenue	Business Code			
	11a	CAFETERIA	900099	889,551		889,551
	b	GIFT SHOP	900099	510,398		510,398
	c	CLINICAL TRIAL STUDIES	900099	138,006	138,006	0
	d	All other revenue		359,244	-66,030	425,274
	e	Total. Add lines 11a-11d		1,897,199		
	12	Total revenue. See Instructions		373,024,921	352,297,076	1,568,688
					1,568,688	16,376,744

Part IX

Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States. See Part IV, line 21.	2,765,026	2,765,026		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	61,137	61,137		
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.	2,384,527	2,224,755	159,772	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	27,990	27,000	990	
7	Other salaries and wages.	126,374,216	118,347,358	8,026,858	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	6,208,929	5,898,483	310,446	
9	Other employee benefits.	20,219,157	16,950,694	3,268,463	
10	Payroll taxes.	8,783,431	8,256,425	527,006	
11	Fees for services (non-employees):				
a	Management.	0			
b	Legal.	460,451		460,451	
c	Accounting.	99,838		99,838	
d	Lobbying.	653,240	28,243	624,997	
e	Professional fundraising services. See Part IV, line 17.	0			
f	Investment management fees.	532,736		532,736	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	38,839,377	27,115,337	11,724,040	
12	Advertising and promotion.	1,530,070	59,557	1,470,513	
13	Office expenses.	6,702,142	5,302,048	1,400,094	
14	Information technology.	17,616,221	784,708	16,831,513	
15	Royalties.	0			
16	Occupancy.	3,504,742	2,979,031	525,711	
17	Travel.	268,328	108,816	159,512	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	119,245	63,611	55,634	
20	Interest.	3,789,401	3,789,401		
21	Payments to affiliates.	0			
22	Depreciation, depletion, and amortization.	8,485,275	7,212,484	1,272,791	
23	Insurance.	4,440,954	3,774,811	666,143	
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	60,310,630	60,305,822	4,808	
b	MEDI-CAL PROVIDER FEE	6,052,059	6,052,059		
c	MEDICAL PRVDR/OUT-OF-NTWRK CST	3,598,663	3,598,663	0	0
d	UBI TAXES PAID	522,000	0	522,000	0
e	All other expenses	3,672,742	2,157,080	1,515,662	
25	Total functional expenses. Add lines 1 through 24e.	328,022,527	277,862,549	50,159,978	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here ☐ if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		300	1	300
	2	Savings and temporary cash investments		133,457,076	2	37,799,630
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		33,061,064	4	45,625,948
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L		0	6	0
	7	Notes and loans receivable, net		470,290	7	325,430
	8	Inventories for sale or use		4,757,777	8	4,224,063
	9	Prepaid expenses and deferred charges		47,611,060	9	10,217,841
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a315,031,454			
	b	Less accumulated depreciation	10b186,089,130	123,334,151	10c	128,942,324
	11	Investments—publicly traded securities		27,773,674	11	137,773,595
	12	Investments—other securities See Part IV, line 11		8,108,926	12	60,540,515
	13	Investments—program-related See Part IV, line 11		25,189,727	13	25,176,271
	14	Intangible assets		12,373,761	14	12,373,761
	15	Other assets See Part IV, line 11		1,436,369	15	0
	16	Total assets. Add lines 1 through 15 (must equal line 34)		417,574,175	16	462,999,678
Liabilities	17	Accounts payable and accrued expenses		31,441,370	17	32,068,180
	18	Grants payable		0	18	0
	19	Deferred revenue		0	19	0
	20	Tax-exempt bond liabilities		27,887,593	20	27,887,593
	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	1,686,962
	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		57,113,794	25	48,564,666
	26	Total liabilities. Add lines 17 through 25		116,442,757	26	110,207,401
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here ☒ and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		292,628,528	27	345,612,820
	28	Temporarily restricted net assets		8,432,890	28	7,109,457
	29	Permanently restricted net assets		70,000	29	70,000
	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		301,131,418	33	352,792,277
	34	Total liabilities and net assets/fund balances		417,574,175	34	462,999,678

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	373,024,921
2	Total expenses (must equal Part IX, column (A), line 25)	2	328,022,527
3	Revenue less expenses Subtract line 2 from line 1	3	45,002,394
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	301,131,418
5	Net unrealized gains (losses) on investments	5	8,052,889
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-1,394,424
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	352,792,277

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	No
2b	Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both ☐ Separate basis ☒ Consolidated basis ☐ Both consolidated and separate basis	2b	Yes
2c	If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	2c	Yes
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a	Yes
3b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b	Yes

SCHEDULE A

(Form 990 or 990EZ)

Department of the
Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization Bakersfield Memorial Hospital	Employer identification number 95-1802779
---	--

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? (i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization? (ii) A family member of a person described in (i) above? (iii) A 35% controlled entity of a person described in (i) or (ii) above?
h	☐	Provide the following information about the supported organization(s)

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

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

Part II

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

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

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

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

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

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

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

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

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

Part IV

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

Facts And Circumstances Test		
Return Reference	Explanation	

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

OMB No 1545-0047

2013

Open to Public Inspection

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

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

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

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

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

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

Name of the organization
Bakersfield Memorial Hospital

Employer identification number
95-1802779

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

1

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

2

Political expenditures

▶ \$

3

Volunteer hours

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

1

Enter the amount of any excise tax incurred by the organization under section 4955

▶ \$

2

Enter the amount of any excise tax incurred by organization managers under section 4955

▶ \$

3

If the organization incurred a section 4955 tax, did it file Form 4720 for this year?

☐ Yes ☐ No

4a

Was a correction made?

☐ Yes ☐ No

b

If "Yes," describe in Part IV

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

1

Enter the amount directly expended by the filing organization for section 527 exempt function activities

▶ \$

2

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

▶ \$

3

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

▶ \$

4

Did the filing organization file **Form 1120-POL** for this year?

☐ Yes ☐ No

5

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

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

Part II-A

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

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

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

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

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

Part II-B

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		653,240
j	Total. Add lines 1c through 1i.			653,240
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Return Reference	Explanation
PART II-B, LINE 1i	LOBBYING EXPENDITURES PAID BY THE PARENT ORGANIZATION TO FUND THE CAMPAIGN TO PASS THE MEDI-CAL FUNDING AND ACCOUNTABILITY ACT OF 2014 WHERE EXPENSES ARE ALLOCATED TO THE HOSPITAL. CALIFORNIA HOSPITAL COMMITTEE ON ISSUES \$639,118 OTHER LOBBYING EXPENDITURES PAID BY THE PARENT ORGANIZATION FOR ANNUAL MEMBERSHIP DUES WHERE EXPENSES ARE ALLOCATED TO THE HOSPITAL AMERICAN HOSPITAL ASSOCIATION \$2,973 CATHOLIC HEALTH ASSOCIATION \$1,674 HOSPITAL ASSOCIATION OF SO CAL \$9,192 SAFETY NET HOSPITALS FOR PHARMACEUTICAL ACCESS \$283

[illegible]

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

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

OMB No 1545-0047
2013
Open to Public Inspection

Name of the organization Bakersfield Memorial Hospital	Employer identification number 95-1802779
---	--

Part I

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

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

Part II

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

1

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

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

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

☐ Preservation of open space

2

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

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

3

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

4

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

5

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

☐ Yes ☐ No

6

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

7

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

8

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

☐ Yes ☐ No

9

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

Part III

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

1a

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

b

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

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

▶ \$ _____

(ii) Assets included in Form 990, Part X

▶ \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

b

Assets included in Form 990, Part X

▶ \$ _____

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

Cat No 52283D

Schedule D (Form 990) 2013

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

- 3

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

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other
- 4

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

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

☐ Yes

☐ No

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

- 1a

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

☐ Yes

☐ No
- b

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

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

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

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

☐ Yes

☐ No
- b

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

☐

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a Beginning of year balance	70,221	70,214	70,207	70,000	
b Contributions					70,000
c Net investment earnings, gains, and losses	7	7	7	207	
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance	70,228	70,221	70,214	70,207	70,000

- 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 100 000 %
- c

Temporarily restricted endowment

The percentages in lines 2a, 2b, and 2c should equal 100%
- 3a

Are there endowment funds not in the possession of the organization that are held and administered for the organization by
- (i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

b

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

3b

Yes

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 | | 5,263,176 | | 5,263,176 |
| b Buildings | | 188,058,734 | 96,992,032 | 91,066,702 |
| c Leasehold improvements | | 764,034 | 5,867 | 758,167 |
| d Equipment | | 103,580,085 | 86,033,161 | 17,546,924 |
| e Other | | 17,365,425 | 3,058,070 | 14,307,355 |
| Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).) | | | | 128,942,324 |
- Schedule D (Form 990) 2013

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.			
1	Total revenue, gains, and other support per audited financial statements	1	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIII)	2d	
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII)	4b	
c	Add lines 4a and 4b	4c	
5	Total revenue Add lines 3 and 4c . (This must equal Form 990, Part I, line 12)	5	

Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return. Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.			
1	Total expenses and losses per audited financial statements	1	
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIII)	2d	
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	
4	Amounts included on Form 990, Part IX, line 25, but not on line 1 :		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII)	4b	
c	Add lines 4a and 4b	4c	
5	Total expenses Add lines 3 and 4c . (This must equal Form 990, Part I, line 18)	5	

Part XIII Supplemental Information	
Provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, line 2, Part XI, lines 2d and 4b, and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.	
Return Reference	Explanation
Sch D, PART V, LINE 4	Bakersfield Memorial Foundation, a related organization, holds a permanent endowment fund. The earnings on this endowment is used to fund nursing scholarships granted by the Foundation each year.
Sch D, PART X, LINE 2 - FIN 48 (ASC 740) FOOTNOTE	DIGNITY HEALTH REVIEWS ITS TAX POSITIONS ANNUALLY AND HAS DETERMINED THAT THERE ARE NO MATERIAL UNCERTAIN TAX POSITIONS THAT REQUIRE RECOGNITION IN THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS.

[illegible]

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Bakersfield Memorial Hospital

Employer identification number
95-1802779

Part I

Financial Assistance and Certain Other Community Benefits at Cost

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

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)		5,704	6,515,820		6,515,820	1 990 %
b Medicaid (from Worksheet 3, column a)		53,439	111,894,775	75,625,789	36,268,986	11 060 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs		59,143	118,410,595	75,625,789	42,784,806	13 050 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	24	33,330	1,200,531	332,413	868,118	0 260 %
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)	17	22,874	938,779	80,408	858,371	0 260 %
j Total Other Benefits	41	56,204	2,139,310	412,821	1,726,489	0 520 %
k Total. Add lines 7d and 7j	41	115,347	120,549,905	76,038,610	44,511,295	13 570 %

Part IICommunity Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development						
3Community support	3	327	20,595	12,615	7,980	
4Environmental improvements						
5Leadership development and training for community members	1	27	2,291		2,291	
6Coalition building	4	1,988	22,981		22,981	0.010 %
7Community health improvement advocacy						
8Workforce development						
9Other						
10Total	8	2,342	45,867	12,615	33,252	0.010 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

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

1Yes

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

22,501,339

3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.

3

4Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.

Section B. Medicare

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

569,893,020

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

680,295,836

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

7-10,402,816

8Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used.

☐ Cost accounting system

☒ Cost to charge ratio

☐ Other

Section C. Collection Practices

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

9aYes

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

9bYes

Part IVManagement Companies and Joint Ventures

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

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1 MILLENNIUM SURGERY	AMBULATORY SURGERY CENTER	57.310 %	42.020 %	42.020 %
2 MEMORIAL MEDICAL PLA	MOB	21.440 %	66.060 %	66.060 %
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Section A. Hospital Facilities

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

Schedule H (Form 990) 2013

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)

Bakersfield Memorial Hospital

Name of hospital facility or facility reporting group

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

1

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

Part V

Facility Information (continued)

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

Part V

Facility Information *(continued)*

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

b ☒ Notified individuals of the financial assistance policy prior to discharge

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

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

e ☐ Other (describe in Section C)

Policy Relating to Emergency Medical Care

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

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

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

Part V Facility Information *(continued)*

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

[illegible]

Part V

Facility Information *(continued)*

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

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

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

Part VI Supplemental Information

Provide the following information

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

Form and Line Reference	Explanation
Sch H, PART I, LINE 7	FOR PURPOSES OF CALCULATING THE AMOUNTS PROVIDED IN THE TABLE, BMH USES A COST ACCOUNTING SYSTEM THAT COMBINES RELATIVE VALUE UNITS (RVU) AND COST TO CHARGE RATIOS (CCR) TO ALLOCATE COSTS TO THE PATIENT LEVEL THE COST ACCOUNTING SYSTEM ALGORITHM ALLOCATES TOTAL OPERATING EXPENSES TO THE PROCEDURE CHARGE CODE LEVEL BASED UPON AN RVU FOR PROCEDURES THAT HAVE BEEN STUDIED AND ASSIGNED AN RVU, OR BASED UPON A CCR FOR UNSTUDIED PROCEDURES THAT DO NOT HAVE AN RVU ASSIGNED WHEN A CCR IS USED, THE SYSTEM CALCULATES THAT CCR ON A DEPARTMENTAL SPECIFIC BASIS AT THE HOSPITAL WHERE THE SERVICES WERE PROVIDED THE CALCULATION IS SIMILAR TO THE WORKSHEET 2 OF SCHEDULE H, RATIO OF PATIENT CARE COST TO CHARGES, EXCEPT IT IS CALCULATED ON A DEPARTMENTAL SPECIFIC BASIS, NOT IN THE AGGREGATE THE ALLOCATED PROCEDURE CHARGE CODE LEVEL COSTS ARE THEN ROLLED UP TO THE PATIENT LEVEL BASED UPON THE BILLED PROCEDURE CHARGE CODES ASSOCIATED WITH THOSE SERVICES PROVIDED TO EACH SPECIFIC PATIENT THIS IS DONE FOR ALL PATIENT SEGMENTS INCLUDING INPATIENT, OUTPATIENT, EMERGENCY DEPARTMENT, PRIVATE INSURANCE, MEDICAID, MEDICARE, UNINSURED AND SELF PAY THE COST ACCOUNTING SYSTEM IS UTILIZED TO DETERMINE THE UNREIMBURSED COST OF MEDICAID AND OTHER MEANS-TESTED GOVERNMENT PROGRAMS THE COST OF CHARITY CARE IS CALCULATED BY APPLYING THE CCR DERIVED FROM THE COST ACCOUNTING SYSTEM ON A PER FACILITY BASIS, TO THE CHARGES INCURRED ON PATIENTS THAT QUALIFY FOR CHARITY CARE AT THE RESPECTIVE FACILITY THE ACTUAL COST IS REPORTED FOR OTHER COMMUNITY BENEFIT ACTIVITIES SUCH AS COMMUNITY HEALTH IMPROVEMENT SERVICES, COMMUNITY BENEFIT OPERATIONS, HEALTH PROFESSIONS EDUCATION, SUBSIDIZED HEALTH SERVICES, RESEARCH AND CASH AND IN-KIND DONATIONS

Form and Line Reference	Explanation
Sch H, PART I, LINE 7B, COLUMN (F)	BEGINNING IN 2009, THE STATE OF CALIFORNIA ESTABLISHED PROVIDER FEE PROGRAMS THESE PROGRAMS ARE FUNDED BY QUALITY ASSURANCE FEES PAID BY PARTICIPATING HOSPITALS AND MATCHING FEDERAL FUNDS BMH RECOGNIZED QUALITY ASSURANCE FEES DURING THE YEAR OF \$6 1 MILLION WHICH ARE INCLUDED IN TOTAL COMMUNITY BENEFIT EXPENSE RELATED TO UNREIMBURSED MEDICAID (PART I, LINE 7B, COLUMN C), AND RECOGNIZED FEE-FOR-SERVICE SUPPLEMENTAL PAYMENTS OF \$10 9 MILLION DURING THE YEAR REFLECTED UNDER THE MEDICAID PROGRAM AS DIRECT OFFSETTING REVENUE (PART I, LINE 7B, COLUMN D) THIS NET REDUCTION IN THE COST OF THE MEDICAID PROGRAM IS DRIVING THE DECREASE IN THE OVERALL COST OF COMMUNITY BENEFIT EXPENSE AS A PERCENT OF TOTAL EXPENSES WHEN COMPARED TO PRIOR YEARS THE CALIFORNIA HOSPITAL ASSOCIATION CREATED A PRIVATE PROGRAM, THE CALIFORNIA HEALTH FOUNDATION AND TRUST ("CHFT"), ESTABLISHED FOR SEVERAL PURPOSES, INCLUDING AGGREGATING AND DISTRIBUTING FINANCIAL RESOURCES TO SUPPORT CHARITABLE ACTIVITIES AT VARIOUS HOSPITALS AND HEALTH SYSTEMS IN CALIFORNIA DURING THE YEAR, BMH RECORDED A PLEDGE TO A GRANT FUND ESTABLISHED BY CHFT IN THE AMOUNT \$0 5 MILLION THE GRANT IS REPORTED UNDER OTHER BENEFITS (PART I, LINE 7I, COLUMN C), AS CASH AND IN-KIND CONTRIBUTIONS TO COMMUNITY GROUPS

Form and Line Reference	Explanation
SCH H, PART I, LINE 7, COLUMN(F)	THE AMOUNT OF BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), WHICH IS NON-PATIENT RELATED BAD DEBT EXPENSE, IS \$34,752 AND HAS BEEN SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGES IN COLUMN (F)

Form and Line Reference	Explanation
Sch H, PART II - COMMUNITY BUILDING ACTIVITIES	THE MISSION OF BAKERSFIELD MEMORIAL HOSPITAL AS THE LARGEST HEALTH CARE PROVIDER IN KERN COUNTY IS TO OCCUPY A LEADERSHIP ROLE IN BUILDING A HEALTHIER COMMUNITY IT IS A RESPONSIBILITY THAT WE EAGERLY EMBRACE AS A DEFINING CHARACTERISTIC OF OUR ORGANIZATION THE COMMUNITY BENEFIT REPORT AND PLAN CONTAINS EXAMPLES OF THE PROGRAMS AND INITIATIVES WE HAVE UNDERTAKEN THAT MAKE A POSITIVE, MEASURABLE IMPACT ON THE COMMUNITY WE SERVE (I E , DOLLARS SPENT ON INDIGENT MEDICAL CARE, CHILDREN FED AND CLOTHED, VICTIMS SERVED, AND FAMILIES TAUGHT TO MANAGE CHRONIC DISEASE) SOME OF THE COMMUNITY BUILDING PROGRAMS OFFERED INCLUDE COMMUNITY SUPPORT PROGRAM COMMITTEES THAT RESPOND TO COMMUNITY NEED DESCRIPTION BAKERSFIELD MEMORIAL HOSPITAL EMPLOYEES DONATING THEIR TIME AND EXPERTISE TO BOARDS AND COMMITTEES THAT SERVE THE COMMUNITY PROGRAM HOMEWORK CLUB DESCRIPTION THE HOMEWORK CLUB PROVIDES AN ACADEMICALLY STRUCTURED AFTER SCHOOL PROGRAM FOR UNDERSERVED STUDENTS ATTENDING FIRST THROUGH SEVENTH GRADES THE PROGRAM FOCUSES ON PROVIDING A SAFE ENVIRONMENT FOR PRE-TEENS TO WORK ON HOMEWORK AND OTHER ACADEMIC SKILLS PROGRAM PACK-A-SACK LUNCH PROGRAM DESCRIPTION THE PACK-A-SACK PROGRAM IS A COMMUNITY-SUPPORTED EFFORT THAT PROVIDES A NUTRITIOUS SNACK TO AFTER-SCHOOL PROGRAMS IN UNDERSERVED AREAS OF KERN COUNTY TWICE A MONTH DURING THE SCHOOL YEAR, STUDENTS AT TEVIS JR HIGH SCHOOL PREPARE SNACKS UNDER THE SUPERVISION OF PARENTS AND TEACHERS THESE BROWN BAG LUNCHES ARE THEN DELIVERED TO THE MERCY AND MEMORIAL HOSPITALS' LEARNING CENTER FOR DISTRIBUTION TO A VARIETY OF AFTER SCHOOL PROGRAMS PROGRAM SUPPORT A COMMUNITY ENDEAVOR DESCRIPTION BAKERSFIELD MEMORIAL HOSPITAL EMPLOYEES VOLUNTEERING THEIR TIME TO SUPPORT COMMUNITY ENDEAVORS THAT PROMOTE HEALTH AND WELL-BEING LEADERSHIP DEVELOPMENT PROGRAM HOMEMAKER CARE PROGRAM - TRAINING DESCRIPTION THE HOMEMAKER CARE PROGRAM PROVIDES A TWO-WEEK COMPREHENSIVE EMPLOYMENT READINESS SKILLS TRAINING FOCUSING IN INDIVIDUALS TRANSITIONING FROM UNEMPLOYMENT INTO THE WORKFORCE IN COLLABORATION WITH OVER 20 COMMUNITY AGENCIES, THE HOMEMAKER CARE PROGRAM WILL OFFER SKILLS TRAINING IN THE FIELD OF IN-HOME SUPPORTIVE SERVICES PROGRAM EMPLOYMENT COUNSELING DESCRIPTION DESIGNED TO ENHANCE THE SKILLS OF RESIDENTS IN SOUTHEAST BAKERSFIELD WHO ARE ENTERING THE JOB MARKET BY PROVIDING RESUME PREPARATION, INTERVIEW TECHNIQUES, ASSISTANCE WITH APPLICATION PREPARATION AND ADDITIONAL SUPPORT WITH JOB SEARCH SERVICES COALITION BUILDING PROGRAM GIRL SCOUTS DESCRIPTION THE GIRL SCOUT TROOP AT THE MERCY AND MEMORIAL HOSPITALS' LEARNING CENTER IS PART OF THE SCOUTING OUTREACH TO UNDERSERVED GIRLS IN THE COMMUNITY THE PROGRAM HELPS THESE YOUNG INDIVIDUALS BECOME GOOD CITIZENS, STAYING IN SCHOOL, ACHIEVING HIGH ACADEMICS, AND BEING YOUTH PEER LEADERS IN THE COMMUNITY TO DISCOURAGE GANG ACTIVITY THE PROGRAM TEACHES GIRLS ABOUT PROVIDING COMMUNITY SERVICE AND PARTICIPATING IN COMMUNITY EVENTS THAT PROMOTE HEALTH AND WELL-BEING PROGRAM HOLIDAY BASKETS DESCRIPTION HOLIDAY BASKETS ARE PROVIDED BY ST PHILIPS PARISH TO PROVIDE FOOD TO FAMILIES IN NEED DURING THE HOLIDAY SEASON THE MERCY AND MEMORIAL HOSPITALS' LEARNING AND OUTREACH CENTERS SUBMIT ELIGIBLE FAMILIES TO THE CHURCH CONTACT AND DISTRIBUTE THE BASKETS TO ELIGIBLE FAMILIES PROGRAM SCHOOL SUPPORTIVE SERVICES DESCRIPTION THE SCHOOL SUPPORTIVE SERVICES PROGRAM PROVIDES SUPPORT TO ELEMENTARY, JUNIOR HIGH AND HIGH SCHOOLS THROUGHOUT KERN COUNTY BY SPONSORING EVENTS, PROVIDING CLOTHING AND SHOES AND OFFERING EDUCATIONAL INSERVICE PRESENTATIONS TO STUDENTS AND THEIR FAMILIES

Form and Line Reference	Explanation
Sch H, PART III, LINE 2	THE AMOUNT OF THE ORGANIZATION'S BAD DEBT AT COST IS DETERMINED BY APPLYING THE CCR (SEE SCHEDULE H, PART I, LINE 7) TO PATIENT CHARGES THAT ARE DEEMED TO BE UNCOLLECTIBLE THIS AMOUNT REPRESENTS THE COST OF SERVICES PROVIDED TO PATIENTS WHO ARE UNABLE OR REFUSE TO PAY THEIR BILLS AND DO NOT QUALIFY FOR FREE OR DISCOUNTED CARE, GOVERNMENT SPONSORED PROGRAMS OR OTHER FINANCIAL ASSISTANCE, AND ARE OTHERWISE UNINSURED ANY PORTION OF A PATIENT BILL REMAINING AFTER APPLYING FINANCIAL, UNINSURED OR OTHER DISCOUNTS OR PAYMENTS RECEIVED ON THE ACCOUNT THAT ARE ULTIMATELY DETERMINED TO BE UNCOLLECTIBLE ARE WRITTEN OFF TO BAD DEBT AS NOTED IN PART I, LINE 3, BMH PROVIDES FREE OR DISCOUNTED CARE TO UNINSURED OR UNDER-INSURED INDIVIDUALS THAT FALL INTO THREE CATEGORIES, UNDER 200%, 201%-350% OR 351%-500% OF THE FEDERAL POVERTY LEVEL BMH ALSO PROVIDES PATIENTS OPTIONS FOR PROMPT PAY DISCOUNTS, DISCOUNTS FOR THE MEDICALLY INDIGENT, AND INTEREST-FREE EXTENDED PAYMENT PLANS FOR PATIENTS WHO HAVE DEMONSTRATED GOOD FAITH AND ARE COOPERATING IN RESOLVING THEIR HOSPITAL BILLS ALL ACCOUNTS FOR ELIGIBLE UNINSURED PATIENTS RECEIVE AN AUTOMATIC UNINSURED DISCOUNT OF 25% FOR PATIENTS SEEN THE EXPECTED PATIENT PAYMENT AMOUNT ON THE PATIENT'S BILL REFLECTS THIS DISCOUNT

Form and Line Reference	Explanation
Sch H, PART III, LINE 3	BMH MAKES EVERY EFFORT IN DETERMINING IF A PATIENT QUALIFIES FOR FINANCIAL ASSISTANCE UPON ADMISSION BMH FOLLOWS DIGNITY HEALTH'S FINANCIAL ASSISTANCE POLICY BMH'S FINANCIAL ASSISTANCE POLICY IS COMMUNICATED TO PATIENTS UPON ADMISSION AND IS AVAILABLE IN THE LANGUAGES PRIMARILY SPOKEN IN THE COMMUNITY IT IS ALSO POSTED IN VARIOUS COMMON AREAS OF THE HOSPITAL, SUCH AS EMERGENCY ROOMS, URGENT CARE CENTERS, ADMITTING AND REGISTRATION DEPARTMENTS, HOSPITAL BUSINESS OFFICES LOCATED ON FACILITY CAMPUSES, AND OTHER PUBLIC PLACES, AND IS PROVIDED UPON BILLING IF ELIGIBILITY IS NOT PREVIOUSLY DETERMINED ELIGIBILITY IS REEVALUATED AS NEEDED AND AMOUNTS ARE CLASSIFIED AS CHARITY AS SOON AS ELIGIBILITY IS KNOWN DIGNITY HEALTH ALSO UTILIZES A PAYMENT ASSISTANCE RANK ORDERING (PARO) SCORING SYSTEM TO ASSIST IN DETERMINING IF A PATIENT MAY QUALIFY FOR PAYMENT ASSISTANCE EVEN THOUGH THEY HAVE NOT APPLIED FOR IT PARO IS A METHODOLOGY THAT APPLIES CONSISTENT SCREENING AND APPLICATION STANDARDS TO ALL PATIENTS UTILIZING HISTORICAL DATA TO DEVELOP A PREDICTIVE MODEL FOR HEALTHCARE PAYMENT ASSISTANCE IN ITS DEVELOPMENT, SPECIAL ATTENTION WAS PAID TO THOSE SOCIOECONOMIC FACTORS THAT MIGHT ADVERSELY AFFECT THOSE PATIENTS DESERVING THE MOST ATTENTION OTHER CRITERIA ARE ALSO UTILIZED TO ENSURE THAT NO SERVICES THAT HAVE QUALIFIED AS FINANCIAL ASSISTANCE WERE REPORTED AS BAD DEBT AS SUCH, BMH DOES NOT BELIEVE THAT ANY AMOUNTS INCLUDED IN PART III, LINE 2, ARE ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER THE ORGANIZATION'S PAYMENT ASSISTANCE POLICY, AND THEREFORE, NO PORTION OF BAD DEBT EXPENSE IS INCLUDED AS COMMUNITY BENEFIT EXPENSE

Form and Line Reference	Explanation
Sch H, PART III, LINE 4	THE FOLLOWING IS AN EXCERPT FROM DIGNITY HEALTH AND ITS SUBORDINATE CORPORATIONS' CONSOLIDATED ANNUAL AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014, RELATED TO ACCOUNTS RECEIVABLE AND ALLOWANCES FOR CHARITY AND DOUBTFUL ACCOUNTS PATIENT ACCOUNTS RECEIVABLE AND NET PATIENT SERVICE REVENUE ARE REPORTED AT THE NET REALIZABLE AMOUNT FROM PATIENTS, THIRD-PARTY PAYORS, AND OTHERS FOR SERVICES RENDERED BMH MANAGES ITS COLLECTION RISK BY REGULARLY REVIEWING ITS ACCOUNTS AND CONTRACTS AND BY PROVIDING APPROPRIATE ALLOWANCES RESERVES FOR CHARITY AND UNCOLLECTIBLE AMOUNTS HAVE BEEN ESTABLISHED AND ARE NETTED AGAINST PATIENT ACCOUNTS RECEIVABLE IN THE CONSOLIDATED BALANCE SHEET

Form and Line Reference	Explanation
Sch H, PART III, LINE 8	BMH PREPARES MEDICARE COST REPORTS IN A MANNER THAT COMPORTS WITH PROVIDER REIMBURSEMENT MANUAL (PRM) 15-1, 2150FF AND PRM 15-2, 1000FF AS SUCH, THE FOLLOWING LANGUAGE PER THE PRM 15-1 DESCRIBES THE COMPUTATION OF COSTS PER THE MEDICARE COST REPORT TOTAL ALLOWABLE COSTS OF A PROVIDER ARE APPORTIONED BETWEEN PROGRAM BENEFICIARIES AND OTHER PATIENTS SO THAT THE SHARE BORNE BY THE PROGRAM IS BASED UPON ACTUAL SERVICES RECEIVED BY PROGRAM BENEFICIARIES THE RATIO OF COVERED BENEFICIARY CHARGES TO TOTAL PATIENT CHARGES FOR THE SERVICES OF EACH ANCILLARY DEPARTMENT IS APPLIED TO THE COST OF THE DEPARTMENT ADDED TO THIS AMOUNT IS THE COST OF ROUTINE SERVICES FOR PROGRAM BENEFICIARIES, DETERMINED ON THE BASIS OF A SEPARATE AVERAGE COST PER DIEM FOR ALL PATIENTS FOR GENERAL ROUTINE PATIENT CARE AREAS ANOTHER FACTOR TO BE CONSIDERED IS A SEPARATE AVERAGE COST PER DIEM FOR INTENSIVE CARE UNIT, CORONARY CARE UNIT, AND OTHER SPECIAL CARE INPATIENT HOSPITAL UNITS BMH BELIEVES THAT THE ENTIRE MEDICARE SHORTFALL OF \$674.3 MILLION, AS REPORTED IN PART III, LINE 6, CONSTITUTES COMMUNITY BENEFIT THE IRS COMMUNITY BENEFIT STANDARD INCLUDES THE PROVISION OF CARE TO THE ELDERLY AND MEDICARE PATIENTS MEDICARE SHORTFALLS MUST BE ABSORBED BY BMH AND OTHER HOSPITALS IN ORDER TO CONTINUE TREATING THE ELDERLY IN OUR COMMUNITIES THE HOSPITALS PROVIDE CARE REGARDLESS OF THIS SHORTFALL AND THEREBY RELIEVE THE FEDERAL GOVERNMENT OF THE BURDEN OF PAYING THE FULL COST FOR MEDICARE BENEFICIARIES THIS SHORTFALL INCLUDES \$10.4 MILLION REPORTED ON PART III, SECTION B, LINE 7, PRIMARILY FOR FEE FOR SERVICE MEDICARE PATIENTS, AS WELL AS THE UNREIMBURSED PORTION OF MEDICARE MANAGED CARE AND MEDICARE CAPITATED PROGRAMS FOR BMH

Form and Line Reference	Explanation
Sch H, PART III, LINE 9B	BMH ENSURES THAT PATIENT ACCOUNTS ARE PROCESSED FAIRLY AND CONSISTENTLY BMH FOLLOWS DIGNITY HEALTH'S PATIENT PAYMENT ASSISTANCE POLICY BMH'S COLLECTION POLICY CONTAINS PROVISIONS THAT PROHIBIT THE COLLECTION OF AMOUNTS DUE FROM PATIENTS WHO THE ORGANIZATION KNOWS QUALIFY FOR CHARITY CARE ACCOUNTS WITH INCORRECT OR INCOMPLETE DEMOGRAPHIC INFORMATION ARE ASSIGNED TO A COLLECTION AGENCY IF BMH OR THE BILLING COMPANY RETAINED BY DIGNITY HEALTH IS UNABLE TO OBTAIN AN UPDATED ADDRESS THROUGH SKIP TRACING OR OTHER MEANS FOR PATIENTS WHO HAVE AN APPLICATION PENDING FOR EITHER GOVERNMENT-SPONSORED FINANCIAL ASSISTANCE OR FOR ASSISTANCE UNDER BMH'S PATIENT PAYMENT ASSISTANCE POLICY, OR WHERE THE PATIENT IS ATTEMPTING IN GOOD FAITH TO SETTLE AN OUTSTANDING BILL WITH THE FACILITY VIA PAYMENT PLANS, BMH WILL NOT KNOWINGLY SEND THAT PATIENT'S BILL TO AN OUTSIDE COLLECTION AGENCY LEGAL ACTION WILL NOT BE PURSUED TO COLLECT DEBTS FROM PATIENTS WHO HAVE QUALIFIED FOR CHARITY OR ARE COOPERATING IN GOOD FAITH TO RESOLVE THEIR DEBT BMH DOES NOT IMPOSE WAGE GARNISHMENTS OR LIENS ON PRIMARY RESIDENCES ON SELF-PAY ACCOUNTS THAT DO NOT MEET THE CRITERIA NOTED ABOVE, THE INITIAL DETERMINATION OF ASSIGNMENT TO A COLLECTION AGENCY WILL VARY DEPENDING ON THE NATURE OF THE ACCOUNT WITH THE FINAL DECISION BEING AT THE DISCRETION OF EACH HOSPITAL PATIENT FINANCIAL ASSISTANCE DEPARTMENT UPON ASSIGNMENT OF SUCH A PATIENT ACCOUNT TO A COLLECTION AGENCY, DIGNITY HEALTH REQUIRES THE AGENCY TO COMPLY WITH THE FAIR DEBT COLLECTION PRACTICES ACT

Form and Line Reference	Explanation
Sch H, PART VI, LINE 2 - NEEDS ASSESSMENT	KERN COUNTY HAS BEEN DESIGNATED THE SERVICE AREA FOR BAKERSFIELD MEMORIAL HOSPITAL THE HOSPITAL PRIMARILY UTILIZES THE FOLLOWING METHODS TO ASSESS COMMUNITY NEEDS AND THE EFFECTIVENESS OF OUR RESPONSE TO THESE CHALLENGES THE KERN COUNTY COMMUNITY NEEDS ASSESSMENT, COMMUNITY NEEDS INDEX (CNI), COMMUNITY LEADERS, RESIDENTS, AND DIRECT INPUT FROM STAFF OF OUR DEPARTMENT OF SPECIAL NEEDS AND COMMUNITY OUTREACH THE ANNUAL KERN COUNTY NETWORK FOR CHILDREN REPORT CARD IS ALSO USED TO CORROBORATE THE FOCUS OF OUR SERVICES SELECTION OF PRIORITY NEEDS INVOLVES COLLABORATION WITH A VARIETY OF INTERNAL AND EXTERNAL STAKEHOLDERS AS AN ADJUNCT TO THE HOSPITAL'S STRATEGIC PLANNING PROCESS, COMMUNITY BENEFIT PLANNING DERIVES INPUT AND GUIDANCE FROM ADMINISTRATIVE LEADERSHIP AND THE BOARDS OF DIRECTORS THE REGIONAL COMMUNITY BENEFIT COMMITTEE IS DIRECTLY INVOLVED IN SELECTION OF PRIORITIES FOR FOCUSED INTERVENTIONS AND DEVELOPMENT OF SPECIFIC PROGRAM GOALS AND OBJECTIVES IT IS ALSO THEIR RESPONSIBILITY TO ENSURE QUALITY SERVICES ARE PROVIDED WITH EACH PROGRAM AND THOSE WE SERVE ARE SATISFIED WITH OUR SERVICES THE 2013/2014 KERN COUNTY COMMUNITY HEALTH NEEDS ASSESSMENT (CHNA) WAS CONDUCTED TO IDENTIFY PRIMARY HEALTH ISSUES, STATUS AND NEEDS, AS WELL AS TO PROVIDE CRITICAL INFORMATION TO THOSE IN A POSITION TO MAKE A POSITIVE IMPACT ON THE HEALTH OF THE REGION'S RESIDENTS THE RESULTS ENABLE COMMUNITY MEMBERS TO MORE STRATEGICALLY ESTABLISH PRIORITIES, DEVELOP INTERVENTIONS AND DIRECT RESOURCES TO IMPROVE THE HEALTH OF PEOPLE LIVING IN THE COMMUNITY THE 2013/2014 KERN COUNTY COMMUNITY NEEDS ASSESSMENT PROCESS WAS INITIATED BY THE KERN COUNTY COMMUNITY BENEFIT COLLABORATIVE IN JULY 2013 THE COLLABORATIVE IS COMPRISED OF DELANO REGIONAL MEDICAL CENTER, DIGNITY HEALTH (MERCY AND MEMORIAL HOSPITALS), KAISER PERMANENTE, AND SAN JOAQUIN COMMUNITY HOSPITAL TO COMPLETE THE NEEDS ASSESSMENT, THE COLLABORATIVE UTILIZED INFORMATION FROM WWW.HEALTHYKERN.ORG AND RETAINED THE SERVICES OF THE HEALTHY COMMUNITIES INSTITUTE AND STRATEGY SOLUTIONS, INC. TO ASSIST THE PROCESS WAS DESIGNED TO FOLLOW THE LATEST GUIDELINES TO MEET THE IRS 990 STANDARDS AND TO PROVIDE PRIMARY DATA COLLECTION, ANALYSIS AND PRIORITIZATION SUPPORT THE RESEARCH AND DATA ANALYSIS OF THIS EFFORT BEGAN IN MARCH 2013 AND CONCLUDED IN NOVEMBER 2013 THE REPORT DEVELOPMENT WAS COMPLETED IN EARLY 2014 THE COMMUNITY HEALTH NEEDS ASSESSMENT INCLUDED A DETAILED EXAMINATION OF THE FOLLOWING AREAS * DEMOGRAPHICS & SOCIO-ECONOMIC INDICATORS * HEALTHY MOTHERS, BABIES & CHILDREN * ACCESS TO QUALITY HEALTH CARE * MENTAL HEALTH & SUBSTANCE ABUSE * CHRONIC DISEASE * HEALTHY ENVIRONMENT * PHYSICAL ACTIVITY & NUTRITION * INJURY * INFECTIOUS DISEASE THE KERN COUNTY COMMUNITY HEALTH NEEDS ASSESSMENT IDENTIFIED 10 TOP NEEDS THOUGH A PRIORITIZATION PROCESS WITH COMMUNITY LEADERS 1) HEART DISEASE AND STROKE 2) CANCER 3) DIABETES 4) PREVENTIVE SCREENINGS 5) CANCER SCREENINGS 6) ACCESS TO HEALTH CARE 7) LOW BIRTH WEIGHT/INFANT MORTALITY/PRE-TERM BIRTH 8) ASTHMA 9) WOMEN'S HEALTH SCREENINGS 10) SEXUALLY TRANSMITTED DISEASES (STDs) MERCY AND MEMORIAL HOSPITALS (THROUGH OUR COMMUNITY BENEFIT COMMITTEE AND DEPARTMENT EMPLOYEES) FURTHER PRIORITIZED THESE 10 NEEDS TO 5 FOCUS AREAS 1) ACCESS TO HEALTH CARE 2) PREVENTIVE SCREENINGS 3) HEART DISEASE AND STROKE 4) DIABETES 5) ASTHMA

Form and Line Reference	Explanation
Sch H, PART VI, LINE 3 - PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	INFORMATION ABOUT PATIENT FINANCIAL ASSISTANCE AVAILABLE FROM BMH, INCLUDING A CONTACT NUMBER, IS DISSEMINATED BY BMH BY VARIOUS MEANS, INCLUDING THE PUBLICATION OF NOTICES IN PATIENT BILLS AND BY POSTING NOTICES IN THE EMERGENCY AND ADMITTING DEPARTMENTS, AND AT OTHER PUBLIC PLACES AS BMH MAY ELECT SUCH INFORMATION WAS PROVIDED IN THE PRIMARY LANGUAGES SPOKEN BY THE POPULATIONS SERVED BY THE BMH FACILITY THE INFORMATION WAS POSTED IN THE PATIENT ACCESS (ADMITTING) DEPARTMENTS IN THE HOSPITAL AS WELL AS IN THE PATIENT BUSINESS OFFICE IF THE OPPORTUNITY WAS NOT AVAILABLE FOR PATIENT ACCESS TO DISCUSS THE POLICY WITH THE PATIENT, A COMSPEC REPRESENTATIVE (A CONTRACTOR FOR THE BUSINESS OFFICE), DISCUSSED THE VARIOUS OPTIONS DURING THE PATIENT'S HOSPITAL STAY THE INFORMATION REGARDING FINANCIAL ASSISTANCE AND THE AVAILABILITY OF GOVERNMENT AID WAS ALSO GIVEN IN A BROCHURE TO EACH PATIENT DURING THE REGISTRATION PROCESS ANY MEMBER OF THE BMH FACILITY STAFF OR MEDICAL STAFF MAY MAKE REFERRAL OF PATIENTS FOR FINANCIAL ASSISTANCE THE PATIENT OR A FAMILY MEMBER, A CLOSE FRIEND OR ASSOCIATE OF THE PATIENT MAY ALSO MAKE A REQUEST FOR FINANCIAL ASSISTANCE

Form and Line Reference	Explanation
Sch H, PART VI, LINE 4- COMMUNITY INFORMATION	BAKERSFIELD MEMORIAL HOSPITAL SERVES ALL OF KERN COUNTY, INCLUDING BAKERSFIELD (THE COUNTY SEAT) AND OUTLYING RURAL COMMUNITIES SUCH AS SHAFTER, TEHACHAPI, LAKE ISABELLA, LOST HILLS, TAFT, AND WASCO. ALL OF KERN COUNTY IS CONSIDERED MEMORIAL HOSPITAL'S SERVICE AREA. THE COUNTY COVERS MORE THAN 8,100 SQUARE MILES, GEOGRAPHICALLY MAKING IT THE THIRD LARGEST COUNTY IN THE STATE. THE LANDSCAPE IS DIVERSE, RANGING FROM HIGH DESERT TO MOUNTAINS TO VAST EXPANSES OF RICH AGRICULTURAL FLATLANDS. KERN COUNTY CONSISTENTLY RANKS AMONG THE TOP FIVE MOST PRODUCTIVE AGRICULTURAL COUNTIES IN THE UNITED STATES AND IS ONE OF THE NATION'S LEADING PETROLEUM-PRODUCING COUNTIES. AGRICULTURE IS THE THIRD LARGEST INDUSTRY IN THE COUNTY AND ACCOUNTS FOR 14.24 PERCENT OF PRIVATE SECTOR JOBS. SEASONAL AND CYCLICAL FLUCTUATIONS IN EMPLOYMENT IN THE AGRICULTURE AND PETROLEUM INDUSTRIES DRIVE KERN COUNTY'S UNEMPLOYMENT RATE CONSISTENTLY WELL ABOVE THE STATE AVERAGE. BELOW IS A SUMMARY OF BAKERSFIELD MEMORIAL HOSPITAL'S SERVICE AREA DEMOGRAPHIC DATA: *POPULATION 610,579 *DIVERSITY: CAUCASIAN 33.9% HISPANIC 52.3% ASIAN 5.1% AFRICAN AMERICAN 6.0% AMERICAN INDIAN 0.7% 2+ RACES 1.8% OTHERS 0.2% *AVERAGE HOUSEHOLD INCOME \$61,877 *UNINSURED 23.3% *NO HS DIPLOMA 28.4% *RENTERS 37.7% *MEDICAID PATIENTS 20.9%. NEARLY TWO-THIRDS OF KERN COUNTY'S RESIDENTS-AND MOST OF ITS MAJOR HEALTH CARE PROVIDERS-ARE CLUSTERED IN AND AROUND BAKERSFIELD. IN ADDITION TO BAKERSFIELD MEMORIAL HOSPITAL, OTHER HEALTH PROVIDERS IN BAKERSFIELD INCLUDE TWO OTHER DIGNITY HEALTH HOSPITALS - MERCY HOSPITAL AND MERCY SOUTHWEST HOSPITAL, KERN MEDICAL CENTER, KAISER PERMANENTE, SAN JOAQUIN COMMUNITY HOSPITAL, THE HEART HOSPITAL, GOOD SAMARITAN HOSPITAL, CLINICA SIERRA VISTA AND, OMNI FAMILY HEALTH. THE SERVICE AREA FOR THESE PROVIDERS IS KERN COUNTY. WHENEVER POSSIBLE, AN EFFORT IS MADE FOR COMMUNITY-BASED COLLABORATION TO SOLVE PROBLEMS AND ENSURE SUSTAINABLE HEALTH PROGRAMS OVER THE LONG TERM TO POPULATIONS THAT NEED IT THE MOST. MANY OF BAKERSFIELD'S POOREST RESIDENTS ARE CONCENTRATED IN THE CITY'S SOUTHEAST QUADRANT, THE SITE OF TWO OF OUR COMMUNITY OUTREACH CENTERS. THE POPULATION IS LARGELY AFRICAN AMERICAN AND HISPANIC/LATINO, WITH A HIGH CONCENTRATION OF LIMITED-ENGLISH SPEAKING INDIVIDUALS (MANY UNDOCUMENTED), ELEVATED YOUTH GANG ACTIVITY, AND A HIGH UNEMPLOYMENT RATE. THESE NEIGHBORHOODS INCLUDE RUNDOWN MOTELS THAT HOUSE A TRANSIENT HOMELESS POPULATION, INCLUDING MANY FAMILIES WITH CHILDREN. MOST OF THESE RESIDENTS HAVE NOT RECEIVED HEALTH SERVICES OR ASSISTANCE BECAUSE OF POVERTY, CHRONIC SUBSTANCE ABUSE, LANGUAGE BARRIERS, LACK OF TRANSPORTATION, A STRONG MISTRUST OF ESTABLISHED INSTITUTIONS, AND LACK OF KNOWLEDGE AND UNDERSTANDING ABOUT ACCESSING AND USING AVAILABLE SERVICES. FOR MANY LOW-INCOME INDIVIDUALS AND FAMILIES LIVING IN THE OUTLYING RURAL COMMUNITIES OF KERN COUNTY, GEOGRAPHIC ISOLATION HEIGHTENS THESE BARRIERS TO HEALTH CARE AND OTHER SERVICES.

Form and Line Reference	Explanation
Sch H, PART VI, LINE 5 PROMOTION OF COMMUNITY HEALTH	BAKERSFIELD MEMORIAL HOSPITAL BOARD OF DIRECTORS IS RESPONSIBLE FOR ENSURING THAT COMMUNITY HEALTH IS ONE OF THE MAJOR GOALS IN THE STRATEGIC PLANNING PROCESS THE BOARD OF DIRECTORS IS A DIVERSE GROUP THAT INCLUDES COMMUNITY MEMBERS, PHYSICIANS, FAITH-BASED REPRESENTATIVES, AND BUSINESS HEALTH EXECUTIVES WHO PROVIDE A BROAD SPECTRUM OF PERSPECTIVES ON PLANS PRESENTED FOR THEIR APPROVAL ALL OF BAKERSFIELD MEMORIAL HOSPITAL'S BOARD MEMBERS RESIDE IN KERN COUNTY THE MAJORITY OF THE BOARD ARE NEITHER EMPLOYEES NOR INDEPENDENT CONTRACTORS OF THE ORGANIZATION, NOR FAMILY MEMBERS MEMORIAL HOSPITAL'S PRESIDENT IS COMMITTED TO THE COMMUNITY BENEFIT PROCESS AND ACCOUNTABLE TO DIGNITY HEALTH SYSTEM LEADERSHIP A COMMUNITY BENEFIT COMMITTEE ASSISTS THE DEPARTMENT OF SPECIAL NEEDS AND COMMUNITY OUTREACH IN PRIORITIZING PROGRAMS THAT ARE IN LINE WITH THE HOSPITAL'S STRATEGIC PLAN COMMITTEE MEMBERS INCLUDE REPRESENTATIVES OF THE HOSPITAL EXECUTIVE MANAGEMENT TEAM, THE BUSINESS COMMUNITY, SOCIAL SERVICE AGENCIES, COMMUNITY VOLUNTEERS, BOARD MEMBERS, AND EMPLOYEES THIS GROUP MEETS FOUR TIMES ANNUALLY TO HELP ENSURE THAT OUR OUTREACH SERVICES RESPOND TO IDENTIFIED COMMUNITY NEEDS AND ARE EFFECTIVELY WORKING TO IMPROVE THE OVERALL HEALTH STATUS OF THE COMMUNITY THE COMMITTEE PROVIDES INPUT, ADVICE, AND APPROVAL FOR THE COMMUNITY BENEFIT PLAN THE APPROVED PLAN IS THEN SUBMITTED TO THE BOARD OF BAKERSFIELD MEMORIAL HOSPITAL FOR FINAL APPROVAL BAKERSFIELD MEMORIAL HOSPITAL EXTENDS MEDICAL STAFF PRIVILEGES TO ALL QUALIFIED PHYSICIANS IN KERN COUNTY IN ALL OF ITS DEPARTMENTS WITH THE EXCEPTION OF CLOSED SERVICE AND CONTRACTS FOR DOCTOR GROUPS (E G PATHOLOGY) BAKERSFIELD MEMORIAL HOSPITAL REINVESTS ALL ITS OPERATING AND INVESTMENT INCOME IN HOSPITAL IMPROVEMENTS, TECHNOLOGY ENHANCEMENTS, COMMUNITY HEALTH PROGRAMS, AND EMPLOYEE BENEFITS THIS ACTIVE REINVESTMENT MAKES IT POSSIBLE FOR US TO DELIVER ON OUR MISSION, INCLUDING ENSURING THAT EVERYONE HAS ACCESS TO HEALTH CARE CARING FOR THE COMMUNITY BEYOND THE HOSPITAL WALLS LED TO THE FOUNDING IN 1991 OF THE DEPARTMENT OF SPECIAL NEEDS AND COMMUNITY OUTREACH IN RESPONSE TO IDENTIFIED UNMET HEALTH-RELATED NEEDS IN THE COMMUNITY, TODAY THE DEPARTMENT OPERATES MORE THAN 45 PROGRAMS IN BAKERSFIELD, ARVIN, SHAFTER, MCFARLAND, DELANO, LAKE ISABELLA, LOST HILLS, RIDGECREST, TAFT, TEHACHAPI, WASCO, AND OTHER OUTLYING COMMUNITIES IN KERN COUNTY WHERE THERE IS LIMITED ACCESS TO HEALTH CARE AND RELATED SERVICES BAKERSFIELD MEMORIAL HOSPITAL MAKES MANY ADDITIONAL CONTRIBUTIONS TO IMPROVE THE HEALTH STATUS OF OUR COMMUNITY THESE NON-QUANTIFIABLE BENEFITS TAKE MANY FORMS INCLUDING NURTURING GRASSROOTS COMMUNITY-BASED INITIATIVES, LENDING THE EXPERTISE OF OUR EMPLOYEES TO COMMUNITY COLLABORATIVES AND BOARDS, OPENING OUR FACILITIES FOR MEETINGS, AND ACTIVELY ADVOCATING FOR THE POOR AND UNDERSERVED WE ARE AN ENTHUSIASTIC PARTICIPANT IN A NUMBER OF COLLABORATIVE EFFORTS THAT BRING TOGETHER DIVERSE ORGANIZATIONS FROM THE PUBLIC, PRIVATE, AND NONPROFIT SECTORS BY PARTICIPATING IN EFFORTS SUCH AS KERN COUNTY'S ASSESSMENT PROCESS, THE COMPREHENSIVE CANCER AWARENESS COLLABORATIVE, FIRST 5 OF KERN COUNTY, AND COMMUNITY HEALTH FAIRS, WE JOIN OTHER COMMUNITY LEADERS AND PARTNERS IN PROBLEM SOLVING AND HEALTH PLANNING FOLLOWING ARE THE HIGHLIGHTS OF MAJOR COMMUNITY BENEFIT ACTIVITIES DURING FY 2014 COMMUNITY HEALTH INITIATIVE (IN COLLABORATION WITH MERCY HOSPITAL AND COMMUNITY PARTNERS) *VERIFIED ENROLLMENT OF 24,539 CHILDREN AND ADULTS INTO HEALTH INSURANCE PROGRAMS THROUGH PROGRAM EMPLOYEE EFFORTS AND PARTNER AGENCIES COMMUNITY WELLNESS PROGRAM (IN COLLABORATION WITH MERCY HOSPITAL) *PROVIDED 31,987 FREE HEALTH SCREENINGS IN MOST RURAL AREAS IN KERN COUNTY *PROVIDED 13,750 CLIENTS WITH HEALTH EDUCATION THROUGH IN HOME VISITS OR CLASSES AND SEMINARS HOMEMAKER CARE PROGRAM (IN COLLABORATION WITH MERCY HOSPITAL) *PROVIDED 14,205 HOURS OF IN HOME SUPPORTIVE SERVICES TO SENIOR AND DISABLED CLIENT HOUSEHOLDS SO THEY CAN REMAIN IN THEIR HOMES AND LIVE INDEPENDENTLY FOR AS LONG AS POSSIBLE *PROVIDED JOB TRAINING FOR 120 HARD TO EMPLOY INDIVIDUALS TRANSITIONING FROM UNEMPLOYMENT INTO THE WORK FORCE OUTREACH CENTERS (IN COLLABORATION WITH MERCY HOSPITAL) *BREAKFAST CLUB SERVED 26,361 MEALS TO THE HOMELESS *DINNER BELL SERVED 6,774 MEALS TO FAMILIES *PROVIDED 5,843 INDIVIDUALS WITH EMERGENCY FOOD BASKETS MEMORIAL HOSPITAL PRESCRIPTION PROGRAM (MEMORIAL ONLY) PROVIDED 373 PATIENTS WHO ARE UNABLE TO PAY FOR THEIR NEEDED PRESCRIPTIONS (\$102,300 33)

Form and Line Reference	Explanation
Sch H, PART VI, LINE 6- AFFILIATED HEALTH CARE SYSTEM	BMH IS AFFILIATED WITH DIGNITY HEALTH AFFILIATES OF DIGNITY HEALTH ALSO PROMOTE THE HEALTH OF ADDITIONAL COMMUNITIES IN CALIFORNIA, ARIZONA, AND NEVADA THESE AFFILIATES FOLLOW PRACTICES SIMILAR TO THOSE NOTED ABOVE IN DETERMINING THE UNMET HEALTHCARE NEEDS OF THEIR COMMUNITIES TOTAL UNSPONSORED COMMUNITY BENEFIT EXPENSE FOR DIGNITY HEALTH AND ITS SUBORDINATE CORPORATIONS FOR THE YEAR ENDED JUNE 30, 2014, IS AS FOLLOWS Persons Net Comm % of Served Benefit Exp excl Bad Debt Benefits for the Poor Traditional Charity Care 118,274 175,717,000 1 7% Unpaid Costs of Medicaid/Medi-Cal 1,182,999 864,074,000 8 3% Other Means-tested Programs 269,323 51,389,000 0 5% Community Services Community Health Services 434,278 39,122,000 0 4% Health Professions Education 54 24,000 0 0% Subsidized Health Services 108,604 27,467,000 0 3% Donations 128,428 19,579,000 0 2% Community Building Activities 4,623 1,508,000 0 0% Community Benefit Operations 2,886 6,793,000 0 1% Total Community Services for the poor 678,873 94,493,000 1 0% Total Benefits for the Poor 2,249,469 1,185,673,000 11 5% Benefits for the Broader Community Community Services Community Health Services 297,849 13,162,000 0 1% Health Professions Education 37,567 63,515,000 0 6% Subsidized Health Services 3,990 771,000 0 0% Research 408 23,158,000 0 2% Donations 31,034 9,080,000 0 1% Community Building Activities 7,068 3,716,000 0 0% Community Benefit Operations 21 1,110,000 0 0% Total Benefits for the Broader Community 377,937 114,512,000 1 1% Total Community Benefits 2,627,406 1,300,185,000 12 6% Unpaid Costs of Medicare 1,032,864 674,324,000 6 5% Total Community Benefits including Cost of Medicare 3,660,270 1,974,509,000 19 1%

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
Bakersfield Memorial Hospital

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

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

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

OMB No 1545-0047

2013

Open to Public
Inspection

Employer identification number
95-1802779

Part I General Information on Grants and Assistance

1

Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance?

☒ Yes ☐ No

2

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

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) California Health Foundation and Trust 1215 K Street Suite 800 Sacramento, CA 95814	94-1498697	501(c)(3)	522,798		N/A	N/A	Community Health
(2) American Heart Association 426-17th Street STE 300 Oakland, CA 94612	13-5613797	501(c)(3)	22,917		N/A	N/A	Community Health
(3) Dignity Health Medical Foundation 3400 Data Drive Rancho Cordova, CA 95670	68-0220314	501(c)(3)	1,775,515		N/A	N/A	Medical Fnd Support
(4) Bakersfield Memorial Hospital Foundation 420 34th Street Bakersfield, CA 93301	95-3555043	501(c)(3)	385,631		n/a	n/a	Foundation support
(5) Garden Pathways Inc 3509 Union Ave Bakerfield, CA 93305	77-0442212	501(c)(3)	20,885	0	n/a	n/a	Community Health
(6) Project Fit America PO Box 308 Boyes Hot Springs, CA 95416	36-3730823	503(c)(3)	8,900		na	na	Community Health

2

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

6

3

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

0

Part III

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

(a)Type of grant or assistance	(b)Number of recipients	(c)Amount of cash grant	(d)Amount of non-cash assistance	(e)Method of valuation (book, FMV, appraisal, other)	(f)Description of non-cash assistance
(1) PROVISION OF CLOTHING/GIFTS	2096	0	1,940	COST	CLOTHING/GIFTS
(2) Provision of Meals	19889	0	50,165	FMV	Food
(3) Funeral Expenses Program	44	9,032	0	N/A	N/A

Part IV

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

Return Reference	Explanation
PART I, LINE 2 - GENERAL INFORMATION ON GRANTS & ASSISTANCE	DONATIONS ARE PROVIDED TO THE COMMUNITY TO FURTHER THE MISSION OF THE HOSPITAL AND SUPPORT VARIOUS COMMUNITY PROGRAMS BAKERSFIELD MEMORIAL HOSPITAL PROVIDES DONATIONS TO SUPPORT COMMUNITY PROGRAMS THAT MEET SPECIFIC CRITERIA THROUGH ITS SPECIAL NEEDS DEPARTMENT AND ALSO DONATES DIRECTLY TO VARIOUS COMMUNITY EVENTS AND PROGRAMS THROUGH THE MARKETING AND BUSINESS DEVELOPMENT DEPARTMENTS SPECIAL NEEDS THE DIRECTOR OF SPECIAL NEEDS REVIEWS AND APPROVES ALL GRANTS AND DONATIONS RELATED TO ITS DEPARTMENT ONCE THE GRANT/DONATION IS PROVIDED NO FURTHER TRACKING IS CONDUCTED AS THE ORGANIZATIONS RECEIVING THE GRANT ARE CHARITABLE ORGANIZATIONS DONATING DIRECTLY TO COMMUNITY EVENTS/PROGRAMS THE SENIOR DIRECTOR OF SALES AND MARKETING REVIEWS AND EVALUATES REQUESTS FOR THE HOSPITAL TO DONATE TO OR SPONSOR COMMUNITY EVENTS AND PROGRAMS ORGANIZATIONS SEEKING DONATIONS MAY BE CHARITABLE OR NON-CHARITABLE THE FOLLOWING ARE THE CRITERIA THAT MARKETING USES TO EVALUATE DONATIONS 1 RELEVANCY TO HEALTHCARE-RELATED ISSUES 2 RELEVANCE TO THE HOSPITAL'S MISSION 3 RELEVANCE TO THE HOSPITAL'S PRESENCE OR SUPPORT OF COMMUNITY PROGRAMS OR SERVICES PROVIDE A COMMUNITY BENEFIT (I E HEALTH EDUCATION)AND/OR IMPROVE THE LIVES OF THE COMMUNITY IN WHICH THE HOSPITAL SERVES 4 OPPORTUNITY FOR THE HOSPITAL TO BUILD AND FOSTER RELATIONSHIPS IN THE COMMUNITY TO FURTHER ITS REACH IN THE COMMUNITY (I E BUSINESS DEVELOPMENT, SERVICE-LINE GROWTH, ETC) IF DEEMED APPROPRIATE AND MEETING THE CRITERIA, THE REQUEST IS PRESENTED TO THE HOSPITAL PRESIDENT, WHO APPROVES THE SPONSORSHIP OR DONATION

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
Bakersfield Memorial Hospital

Employer identification number
95-1802779

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

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

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

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

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

Part III Supplemental Information

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

Return Reference	Explanation
PART I, LINE 1A	CLUB DUES HAVE BEEN PAID BY THE ORGANIZATION FOR BUSINESS USE BY ONE DIRECTOR/OFFICER, WHO IS THE PRESIDENT, FOR RECRUITING AND BUSINESS ENTERTAINMENT PURPOSES. NO AMOUNTS HAVE BEEN INCLUDED AS REPORTABLE INCOME AS EXPENSES RELATED TO PERSONAL USAGE ARE PAID BY THE EMPLOYEE. PART I, LINE 3. ALTHOUGH THE ORGANIZATION EMPLOYS PERSONNEL, THE ORGANIZATION RELIED ON A RELATED ORGANIZATION, DIGNITY HEALTH, THAT USED ONE OR MORE OF THE METHODS DESCRIBED IN SCHEDULE J, PART I, LINE 3, TO ESTABLISH THE ORGANIZATION'S PRESIDENT'S COMPENSATION. SEE SCHEDULE O DISCLOSURE FOR FORM 990, PART VI, SECTION B, LINE 15A FOR ADDITIONAL INFORMATION.
PART I, LINE 4a	CERTAIN LISTED PERSONS PARTICIPATE IN DIGNITY HEALTH'S SEVERANCE PLAN THAT PROVIDES MARKET-STANDARD COMPENSATION, RANGING FROM PAYMENTS OF 2 MONTHS TO 12 MONTHS OF BASE COMPENSATION, DEPENDING ON THE EXECUTIVE'S POSITION, IN THE EVENT OF A POSITION ELIMINATION OR OTHER INVOLUNTARY TERMINATION, IN ACCORDANCE WITH THE GUIDELINES OF THE PLAN. NO PAYMENTS WERE MADE PURSUANT TO THE PLAN ARRANGEMENT DURING 2013.
PART I, LINE 4b	CERTAIN LISTED PERSONS ARE ELIGIBLE TO PARTICIPATE IN one of two DIGNITY HEALTH non-qualified 457(f) plans that are subject to substantial risk of forfeiture, as required by the IRS. The 2007 Executive Deferred Compensation Plan is for executives hired prior to June 30, 2006. The benefit is intended to bridge the difference, if any, between the benefit provided under the Dignity Health Excess Benefit Plan had benefit service not been frozen at January 1, 2008, and the benefits provided from all other qualified and non-qualified plans. No benefit will vest under this 457(f) plan before the attainment of age 62 or the completion of 15 years of service. The 2010 Executive Deferred Compensation Plan is for certain officers and key employees who are not eligible to participate in the Dignity Health Excess Benefit Plan or the 2007 Executive Deferred Compensation Plan described above. This benefit provides an annual accrual of 10% of total compensation and is payable annually on July 1 once vested, which is age 62 with 5 years of service. NO PAYMENTS WERE MADE UNDER THE PLAN DURING 2013. VESTED AMOUNTS FOR THE SUPPLEMENTAL NONQUALIFIED RETIREMENT PLANS DISCUSSED ABOVE ARE REPORTED AS DEFERRED COMPENSATION IN THE YEAR VESTING OCCURS (SCHEDULE J, PART II, COLUMN C) AND ARE REFLECTED AGAIN AS W-2 REPORTABLE COMPENSATION IN THE YEAR PAID (SCHEDULE J, PART II, COLUMN B(III)).
PART II, SUPPLEMENTAL DISCLOSURES	THE ORGANIZATION'S EXECUTIVE COMPENSATION PHILOSOPHY IS DESIGNED TO ASSIST THE ORGANIZATION IN ATTRACTING AND RETAINING THE CALIBER OF EXECUTIVES REQUIRED TO ENABLE THE ORGANIZATION TO FULFILL ITS MISSION OF PROVIDING HIGH QUALITY HEALTHCARE FOR ALL PERSONS REGARDLESS OF THEIR ABILITY TO PAY FOR SERVICES, IMPROVING THE QUALITY OF LIFE IN THE COMMUNITIES THE ORGANIZATION SERVES, PROMOTING PATIENT AND EMPLOYEE SATISFACTION, AND ENSURING FINANCIAL STABILITY. A SUBSTANTIAL PORTION OF EXECUTIVE COMPENSATION IS PERFORMANCE BASED AND IS LINKED TO ORGANIZATIONAL GOALS APPROVED IN ADVANCE BY DIGNITY HEALTH'S HUMAN RESOURCES AND COMPENSATION COMMITTEE. THESE GOALS INCLUDE ATTAINMENT OF ANNUAL AND LONG-TERM FINANCIAL PERFORMANCE, CERTAIN HEALTHCARE QUALITY STANDARDS AND THE ORGANIZATION'S COMMITMENT TO SERVING THE POOR AND DISENFRANCHISED IN THE COMMUNITIES IT SERVES. TOTAL COMPENSATION, WHICH INCLUDES BASE SALARY, ANNUAL AND LONG-TERM INCENTIVE COMPENSATION, IS ESTABLISHED TO APPROXIMATE THE PREVAILING MARKET CONDITIONS FOR EXECUTIVES OF COMPANIES OF SIMILAR SIZE AND REVENUE.

Additional Data

Software ID:
Software Version:
EIN: 95-1802779
Name: Bakersfield Memorial Hospital

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
Russell Judd Director	(i)	0	0	0	0	0	0	0
	(ii)	340,425	242,787	35,704	42,287	31,417	692,620	0
Bruce Peters Director	(i)	301,274	116,303	2,838	32,416	12,225	465,056	0
	(ii)	0	0	0	0	0	0	0
Jon Van Boening President & CEO	(i)	0	0	0	0	0	0	0
	(ii)	426,681	466,938	27,400	60,419	50,299	1,031,737	0
Jesica Hanson VP / CFO	(i)	226,979	90,477	444	23,919	19,805	361,624	0
	(ii)	0	0	0	0	0	0	0
Susan Benham VP Chief Dev Officer	(i)	132,339	42,151	657	15,611	13,167	203,925	0
	(ii)	0	0	0	0	0	0	0
Terri Church VP / CNE	(i)	200,644	54,554	9,875	23,141	12,718	300,932	0
	(ii)	0	0	0	0	0	0	0
Sheri Comaianni VP / HR	(i)	205,068	83,880	14,589	25,213	13,293	342,043	0
	(ii)	0	0	0	0	0	0	0
Gary Frazier VP Bus Development	(i)	176,210	45,818	0	19,760	19,849	261,637	0
	(ii)	0	0	0	0	0	0	0
Rodney Mark Root MD VP / CMO	(i)	254,492	66,283	10,121	22,264	19,900	373,060	0
	(ii)	0	0	0	0	0	0	0
Whabong Anderson Registered Nurse	(i)	255,402	3,210	5,824	19,163	6,863	290,462	0
	(ii)	0	0	0	0	0	0	0
Gena L Cook Registered Nurse	(i)	202,419	10,225	806	15,999	7,004	236,453	0
	(ii)	0	0	0	0	0	0	0
Editha Lolín Registered Nurse	(i)	183,165	12,392	11,030	14,824	6,708	228,119	0
	(ii)	0	0	0	0	0	0	0
David J Lozano Director of Pharmacy	(i)	164,723	19,973	5,808	17,665	24,634	232,803	0
	(ii)	0	0	0	0	0	0	0
Karen J Simpson Registered Nurse	(i)	231,414	2,508	21	13,832	6,716	254,491	0
	(ii)	0	0	0	0	0	0	0

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule K (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Bakersfield Memorial Hospital

Employer identification number
95-1802779

Part I

Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY	52-1598225	13033FTN0	05-19-2004	150,000,000	BOND A CUSIP 13033FTN0-SEE PRT VI		X		X	X	
B	CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY	52-1643828	13033FYE4	11-10-2005	200,000,000	BOND B CUSIP 13033FYE4-SEE PRT VI		X		X	X	

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	0		0					
2	Amount of bonds legally defeased	0		0					
3	Total proceeds of issue	2,887,593		26,804,899					
4	Gross proceeds in reserve funds	0		0					
5	Capitalized interest from proceeds	0		0					
6	Proceeds in refunding escrows	0		0					
7	Issuance costs from proceeds	0		0					
8	Credit enhancement from proceeds	0		0					
9	Working capital expenditures from proceeds	0		0					
10	Capital expenditures from proceeds	2,887,593		26,804,899					
11	Other spent proceeds	0		0					
12	Other unspent proceeds	0		0					
13	Year of substantial completion	2006		2008					
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X		X				
15	Were the bonds issued as part of an advance refunding issue?		X		X				
16	Has the final allocation of proceeds been made?	X		X					
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X					

Part III

Private Business Use

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?		X		X				
2	Are there any lease arrangements that may result in private business use of bond-financed property?	X		X					

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?	X		X					
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X		X					
c	Are there any research agreements that may result in private business use of bond-financed property?	X		X					
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?	X		X					
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 340 %		0 340 %					
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	0 %		0 %					
6	Total of lines 4 and 5	0 340 %		0 340 %					
7	Does the bond issue meet the private security or payment test?		X		X				
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X				
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of	0 %		0 %					
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1 141-12 and 1 145-2?		X		X				
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1 141-12 and 1 145-2?	X		X					

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X		X				
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?		X		X				
b	Exception to rebate?		X		X				
c	No rebate due?	X		X					
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?	X		X					
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X		X				
b	Name of provider	0		0					
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was the hedge terminated?								

Part IV

Arbitrage (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?		X		X				
b	Name of provider	0		0					
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6	Were any gross proceeds invested beyond an available temporary period?	X		X					
7	Has the organization established written procedures to monitor the requirements of section 148?	X		X					

Part V

Procedures To Undertake Corrective Action

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
	X		X					

Part VI

Supplemental Information. Provide additional information for responses to questions on Schedule K (see instructions).

Return Reference	Explanation
BOND A CUSIP 13033FTN0	PART I, COLUMN (C) THE CHFFA 2004 SERIES J BONDS WERE EXCHANGED IN NOVEMBER 2009 FOR THE CHFFA 2009 SERIES H BONDS IN AN EXCHANGE PURSUANT TO NOTICE 2008-41 THAT WAS NOT TREATED AS A NEW ISSUANCE FOR PURPOSES OF SECTIONS 103 AND 141-150 OF THE INTERNAL REVENUE CODE PART I, COLUMN (E) THE DIFFERENCE BETWEEN THE ISSUE PRICE IN PART I, COLUMN (E) AND PART II, LINE 3 IS PRIMARILY A RESULT OF THE FACT THE COMPOSITE BOND ISSUE WAS A POOLED FINANCING ISSUE THE FULL ISSUE PRICE OF WHICH IS SHOWN IN PART I, COLUMN (E) IN COMPARISON, THE AMOUNT OF PROCEEDS SHOWN IN PART II, LINE 3 REFLECTS ONLY THE PORTION OF THE BOND ISSUE BORROWED BY BAKERSFIELD MEMORIAL HOSPITAL AND CURRENTLY OUTSTANDING A SMALL PART OF THE DIFFERENCE BETWEEN THE ISSUE PRICE AND PROCEEDS IS DUE TO INVESTMENT EARNINGS PART I, COLUMN (F) FINANCE ACQUISITION OF MEDICAL EQUIPMENT AND CONSTRUCTION AND RENOVATION OF HOSPITAL FACILITIES PART II, LINE 3 IN MAY 2013, ALL OF THE LOANS ORIGINATED WITH PROCEEDS OF THE BONDS MATURED AND WERE REPAID TO THE ISSUER OF SUCH REPAYMENTS, BAKERSFIELD MEMORIAL HOSPITAL BORROWED THE SUM OF \$2,887,593 TO FINANCE THE CONSTRUCTION/RENOVATION OF FACILITIES AND THE ACQUISITION OF MEDICAL EQUIPMENT AT VARIOUS HOSPITALS ALTHOUGH THE FACILITIES ORIGINALLY FINANCED WITH PROCEEDS OF THE BONDS WERE SUBSTANTIALLY COMPLETED IN THE YEAR INDICATED, REPAYMENTS OF THE LOANS ORIGINATED WITH PROCEEDS OF THE BONDS WERE AND/OR WILL BE RECYCLED INTO NEWLY ORIGINATED LOANS CONTINGENT ON DEMAND BY PARTICULAR BORROWERS AT THE TIME OF A LOAN REPAYMENT COMPLETION DATES OF PROJECTS FINANCED OR TO BE FINANCED WITH SUCH RECYCLED AMOUNTS ARE NOT INDICATED PART IV, LINE 2C THE CALCULATION FOR COMPUTING NO REBATE DUE WAS PERFORMED ON 6/30/2014

Return Reference	Explanation
BOND B CUSIP 13033FYE4	PART I, COLUMN (E) THE DIFFERENCE BETWEEN THE ISSUE PRICE IN PART I, COLUMN (E) AND PART II, LINE 3 IS PRIMARILY A RESULT OF THE FACT THE COMPOSITE BOND ISSUE WAS A POOLED FINANCING ISSUE THE FULL ISSUE PRICE OF WHICH IS SHOWN IN PART I, COLUMN (E) IN COMPARISON, THE AMOUNT OF PROCEEDS SHOWN IN PART II, LINE 3 REFLECTS ONLY THE PORTION OF THE BOND ISSUE BORROWED BY BAKERSFIELD MEMORIAL HOSPITAL AND CURRENTLY OUTSTANDING A SMALL PART OF THE DIFFERENCE BETWEEN THE ISSUE PRICE AND PROCEEDS IS DUE TO INVESTMENT EARNINGS PART I, COLUMN (F) FINANCE ACQUISITION OF MEDICAL EQUIPMENT AND CONSTRUCTION AND RENOVATION OF HOSPITAL FACILITIES PART IV, LINE 2C THE CALCULATION FOR COMPUTING NO REBATE DUE WAS PERFORMED ON 1/28/2014

Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

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

OMB No 1545-0047
2013
Open to Public Inspection

Name of the organization
Bakersfield Memorial Hospital

Employer identification number
95-1802779

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Millenium Surgery	See Part V Disclosure	7,742,475	Amount invested	Yes	
(2) GEMCARE MERCY MEMORIAL HEALTH SYSTE	See Part V Disclosure	9,336,963	Amount invested	Yes	
(3) Memorial Medical Plaza LLP	See Part V Disclosure	917,376	Amount invested	Yes	

Part V Supplemental Information

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

Return Reference	Explanation
Sch L, Part V	JON VAN BOENING, A BMH BOARD MEMBER AND OFFICER, AND RUSSELL JUDD, A BMH BOARD MEMBER ARE MEMBERS OF THE GEMCARE MERCY MEMORIAL HEALTH SYSTEM BOARD JON VAN BOENING, JESICA HANSON (A BMH OFFICER), MARK ROOT (A BMH KEY EMPLOYEE), AND BRUCE PETERS (A BMH DIRECTOR AND FORMER KEY EMPLOYEE) ARE MEMBERS OF MILLENNIUM SURGERY CENTER'S BOARD JON VAN BOENING, A BMH BOARD MEMBER AND OFFICER, AND JESICA HANSON (A BMH OFFICER) ARE MEMBERS OF THE MEMORIAL MEDICAL PLAZA BOARD THESE INDIVIDUALS ARE ON THE RESPECTIVE BOARDS AS REPRESENTATIVES OF BMH AND DO NOT RECEIVE COMPENSATION FOR THEIR SERVICES

SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2013

Open to Public
Inspection

Name of the organization
Bakersfield Memorial Hospital

Employer identification number
95-1802779

990 Schedule O, Supplemental Information

Return Reference	Explanation
FORM 990, PARTS VI, VII, XI AND XII	
FORM 990 PART IX LINE 11G	DESCRIPTION ADMINISTRATIVE SERVICES TOTAL FEES 9348626
FORM 990 PART IX LINE 11G	DESCRIPTION MEDICAL FEES TOTAL FEES 13665548
FORM 990 PART IX LINE 11G	DESCRIPTION PROFESSIONAL FEES/CONSULTING TOTAL FEES 3111939
FORM 990 PART IX LINE 11G	DESCRIPTION REPAIR & MAINTENANCE CONTRACTS TOTAL FEES 8730803
FORM 990 PART IX LINE 11G	DESCRIPTION OTHER PURCHASED SERVICES TOTAL FEES 3982461

SCHEDULE R
(Form 990)

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2013

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

Name of the organization
Bakersfield Memorial Hospital

Employer identification number
95-1802779

Part I

Identification of Disregarded Entities

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

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

Part II

Identification of Related Tax-Exempt Organizations

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) DIGNITY HEALTH 185 Berry Street San Francisco, CA 94107 94-1196203	Hospital	CA	501(c)(3)	3	NA		No
(2) Bakersfield Memorial Hospital Foundation 420 34th Street Bakersfield, CA 93301 95-3555043	Fundraising	CA	501(c)(3)	11a	BMH	Yes	

Part III

Identification of Related Organizations Taxable as a Partnership

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end- of-year assets	(h) Dispropportionate allocations?		(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) Kern Home Health Resources 26220 Enterprise Court Lake Forest, CA 92630 33-0184040	Home Infusion	CA	BMH	Related	621,647	1,668,639		No	0	Yes		50 000 %
(2) Memorial Medical Plaza LLC 3538 San Dimas STE B 201 Bakersfield, CA 93301 36-4510880	MOB	CA	NA	RELATED	17,883	2,865,592		No	0	Yes		21 440 %

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of- year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) MILLENNIUM SURGERY CENTER INC 9300 STOCKDALE HWY STE 200 BAKERSFIELD, CA 93311 77-0513445	AMBULATORY SU	CA	NA	S CORP	1,790,456	2,054,587	57 980 %	Yes	

Part V

Transactions With Related Organizations

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

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

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

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

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

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

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

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

1s

No

No

No

No

No

No

No

No

No

No

No

Yes

Yes

Yes

No

Yes

No

No

Yes

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

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) Bakersfield Memorial Hospital foundation	b	385,631	Per agreement
(2) Bakersfield Memorial Hospital foundation	c	2,782,413	Per agreement
(3) Bakersfield Memorial Hospital Foundation	p	48,089	Per agreement
(4) MILLENNIUM SURGERY CENTER INC	l	105,000	Per agreement
(5) MILLENNIUM SURGERY CENTER INC	s	1,199,332	SEE PART VI

Schedule R (Form 990) 2013

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

[illegible]

Part VII

Supplemental Information

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

Return Reference	Explanation
Sch R, PART V, LINE 2	TRANSACTIONS B AND C BMH IS SUPPORTED BY ONE FUNDRAISING FOUNDATION AS A SUPPORTING ORGANIZATION, THE FOUNDATION OPERATES FOR THE BENEFIT OF, TO RAISE FUNDS FOR, OR TO CARRY OUT THE PURPOSES OF BMH AS A RESULT, PAYMENTS ARE MADE DIRECTLY TO THE SUPPORTED ORGANIZATION FROM THE FOUNDATION OR DIRECTLY TO THE FOUNDATION FROM BMH AMOUNTS REPORTED UNDER TRANSACTION TYPE "B" REPRESENT FUNDS BMH TRANSFERRED TO THE FOUNDATION FOR OPERATIONAL EXPENSES AMOUNTS REPORTED AS TRANSACTION TYPE "C" REPRESENT FUNDS RECEIVED FROM THE FOUNDATION AS GRANTS TO BMH TRANSACTION L BAKERSFIELD MEMORIAL HOSPITAL PROVIDED MANAGED CARE CONSULTING SERVICES TO MILLENNIUM SURGERY CENTER INC THESE SERVICES WERE PAID BASED ON CONTRACT TERMS ESTABLISHED BY CURRENT MARKET VALUE OF SUCH SERVICES TRANSACTION P BASED ON AGREEMENT SET FORTH WITH BAKERSFIELD MEMORIAL HOSPITAL FOUNDATION, SELECT ADMINISTRATIVE EXPENSES ARE REIMBURSED ON A MONTHLY BASIS TO THE FOUNDATION TRANSACTION S AMOUNTS INCLUDED WERE RELATED TO SHAREOWNER DISTRIBUTIONS MILLENNIUM SURGERY CENTER INC'S CEO AND CFO REVIEWED THE QUARTERLY FINANCIALS TO DETERMINE THE AMOUNT OF THE DISTRIBUTION AFTER THE CEO AND CFO REVIEWED THE AMOUNT FOR DISTRIBUTION, THIS INFORMATION WAS PROVIDED TO THE BOARD OF DIRECTORS FOR APPROVAL

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

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

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1-2
CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2014 AND 2013	
Consolidated Balance Sheets	3-4
Consolidated Statements of Operations and Changes in Net Assets	5-6
Consolidated Statements of Cash Flows	7-8
Notes to Consolidated Financial Statements	9-52

INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Disclaimer of Opinion on Unsponsored Community Benefit Expense Information

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

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

Deloitte & Touche LLP

September 23, 2014

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

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

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

(Continued)

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

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

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

(Concluded)

See notes to consolidated financial statements

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

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

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

(Continued)

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

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

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

(Concluded)

See notes to consolidated financial statements

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

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

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

(Continued)

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

CONSOLIDATED STATEMENTS OF CASH FLOWS

June 30, 2014 and 2013 (in thousands)

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

(Concluded)

See notes to consolidated financial statements

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED June 30, 2014 and 2013

1. ORGANIZATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

As previously presented, Dignity Health classified the excess of revenues over expenses attributable to noncontrolling interests in purchased services and other expense in the consolidated statements of operations and changes in net assets. Such presentation has been restated in order to present the excess of revenues over expenses attributable to noncontrolling interests as a separate line item to arrive at excess of revenues over expenses attributable to Dignity Health. This resulted in a reduction of operating expenses and an increase in operating income and total excess of revenues over expenses of \$27.3 million for the year ended June 30, 2013.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Asset Retirement Obligations – Dignity Health recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred, if a reasonable estimate of the fair value of the obligation can be made. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statements of operations and changes in net assets. Liabilities of \$33.0 million and \$31.5 million are recorded in other long-term liabilities as of June 30, 2014 and 2013, respectively. The year over year increase of \$1.5 million relates to accretion of the liability.

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

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

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

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

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

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

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

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

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

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

Self-insurance expense decreased \$41.7 million and \$28.4 million in 2014 and 2013, respectively, related to revisions to prior years' actuarially estimated liabilities. The expenses and related adjustments are recorded in salaries and benefits for workers' compensation benefits and in purchased services and other for professional and general liability risks in the accompanying consolidated statements of operations and changes in net assets

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

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

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

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

Traditional Charity Care – Charity care is free or discounted health services provided to persons who cannot afford to pay and who meet Dignity Health's criteria for financial assistance. The amount of services quantified as customary charges was \$822.5 million and \$907.7 million for 2014 and 2013, respectively, including such charges from discontinued operations. Dignity Health estimates the cost of charity care by calculating a ratio of cost to usual and customary charges and applying that ratio to the usual and customary uncompensated charges associated with providing care to patients that qualify for charity care. The estimated cost of charity care provided in 2014 and 2013 was \$175.7 million and \$198.4 million, respectively. See Note 24

Other Operating Revenue – Other operating revenue includes meaningful use incentives, net gains and losses on the sale of assets, cafeteria revenues, rental revenues, contributions released from restrictions and other nonpatient-care revenues. Other operating revenue includes a \$230.5 million gain related to the Optum360° transaction (see Note 3) in 2014 and \$37.6 million related to a gain on sale of certain assets related to Dignity Health's outreach lab services to two unrelated parties in 2013.

Contributions and Restricted Net Assets – Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is met, temporarily restricted net assets related to capital purchases are reclassified as unrestricted and reflected as net assets released from restrictions used for the purchase of property and equipment on the statements of changes in net assets, whereas temporarily restricted net assets related to other gifts are reclassified as unrestricted and recorded as other operating revenue in unrestricted revenues and other support. Gifts received with no restrictions are recorded as contributions in unrestricted revenues and other support. Gifts of long-lived operating assets, such as property and equipment, are reported as unrestricted net assets unless otherwise specified by the donor.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. MERGERS, ACQUISITIONS AND DIVESTITURES

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

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

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

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

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

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

The valuation of assets acquired was based on management's estimates, currently available information and reasonable and supportable assumptions. The purchase price allocation was based on the fair value of these assets determined using the income approach and the cost method approach. The income approach uses a discounted cash flow model. Dignity Health calculated the present value of the expected future cash flows attributable to the acquired intangibles using an 11.5% discount rate. With respect to intangible assets, Dignity Health used the excess earnings method and the cost method for valuing customer relationships and the relief from royalties method for valuing the trade name with a royalty rate of 3.0%. Contingent consideration was initially valued and is periodically remeasured on a fair value basis using Level 3 pricing inputs as described in Note 8, using a probability weighted approach and a discount rate of 4.1%. Dignity Health allocated the residual value to goodwill. Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired.

Also in connection with the acquisition, Dignity Health reversed an existing valuation allowance against its deferred tax assets of \$33.3 million as management anticipates that the tax benefits will be utilized by profitable operations from USHW.

Dispositions – In May 2014, Dignity Health sold 100% of the outstanding shares of capital stock of Saint Mary's Healthfirst, Saint Mary's Preferred Health Insurance Company, Inc., and CDS of Nevada, Inc. (the "Health Plans"), all in Reno, Nevada, to an unrelated party for \$25.7 million, resulting in a gain on the sale of \$10.9 million. The operations and the gain on sale of the entities are reflected as discontinued in the accompanying statements of operations and changes in net assets for all periods presented.

The accompanying consolidated statements of operations and changes in net assets reflect the results of the operations of facilities sold, closed or held for sale as discontinued operations for all periods presented, including revenues of \$159.5 million and \$149.7 million for 2014 and 2013, respectively.

4. NET PATIENT REVENUE AND PATIENT ACCOUNTS RECEIVABLE

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

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

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

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

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

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

5. REVENUE FROM GOVERNMENT PROGRAMS

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

Medicaid Supplemental Reimbursement Programs – Net patient revenue includes \$243.2 million and \$684.5 million related to supplemental Medi-Cal payments provided under the California provider fee programs in 2014 and 2013, respectively. These programs are funded by quality assurance fees paid by participating hospitals and matching federal funds. Dignity Health recorded \$148.2 million and \$432.1 million in such fees in purchased services and other expense in 2014 and 2013, respectively. Grant payments to the California Health Foundation and Trust (“CHFT”) were recognized in connection with the California provider fee programs resulting in \$8.2 million and \$22.2 million recorded in purchased services and other expense in 2014 and 2013, respectively. Total net income recognized in 2014 and 2013 was \$86.8 million and \$230.2 million, respectively. The California program terminated December 31, 2013, however, final CMS approval for certain managed care plans did not occur prior to June 30, 2014. As such, revenues from these plans totaling \$44.5 million have not been recognized, and fee and CHFT payments made prior to June 30, 2014, totaling \$31.4 million have been deferred, pending final approval which is anticipated prior to December 31, 2014.

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

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

In 2014 and 2013, net patient revenue includes \$34.8 million and \$56.4 million, respectively, and purchased services and other expense includes \$18.0 million and \$27.0 million, respectively, related to this program, for a net income impact of \$16.8 million and \$29.4 million, respectively.

In 2014 and 2013, net patient revenue also includes \$54.8 million and \$30.5 million, respectively, and purchased services and other expense includes \$13.9 million and \$17.1 million, respectively, of grant expense related to prior year supplemental Medicaid payments received in Arizona, resulting in a net income impact of \$40.9 million and \$13.4 million, respectively.

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

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

In 2014 and 2013, Dignity Health recorded meaningful use incentive revenue of \$53.8 million and \$60.4 million, respectively, related to the Medicare and Medicaid programs. These incentives have been recognized in other operating revenue following the grant accounting model, recognizing income ratably over the applicable reporting period as management becomes reasonably assured of meeting the required criteria. Amounts recognized represent management’s best estimates for payments ultimately expected to be received based on estimated discharges, charity care, and other input data. Subsequent changes to these estimates are recognized in the period in which additional information is available.

Medicaid Disproportionate Share Payments – Certain hospitals qualified for and received Medi-Cal funding as disproportionate-share hospitals from the State of California in 2014 and 2013. The amounts recorded were \$110.8 million and \$97.0 million, respectively, and are included in net patient revenue.

Cost Reports and Other Settlements – In 2014 and 2013, net patient revenue includes \$27.0 million and \$67.7 million, respectively, in favorable net prior years’ reimbursement settlements from Medicare, Medicaid and other programs. In addition, Dignity Health recorded \$20.0 million and \$41.5 million in recovery audit contractor take-backs, net of recoveries, related to prior year claims, for 2014 and 2013, respectively.

At June 30, 2014 and 2013, estimated receivables for third-party payor settlements were \$96.5 million and \$101.5 million, respectively, and estimated payables for third-party payor settlements were \$43.3 million and \$52.8 million, respectively. Such amounts are reported under other current assets and other accrued liabilities in the consolidated balance sheets.

6. OTHER CURRENT ASSETS

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

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

7. INVESTMENTS AND ASSETS LIMITED AS TO USE

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

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

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

8. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

The fair value of collateral held under securities lending program classified as Level 2 is determined using the calculated NAV. The collateral held under this program is placed in commingled funds whose underlying investments are valued using techniques similar to those used for the marketable securities noted above. Amounts reported do not include non-cash collateral of \$44.8 million and \$23.7 million as of June 30, 2014 and 2013, respectively.

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

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

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

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

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

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

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

As of June 30, 2013

			Unfunded	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
	Fair Value		Commitments		
<u>Level 2</u>					
Debt securities	(1) \$ 262.968	\$	-	Daily, Quarterly	1 - 90 days
Equity securities	(2) 329.456		-	Daily, Monthly	1 - 30 days
Collateral held under securities lending	(3) <u>322.468</u>		-	Daily	10 days
Total Level 2	<u>\$ 914.892</u>	\$	-		

Level 3

Multi-strategy hedge funds	(4) \$ 557.381	\$	-	Monthly, Quarterly, Semi-Annually, Annually	5 - 370 days
Private equity	(5) 149.239		153.095	-	-
Real estate	(6) 188.489		-	Quarterly	90 days
Debt securities	(7) <u>211.518</u>		<u>15.681</u>	Quarterly	90 days
Total Level 3	<u>1.106.627</u>		<u>168.776</u>		
Total Level 2 and Level 3	<u>\$ 2,021.519</u>	\$	<u>168.776</u>		

- (1) This category includes investments in commingled funds that invest primarily in domestic and foreign debt and fixed income securities, the majority of which are traded in over-the-counter markets
- (2) This category includes investments in commingled funds that invest primarily in domestic or foreign equity securities with multiple investment strategies. A majority of the funds attempt to match the returns of specific equity indices
- (3) This category includes investments of collateral held under securities lending program. Dignity Health participates in a securities lending program administered by its custodian as a means to augment income from its portfolio. Securities are loaned to select brokerage firms who in turn post collateral. The collateral is placed in commingled funds that invest primarily in cash and cash equivalents, and domestic and foreign debt securities

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

Percentage of the Value of Category (4)		Redemption Frequency	Redemption Notice Period	Redemption Locked Up Until (if applicable)	Redemption Gate % of Account (if applicable)
Total	Subtotal				
22.9%	11.9%	Annually	45 - 90 days	-	-
	4.9%	Annually	45 - 75 days	12/31/2014	-
	6.1%	Annually	60 - 65 days		up to 33.3% - 50.0%
6.7%	6.7%	Semi-Annually	75 - 90 days	-	-
49.4%	25.1%	Quarterly	30 - 370 days	-	-
	3.0%	Quarterly	90 days	-	-
	21.3%	Quarterly	45 - 90 days	-	up to 25.0% - 33.3%
21.0%	14.1%	Monthly	5 - 60 days	-	-
	3.1%	Monthly	120 days	-	-
	3.8%	Monthly	45 days	-	up to 16.7%

- (5) This category includes several private equity funds that specialize in providing capital to a variety of investment groups, including but not limited to venture capital, leveraged buyout, mezzanine debt, distressed debt, and other situations. There are no provisions for redemptions during the life of these funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated, estimated at June 30, 2014, to be over the next 1-11 years.
- (6) This category includes investments in real estate funds that invest primarily in institutional quality commercial and residential real estate assets within the U.S. and investments in publicly traded real estate investment trusts.
- (7) This category includes a commingled fund that invests primarily in a fixed income fund that provides capital in a variety of mezzanine debt, distressed debt and other special debt securities situations.

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

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

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

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

9. PROPERTY AND EQUIPMENT, NET

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

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

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

10. OWNERSHIP INTERESTS IN HEALTH-RELATED ACTIVITIES

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

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

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

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

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

Related to consolidated investments in health-related activities, Dignity Health recorded net changes in noncontrolling interests related to revenues, expenses, gains, and losses of \$27.7 million and \$27.3 million in excess of revenues over expenses attributable to noncontrolling interests in the consolidated statements of operations and changes in net assets for 2014 and 2013, respectively.

11. GOODWILL

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

Dignity Health performed its annual goodwill impairment test at September 30, 2013, for the USHW reporting unit and determined that the fair value of the reporting unit exceeded the carrying value. The income and market approaches were used to determine fair value and the key assumptions used in the goodwill impairment analysis included projected results. Significant changes in this and other assumptions could cause the assessed fair value of the reporting unit to be below its carrying value, and as a result, goodwill would be considered impaired. The balance of goodwill for the USHW reporting unit is approximately \$317.4 million as of June 30, 2014.

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

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

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

12. INTANGIBLE ASSETS, NET

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

Dignity Health performed its annual impairment test at September 30, 2013, for the trade name of USHW and determined that the fair value exceeded the carrying value. The income approach was used to determine fair value and the key assumptions used in the impairment analysis included projected revenues and the royalty rate. Information related to intangible assets at June 30, 2014 and 2013, is as follows (in thousands):

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

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

The aggregate amount of amortization expense related to intangible assets subject to amortization is \$11.2 million and \$8.5 million for the years ended June 30, 2014 and 2013, respectively.

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

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

13. OTHER LONG-TERM ASSETS, NET

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

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

14. OTHER ACCRUED LIABILITIES

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

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

15. RETIREMENT PROGRAMS

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

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

Contributions to the defined benefit pension plans are based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants. Management believes these plans qualify under a church plan exemption, and as such are not subject to Employee Retirement Income Security Act ("ERISA") funding requirements. Dignity Health's funding policy requires that, at a minimum, contributions equal the unfunded normal cost plus amortization of any unfunded actuarial accrued liability. Contributions to these plans are anticipated at \$204.0 million in 2015.

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

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

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

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

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

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

The estimated net loss and prior service credit for the pension plans and postretirement benefit plans that will be amortized from unrestricted net assets into net periodic benefit cost in 2015 are \$60.3 million and \$38.2 million, respectively.

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

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

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

	2014		2013	
	Pension Plans	Other Benefit Plans	Pension Plans	Other Benefit Plans
To determine benefit obligations				
Discount rate	4.75%	4.25%	5.25%	5.00%
Rate of compensation increase	4.00%	4.03%	4.04%	4.03%
To determine net periodic benefit cost				
Discount rate	5.25%	5.00%	5.00%	5.70%
Expected return on plan assets	8.00%	N/A	8.00%	N/A
Rate of compensation increase	4.04%	4.03%	4.13%	5.08%

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

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

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

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

2013

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

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

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

2014					
	Private Equity Investments	Multi-Strategy Hedge Fund Investments	Real Estate	Debt Securities	Total
Balance at beginning of period	\$ 137.658	\$ 346.955	\$ 49.684	\$ 75.422	\$ 609.719
Total realized gains, net	10.170	5.345	(36.359)	1.812	(19.032)
Total unrealized gains, net	27.112	29.367	41.410	3.623	101.512
Purchases	29.632	359.626	424	15.502	405.184
Sales	(27.966)	(156.087)	(55.139)	(14.544)	(253.736)
Balance at end of period	<u>\$ 176.606</u>	<u>\$ 585.206</u>	<u>\$ 20</u>	<u>\$ 81.815</u>	<u>\$ 843.647</u>

2013					
	Private Equity Investments	Multi-Strategy Hedge Fund Investments	Real Estate	Debt Securities	Total
Balance at beginning of period	\$ 124.015	\$ 309.961	\$ 47.068	\$ 47.605	\$ 528.649
Total realized gains, net	277	9.625	96	-	9.998
Total unrealized gains (losses), net	(509)	36.893	3,349	11.695	51.428
Purchases	30.110	79.819	197	17.277	127.403
Sales	(16.235)	(89.343)	(1,026)	(1,155)	(107.759)
Balance at end of period	<u>\$ 137.658</u>	<u>\$ 346.955</u>	<u>\$ 49.684</u>	<u>\$ 75.422</u>	<u>\$ 609.719</u>

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

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

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

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

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

Dignity Health's pension plan portfolio return assumption of 8.0% for 2014 and 2013 was based on the long-term weighted average return of comparative market indices for the asset classes represented in the portfolio and discounted for pension plan expenses, and expectations about future returns.

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

	Pension Benefits	Other Benefits
2015	\$ 151.068	\$ 10.258
2016	164.612	11.476
2017	183.194	12.372
2018	200.071	12.873
2019	220.515	14.253
2020 - 2024	<u>1,357.015</u>	<u>73.918</u>
Total	<u>\$ 2,276.475</u>	<u>\$ 135.150</u>

Dignity Health maintains defined contribution retirement plans for most employees. Employer contributions to those plans of \$51.7 million and \$49.5 million for 2014 and 2013, respectively, are primarily based on a percentage of a participant's contribution. Total retirement and postretirement benefit expenses under all plans, including the defined contribution plans, was \$250.7 million and \$359.6 million for 2014 and 2013, respectively, and are included in salaries and benefits in the consolidated statements of operations and changes in net assets.

16. DEBT

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

	2014	2013
Under Master Trust Indenture		
Fixed rate debt		
Fixed rate revenue bonds payable in installments through 2042, interest at 3.0% to 6.25%	\$ 2,321,054	\$ 2,403,767
Put bonds payable in installments through 2027 with a 2015 mandatory purchase date, interest at 5.0%	49,900	195,970
Taxable bonds payable in equal installments in 2023 and 2043, interest at 3.13% to 4.5%	595,750	595,235
Senior secured notes payable in 2015 and 2018, interest at 6.09% and 6.5%, respectively	<u>229,543</u>	<u>229,426</u>
Total fixed rate debt	<u>3,196,247</u>	<u>3,424,398</u>
Variable rate debt		
Taxable direct placement loan payable in 2019, interest set at prevailing market rates (1.25% at June 30, 2014)	169,000	-
Variable rate demand bonds payable in installments through 2047, interest set at prevailing market rates (0.03% to 0.06% at June 30, 2014)	782,800	785,400
Auction rate certificates payable in installments through 2042, interest set at prevailing market rates (0.1% to 0.5% at June 30, 2014)	322,800	323,400
Notes payable to banks under credit agreement payable in 2019, interest set at prevailing market rates (0.95% at June 30, 2014)	<u>406,163</u>	<u>341,796</u>
Total variable rate debt	<u>1,680,763</u>	<u>1,450,596</u>
Total debt under Master Trust Indenture	<u>4,877,010</u>	<u>4,874,994</u>
Other		
Various notes payable and other debt payable in installments through 2042, interest ranging up to 8.0%	112,004	105,873
Capitalized lease obligations	<u>54,257</u>	<u>70,762</u>
Total debt	<u>5,043,271</u>	<u>5,051,629</u>
Less current portion of long-term debt	(229,264)	(129,112)
Less demand bonds subject to short-term liquidity arrangements, excluding current maturities	<u>(776,400)</u>	<u>(782,800)</u>
Total long-term debt	<u>\$ 4,037,607</u>	<u>\$ 4,139,717</u>

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

	Long-Term Debt Other Than Demand Bonds	Demand Bonds Subject to Short-Term Liquidity Arrangements	Total Long-Term Debt
2015	\$ 222.864	\$ 6.400	\$ 229.264
2016	138.295	7.000	145.295
2017	112.228	7.600	119.828
2018	276.024	8.300	284.324
2019	680.054	9.000	689.054
Thereafter	2.831.006	744.500	3,575.506
Total	<u>\$ 4.260.471</u>	<u>\$ 782.800</u>	<u>\$ 5,043.271</u>

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

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

Put Bonds – Dignity Health issued bonds under multimodal interest rate documents, initially issued at a fixed rate for 10-year periods, with bond maturities that extended to 2027. Dignity Health legally defeased \$145.1 million in June 2014 and the remaining \$49.9 million in July 2014.

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

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

Variable Rate Demand Bonds – Variable rate demand bonds (“VRDBs”) are remarketed weekly and the VRDBs may be put at the option of the holders. Dignity Health maintains bank letters of credit to support \$782.8 million of VRDBs. The letters of credit serve as credit enhancement to ensure the availability of funds to purchase any bonds tendered that the remarketing agent is unable to remarket.

Letters of credit from four banks in amounts to support VRDBs of \$57.0 million, \$195.6 million, \$140.4 million and \$90.0 million mature in October 2015. The bank letter of credit supporting \$58.8 million, \$150.0 million, and \$91.0 million of VRDBs are set to expire in July 2016, November 2016 and June 2017, respectively. In the event that the remarketing agent is unable to remarket the VRDBs, the bond trustee will make a draw on the bank letters of credit and the tendered VRDBs will become bank bonds.

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

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

Auction Rate Certificates – Dignity Health has \$240.0 million of auction rate certificates (“ARCs”) that are remarketed weekly and \$82.8 million of ARCs that are remarketed every 35 days. The certificates are insured by various bond insurers. Holders of ARCs are required to hold the certificates until the remarketing agent can find a new buyer for any tendered certificates.

Notes Payable to Banks Under Credit Agreement – In 2014, Dignity Health maintained a \$680.0 million syndicated line of credit facility for working capital, letters of credit, capital expenditures and other general corporate purposes. During 2014 and 2013, the maximum amount outstanding under the syndicated credit facility was \$406.1 million and \$474.0 million, respectively. There were no letters of credit issued under this facility as of June 30, 2014 and 2013.

Dignity Health also maintained a \$35.0 million single-bank line of credit facility for standby letters of credit. Letters of credit issued under this facility were \$19.7 million and \$18.8 million as of June 30, 2014 and 2013, respectively, but no amounts have been drawn.

Both credit facilities are scheduled to expire in July 2018.

2014 Financing Activity – In July 2013, Dignity Health renegotiated and increased the syndicated line of credit facility from \$480.0 million to \$680.0 million for working capital, letters of credit, capital expenditures and other general corporate purposes. The balance of \$307.5 million under the previous credit facility was repaid with proceeds from the renegotiated credit facility.

Dignity Health also renegotiated the single bank line of credit facility for standby letters of credit. This amount was increased from \$20.0 million to \$35.0 million.

In September 2013, Dignity Health entered into a \$169.0 million loan with a bank. The proceeds were used to refinance outstanding draws on the syndicated line of credit. The new loan matures in September 2018.

In June 2014, \$145.1 million in outstanding put bonds were legally defeased, and in July 2014, the remaining \$49.9 million in put bonds were defeased, both financed by draws on the syndicated line of credit.

In addition to activity noted above, Dignity Health drew \$150.0 million in October 2013 and \$75.0 million in February 2014 on its syndicated line of credit facility for general working capital purposes.

Throughout 2014, \$136.8 million was repaid on the credit facility in addition to the amounts discussed above.

2013 Financing Activity – During 2013, Dignity Health drew \$840.8 million on its syndicated line of credit facility, using \$310.0 million as interim financing of a portion of the acquisition of USHW, \$385.8 million to facilitate repurposing of its equipment loan pool program, and \$145.0 million to refinance a maturing senior secured note. At June 30, 2013, \$360.6 million of these draws had been refinanced by taxable bonds and \$302.4 million had been repaid from equipment loan pool proceeds.

In September 2012, \$42.1 million of outstanding bond obligations at Saint Mary’s Regional Medical Center in Reno, Nevada, were legally defeased to the first call date, satisfying the remediation requirement pursuant to the sale of the hospital, and a loss on early extinguishment of debt of \$8.0 million was recorded in discontinued operations.

In October 2012, Dignity Health issued \$600.0 million of taxable fixed rate bonds with a discount of \$5.2 million, with repayments of \$300.0 million to be made in November 2022 and 2042. A portion of the proceeds of the taxable debt were used to repay \$360.6 million of outstanding syndicated line of credit facility draws, primarily related to the USHW acquisition.

In October 2012, in conjunction with the replacement of the letters of credit supporting VRDBs, as discussed above, \$373.8 million of bonds were tendered, of which \$223.0 million of the bonds were subject to a mandatory tender and \$150.8 million of the bonds were optionally tendered, the bonds were remarketed on the same day.

In March 2013, USHW entered into two lines of credit aggregating to \$50.0 million with a bank primarily to finance acquisitions and other corporate purposes. Both credit facilities mature in February 2016. At June 30, 2013, \$25.0 million drawn on one line of credit was outstanding. The outstanding draws are included above in various notes payable and other debt payable.

17. DERIVATIVE INSTRUMENTS

Dignity Health's derivative instruments include 16 floating-to-fixed interest rate swaps as of June 30, 2014 and 2013, respectively. Dignity Health uses floating-to-fixed interest rate swaps to manage interest rate risk associated with outstanding variable rate debt. Under these swaps, Dignity Health receives a percentage of LIBOR ranging from 57.00% to 58.96% plus a spread ranging from 0.13% to 0.32% and pays a fixed rate. Dignity Health's derivative instruments also include four fixed-to-floating risk participation agreements as of June 30, 2014. Dignity Health uses fixed-to-floating risk participation agreements to reduce interest expense associated with fixed rate debt. Under these risk participation agreements, Dignity Health receives a fixed rate and pays a variable rate percentage of SIFMA plus a spread.

In March 2013, Dignity Health novated swaps with notional amounts of \$227.7 million from one counterparty to various counterparties. These swaps have various termination provisions as described below. Additionally, the option for the counterparty to exercise a put on \$209.8 million of notional amount outstanding in May 2013 was extended to May 2015 with put options every two years thereafter.

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

	Maturity Date of Derivatives	Interest Rate	Notional Amount Outstanding	Fair Value
June 30, 2014				
Derivatives not designated as hedges				
Interest rate swaps	2026 - 2042	3.2% - 3.4%	<u>\$ 940,450</u>	<u>\$ (156,439)</u>
	2017, with extension options	SIFMA plus spread	<u>\$ 215,000</u>	<u>\$ -</u>
Risk participation agreements				
June 30, 2013				
Derivatives not designated as hedges				
Interest rate swaps	2026 - 2042	3.2% - 3.4%	<u>\$ 940,600</u>	<u>\$ (155,304)</u>
	2017, with extension options	SIFMA plus spread	<u>\$ 215,000</u>	<u>\$ -</u>
Risk participation agreements				

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

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

Of the amounts classified in unrestricted net assets as of June 30, 2014, Dignity Health anticipates reclassifying approximately \$2.7 million of additional non-cash losses from unrestricted net assets into interest expense, net, in the next twelve months. Amounts in unrestricted net assets will be amortized into earnings as the interest payments being economically hedged are made.

Of the \$940.5 million and \$940.6 million notional amount of interest rate swaps held by Dignity Health at June 30, 2014 and 2013, respectively, \$160.0 million are insured and have a negative fair value of \$33.3 million and \$31.9 million at June 30, 2014 and 2013, respectively. In the event the insurer, Assured Guaranty, is downgraded below A2/A or A3/A- (Moody's/Standard and Poor's), the counterparties have the right to terminate the swaps if Dignity Health does not provide alternative credit support acceptable to them within 30 days of being notified of the downgrade. If the insurer is downgraded below the thresholds noted above and Dignity Health is downgraded below Baa3/BBB- (Moody's/Standard and Poor's), the counterparties have the right to terminate the swaps.

Dignity Health had \$780.5 million and \$780.6 million of interest rate swaps that are not insured as of June 30, 2014 and 2013, respectively. While Dignity Health has the right to terminate the swaps prior to maturity for any reason, counterparties have various rights to terminate, including swaps in the outstanding notional amount of \$100.0 million at each five-year anniversary date commencing in March 2018 and swaps in the notional amount of \$209.8 million at each two-year anniversary commencing in May 2015. Swaps in the notional amount of \$60.0 million and swaps in the notional amount of \$67.7 million have mandatory puts in March 2021 and March 2023, respectively. The termination value would be the fair market value or the replacement cost of the swaps, depending on the circumstances. These interest rate swaps have a negative fair value of \$70.7 million and \$70.2 million at June 30, 2014 and 2013, respectively. The remaining uninsured swaps in the notional amount of \$343.0 million have a negative fair value of \$52.4 million and \$53.2 million as of June 30, 2014 and 2013, respectively. The fair value of the risk participation agreements is deemed immaterial as of June 30, 2014 and 2013.

All of the uninsured swaps and risk participation agreements have certain early termination triggers caused by an event of default or a termination event. The events of default include failure to make payments when due, failure to give notice of a termination event, failure to comply with or perform obligations under the agreements, bankruptcy or insolvency, and defaults under other agreements (cross-default provision). The termination events include credit ratings dropping below Baa1/BBB+ (Moody's/Standard & Poor's) by either party on a notional amount of \$529.8 million of swaps and below Baa2/BBB on a notional amount of \$410.7 million and Dignity Health's cash on hand dropping below 85 days.

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

18. INTEREST EXPENSE, NET

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

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

19. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

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

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

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment net assets	\$ -	\$ 37,998	\$ 106,690	\$ 144,688
Board-designated endowment net assets	<u>19,524</u>	<u>-</u>	<u>-</u>	<u>19,524</u>
Total endowment net assets	<u>\$ 19,524</u>	<u>\$ 37,998</u>	<u>\$ 106,690</u>	<u>\$ 164,212</u>
	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment net assets	\$ -	\$ 29,882	\$ 105,237	\$ 135,119
Board-designated endowment net assets	<u>17,744</u>	<u>-</u>	<u>-</u>	<u>17,744</u>
Total endowment net assets	<u>\$ 17,744</u>	<u>\$ 29,882</u>	<u>\$ 105,237</u>	<u>\$ 152,863</u>

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

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

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

Included in donor-restricted assets limited as to use are unconditional promises to give which are recorded using discount rates ranging from 3.0 % to 6.0% and are due as follows as of June 30, 2014 and 2013 (in thousands)

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

20. INVESTMENT INCOME, NET

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

	2014	2013
Interest and dividend income	\$ 92.684	\$ 111.033
Net realized gains on sales of securities	343.910	232.834
Net unrealized gains on securities	275.769	211.007
Other, net of capitalized investment income	<u>(26.737)</u>	<u>(26.904)</u>
Investment income, net	<u>\$ 685.626</u>	<u>\$ 527.970</u>

21. SPECIAL CHARGES AND OTHER COSTS

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

	2014	2013
Estimated impairment on carrying value of long-lived assets	\$ -	\$ 8.000
Acquisition related costs	-	4.664
Restructuring costs for name and governance changes	<u>554</u>	<u>2.137</u>
Total special charges and other costs	<u>\$ 554</u>	<u>\$ 14.801</u>

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

Acquisition related costs relate to the acquisition of USHW

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

22. INCOME TAXES

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

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

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

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

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

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

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

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

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

23. COMMITMENTS, CONTINGENT LIABILITIES, GUARANTEES AND OTHER

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

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

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

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

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

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

Operating Leases – Dignity Health leases various equipment and facilities under operating leases. Gross rental expense for 2014 and 2013 was \$146.2 million and \$136.7 million, respectively, which is offset by sublease income of \$2.7 million and \$1.5 million for 2014 and 2013, respectively. These amounts are recorded in purchased services and other on the accompanying statements of operations and changes in net assets.

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

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

Long-term Contracts and Agreements – Concurrent with the formation of Optum360° discussed in Note 3, Dignity Health entered into a Master Services Agreement ("MSA") with Optum360° for a 10-year term for the purchase of revenue cycle management services at a cost of approximately \$225.0 million per year, subject to annual adjustments for inflation and achievement of certain performance levels, which reflects market terms. The MSA is subject to significant penalties for cancellation without cause.

In December 2007, Dignity Health entered into a development agreement with the Sequoia Healthcare District ("District") whereby the District relinquished all control over Sequoia Health Services ("SHS") and agreed to provide funding of \$75.0 million toward the modernization, upgrading and seismic retrofitting of Sequoia Hospital. In return for the funding commitment, the District is entitled to 50% of Sequoia Hospital's annual Operating Earnings Before Interest, Depreciation and Amortization ("EBIDA") exceeding a 9.3% annual Operating EBIDA Margin for 40 years. Operating EBIDA is defined as operating income adjusted for certain excluded items. Dignity Health committed to funding \$150.0 million toward the construction project and approximately \$15.0 million in additional funding was anticipated from philanthropic gifts. If the construction does not conform to certain agreed-upon specifications or is not completed consistent with the terms of the development agreement related to project timing, the District has the right to require the return of its \$75.0 million contribution. The multi-phased construction project began in September 2007 and is expected to be substantially completed before the end of calendar 2014. Dignity Health's management expects to meet the required construction specifications and time requirements under the agreement with the District.

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

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

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

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

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

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

24. UNSPONSORED COMMUNITY BENEFIT EXPENSE (UNAUDITED)

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

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

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

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

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

services provided to program patients. Including discontinued operations, the comparable amount of net community benefit was \$1.1 billion for 2013, and Net Community Benefit including the unpaid cost of Medicare was \$1.7 billion for 2013.

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

	Unaudited				
	Persons Served	Total Benefit Expense	Direct Offsetting Revenue	Net Community Benefit	% of Total Expenses
Benefits for the poor					
Traditional charity care	118,274	175,865	(148)	175,717	1.7%
Unpaid costs of Medicaid / Medi-Cal	1,182,999	2,409,271	(1,545,197)	864,074	8.3%
Other means-tested programs	269,323	76,974	(25,585)	51,389	0.5%
Community services					
Community health services	434,278	45,131	(6,009)	39,122	0.4%
Health professions education	54	24	-	24	0.0%
Subsidized health services	108,604	30,570	(3,103)	27,467	0.3%
Donations	128,428	20,120	(541)	19,579	0.2%
Community building activities	4,623	2,728	(1,220)	1,508	0.0%
Community benefit operations	2,886	7,145	(352)	6,793	0.1%
Total community services for the poor	678,873	105,718	(11,225)	94,493	1.0%
Total benefits for the poor	2,249,469	2,767,828	(1,582,155)	1,185,673	11.5%
Benefits for the broader community					
Community services					
Community health services	297,849	14,414	(1,252)	13,162	0.1%
Health professions education	37,567	72,809	(9,294)	63,515	0.6%
Subsidized health services	3,990	1,980	(1,209)	771	0.0%
Research	408	33,538	(10,380)	23,158	0.2%
Donations	31,034	9,425	(345)	9,080	0.1%
Community building activities	7,068	4,128	(412)	3,716	0.0%
Community benefit operations	21	1,110	-	1,110	0.0%
Total benefits for the broader community	377,937	137,404	(22,892)	114,512	1.1%
Total Community Benefits	2,627,406	\$ 2,905,232	\$ (1,605,047)	\$ 1,300,185	12.6%
Unpaid costs of Medicare	1,032,864	2,823,107	(2,148,783)	674,324	6.5%
Total Community Benefits including unpaid costs of Medicare	3,660,270	\$ 5,728,339	\$ (3,753,830)	\$ 1,974,509	19.1%

25. DIGNITY HEALTH, SUBORDINATE CORPORATIONS AND SUBSIDIARIES

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

Dignity Health*

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

* * * * *