



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



Part III

Statement of Program Service Accomplishments

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

☐

☒

1

Briefly describe the organization's mission

We are inspired by the love of Christ to provide quality health care in ways which respect the God-given dignity of each person and the sacredness of human life

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 \$ 334,222,682 including grants of \$ 471,970) (Revenue \$ 390,642,777)
	St Mary's Medical Center was established in 1924 and, based on thecore values of compassion, hospitality, reverence, trust, interdependence, and stewardship, continues to provide high quality healthcare services to residents of Huntington, West Virginia and the surrounding area Services are provided without regard to the patient's race, creed, sex, national origin, age, or handicap Furthermore, while reimbursement for care provided is crucial to the continued operation of St Mary's Medical Center, it is recognized that circumstances existwhich render certain parties unable to pay for needed services, and no patient is denied services due to the lack of ability to pay During the fiscal year which ended September 30, 2014, St Mary's Medical Center provided 96,907 days of inpatient days of care and treated an additional 267,456 patients in the emergency and outpatient settings Approximately 74 3% of the inpatients served were covered by governmental programs, such as Medicare and Medicaid A similar percentage is applicable to outpatient services Since care provided to Medicare and Medicaid beneficiaries is subject to contractual reimbursement restrictions, payment received for services provided is often significantly below the actual cost of the services St Mary's Medical Center has established charity care policies and guidelines, used to help identify those patients who genuinely do not have the resources to pay for services received During fiscal 2014, the hospital provided approximately \$12 5 million dollars in charity care services, representing care provided at reduced prices or completely free of charge These services include inpatient services, an adult outpatient clinic,a handicapped children's clinic, and a specialty pregnancy clinic Also, St Mary's Medical Center exceeds the guidelines established for the West Virginia ad valorem statute
4b	(Code) (Expenses \$ 685,562 including grants of \$) (Revenue \$ 400,000)
	In addition to those patients without the wherewithal to pay for services rendered, we assist in the relief of burden of government for several programs A strong auxiliary (operated as a department of the hospital) exists, which contributes heavily to the activities of SMMC During fiscal 2014, the auxiliary made cash donations of approximately \$400,000 In addition, volunteers provided over 33,705 hours of service valuable to promoting the mission and activities of the hospital
4c	(Code) (Expenses \$ 48,563 including grants of \$) (Revenue \$)
	St Mary's has sponsored a number of community building activities during the past year that promote wellness and help enrich the lives of people in the Tri-State Some of these are as follows Kids in MotionKids In Motion is a fun and innovative exercise and nutrition program designed to improve the health of Tri-State area children It began as a new program in early 2013 as a joint initiative with the Huntington YMCA and other community health partners and even includes a competing hospital, with everyone working together to fight childhood obesity It is the only program of its kind in West Virginia At the heart of the program is Kid Fit, a 10-week program to get kids ages 5-14 moving and having fun, while also learning about fitness and nutrition Weight, body mass index, body fat percentage and blood pressure are tracked throughout the program to measure progress and to customize the program to fit each child During Kid Fit, children utilize exer-gaming equipment, which combines video games and exercise Parents are also encouraged to participate and entire families are losing weight and getting healthier because of the program St Mary's has committed tremendous financial resources to providing equipment and staff and St Mary's provided the key leadership role in planning and development of the program Several local families are already providing testimony about how Kids in Motion has helped them Total Woman ProgramSt Mary's Women's Health Program has 5000 members and thousands more are reached with wellness activities and programs held every month of the year The Total Woman provides free health information and screenings and a chance for members to ask questions of health providers The coordinator of the program helps women schedule their appointments to fit busy schedules Fitness EventsThe Annual St Mary's Tri-State Triathlon was held in August and includes three separate races - a triathlon, triathlon relay and duathlon The triathlon consists of a half-mile swim, 15-mile bike ride and 2 9-mile loop run In the duathlon, the swim course is replaced by a 2 9-mile loop run in the opposite direction of the previous loop Races use computer-chip timing The event averages 200+ participants each year but it has a wider reaching impact of promoting fitness in the community with news coverage of stories about first time participants and their ability to complete a triathlon Many family and friends also gather at the event as spectators and some are inspired to compete in the next year's event www.healthtristate.orgThe St Mary's Kids Try-A-Triathlon for ages 6-14 was also held in August Races consist of either a 50- or 100-yard swim, a two- or four-mile bike course, and a one- or two-mile run, depending on the age group There is a kids camp leading up to this event that helps train young people to participate in the triathlon Race day participation 100+ PATH Project St Mary's is a sponsor of the Paul Ambrose Trail for Health (PATH) project which is designed to develop a 26-mile bicycle and pedestrian path system that will link the various Huntington parks This project will promote wellness by offering family-healthy area throughout Huntington for the public FitFest is held annually each year on 9-11 to focus the entire community on fitness and St Mary's is a major sponsor 500+ participants at FitFest Web site www.paulambrosetrailforhealth.orgAmerican Heart Association Heart Walk and Go Red for Women Luncheon St Mary's has been the main sponsor for the Heart Walk each year in April As one of St Mary's major service lines, the Regional Heart Institute promotes healthy heart activities for the public throughout the year, but the Heart Walk and the Go Red Luncheon for Women are two of our main events The Heart Walk generates team building by raising funds for the American Heart Association, ending with the actual walk at Ritter Park St Mary's employee teams are joined by teams all across Cabell and Wayne Counties both raising funds for heart research and supporting walking as a family heart-healthy activity 800+ people participant each year for the walk The cause receives wider exposure through advertising heart healthy education tips and information www.heart.orgPATH to the CureSt Mary's is the major sponsor for this 5/K run/walk in September that raises close to \$100,000 per year A majority of the proceeds pay for mammograms for uninsured and underinsured women in the Tri-State The rest of the money goes to the PATH project mentioned previously www.pathtothecure.orgCommunity Health Screenings Additionally St Mary's participates in numerous health fairs throughout the year They provide screenings for health issues such as cholesterol, blood sugar, HDL, osteoporosis, etc at no charge Also, education about various health issues such as stroke risk, joint replacement surgery, and other health risk factors are provided There are 1000+ people screened each year through free screenings www.st-marys.orgOther Events to Encourage FitnessSt Mary's also sponsored many other races and walks that promoted wellness and fitness and those include the Ridge to River 10 mile trail run in June, the St Mary's Veteran's Memorial Day 5K run in May in Ironton, Ohio, the Herald Dispatch West Virginia 5K in June, the Marshall/St Mary's Marathon in November, the St Mary's/Lion's Club 5K in March
4d	Other program services (Describe in Schedule O)
	(Expenses \$ including grants of \$) (Revenue \$)
4e	Total program service expenses ▶ 334,956,807

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

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i>	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If so, complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		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		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33	Yes	
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.	119	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
1c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2,855	
2b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).		Yes	
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?			No
3b If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation in Schedule O.			
4a At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			No
4b If "Yes," enter the name of the foreign country: See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.			
5a Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?			No
5b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			No
5c If "Yes," to line 5a or 5b, did the organization file Form 8886-T?			
6a Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?			No
6b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			
7 Organizations that may receive deductible contributions under section 170(c).			
7a Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?			No
7b If "Yes," did the organization notify the donor of the value of the goods or services provided?			
7c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			No
7d If "Yes," indicate the number of Forms 8282 filed during the year.			
7e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			No
7f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?			No
7g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			
7h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			
9 Sponsoring organizations maintaining donor advised funds.			
9a Did the organization make any taxable distributions under section 4966?			
9b Did the organization make a distribution to a donor, donor advisor, or related person?			
10 Section 501(c)(7) organizations. Enter			
10a Initiation fees and capital contributions included on Part VIII, line 12.			
10b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.			
11 Section 501(c)(12) organizations. Enter			
11a Gross income from members or shareholders.			
11b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).			
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?			
12b If "Yes," enter the amount of tax-exempt interest received or accrued during the year.			
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
13a Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.			
13b Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.			
13c Enter the amount of reserves on hand.			
14a Did the organization receive any payments for indoor tanning services during the tax year?			No
14b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.			

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	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	11	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	Yes
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	Yes
11b	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	Yes
15b	b Other officers or key employees of the organization	15b	Yes
If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a	Yes
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▶
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. ▶Angela Swearingen 2900 First Avenue Huntington, WV 25702 (304) 526-8931

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) Michael G Sellards President & CEO, SMMC & Pa	34 00 6 00	X		X				0	951,880	24,053
(2) Sister Marian Ruth Creamer Secretary-Treasurer	2 00 38 00	X						0	0	0
(3) Sister Joanne Obrochta Board Member	1 00	X						0	0	0
(4) Tom Houvouras Chair	2 00	X						0	0	0
(5) Julia Hutchison Vice Chair	1 00	X						0	0	0
(6) Jeff Leaberry Board Member	1 00	X						0	0	0
(7) Richard Muth Board Member	1 00	X						0	0	0
(8) Sister Elisabeth Heptner Board Member	1 00	X						0	0	0
(9) Matt Miller Board Member	1 00	X						0	0	0
(10) Sister Gail Borgmeyer Board Member	1 00 39 00	X						0	0	0
(11) Melin Moses Board Member	1 00	X						0	0	0
(12) Sister Diane Bushee Board Member	34 00 6 00	X						0	0	0
(13) Todd Campbell Sr Vice-Pres/COO	34 00 6 00			X				0	509,206	30,383
(14) Angela D Swearingen VP-Finance/CFO	34 00 6 00			X				0	355,693	30,383
(15) Vera Rose MD Vice-President	40 00				X			272,346	0	30,773
(16) Susan Beth Robinson Vice-President	40 00				X			234,623	0	30,012
(17) Timothy Parnell Vice-President	40 00				X			216,890	0	29,480

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) Elizabeth Bosley Vice-President	40 00				X			197,452	0	28,897
(19) Ernest Taylor Vice President	40 00				X			375,154	0	24,388
(20) Sonya Arthur Pharmacist	40 00					X		145,776	0	27,346
(21) Rita Barker Director, Materials Mgmt	40 00					X		163,588	0	21,496
(22) Jeffrey Hamrick Pharmacist	40 00					X		146,278	0	27,361
(23) David DeLimpo Pharmacist	40 00					X		144,310	0	20,917
(24) David Sheils President of Foundation	1 00 39 00					X		155,229	0	27,630
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								2,051,646	1,816,779	353,119
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▶77									

		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
University Physicians and Surgeons 1600 Medical Center Drive Suite B5 Charleston WV 25701	Medical Services	3,239,921
American Red Cross 4 Chase Metrotech Center 7th Floor Brooklyn NY 11245	Medical Services	2,897,173
River Cities Anesthesia PO Box 515 Barboursville WV 25504	Medical Services	2,588,663
Ultimate Health Services 1115 20th Street Huntington WV 25703	Medical Services	2,276,379
Universal Hospital Services PO Box 86 Minneapolis MN 55486	Medical Services	2,085,298
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 ▶57	

Part VIII

Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns 1a				
	b	Membership dues 1b				
	c	Fundraising events 1c				
	d	Related organizations 1d				
	e	Government grants (contributions) 1e				
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	1,371,152			
	g	Noncash contributions included in lines 1a-1f \$				
	h	Total. Add lines 1a-1f	1,371,152			
Program Service Revenue	2a	Patient Service Revenue	Business Code			
			621400	380,808,077	380,808,077	
		b EHR Incentives	900099	4,666,125	4,666,125	
		c Purchase Rebates	900099	2,082,698	2,082,698	
		d School of Nursing	611600	1,068,239	1,068,239	
		e School Radiology	611600	522,869	522,869	
		f All other program service revenue		782,579	782,579	
	g	Total. Add lines 2a-2f	389,930,587			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)	2,226,890			2,226,890
	4	Income from investment of tax-exempt bond proceeds				
	5	Royalties				
	6a	Gross rents	(i) Real	(ii) Personal		
			1,112,190			
			b Less rental expenses			
			0			
	c	Rental income or (loss)	1,112,190			
	d	Net rental income or (loss)	1,112,190	1,112,190		
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other		
			34,805,024			
			b Less cost or other basis and sales expenses			
			32,053,468			
	c	Gain or (loss)	2,751,556			
	d	Net gain or (loss)	2,751,556			2,751,556
	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				
	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				
	10a	Gross sales of inventory, less returns and allowances	a			
			476,500			
	b	Less cost of goods sold b	1,120,232			
	c	Net income or (loss) from sales of inventory	-643,732			-643,732
	Miscellaneous Revenue		Business Code			
	11a	Cafeteria Sales	722100	2,935,094		2,935,094
	b	Maintenance of Sisters	811000	54,000		54,000
	c	Other Investment Loss	900099	-7,522,100		-7,522,100
	d	All other revenue		33,622		33,622
	e	Total. Add lines 11a-11d	-4,499,384			
	12	Total revenue. See Instructions	392,249,259	391,042,777	0	-164,670

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.	471,970	471,970		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.	1,653,942	1,407,670	246,272	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).				
7	Other salaries and wages.	119,168,499	101,424,309	17,744,190	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	5,920,034	5,038,541	881,493	
9	Other employee benefits.	32,413,231	27,586,901	4,826,330	
10	Payroll taxes.	10,600,363	9,021,969	1,578,394	
11	Fees for services (non-employees):				
a	Management.				
b	Legal.	1,192,911		1,192,911	
c	Accounting.	105,000		105,000	
d	Lobbying.				
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.				
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	37,630,294	32,027,143	5,603,151	
12	Advertising and promotion.	2,948,724	2,509,659	439,065	
13	Office expenses.	22,749,652	19,362,229	3,387,423	
14	Information technology.	3,585,389	3,051,525	533,864	
15	Royalties.				
16	Occupancy.	5,125,285	4,362,130	763,155	
17	Travel.	141,497	120,428	21,069	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.	409	348	61	
20	Interest.	3,273,249	2,785,862	487,387	
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	14,664,457	12,480,919	2,183,538	
23	Insurance.	1,563,702	1,330,867	232,835	
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.	67,183,594	67,183,594		
b	Bad debts.	24,240,353	24,240,353		
c	Repairs & Maintenance.	11,249,020	9,574,041	1,674,979	
d	Provider tax.	9,531,565	9,531,565		
e	All other expenses.	1,701,187	1,444,784	256,403	
25	Total functional expenses. Add lines 1 through 24e.	377,114,327	334,956,807	42,157,520	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		5,027	1	7,292
	2	Savings and temporary cash investments		24,701,608	2	15,512,940
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		86,769,382	4	89,909,583
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	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			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		9,676,692	8	10,696,065
	9	Prepaid expenses and deferred charges		2,780,813	9	3,225,946
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a	415,809,520		
	b	Less accumulated depreciation	10b	270,595,576	140,185,177	10c 145,213,944
	11	Investments—publicly traded securities		73,828,282	11	79,589,047
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11		7,398,405	13	8,599,883
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		3,130,775	15	4,693,274
	16	Total assets. Add lines 1 through 15 (must equal line 34)		348,476,161	16	357,447,974
Liabilities	17	Accounts payable and accrued expenses		36,676,013	17	34,442,603
	18	Grants payable		13,079	18	
	19	Deferred revenue		750,315	19	836,799
	20	Tax-exempt bond liabilities		88,875,645	20	85,743,801
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties		1,084,871	23	440,142
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		103,558,776	25	106,250,021
	26	Total liabilities. Add lines 17 through 25		230,958,699	26	227,713,366
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		115,428,707	27	127,168,168
	28	Temporarily restricted net assets		2,088,755	28	2,566,440
	29	Permanently restricted net assets			29	
	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		117,517,462	33	129,734,608
	34	Total liabilities and net assets/fund balances		348,476,161	34	357,447,974

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	392,249,259
2	Total expenses (must equal Part IX, column (A), line 25)	2	377,114,327
3	Revenue less expenses Subtract line 2 from line 1	3	15,134,932
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	117,517,462
5	Net unrealized gains (losses) on investments	5	-542,510
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	-2,375,276
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	129,734,608

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		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	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	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?		No
3b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits		

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 St Mary's Medical Center	Employer identification number 55-0357050
---	---

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 D
(Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2013

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

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

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

Name of the organization St Mary's Medical Center	Employer identification number 55-0357050
--	--

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 | | | | |
| b | Contributions | | | | |
| c | Net investment earnings, gains, and losses | | | | |
| d | Grants or scholarships | | | | |
| e | Other expenditures for facilities and programs | | | | |
| f | Administrative expenses | | | | |
| g | End of year balance | | | | |
- 2

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

Board designated or quasi-endowment
- b

Permanent endowment
- c

Temporarily restricted endowment

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

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

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

No

b

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

3b

Yes

No

4

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

Land, Buildings, and Equipment. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. See Form 990, Part X, line 10.
- | Description of property | (a) Cost or other basis (investment) | (b)Cost or other basis (other) | (c) Accumulated depreciation | (d) Book value |
|--|--------------------------------------|--------------------------------|------------------------------|----------------|
| 1a Land | | 7,014,431 | | 7,014,431 |
| b Buildings | | 173,956,165 | 111,539,772 | 62,416,393 |
| c Leasehold improvements | | | | |
| d Equipment | | 229,624,841 | 156,904,997 | 72,719,844 |
| e Other | | 5,214,083 | 2,150,807 | 3,063,276 |
| Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).) | | | | 145,213,944 |
- 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
Part X, Line 2	As per Note 1 of the consolidated financial statements Management has evaluated the tax positions and concluded that the organization has maintained its tax exempt status and has taken no uncertain tax positions that require recognition or disclosure in the 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
St Mary's Medical Center

Employer identification number
55-0357050

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 _____ % 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 _____ % 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	3a Yes	
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)		12,316	4,286,405		4,286,405	1 140 %
b Medicaid (from Worksheet 3, column a)		47,295	64,140,925	52,408,536	11,732,389	3 110 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . .						
d Total Financial Assistance and Means-Tested Government Programs . .		59,611	68,427,330	52,408,536	16,018,794	4 250 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	2	1,695	7,401		7,401	0 %
f Health professions education (from Worksheet 5)	4	300	9,044,010	4,563,243	4,480,767	1 190 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)	3	7,266	354,912		354,912	0 090 %
j Total. Other Benefits	9	9,261	9,406,323	4,563,243	4,843,080	1 280 %
k Total. Add lines 7d and 7j . .	9	68,872	77,833,653	56,971,779	20,861,874	5 530 %

Part IICommunity Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development						
3Community support	1	188	26,127		26,127	0.010 %
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy	1	2,613	22,436		22,436	0.010 %
8Workforce development						
9Other						
10Total	2	2,801	48,563		48,563	0.020 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

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

1

Yes

2

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

2

8,244,144

3

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

3

1,648,829

4

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

Section B. Medicare

5

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

5

108,286,387

6

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

6

110,495,045

7

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

7

-2,208,658

8

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

☐ Cost accounting system

☒ Cost to charge ratio

☐ Other

Section C. Collection Practices

9a

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

9a

Yes

b

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

9b

Yes

Part 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 %
11Huntington Area MRI	Provide MRI scans	49.000 %		51.000 %
22St Mary's Occupational Health	Occupational therapy	51.000 %		49.000 %
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V

Facility Information

Section A. Hospital Facilities

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

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

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

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

St Mary's Medical Center

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>12</u>		
3 In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3 Yes	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4 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>www.st-marys.org</u>		
b ☐ Other website (list url) _____		
c ☒ Available upon request from the hospital facility		
d ☐ Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply as of the end of the tax year)		
a ☒ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b ☒ Execution of the implementation strategy		
c ☒ Participation in the development of a community-wide plan		
d ☒ Participation in the execution of a community-wide plan		
e ☒ Inclusion of a community benefit section in operational plans		
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA		
g ☒ Prioritization of health needs in its community		
h ☒ Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i ☐ Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	No
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$ _____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9	Yes
10	Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 100 000000000000% 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 200 000000000000% 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?	Yes	
If "No," indicate why		
a ☐ The hospital facility did not provide care for any emergency medical conditions		
b ☐ The hospital facility's policy was not in writing		
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d ☐ Other (describe in Part VI)		

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

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

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
Part I, Line 3c	Eligibility is determined by comparing household family income against the income poverty guidelines for financial indigence, a ratio of total medical expenses to annual disposable income for medical indigence. Income is defined as the total annual cash receipts before taxes from all sources Financially indigent Uncompensated care shall include unreimbursed services to the financially indigent Financially indigent shall mean uninsured or underinsured patients accepted for care with no obligation or a discounted obligation to pay for services rendered based on the medical center's eligibility system which may include (a) income levels and means testing or other criteria for determining a patient's inability to pay, or (b) other criteria for determining a patient's inability to pay that are consistent with the medical center's mission and established policy The federal poverty level shall serve as an index for the threshold below which patients receiving care at St Mary's Medical Center are deemed financially indigent Financially indigent services include noncovered services for patients eligible for the Medicaid program, services provided under county indigent care contracts, and other state or federal assistance programs for low income groups Medically indigent Uncompensated care shall include unreimbursed services to the medically indigent Medically indigent shall mean patients who are responsible for their living expenses, but whose medical and hospital bills, after payment by third party payers, where applicable, exceed (a) a specified percentage of the patient's annual gross income (i e , catastrophic medical expenses) in accordance with the Medical Center's formal eligibility system in such instances where payment would require liquidation of assets critical to living or earning a living, or (b) the criteria for determining a patient's inability to pay While financial indigence is based strictly on an income level, medical indigence considers both income and the financial obligation for healthcare services to calculate the patient's ability to pay without liquidating assets critical to living or earning a living, such as a home, car, personal belongings, etc Therefore, patients are considered for medically indigent status on a case by case basis The patient would be required to provide documentation of income to determine if he/she is to be considered medically indigent All patients are eligible to be considered for medically indigent status with the exception of patients with income below 200% of the federal poverty level as these patients are considered for some level of uncompensated care under the financially indigent category

Form and Line Reference	Explanation
Part I, Line 6a	SMMC prepares an annual written report that describes programs and services that promote the health of our community The Community Benefit Report provides valuable information on programs and services provided by the Medical Center The report is distributed to Hospital board members but it has not been distributed to the general public The report is compiled using the program "A Guide for Planning and Reporting Community Benefit "

Form and Line Reference	Explanation
Part I, Line 7	The cost to charge ratio as calculated from worksheet 2 was used to determine community benefit expenses for all subsidized health services

Form and Line Reference	Explanation
Part II, Community Building Activities	St Mary's has sponsored a number of community building activities during the past year th at promote wellness and help enrich the lives of people in the Tri-State. Some of these ar e as follows: Kids in Motion Kids In Motion is a fun and innovative exercise and nutrition p rogram designed to improve the health of Tri-State area children. It began as a new progra m in early 2013 as a joint initiative with the Huntington YMCA and other community health partners and even includes a competing hospital, with everyone working together to fight c hildhood obesity. It is the only program of its kind in West Virginia. At the heart of the program is Kid Fit, a 10-week program to get kids ages 5-14 moving and having fun, while also learning about fitness and nutrition. Weight, body mass index, body fat percentage an d blood pressure are tracked throughout the program to measure progress and to customize t he program to fit each child. During Kid Fit, children utilize exer-gaming equipment, whic h combines video games and exercise. Parents are also encouraged to participate and entire families are losing weight and getting healthier because of the program. St. Mary's has c ommitted tremendous financial resources to providing equipment and staff and St. Mary's pr ovided the key leadership role in planning and development of the program. Several local f amilies are already providing testimony about how Kids in Motion has helped them. Total Woman Program St. Mary's Women's Health Program has 5000 members and thousands more are reache d with wellness activities and programs held every month of the year. The Total Woman prov ides free health information and screenings and a chance for members to ask questions of h ealth providers. The coordinator of the program helps women schedule their appointments to fit busy schedules. Fitness Events The Annual St. Mary's Tri-State Triathlon was held in A ugust and includes three separate races - a triathlon, triathlon relay and duathlon. The t riathlon consists of a half-mile swim, 15-mile bike ride and 2 9-mile loop run. In the dua thlon, the swim course is replaced by a 2 9-mile loop run in the opposite direction of the previous loop. Races use computer-chip timing. The event averages 200+ participants each year but it has a wider reaching impact of promoting fitness in the community with news co verage of stories about first time participants and their ability to complete a triathlon. Many family and friends also gather at the event as spectators and some are inspired to c ompete in the next year's event. www.healthtristate.org The St. Mary's Kids Try-A-Triathlon for ages 6-14 was also held in August. Races consist of either a 50- or 100-yard swim, a two- or four-mile bike course, and a one- or two-mile run, depending on the age group. The re is a kids camp leading up to this event that helps train young people to participate in the triathlon. Race day participation 100+. PATH Project St. Mary's is a sponsor of the Pa ul Ambrose Trail for Health (PATH) project which is designed to develop a 26-mile bicycle and pedestrian path system that will link the various Huntington parks. This project will promote wellness by offering family-healthy area throughout Huntington for the public. Fit Fest is held annually each year on 9-11 to focus the entire community on fitness and St. M ary's is a major sponsor. 500+ participants at FitFest. Web site www.paulambrosetrailforh ealth.org American Heart Association Heart Walk and Go Red for Women Luncheon St. Mary's ha s been the main sponsor for the Heart Walk each year in April. As one of St. Mary's major service lines, the Regional Heart Institute promotes healthy heart activities for the publ ic throughout the year, but the Heart Walk and the Go Red Luncheon for Women are two of ou r main events. The Heart Walk generates team building by raising funds for the American He art Association, ending with the actual walk at Ritter Park. St. Mary's employee teams are joined by teams all across Cabell and Wayne Counties both raising funds for heart researc h and supporting walking as a family heart-healthy activity. 800+ people participant each year for the walk. The cause receives wider exposure through advertising heart healthy edu cation tips and information www.heart.org PATH to the Cure St. Mary's is the major sponsor for this 5/K run/walk in September that raises close to \$100,000 per year. A majority of t he proceeds pay for mammograms for uninsured and underinsured women in the Tri-State. The rest of the money goes to the PATH project mentioned previously www.pathtohecure.org Community Health Screenings Additionally St Mary's participates in numerous health fairs throug hout the year. They provide screenings for health issues such as cholesterol, blood sugar, HDL, osteoporosis, etc. at no charge. Also, education about various health issues such as stroke risk, joint replacement surgery, and other health risk factors are provided. There are 1000+ people screened each year through free

Form and Line Reference	Explanation
Part II, Community Building Activities	screenings www.st-marys.orgOther Events to Encourage FitnessSt Mary's also sponsored many other races and walks that promoted wellness and fitness and those include the Ridge to River 10 mile trail run in June, the St Mary's Veteran's Memorial Day 5K run in May in Ironton, Ohio, the Herald Dispatch West Virginia 5K in June, the Marshall/St Mary's Marathon in November, the St Mary's/Lion's Club 5K in March

Form and Line Reference	Explanation
Part III, Line 2	The cost of bad debts was estimated using a cost to charge ratio derived from Worksheet 2 of the Schedule H instructions

Form and Line Reference	Explanation
Part III, Line 4	The text of the footnote reads as follows "the Hospitals provide care to patients who meet specific criteria, defined by their charity care policies, without charge or at amounts less than their established rates, as approved by the West Virginia Health Care Authority (HCA) Because the Hospitals do not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue "The hospital's cost-to-charge ratio was used to compute bad debt expense at cost

Form and Line Reference	Explanation
Part III, Line 8	Patient level detail data is used to calculate the uncompensated cost of bad debt and charity. Once an account is written off to bad debt and/or charity, the entire cost of the account is classified as bad debt and/or charity and any payments received are netted against the cost of the account to determine the uncompensated costs. The cost-to-charge ratio as reported on the facility's Medicare Cost Report was used to compute the Medicare allowable costs.

Form and Line Reference	Explanation
Part III, Line 9b	The hospital provides care to patients who meet specific criteria, defined by its charity care policy, without charge or at amounts less than the rates approved by the West Virginia Health Care Authority. Because the hospital does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue.

Form and Line Reference	Explanation
Part VI, Line 2	SMMC takes steps to determine what the most pressing needs are in order provide services to address them The hospital regularly assesses the needs of the community Periodic needs assessments are conducted in partnership with our local health department Additionally, we monitor county, state, and national health indicators and work in partnership with service agencies in the communities we serve to meet identified needs

Form and Line Reference	Explanation
Part VI, Line 3	SMMC employs a variety of methods to reach patients with information about financial assistance, including * Financial assistance posters are displayed in all emergency, admitting, outpatient, and clinic areas that include a phone number to call for financial assistance counseling * Hospital departments that have initial contact with incoming inpatients and outpatients are supplied with brochures about financial assistance for distribution to patients and family members * The hospital employs trained financial assistance counselors who work individually with patients to assess financial need and recommend appropriate assistance such as application for federal and/or state programs, qualification for charity care, determination of automatic discounts and/or further reductions in charges, and setting up long-term financial arrangements

Form and Line Reference	Explanation
Part VI, Line 4	St Mary's Medical Center serves the greater Huntington, West Virginia community with a primary service area that includes Cabell, Wayne, Mason, Putnam and Lincoln counties in West Virginia and Lawrence County in Ohio. St Mary's also serves a much wider service area because of specialty medical services including advanced emergency trauma care, advanced stroke care, advanced spine care, advanced heart care, advanced cancer care, and advanced orthopedic care. That secondary service area includes Logan and Mingo counties in West Virginia, as well as Boyd, Greenup, Carter, Lawrence, Johnson, Floyd and Pike Counties in Kentucky and Scioto and Gallia Counties in Ohio. Competitors within our primary service area are Cabell Huntington Hospital (Cabell County) and CAMC Teays Valley (Putnam County). The most recent statistics from the U.S. Census Bureau show that the high school graduation rate (age 25+) for Huntington is 86.0%. The percentage of Huntington residents living below the Federal poverty level is 30.3%. Cabell County birth rates for 15 to 19 year-olds is 48.3 per 1000 females.

Form and Line Reference	Explanation
Part VI, Line 5	St Mary's operates an emergency room that is open to all persons regardless of ability to pay and has an open medical staff with privileges available to all qualified physicians in the area. The board of directors represents medical and business professionals, as well as sisters from the Pallottine Missionary Sisters. All provide hours of service in support of our hospital. They are deeply involved in our needs assessment process, building programs and services, and community outreach to ensure that people know about services available to them through our hospital. St Mary's engages in medical and scientific research programs, engages in the training and education of health care professionals: physicians, nurses, medical imaging techs, respiratory techs, and chaplains, and participates in Medicare, Medicaid, and other government-sponsored health care programs. St Mary's adheres to community benefit guidelines outlined in the Catholic Health Association's publication, "A Guide for Planning and Reporting Community Benefit." Community benefit work is driven by community health needs and directed in collaboration with other health care organizations and the broader community. Community benefit strategies are integrated in the organizational strategic plan. Programs are located throughout the organization, and staff and board education is conducted. Dedicated staff is committed to community benefit efforts. The St Mary's Foundation is a non-profit organization that provides grant writing and fundraising for both medical center programs and for community benefit programs that reach both the poor and the broader community. Operations of the Foundation are governed by a separate Foundation board with voluntary memberships from the local community. When St Mary's has excess revenue over operating expenses, we use those funds to obtain current health care technologies and equipment, improve patient care, provide medical training education and research, and to expand access to points of care. These investments ensure that we will be here to care for future generations.

Form and Line Reference	Explanation
Part VI, Line 6	St Mary's Medical Center is a not-for-profit health care facility wholly sponsored by Pallottine Health Services, Inc (PHS) Pallottine Health Services is a ministry of the Pallottine Missionary Sisters and includes both St Joseph Hospital of Buckhannon, West Virginia and St Mary's Medical Center of Huntington, West Virginia Both of these hospitals are committed to the core values of compassion, hospitality, reverence, interdependence, stewardship, and trust

Form and Line Reference	Explanation
Part VI, Line 7, Reports Filed With States	WV

Additional Data

Software ID:

Software Version:

EIN: 55-0357050

Name: St Mary's Medical Center

990 Schedule H, Supplemental Information

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.	
Form and Line Reference	Explanation
Part V, Section A	
St Mary's Medical Center	Part V, Section B, Line 3 In conducting the Community Health Needs Assessment for St Mary's Medical Ctr , the medical center took into account input from representatives of the community served by the medical center, including those with special knowledge of or expertise in public health The CHNA was done in collaboration with Cabell Huntington Hospital and the local health department of the service areas identified A third party specialist, the Center for Entrepreneurial Studies and Development, Inc located in Morgantown, WV was engaged to assist in the planning and development process SMMC established a core planning team consisting of representative members of the medical center management Director of Provider Relations, VP of Mission Integration, Sr VP & COO, VP of Support Services, Planning & Development and the VP of Finance & CFO
St Mary's Medical Center	Part V, Section B, Line 4 Cabell-Huntington Health DepartmentWayne County Health DepartmentLincoln County Health DepartmentCabell Huntington Hospital
St Mary's Medical Center	Part V, Section B, Line 7 The SMMC action plan focused upon three overarching goals building a network of collaboration, enhancing education and awareness activities, and tailoring interventions for specific demographic groups with an emphasis on senior awareness Each priority was evaluated to determine if SMMC currently was addressing that need, able to adapt current programs or develop new programs to meet the need, provide an agency that is currently addressing the needed financial support, or if there were insufficient resources (financial or personal) to address the need without collaboration with other agencies Priorities that were deemed to be outside the scope of SMMC and addressed by other resources in the community were not included in the action plan
St Mary's Medical Center	Part V, Section B, Line 20d The maximum amount that a FAP entitled and eligible guarantor would be billed is 64% of gross charges, calculated as a 20% discount applied to every uninsured account (regardless of FAP eligibility) and a minimum of an additional 20% discount of the remaining balance based on family income at 180% - 200% of the FPG

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
St Mary's Medical Center

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
55-0357050

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
See Additional Data Table							

2

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

12

3

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

1

Part III

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

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

Part IV

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

Return Reference	Explanation
Part I, Line 2	To ensure proper use of funds, the requesting organization is required to document the use of the grant monies. When a request for funds is received and has been approved, the funds are either authorized for use or disbursed to the requesting organization.

Additional Data

Software ID:
Software Version:
EIN: 55-0357050
Name: St Mary's Medical Center

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
American Heart Association 162 Court St Charleston, WV 25301	13-5613797	501(c)(3)	40,000				For general operations of the Association in furtherance of their mission to reduce heart disease

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
Huntington Museum of Art 2033 McCoy Road Huntington, WV 25701	53-0372921	501(c)(3)	15,150				For general operations of the Museum

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
Rahall Transportation Institute Foundation PO Box 5425 Huntington, WV 25703	55-0683361	501(c)(3)	10,000				To help promote transportation safety

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
Huntington Area Development Council 916 Fifth Ave Huntington, WV 25701	55-0714570	501(c)(3)	18,750				To promote job creation

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
Huntington Regional Chamber of Commerce PO Box 1509 Huntington, WV 25716	55-0199470	501(c)(6)	10,000				To support economic development in the County

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
Marshall Artist Series (Marshall Foundation) One John Marshall Drive Huntington, WV 25701	55-6011111	501(c)(3)	16,800				To support arts in Huntington, WV

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
United Way of the River Cities 820 Madison Ave Huntington, WV 25704	55-0384704	501(c)(3)	5,500				To support community development

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
Ebenezer Community Outreach 1448 Tenth Ave Huntington, WV 25701	55-0745033	501(c)(3)	65,250				To support community pharmacy

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
WV Senior Sports Classic 22 Capitol Street Charleston, WV 25301	55-0731521	501(c)(3)	10,000				To sponsor sporting events

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
St Mary's Medical Center Foundation 2900 First Avenue Huntington, WV 25702	14-1887211	501(c)(3)	11,250				To provide general support of the Foundation's mission,

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
Cabell Midland High School 2300 Route 60 East Ona, WV 25545	55-6000306	Public School	10,000				Sponsor to support school activities

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
Healthy TriState Organization Inc PO Box 6544 Huntington, WV 25772	46-1603203	501(c)(3)	25,000				To provide general support of the Organization's mission

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
Marshall University Foundation One John Marshall Drive Huntington, WV 25755	55-6011111	501(c)(3)	25,000				For general support of the Organization's mission

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
St Mary's Medical Center

Employer identification number
55-0357050

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		No
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?		No
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?		No
b Participate in, or receive payment from, a supplemental nonqualified retirement plan?		No
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		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?		No
b Any related organization? If "Yes," to line 5a or 5b, describe in Part III		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?		No
b Any related organization? If "Yes," to line 6a or 6b, describe in Part III		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		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		No
9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?		

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	Michael Sellards, the CEO, is entitled to reimbursement for reasonable travel expense for his spouse to accompany him to three educational meetings per year, one of which being the West Virginia Hospital Association annual meeting

Additional Data

Software ID:
Software Version:
EIN: 55-0357050
Name: St Mary's Medical Center

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
Michael G Sellards President & CEO, SMMC & Pa	(i) (ii)	0 637,500	0 137,324	0 177,056	0 7,650	0 16,403	0 975,933	0 0
Todd Campbell Sr Vice-Pres/COO	(i) (ii)	0 391,925	0 58,219	0 59,062	0 7,650	0 22,733	0 539,589	0 0
Angela D Swearingen VP-Finance/CFO	(i) (ii)	0 305,930	0 49,296	0 467	0 7,650	0 22,733	0 386,076	0 0
Vera Rose MD Vice- President	(i) (ii)	272,346 0	0 0	0 0	7,800 0	23,632 0	303,778 0	0 0
Susan Beth Robinson Vice-President	(i) (ii)	213,126 0	21,497 0	0 0	7,039 0	23,549 0	265,211 0	0 0
Timothy Parnell Vice- President	(i) (ii)	197,176 0	19,714 0	0 0	6,507 0	23,510 0	246,907 0	0 0
Elizabeth Bosley Vice- President	(i) (ii)	179,559 0	17,893 0	0 0	5,924 0	23,467 0	226,843 0	0 0
Ernest Taylor Vice President	(i) (ii)	326,080 0	49,074 0	0 0	7,800 0	17,473 0	400,427 0	0 0
Sonya Arthur Pharmacist	(i) (ii)	142,014 0	3,762 0	0 0	4,373 0	23,354 0	173,503 0	0 0
Rita Barker Director, Materials Mgmt	(i) (ii)	156,719 0	6,869 0	0 0	4,908 0	17,008 0	185,504 0	0 0
Jeffrey Hamrick Pharmacist	(i) (ii)	146,278 0	0 0	0 0	4,388 0	23,355 0	174,021 0	0 0
David DeLimp Pharmacist	(i) (ii)	144,310 0	0 0	0 0	4,329 0	16,965 0	165,604 0	0 0
David Sheils President of Foundation	(i) (ii)	139,570 0	15,659 0	0 0	4,657 0	23,375 0	183,261 0	0 0

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.**

2013

**Open to Public
Inspection**

Name of the organization
St Mary's Medical Center

Employer identification number

55-0357050

Return Reference	Explanation
Form 990, Part VI, Section A, line 3	The organization utilizes an outside contractor that supplies a director over the organization's IT staff. The director manages the two IT managers (employees of the organization), who in-turn manage the rest of the IT staff. The director is responsible for completing evaluations for the two managers and then signs off on the evaluations of their staff, which includes the rest of the IT staff. The outside contractor does not have the ability to hire or fire an employee without the approval of the CFO (as would other Directors who are SMMC employees).

Return Reference	Explanation
Form 990, Part VI, Section A, line 6	The organization is a membership (not a stock) corporation under West Virginia state law. The organization's sole corporate member is Pallottine Health Services, a related not-for-profit organization.

Return Reference	Explanation
Form 990, Part VI, Section A, line 7a	In accordance with the terms and requirements of its governing documents (i.e. bylaws), on an annual basis, the organization's current board members recommend the list of candidates for membership to the governing body for the subsequent term to the St. Mary's Medical Center board of directors. The board of directors approve and elect these candidates to serve as the organization's board of directors.

Return Reference	Explanation
Form 990, Part VI, Section A, line 7b	Pallottine Health Services, as the sole corporate member, also has the right to approve or ratify significant decisions of the organization's governing body including the amendment of bylaws and charters, removal of members of the governing body, and the decision to dissolve the organization

Return Reference	Explanation
Form 990, Part VI, Section B, line 11	The Form 990 is review ed by the organization's management in consultation with an independent accounting firm. The financial review is based on the organization's audited financial statements for the relevant time period. Before the Form 990 is filed with the IRS, representatives of the organization's board of directors review the Form 990.

Return Reference	Explanation
Form 990, Part VI, Section B, line 12c	Upon employment and annually thereafter each key employee and officer of the organization is required to complete a conflict of interest and disclosure form, providing sufficient information about his/her personal interests and relationships so the organization can (1) determine whether any potential or actual conflicts of interest may exist, and (2) monitor work or service assignments to avoid placing the key employee, officer or director in a position where there may be an appearance, potential or actual, of a conflict of interest or a question of objectivity. The completed conflicts of interest and disclosure forms for directors are returned to the organization. In the event that any board member is deemed to lack independence or a conflict of interest exists, he/she is required to leave the room and cannot be part of the discussion or vote.

Return Reference	Explanation
Form 990, Part VI, Section B, line 15	On a regular basis, the organization provides documentation to the compensation committee of the Pallottine Health Services, Inc. board with respect to the compensation of the organization's officers and key employees for review and approval. Such information includes comparable data from similar size tax-exempt organizations in the Huntington, West Virginia community as well as compensation for these positions (as disclosed on form 990) with other organizations in the health care industry that are of similar size, demographics, and geography. Review and approval of the compensation arrangement by the officers/executive committee is documented.

Return Reference	Explanation
Form 990, Part VI, Section C, line 19	The organization makes its governing documents, conflict of interest policy, and financial statements available to the public upon request at its office at 2900 First Avenue, Huntington, WV 25702. A nominal fee is charged if copies are requested.

Return Reference	Explanation
Form 990, Part VI, line 16b	The organization has adopted a formal written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements. However, the normal due diligence process for analyzing any such arrangements undertaken in conjunction with the organization's external legal counsel, accountants and other business advisors does include a review to determine the following: 1) the impact of the arrangement under applicable federal and state law; 2) whether the arrangement will jeopardize the organization's exempt status as a Section 501(c)(3) charitable organization - hospital; 3) whether the arrangement will result in any unrelated business taxable income; 4) the impact of the arrangement on any existing contractual agreements or other business relationships; and 5) whether the arrangement will result in any conflicts of interest. If there are any concerns with respect to any of the above matters, the organization will take appropriate steps to ensure that, if the joint venture is pursued, the arrangement will be in compliance with applicable federal and state law and to safeguard the organization's tax-exempt status. A formal written policy and procedure has been approved.

Return Reference	Explanation
Form 990, Part XI, line 9	Transfer from Affiliates 8,701,236 Change in pension fund status -3,676,314 Loss from affiliate -7,400,198

Return Reference	Explanation
Form 990, Part XII, line 2c	The procedure for oversight of the audit of financial statements has not changed from prior year

Return Reference	Explanation
Schedule K	The tax exempt bonds are reported on the Form 990s of St Joseph's Hospital of Buckhannon, Inc and St Mary's Medical Center Since the bond proceeds are issued on behalf of Pallottine Health Services, Inc , Schedule K has been reported on Pallottine Health Services, Inc Form 990

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
St Mary's Medical Center

Employer identification number
55-0357050

Part I Identification of Disregarded Entities

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

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) St Mary's Medical Management LLC 2900 First Avenue Huntington, WV 25702 20-8017790	Medical Practice	WV	-7,400,197	7,510,288	St Mary's Medical Center

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) Pallottine Health Services 2900 First Avenue Huntington, WV 25702 55-0688201	Parent Oversight	WV	501(c)(3)	Line 11a, I	N/A		No
(2) Pallottine Missionary Sisters 2900 First Avenue Huntington, WV 25702 43-1783315	Church	WV	501(c)(3)	Line 1	N/A		No
(3) St Mary's Medical Center Foundation 2900 First Avenue Huntington, WV 25702 14-1887211	Foundation	WV	501(c)(3)	Line 11b, II	St Mary's Medical Center	Yes	
(4) St Joseph's Hospital of Buckhannon One Amalia Drive Buckhannon, WV 26201 55-0356996	Hospital	WV	501(c)(3)	Line 3	Pallottine Health Services Inc		No
(5) St Joseph's Foundation of Buckhannon One Amalia Drive Buckhannon, WV 26201 55-0727650	Foundation	WV	501(c)(3)	Line 11b, II	St Joseph's Hospital of Buckhannon		No

Part III

Identification of Related Organizations Taxable as a Partnership

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) St Mary's Occupational Health Services 2900 First Avenue Huntington, WV 25702 54-2136110	Medical Services	WV	St Mary's Medical Center	Related	-43,796	-219,574		No		Yes		51 000 %
(2) Tri State MRI 2900 First Avenue Huntington, WV 25702 55-0669726	Medical Services	WV	St Mary's Medical Center	Related	-131,588	863,260		No		Yes		50 000 %
(3) Claire Frances Health Services 200 Mall Road Ste 3 Ashland, KY 41101 31-1517507	Medical Services	WV	St Mary's Medical Center	Related	5,194	692,663		No		Yes		33 330 %
(4) Huntington Area MRI Services LLC 2900 First Avenue Huntington, WV 25702 26-1877332	Medical Services	WV	St Mary's Medical Center	Related	347,444	220,640		No		Yes		49 000 %

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) Vanguard Financial Services 2900 First Avenue Huntington, WV 25702 45-0496141	Collection Agency	WV	St Mary's Medical Center	C	-256,733	836,303	100 000 %	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

Yes

1b

Yes

1c

Yes

1d

Yes

1e

No

1f

Yes

1g

No

1h

No

1i

No

1j

No

1k

No

1l

No

1m

No

1n

No

1o

Yes

1p

Yes

1q

Yes

1r

No

1s

No

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

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) Vanguard Financial Services	A	11	Internal Accounting Records
(2) Huntington Area MRI Services	F	392,000	Internal Accounting Records
(3) Huntington Area MRI Services	O	141,302	Internal Accounting Records
(4) St Mary's Occupational Health	D	86,500	Internal Accounting Records
(5) St Mary's Medical Center Foundation	O	221,504	Internal Accounting Records

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
------------------	-------------

**PALLOTTINE HEALTH SERVICES, INC.
AND SUBSIDIARIES**

***Consolidated Financial Statements
and Other Supplementary
Financial Information
September 30, 2014***

CONTENTS

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS	1 – 2
FINANCIAL STATEMENTS	
Consolidated balance sheets	3
Consolidated statements of operations and changes in net assets	4
Consolidated statements of cash flows	5
Notes to consolidated financial statements	6 - 33
INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY FINANCIAL INFORMATION	34
Pallottine Health Services, Inc and Subsidiaries	
Details of consolidation	
Details of consolidated balance sheet – 2014	35
Details of consolidated statement of operations and changes in net assets – 2014	36
Details of consolidated balance sheet – 2013	37
Details of consolidated statement of operations and changes in net assets – 2013	38
St Mary's Medical Center, Inc and Subsidiaries	
Consolidated balance sheets	39
Consolidated statements of operations and changes in net assets	40
Details of consolidation	
Details of consolidated balance sheet – 2014	41
Details of consolidated statement of operations and changes in net assets – 2014	42
Details of consolidated balance sheet – 2013	43
Details of consolidated statement of operations and changes in net assets – 2013	44
St Joseph's Hospital of Buckhannon, Inc and Subsidiary	
Consolidated balance sheets	45
Consolidated statements of operations and changes in net assets	46
Details of consolidation	
Details of consolidated balance sheet – 2014	47
Details of consolidated statement of operations and changes in net assets – 2014	48
Details of consolidated balance sheet – 2013	49
Details of consolidated statement of operations and changes in net assets – 2013	50

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Trustees
Pallottine Health Services, Inc
and Subsidiaries
Huntington, West Virginia

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Pallottine Health Services, Inc and its subsidiaries which comprise the consolidated balance sheets as of September 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 financial statements

Management's Responsibility for the 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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States 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 the entity'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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Pallottine Health Services, Inc and its subsidiaries as of September 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Annett Carlin Toothman LLP

Charleston, West Virginia
January 28, 2015

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

September 30, 2014 and 2013

ASSETS	2014	2013
Current assets:		
Cash and cash equivalents	\$ 19,283,400	\$ 27,342,637
Patient accounts receivable, net of allowance for doubtful accounts of \$55,320,000 and \$69,080,000	70,865,172	66,855,062
Other accounts receivable	11,037,831	9,421,841
Inventories	11,669,124	10,679,756
Prepaid expenses	5,027,331	4,037,561
Estimated third-party settlements	142,937	-
Current portion of assets limited as to use	3,761,667	3,671,667
Total current assets	121,787,462	122,008,524
Assets limited as to use, net of amounts required to meet current liabilities	85,259,239	80,826,187
Property and equipment, net of accumulated depreciation	161,011,247	156,895,743
Other assets	894,318	937,643
Other investments	6,237,617	6,236,546
Total assets	\$ 375,189,883	\$ 366,904,643
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 36,965,292	\$ 39,761,096
Current portion of long-term debt	4,331,242	4,892,959
Estimated third-party settlements	-	396,670
Other current liabilities	5,261,577	5,773,874
Total current liabilities	46,558,111	50,824,599
Long-term debt	85,625,226	89,961,563
Accrued pension obligation	106,658,077	101,819,717
Other liabilities	6,921,740	6,526,070
Total liabilities	245,763,154	249,131,949
Net assets:		
Unrestricted	125,499,772	114,532,080
Temporarily restricted	3,901,957	3,215,614
Permanently restricted	25,000	25,000
Total net assets	129,426,729	117,772,694
Total liabilities and net assets	\$ 375,189,883	\$ 366,904,643

See Notes to Consolidated Financial Statements

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
Years Ended September 30, 2014 and 2013

	2014	2013
Unrestricted revenues, gains, and other support		
Patient service revenues (net of contractual allowances and discounts)	\$ 447,515,737	\$ 450,276,968
Less Provision for bad debts	(28,932,998)	(40,625,506)
Net patient service revenue	418,582,739	409,651,462
Investment income	6,311,050	5,483,079
Electronic health record incentive reimbursement	5,670,224	3,878,096
Loss from partnership investments	(122,353)	(114,493)
Other	13,531,203	13,856,337
Total unrestricted revenues, gains, and other support	443,972,863	432,754,481
Expenses		
Salaries and wages	164,566,593	157,943,239
Employee benefits	58,941,926	61,264,369
Supplies	92,490,948	87,761,450
Purchased services	47,636,146	49,043,215
Plant operations	17,698,476	16,387,447
Interest	3,607,331	3,830,972
Depreciation and amortization	16,465,427	17,240,706
Provision for bad debts	1,129,846	1,566,599
Provider tax	10,348,553	11,122,352
Other	14,821,005	14,000,320
Total expenses	427,706,251	420,160,669
Excess of revenues over expenses from operations	16,266,612	12,593,812
Change in fair value of derivative obligation	(271,280)	3,147,139
Excess of revenues over expenses	15,995,332	15,740,951
Other changes in unrestricted net assets		
Net unrealized gain (loss) on investments	(634,851)	1,690,269
Change in pension plan funded status	(4,392,789)	12,246,058
Increase in unrestricted net assets	10,967,692	29,677,278
Temporarily restricted net assets:		
Contributions and investment income, net	686,343	18,637
Increase in net assets	11,654,035	29,695,915
Net assets, beginning of year	117,772,694	88,076,779
Net assets, end of year	\$ 129,426,729	\$ 117,772,694

See Notes to Consolidated Financial Statements

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended September 30, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Change in net assets	\$ 11,654,035	\$ 29,695,915
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	16,465,427	17,240,706
Provision for bad debts	28,932,998	40,625,506
Change in pension plan funded status	4,392,789	(12,246,058)
Change in fair value of derivative obligation	271,280	(3,147,139)
Net realized and unrealized (gains) losses on investments	(2,804,713)	(3,882,772)
Gain on sale of property and equipment	(459,281)	-
Equity in undistributed earnings of unconsolidated affiliates	(386,388)	(671,247)
(Increase) decrease in accounts receivable	(32,943,108)	(45,320,869)
(Increase) decrease in other receivables	(1,615,990)	(681,547)
(Increase) decrease in prepaid expenses	(989,770)	1,027,446
(Increase) decrease in inventories	(989,368)	551,561
(Increase) decrease in other assets	40,222	47,388
(Increase) decrease in estimated third-party settlements	(539,607)	5,921,377
Increase (decrease) in accounts payable and accrued	(2,795,804)	4,202,680
Increase (decrease) in accrued pension obligation	445,571	1,175,917
Increase (decrease) in other liabilities	(387,907)	(485,251)
Net cash provided by operating activities	18,290,386	34,053,613
Cash flows from investing activities		
Change in assets limited as to use, net	(1,718,339)	3,754,206
Purchases of property and equipment	(20,546,995)	(21,107,918)
Proceeds from sale of property and equipment	390,031	-
Proceeds from sale of land held for investment	475,000	-
Net cash used in investing activities	(21,400,303)	(17,353,712)
Cash flows from financing activities		
Net borrowings (payments) on notes payable	-	(1,539,138)
Repayment of long-term debt	(4,949,320)	(4,873,329)
Net cash used in financing activities	(4,949,320)	(6,412,467)
Net increase in cash and cash equivalents	(8,059,237)	10,287,434
Cash and cash equivalents, beginning of year	27,342,637	17,055,203
Cash and cash equivalents, end of year	\$ 19,283,400	\$ 27,342,637

Supplemental disclosures of cash flow information:

Cash paid for interest (net of amount capitalized) in 2014 and 2013 was approximately \$3,592,000 and \$3,837,000, respectively

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

Note 1. Description of Organization and Summary of Significant Accounting Policies

Description of organization: Pallottine Health Services, Inc (PHS) is sponsored and operated by the Pallottine Missionary Sisters, Queen of Apostles Province (Sponsor), a Missouri not-for-profit corporation, and is a not-for-profit corporation exempt from income tax pursuant to Section 501(a) of the Internal Revenue Code. PHS provides management and administrative support services to its two wholly-sponsored hospitals, St Mary's Medical Center, Inc (St Mary's) and St Joseph's Hospital of Buckhannon, Inc (St Joseph's) (the Hospitals), which are not-for-profit health care facilities.

Principles of consolidation: The consolidated financial statements include the accounts of PHS, St Mary's and its other subsidiaries (St Mary's Foundation (SMF), Vanguard Financial Services (VFS), St Mary's Medical Management (SMMM) and its wholly-owned subsidiary, St Mary's Neurosurgery (SMN), and St Mary's Occupational Health Center (SMOHC), St Joseph's and its other subsidiary (St Joseph's Foundation (SJF)). All significant intercompany amounts and transactions have been eliminated in consolidation.

Reclassifications: Certain 2013 amounts have been reclassified to conform to the 2014 presentation. Such reclassifications had no effect on the previously reported excess of revenues over expenses or change in net assets.

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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of presentation: Net assets, gains and losses are classified based on donor-imposed restrictions. Accordingly, net assets of PHS and changes therein are classified and reported as follows:

Unrestricted - Unrestricted net assets include resources over which the Board of Trustees has discretionary control.

Temporarily restricted - Temporarily restricted net assets are those resources subject to restrictions imposed by donors, which are limited to a specific time period or purpose.

Permanently restricted - Permanently restricted net assets are those resources subject to a donor-imposed restriction that they be maintained permanently by the donee or for which perpetual trusts have been established.

Cash and cash equivalents: Cash and cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less.

Patient accounts receivable: Patient accounts receivable are carried at the net realizable value less an estimate for doubtful or uncollectible accounts.

For third party receivables associated with services provided to patients who have third-party coverage, PHS analyzes contractually due amounts, and recognizes contractual reserves on those balances. These reserves are calculated in accordance with the negotiated payor contract or an estimated reserve based upon historical collection to determine collectability.

The allowance for doubtful accounts is based upon a review of the aged outstanding self-pay balances. Management also reviews troubled, aged accounts to determine collection potential and will adjust for accounts deemed uncollectible. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), PHS records a significant provision for bad debts in the period of

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts. Recoveries of accounts previously written off are recorded as a reduction to the provision for bad debt when received. Interest is not charged on patient accounts receivable.

Additionally, PHS grants an uninsured 20% discount to billed charges at time of billing. In September 30, 2014 and 2013 PHS community discount was \$4,477,362 and \$8,617,801, respectively.

PHS's allowance for doubtful accounts for self-pay patients was 84 percent and 81 percent of self-pay accounts receivable at September 30, 2014 and 2013, respectively. PHS's self-pay writeoffs decreased \$12,100,000 from approximately \$42,200,000 for the fiscal year 2013 to approximately \$30,100,000 for fiscal year 2014. PHS has not changed its charity care or uninsured discount policies during 2014. PHS does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant writeoffs from third-party payors.

Inventories: Inventories are valued at amounts approximating the lower of cost (first-in, first-out method) or market.

Assets whose use is limited: Assets whose use is limited consists of assets designated by the Board of Trustees (the Board) primarily for future capital improvements. However, the Board retains control and may, at its discretion, subsequently use the assets for other purposes. Externally designated assets include assets held on behalf of the Sponsor, as well as funds held by the bond trustee for the retirement of debt and interest costs. Amounts required to meet current liabilities have been reclassified in the balance sheets at September 30, 2014 and 2013.

Investments: Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. Investment income or loss, including realized gains and losses on the sale of investments, is included in the excess (deficiency) of revenues over expenses, unless the income or loss is restricted by donor or law, in which case the income or loss is reported as a change in temporarily restricted net assets in the statements of operations and changes in net assets. Unrealized gains and losses on investments are excluded from the excess (deficiency) of revenues over expenses.

As further explained in Note 4, PHS accounts for its investments in various healthcare related entities using the equity basis of accounting. Under this method, PHS equity in the earnings or losses of the investment is reported in PHS's statement of operations.

PHS also has investments recorded at cost. Income from dividends and distributions are recognized in the statement of operations as they are distributed. These investments are reviewed for impairment and if factors indicate a decrease in the fair value of the investment has occurred below cost an impairment adjustment is recorded.

Property and equipment: Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter of the lease term or the useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

Excess of revenues over expenses: The statements of operations include excess of revenues over expenses. Changes in unrestricted net assets that are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets and change in pension plan funded status.

Net patient service revenue: The Hospitals have agreements with third-party payors that provide for payments at amounts different from their established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity care: The Hospitals provide care to patients who meet specific criteria, defined by their charity care policies, without charge or at amounts less than their established rates, as approved by the West Virginia Health Care Authority (HCA). Because the Hospitals do not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue.

Donor restrictions: Unconditional promises to give cash and other assets to PHS and its subsidiaries are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted gifts and bequests in the accompanying financial statements.

Self-insurance health plan: PHS has a self-insurance program for employee health insurance. Payments for claims by employees are remitted to a third-party administrator to provide for the payment of actual claims and administrative fees. Estimated unpaid claims, including amounts for incurred but not reported claims, are included in accounts payable and accrued expenses.

Workers' compensation self-insurance plan: St. Mary's is self-insured with respect to their employees' workers' compensation benefits. Payments are made to a third-party administrator to provide for payments of actual claims and fees. Estimated unpaid claims, including amounts for incurred but not reported claims, are accrued based upon historical claims history and are included in accounts payable and accrued expenses. In fiscal year 2015, insurance was purchased.

Income taxes: PHS, the Hospitals and related foundations are not-for-profit corporations and have been recognized as tax-exempt pursuant to Section 501(c)(3) of the Code and applicable state statutes. VFS is a taxable entity. SMOHC, SMMM and SMN are organized as limited liability corporations. SMOHC is treated as a partnership for tax purposes. SMMM and SMN are treated as single-member LLC's for tax purposes.

Accounting principles generally accepted in the United States of America require the management of PHS to evaluate tax positions taken by PHS. Management has evaluated PHS's tax positions and concluded that PHS had maintained its tax exempt status and has taken no uncertain tax positions that require recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

PHS is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The management of PHS believes it is no longer subject to income tax examinations for years prior to the fiscal year ended September 30, 2011.

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****September 30, 2014 and 2013**

Derivative instruments and hedging activities: All derivative instruments are recorded on the balance sheets at their respective fair values. The interest rate swaps do not qualify for hedge accounting, therefore, PHS accounted for the derivative instruments as a speculative derivative instrument with the change in fair value recorded as a component of realized and unrealized losses on interest rate swap in the accompanying statements of operations in the period of change. Net settlement payments made or received during the life of the swaps are also recorded as a component of realized and unrealized losses on interest rate swaps in the accompanying statements of operations.

Subsequent events: PHS has evaluated subsequent events through January 28, 2015, the date on which the financial statements were available to be issued.

New or recent accounting pronouncements: In April 2013, the FASB issued ASU 2013-06 Not-for-Profit Entities (Topic 958) Services Received from Personnel of an Affiliate. The amendments in this Update apply to not-for-profit entities that receive services from personnel of an affiliate that directly benefit the recipient not-for-profit entity and for which the affiliate does not charge the recipient not-for-profit entity. The amendments in this Update require a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either (1) the cost recognized by the affiliate for the personnel providing that service or (2) the fair value of that service. A recipient not-for-profit entity within the scope of Topic 954, Health Care Entities, that is required to provide a performance indicator (analogous to income from continuing operations of a for-profit entity) should report as an equity transfer the increase in net assets associated with services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity and for which the affiliate does not charge the recipient not-for-profit entity, regardless of whether those services are received from personnel of a not-for-profit affiliate or any other affiliate. All recipient not-for-profit entities should report the corresponding decrease in net assets or the creation or enhancement of an asset resulting from the use of services received from personnel of an affiliate similar to how other such expenses or assets are reported. The amendments in this Update are effective prospectively for fiscal years beginning after June 15, 2014. A recipient not-for-profit entity may apply the amendments using a modified retrospective approach under which all prior periods presented upon the date of adoption should be adjusted, but no adjustment should be made to the beginning balance of net assets of the earliest period presented. Early adoption is permitted. Management of PHS does not believe that this ASU will materially affect the financial reporting.

In May 2014, the FASB issued Revenue from Contracts with Customers (Topic 606). This ASU will affect any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards such as insurance or lease contracts, and will supersede the revenue recognition requirements in Accounting Standards Codification (ASC) Topic 605, Revenue Recognition, and most industry-specific authoritative accounting guidance. In addition, this ASU will amend the existing requirements for the recognition of a gain or loss on the transfer of nonfinancial assets that are not in a contract with a customer such as assets within the scope of ASC Topic 360, Property, Plant, and Equipment, and intangible assets within the scope of ASC Topic 350, Intangibles—Goodwill and Other to be consistent with the guidance on recognition and measurement of this ASU. Under the requirements of this ASU, financial reporting entities should recognize contractual 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 ASU will require a step process for contractual revenue recognition that will require financial reporting entities to identify contractual relationships that produce revenue, identify the performance obligations within those contracts, determine contractual transaction prices of those contracts, allocate the transaction price to the performance obligations of those contracts, and to recognize revenue as the financial reporting entity satisfies the contractual performance obligations. The amendments of this ASU are effective for public entities for annual and interim reporting periods beginning after December 15, 2016, with early application not permitted. For nonpublic entities, the amendments of this ASU are effective for annual reporting periods beginning after December 15,

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

2017, and interim periods within annual periods beginning after December 15, 2018, with earlier application permitted no earlier than the effective date for public entities. Once adopted, an entity should apply the amendments of the ASU by either retrospectively applying to all period presented using practical expedients prescribed by the ASU, or retrospectively with the cumulative effect of initial application recognized at the date of initial application with disclosure of the impact that the cumulative effect would have had on individual financial statement line items for the prior periods presented before the initial application. The management of PHS has not yet concluded their evaluation of the potential effects of this new accounting and financial reporting standard update.

Note 2. Cash Concentrations

Included with cash and cash equivalents are demand deposits and short-term investments with financial institutions, the bank balances of which exceed federally insured amounts. However, management believes these financial institutions are financially sound and these concentrations do not present a significant risk to PHS and subsidiaries.

Note 3. Concentrations of Credit Risk

The Hospitals grant credit without collateral to their patients, most of who are local residents and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors at September 30, 2014 and 2013 was as follows:

	2014	2013
Medicare	22%	18%
Medicaid	15%	11%
Other third-party payors	31%	26%
Private pay	32%	45%
	<u>100%</u>	<u>100%</u>

Note 4. Investments, Assets Limited As to Use, and Subsequent Event

The composition of assets limited as to use is set forth in the following table:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Internally designated by the				
Board of Trustees:				
Cash and cash equivalents	\$ 12,306,537	\$ 12,306,537	\$ 11,591,623	\$ 11,591,623
U S government and federal agency obligations	17,053,941	16,431,193	14,619,044	14,221,352
Corporate bonds and notes	11,293,512	11,126,461	9,036,120	8,975,005
International bonds	212,464	211,157	122,606	124,226
Marketable equity securities	32,075,163	35,905,599	33,263,868	37,255,861
Mutual funds	4,438,384	4,127,980	3,749,674	3,578,645
Interest receivable	54,931	54,931	32,706	32,706
Deferred compensation trust assets	2,977,105	2,977,105	2,419,956	2,419,956
	<u>80,412,037</u>	<u>83,140,963</u>	<u>74,835,597</u>	<u>78,199,374</u>

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Held by Trustee for project funds, debt service reserve funds and deposits:				
Cash and cash equivalents	<u>5,879,943</u>	<u>5,879,943</u>	<u>6,298,480</u>	<u>6,298,480</u>
Total Assets Limited as to Use	<u>\$ 86,291,980</u>	<u>\$ 89,020,906</u>	<u>\$ 81,134,077</u>	<u>\$ 84,497,854</u>

Other Investments:

Other investments at September 30, 2014 and 2013, include

	2014	2013
Equity Method Investments		
Tri-State MRI (Note 12)	\$ 261,990	\$ 384,736
TSHP	(19,905)	(19,905)
Premier	508,385	681,887
CHART (Note 14)	<u>3,057,767</u>	<u>2,375,131</u>
	<u>3,808,237</u>	<u>3,421,849</u>
Investments recorded at cost		
Claire Health Services	275,000	275,000
Land held for sale	-	385,317
Health Works - PT provider	87,033	87,033
Surgical Properties	80,000	80,000
Three Gables Surgery Center (Note 12)	1,400,000	1,400,000
St Mary's Medical Center Home Health Services, LLC	562,847	562,847
Huntington Area MRI Services, LLC (Note 12)	<u>24,500</u>	<u>24,500</u>
	<u>2,429,380</u>	<u>2,814,697</u>
Total Other Investments	<u>\$ 6,237,617</u>	<u>\$ 6,236,546</u>

Ironton Medical Campus Partners, LLC

Effective December 30, 2014, SMMC became a member, purchasing a 65% interest, in Ironton Medical Campus Partners, LLC. SMMC is the non-managing member and shall have contributed or expended \$3,003,315 for this interest. The Company has been organized to acquire a fee simple interest in property and to own, maintain, lease and sell or otherwise dispose of property. Management is evaluating the accounting for this transaction.

Ironton Medical Campus Partners II, LLC

Effective December 30, 2014, SMMC became a member, purchasing a 65% interest, in Ironton Medical Campus Partners II, LLC. SMMC is the non-managing member and shall have contributed or expended \$809,054 for this interest. The Company has been organized to acquire a fee simple interest in property and to own, maintain, lease and sell or otherwise dispose of property. Management is evaluating the accounting for this transaction.

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

Investment income, including realized and unrealized gains (losses), is comprised of the following for the years ending September 30, 2014 and 2013

	2014	2013
Realized income		
Interest income and dividends	\$ 2,871,486	\$ 3,290,576
Net realized gains on sale of securities	<u>3,439,564</u>	<u>2,192,503</u>
	<u>\$ 6,311,050</u>	<u>\$ 5,483,079</u>
Other changes in unrestricted net assets		
Net change in unrealized gain (loss) on investments	<u>\$ (634,851)</u>	<u>\$ 1,690,269</u>

Included in assets whose use is limited by Board action are approximately \$36 million and \$37 million of investments in marketable equity securities as of September 30, 2014 and 2013, respectively. These investments, made pursuant to a Board-approved investment plan, are in various industries. As of September 30, 2014, no individual industry comprised more than 10% of total investments.

PHS does not require collateral to secure its investments.

PHS continually reviews non-trading investments for impairment conditions that indicate that an other-than-temporary decline in market value has occurred. In conducting this review, numerous factors are considered which, individually or in combination, indicate that a decline is other-than-temporary and that a reduction of the carrying value is required. These factors include specific information pertaining to an individual company or a particular industry and general market conditions that reflect prospects for the economy as a whole. Based on this review, PHS did not recognize an other-than-temporary loss during the years ended September 30, 2014 and 2013.

Note 5. Property and Equipment

Property and equipment consist of the following at September 30, 2014 and 2013

	2014	2013
Land and land improvements	\$ 11,275,039	\$ 11,275,039
Buildings and fixed equipment	201,090,629	196,855,504
Equipment	<u>242,102,776</u>	<u>219,532,537</u>
	454,468,444	427,663,080
Less accumulated depreciation and amortization	<u>(296,043,918)</u>	<u>(280,364,426)</u>
	158,424,526	147,298,654
Construction in progress	<u>2,586,721</u>	<u>9,597,089</u>
	<u>\$ 161,011,247</u>	<u>\$ 156,895,743</u>

Estimated cost to complete construction projects as of September 30, 2014 was approximately \$3.7 million. During 2014 and 2013, no interest expense was capitalized related to these construction projects.

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

Note 6. Notes Payable

PHS maintains a margin account (revolving line of credit) with a national investment banking firm which allows them to borrow against the value of investments held in trust by the firm for the benefit of PHS. PHS had no outstanding borrowings against the investments at September 30, 2014 and 2013.

Note 7. Long-Term Debt

Long-term debt consists of the following at September 30, 2014 and 2013

	2014	2013
Variable Rate Demand Revenue and Refunding Bonds, 2003 Series A-1 Bonds Due in annual installments ranging from \$1,445,000 to \$3,120,000 through 2033 plus monthly interest at a variable rate, 0 14% at September 30, 2014	\$ 47,235,732	\$ 48,915,732
Variable Rate Demand Revenue Bonds, 2006 Series A Due in annual installments ranging from \$690,000 to \$1,925,000 through 2036 plus monthly interest at a variable rate, 0 14% at September 30, 2014	30,460,000	31,285,000
Variable Rate Demand Revenue Bonds, 2009 Series A Due in monthly installments of \$97,222 through 2016, plus monthly interest at the 30-day LIBOR rate, 2 518% at September 30, 2014	11,375,001	12,541,667
Note payable, financing company, due in monthly installments of \$30,705 through 2015 including variable interest of 0 65% at September 30, 2014, secured by related equipment	92,096	460,205
Note payable, financing company, due in monthly installments of \$6,610 through 2015 including variable interest of 0 65% at September 30, 2014, secured by related equipment	13,218	92,457
Note payable, individual, due in monthly installments of \$4,100 through 2017 including interest of 4 25%, secured by related equipment	130,273	172,948
Notes payable, related party, due in monthly installments of \$15,974 through 2015 including interest at 3 0%, unsecured (Note 12)	225,425	369,251
Obligations under capital leases, secured by related equipment	424,723	1,017,262
	89,956,468	94,854,522
Less current portion	4,331,242	4,892,959
	<u>\$ 85,625,226</u>	<u>\$ 89,961,563</u>

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

Aggregate maturities of long-term obligations are as follows

Year Ending September 30,	Long-Term Debt	Capital Lease Obligations
2015	\$ 4,069,134	\$ 281,353
2016	13,012,011	145,564
2017	2,794,868	24,571
2018	2,865,000	-
2019	2,955,000	-
Thereafter	63,835,732	-
	<u>\$ 89,531,745</u>	<u>451,488</u>
Less amount representing interest under capital lease obligations		<u>26,765</u>
Total		<u>\$ 424,723</u>

Series 2003 Variable Rate Demand Revenue and Refunding Bonds:

On December 18, 2003, the West Virginia Hospital Finance Authority issued its \$61,000,000 Variable Rate Demand Revenue and Refunding Revenue Bonds, 2003 Series A-1 (the "2003 Series A-1") PHS, St Mary's Medical Center and St Joseph's Hospital (the "Obligated Group") then entered into a loan agreement with the West Virginia Hospital Finance Authority, which loaned the proceeds of the bond issue to the Obligated Group. The proceeds of the 2003 bonds were used to advance refund the Series 1987 Hospital Revenue Bonds and to establish project funds for the Hospitals' renovation and expansion. The Obligated Group has a Letter of Credit Reimbursement Agreement with Fifth Third Bank (Fifth Third). Fifth Third is paid an annual fee for the letter of credit equal to 2.0% of the amount of the outstanding letter of credit. The stated expiration date of the Letter of Credit is June 30, 2015. The 2003 Series A-1 Bonds were issued at a variable interest rate that fluctuates on a weekly basis. Under the terms of the Reimbursement Agreement, the 2003 Series A-1 Bonds are scheduled to be repaid on October 1 annually and maturing on October 1, 2033.

Pursuant to the Reimbursement Agreement, the Obligated Group has pledged certain collateral including all revenues and accounts receivable.

Under the terms of the 2003 Series A-1 bond indentures, the Obligated Group is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use in the accompanying balance sheets. The revenue note indenture also places limits on the incurrence of additional borrowings and requires that the Obligated Group satisfy certain measures of financial performance as long as the notes are outstanding. The Obligated Group is also required to maintain insurance and certain financial covenants. The Obligated Group was in compliance with these requirements as of September 30, 2014.

Series 2006 Variable Rate Demand Revenue Bonds:

On April 1, 2006, the West Virginia Hospital Finance Authority issued its \$35,000,000 Variable Rate Demand Revenue Bonds, 2006 Series A (the "2006 Series A") PHS, St Mary's Medical Center and St Joseph's Hospital (the "Obligated Group") then entered into a loan agreement with the West Virginia Hospital Finance Authority, which loaned the proceeds of the bond issue to the Obligated Group. The proceeds of the 2006 bonds were used to establish project funds for the Hospitals' renovation and expansion. The Obligated Group has a Reimbursement Agreement with Fifth Third under which the Obligated Group agreed to reimburse Fifth Third for draws under its letter of credit, which will be drawn periodically to repay the 2006 Series A Bonds. Fifth Third is paid an annual fee for the letter of credit equal to 2.0% of the amount of the outstanding letter of credit. The stated expiration date of the Letter of Credit is June 30, 2015. The 2006 Series A Bonds were issued at a variable interest rate that fluctuates on a weekly basis. Under the terms of the Reimbursement Agreement, the 2006 Series A Bonds are scheduled to be repaid on October 1 annually and maturing on October 1, 2036.

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2014 and 2013

Pursuant to the Reimbursement Agreement, the Obligated Group has pledged certain collateral including all revenues and accounts receivable

Under the terms of the 2006 Series A bond indentures, the Obligated Group is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use in the accompanying balance sheets. The revenue note indenture also places limits on the incurrence of additional borrowings and requires that the Obligated Group satisfy certain measures of financial performance as long as the notes are outstanding. The Obligated Group is also required to maintain insurance and certain financial covenants. The Obligated Group was in compliance with these requirements as of September 30, 2014.

Series 2009 Variable Rate Demand Revenue Bonds: On June 1, 2009, the West Virginia Hospital Finance Authority issued \$17,500,000 Variable Rate Demand Revenue Bonds, 2009 Series A (the "2009 Series A"). PHS, St. Mary's Medical Center, and St. Joseph's Hospital (the "Obligated Group") then entered into a loan agreement with the West Virginia Hospital Finance Authority, which loaned the proceeds of the bond issue to the Obligated Group. The proceeds of the 2009 bonds were used to fund the Hospital's renovation and expansion. Coincident with the issuance of the 2009 Series A Bonds, the Obligated Group entered into a Loan Agreement with a local bank. The 2009 Series A Bonds were issued at a variable interest rate based on the 30-day LIBOR. Under the terms of the Loan Agreement, the 2009 Series A Bonds are scheduled to be repaid monthly and mature in June 2016.

Pursuant to the Loan Agreement, the Obligated Group has pledged certain collateral including all revenues and accounts receivable.

Under the terms of the 2009 Series A bond indentures, the Obligated Group is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use in the accompanying balance sheets. The revenue note indenture also places limits on the incurrence of additional borrowings and requires that the Obligated Group satisfy certain measures of financial performance as long as the notes are outstanding. The Obligated Group is also required to maintain insurance and certain financial covenants. The Obligated Group was in compliance with these requirements as of September 30, 2014.

Note 8. Operating Lease Commitments

The Hospitals lease certain equipment under non-cancelable operating leases. The following is a schedule of future minimum lease payments required under the leases:

2015	\$ 2,280,253
2016	1,919,282
2017	1,156,062
2018	733,935
2019	618,521
Thereafter	<u>9,756,100</u>
	<u>\$ 16,464,153</u>

Total expense for operating leases, including those with terms of one year or less, was approximately \$4.0 million and \$3.4 million in 2014 and 2013, respectively, and is included in other expenses in the consolidated statements of operations and changes in net assets.

In June 2012, St. Mary's entered into an operating lease with the Ironton-Lawrence County Area Community Action Organization for the lease of the St. Mary's Medical Campus in Ironton, Ohio, a free standing emergency department. The lease is for a term of twenty-five years with an option to purchase after the first seven years at an amount equal to St. Mary's proportionate share of the remaining debt service applicable to the funding and creation of the facility. St. Mary's proportionate share is based upon their share of the leased premises (61% base year). The base rent is \$551,717 per year. In addition to the

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

base rent, St Mary's will be charged additional rent based upon St Mary's proportionate share times estimated operating expenses

Note 9. Interest Rate Risk Management

The Obligated Group uses variable-rate debt to finance its capital needs. The debt obligations expose the Obligated Group to variability in interest payments due to changes in interest rates. Conversely, fixed rate debt obligations can be more expensive in times of declining interest rates. Management believes it is prudent to monitor and manage its cost of capital on a regular basis. To meet this objective, management, from time to time, enters into interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk.

The Obligated Group has interest-rate related derivative instruments to manage the exposure on its debt instruments. The Obligated Group does not enter into derivative instruments for any purpose other than cash flow hedging purposes related to its debt.

By using derivative financial instruments to hedge exposures to changes in interest rates, the Obligated Group exposes themselves to credit risk and market risk. Credit risk is the failure of the counter-party to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counter-party owes the Obligated Group, which creates credit risk for the Obligated Group. When the fair value of a derivative contract is negative, the Obligated Group owes the counter-party and, therefore, it does not possess credit risk. The Obligated Group minimizes the credit risk in derivative instruments by entering into transactions with high-quality counter-parties.

Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rates is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

In January 2004, the Obligated Group entered into an interest rate swap agreement in the notional amount of \$30 million related to the Series 2003 Bonds (Note 7). The purpose of the swap was to convert the Obligated Group variable rate cash flow exposure on the debt obligations to fixed-rate cash flows. Under the terms of the interest rate swap, the Obligated Group receives a variable interest rate payment (based on the Bond Rate, or if certain triggering events occur, an alternative floating rate which is the Bond Market Association Municipal swap index or 67% of 1 month LIBOR) in exchange for making fixed interest rate payments (3.68%) to the swap counter-party, thereby creating the equivalent of fixed-rate debt.

In April 2008, the Obligated Group entered into an interest rate swap agreement in the notional amount of \$17.5 million related to the Series 2006 Bonds (Note 7). The purpose of the swap was to convert the Obligated Group variable rate cash flow exposure on the debt obligations to fixed rate cash flows. Under the terms of the interest rate swap, the Obligated Group receives a variable interest rate payment (based on the Bond Rate, or if certain triggering events occur, an alternative floating rate which is 67% times USD-LIBOR-BBA) in exchange for making fixed interest rate payments (3.112%) to the swap counter-party, thereby creating the equivalent of fixed-rate debt.

The following table summarizes the location and amounts of the values for the Obligated Group's interest rate swap agreements:

	Liability Derivatives			
	September 30, 2014		September 30, 2013	
	Balance Sheet		Balance Sheet	
	Location	Fair Value	Location	Fair Value
Derivatives not designated as hedging instruments				
Interest rate swap agreements	Other current liabilities	<u>\$ 5,327,883</u>	Other current liabilities	<u>\$ 5,056,603</u>

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

The following table summarizes the location and amounts of derivative losses on the Obligated Group's interest rate swap agreements

Derivatives not designated as hedging instruments	Location of Gain (Loss) Recognized	Year Ended September 30,	
		2014	2013
Interest rate swap agreements	Change in fair value of derivative obligation	\$ (271,280)	\$ 3,147,139

For the years ended September 30, 2014 and 2013, management obtained a valuation of the interest rate swap agreements in accordance with applicable accounting guidance from an independent analyst. The goal is to value derivatives, such as the Obligated Group's interest rate swaps, by adjusting the mid-market valuation for a theoretical non-performance or credit risk of the Obligated Group. As of September 30, 2014 and 2013 the Obligated Group is posting no collateral. Therefore, the entire swap value is subject to the adjustment. The mid-market valuation for the liability associated with the swap agreements as of September 30, 2014 and 2013 was determined to be \$5,945,286 and \$5,538,371, respectively, and the fair value valuation considering the Obligated Group's credit rating resulted in a reduction of this amount by \$617,403 and \$481,768. Therefore, the estimated fair value of the liability associated with the swap agreements as of September 30, 2014 and 2013 was \$5,327,883 and \$5,056,603, respectively.

Note 10. Net Patient Service Revenue, Supplemental Medicaid Funding and Charity Care

Net patient service revenues consist of the following for the years ending September 30, 2014 and 2013

	2014	2013
Patient service revenues	\$ 1,113,580,625	\$1,046,447,015
Supplemental Medicaid funding	8,171,966	8,817,955
Gross patient service revenue	1,121,752,591	1,055,264,970
Less provisions for		
Contractual and other adjustments	660,855,398	588,359,006
Charity care (charges foregone based on established rates)	13,381,456	16,628,996
Bad debts	28,932,998	40,625,506
Net patient service revenues	\$ 418,582,739	\$ 409,651,462

Supplemental Medicaid Funding: In 2012, the Federal Department of Health and Human Services, Centers for Medicare and Medicaid Services approved a State of West Virginia Medicaid Plan Amendment. The Plan Amendment provides for supplemental Medicaid payments to qualifying hospitals. These supplemental payments are made for medical services provided to Medicaid recipients. The program is limited to state fiscal years 2013 through 2015.

The supplemental payment methodology also implements a provider tax as an expansion of the health care provider tax. The revenues produced are used as the state contribution toward drawing down additional federal matching dollars for Medicaid to enhance current hospital payment rates under a Upper Payment Limit (UPL) program. In addition to the current tax of 2.5% currently imposed on providers of inpatient and outpatient hospital services, there is an additional tax of eighty-eight one hundredths of one percent (0.88%) on the gross receipts. The tax was reduced to 0.45% for the state fiscal year 2014. Amounts charged to expense for the additional tax imposed amounted to \$1,855,023 and \$2,916,720 for the years ended September 30, 2014 and 2013, respectively. This additional expense is included within provider tax expense in the accompanying consolidated statements of operations.

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

The Hospital's recorded revenue totaling \$8,171,966 and \$8,817,955 for the supplemental Medicaid payments for the years ended September 30, 2014 and 2013, respectively, and is recorded as an increase to net patient service revenue. Of this amount, \$1,123,308 had not been received as of September 30, 2014 and therefore is included within other accounts receivable in the accompanying consolidated balance sheets at September 30, 2014.

PHS recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, PHS recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of PHS's uninsured patients will be unable or unwilling to pay for the services provided. Thus PHS records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized during the years ended September 30, 2014 and 2013 from these major payor sources, is as follows:

	Third-Party Payors	Self-Pay	Total All Payors
2014			
Patient service revenue (net of contractual allowances and discounts)	<u>\$ 423,677,221</u>	<u>\$ 23,838,516</u>	<u>\$ 447,515,737</u>
2013	Third-Party Payors	Self-Pay	Total All Payors
Patient service revenue (net of contractual allowances and discounts)	<u>\$ 408,738,704</u>	<u>\$ 41,538,264</u>	<u>\$ 450,276,968</u>

The Hospitals have agreements with third-party payors that provide for payments to the Hospitals at amounts different from their established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospitals' billings at established rates for services and amounts reimbursed by third-party payors. The following summarizes the significant payment arrangements with major third-party payors:

- **Medicare**

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient psychiatric services are paid on a cost reimbursement methodology subject to certain limitations. Outpatient services are paid primarily based on prospectively determined payment classifications. Home health services are generally paid based on 60-day episodes of care, with payment scaled for level of service provided. Skilled nursing care services are paid on a prospective methodology based on patient classification. St. Mary's and St. Joseph's receive additional reimbursement for "disproportionate share," based on the level of Medicaid and Supplementary Security Income (SSI) patients it serves. St. Mary's also receives payments for direct and indirect medical education from the Medicare program.

Certain inpatient costs and outpatient services are reimbursed on tentative rates, with final settlement determined after submission of an annual cost report by the Hospitals and audit thereof by the Medicare fiscal intermediary. The Hospitals' classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a Medicare peer review organization.

On April 2, 2014, St. Joseph's became a Critical Access Hospital and inpatient services and most outpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology (101% of cost). Other outpatient services are paid based on fee schedules.

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

- **Medicaid**

Payments for inpatient acute care services rendered to Medicaid program beneficiaries are based primarily upon a prospectively determined rate per discharge based on primary diagnosis. Outpatient services are reimbursed based on a predetermined fee schedule. Payment for inpatient behavioral health services are reimbursed at an interim rate, which is currently ninety-five percent of charges, and are subject to year-end cost based settlement.

Effective April 2, 2014, St. Joseph's inpatient and most outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology (100% of cost).

- **Medicaid Disproportionate Share Enhancement Program**

Under the West Virginia Medicaid Disproportionate Share Enhancement Program, funds designated by the West Virginia Legislature for disproportionate share hospitals are distributed based on, among other things, each particular hospital's Medicaid inpatient activity and total operating expenses compared to other hospitals in the State. This reimbursement, approximating \$1,548,000 and \$742,000 for the years ending September 30, 2014 and 2013, respectively, has been included in net patient service revenue in the accompanying consolidated statements of operations. Funds received from this program are subject to retroactive settlement.

Funds received from this program have been audited through 2010 resulting in no settlements. For 2011 and future years settlements could occur. The laws and regulations governing the DSH settlement process are complex, involving statistical data from all participating hospitals, and subject to interpretation. Accordingly, the Hospital is not able to estimate the possible losses that could arise upon completion of the DSH settlement process in future years. The ultimate resolution of the settlement process could materially impact the Hospital's future results of operations or cash flows in a particular period.

- **Health Care Authority (HCA)**

The HCA is empowered, by provisions of the West Virginia Code, to regulate the Hospitals' gross patient revenue from nongovernmental payors and to evaluate health care entity financial performance. This is accomplished by issuing rate orders, based on the Hospitals' budgets and rate schedules, and evaluating performance and compliance reports submitted by the Hospitals on a periodic basis. Addition and deletion of services is also regulated by HCA under certain circumstances.

The Hospitals also have entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Revenue from the Medicare and Medicaid programs accounted for approximately 54 percent and 18 percent, respectively, of the Hospitals' gross patient revenue for the year ended September 30, 2014 and 52 percent and 13 percent, respectively, of the Hospitals' gross patient revenue for the year ended September 30, 2013. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2014 and 2013 net patient service revenue decreased approximately \$1,230,000 and \$301,000, respectively, due to prior year retroactive adjustments in excess of amounts previously estimated.

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

Charity Care: PHS provides charity care to patients who are financially unable to pay for the health care services they receive. PHS's policy is not to pursue collection of amounts determined to qualify as charity care if the patient has an adjusted income equal to or below 100% of the Federal Poverty Income levels. A sliding scale discount is available for patients who meet the guidelines prescribed in the policy. Accordingly, PHS does not report these amounts in the net revenues or in the allowance for doubtful accounts. Of PHS's \$427,709,097 of total expenses reported for the year ended September 30, 2014, an estimated \$5,100,000 arose from providing services to qualifying charity care patients. For the year ended September 30, 2013, PHS reported total expenses of \$420,160,669, for which an estimated \$6,600,000 arose from providing services to qualifying charity care patients. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on PHS's total expenses divided by gross patient service revenue.

Note 11. Pension Plans**St. Mary's Defined Contribution Plan**

St. Mary's has a defined contribution 403(b) retirement plan covering substantially all of their employees. The plan, which became effective January 1, 2011, has two components consisting of a salary reduction portion and a discretionary contribution portion. The salary reduction component allows eligible employees to contribute, as a salary deferral, to the plan. The discretionary contribution portion of the plan allows for additional contributions of eligible wages subject to certain limitations and restrictions. Total expense relating to this plan was \$3,338,247 and \$3,430,432 for the years ended September 30, 2014 and 2013, respectively.

St. Mary's Defined Benefit Plan

St. Mary's sponsors a noncontributory, defined-benefit plan covering substantially all eligible lay employees of St. Mary's and PHS. Pension benefits to participating employees are based on years of credited service and annual wages. St. Mary's provides funding sufficient to meet minimum funding requirements under applicable federal laws.

Effective August 1, 2010, the plan was amended to freeze future benefit accruals and to provide enhanced benefits through a voluntary early retirement program.

PHS maintains an investment policy with regard to its pension plan assets. The investment policy has been formulated by the Board of Directors based upon consideration of a wide range of policies and describes the prudent investment processes deemed appropriate for PHS to engage. It sets forth an investment structure for managing all plan assets, states the Board's expectations and objectives, and establishes criteria to monitor and evaluate performance. PHS has established investment objectives and goals including the preservation of capital with an emphasis of consistent investment performance. Short-term volatility will be tolerated inasmuch as it is consistent with the volatility of comparable market indices.

The following tables set forth the plan's funded status and amounts recognized in the financial statements.

	2014	2013
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 192,454,403	\$ 196,199,786
Service cost	-	-
Interest cost	8,990,166	8,696,304
Actuarial (gain) loss	7,057,175	(7,341,789)
Benefits paid	(5,368,504)	(5,099,898)
Benefit obligation at end of year	203,133,240	192,454,403

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

	2014	2013
Change in plan assets		
Fair value in plan assets at beginning of year	97,755,716	91,913,604
Actual return on plan assets (net of expenses)	9,446,028	7,942,010
Employer contributions	3,000,000	3,000,000
Benefits paid	(5,368,504)	(5,099,898)
Fair value in plan assets at end of year	104,833,240	97,755,716
Funded status at end of year	\$ (98,300,000)	\$ (94,698,687)
Amounts recognized in balance sheet consist of		
Noncurrent liabilities	\$ (98,300,000)	\$ (94,698,687)
Cumulative amounts recognized in other changes in net assets consist of		
Net actuarial loss	\$ 68,989,201	\$ 65,312,887
	\$ 68,989,201	\$ 65,312,887
Components of net periodic pension cost		
Interest cost	\$ 8,990,166	\$ 8,696,304
Expected return on plan assets	(7,454,955)	(7,020,027)
Recognized loss	1,390,086	1,639,522
Net periodic benefit cost	\$ 2,925,297	\$ 3,315,799
Estimated amounts expected to be amortized from net assets over next fiscal year		
Net loss	\$ 1,499,193	\$ 1,390,086

	2014	2013
Weighted average assumptions used to determine benefit obligations at September 30		
Discount rate	4.50%	4 75%
Rate of compensation increases	N/A	N/A
Weighted average assumptions used to determine net periodic pension cost for the years ending September 30		
Discount rate	4.50%	4 75%
Expected return on plan assets	7.75%	7 75%
Rate of compensation increases	N/A	N/A

The basis for determining the overall expected long-term rate of return on assets has been based on the assumption that future real returns will approximate the historic long-term rates of return experienced for each asset class in the investment policy statement. Based on this analysis, it was determined that the long-term rate of return as of September 30, 2014 should be consistently applied.

Following is the Plan's asset allocation and expected future cash flows at September 30, 2014

	Target Allocations	Percentage of Plan Assets
Plan assets		
Equity securities	56%	53%
Fixed income and cash and cash equivalents	44%	47%
Total	100%	100%
Expected contributions for fiscal 2015		\$ 3,000,000

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

Estimated future benefit payments reflecting expected future service

2015	\$	6,344,038
2016	\$	6,879,607
2017	\$	7,357,433
2018	\$	7,888,450
2019	\$	8,357,953
2020 to 2024	\$	52,344,617

The following tables set forth by level with the fair value hierarchy, pension plan assets of St Mary's at their fair values as of September 30, 2014 and 2013

	2014 Fair Value Measurements Using				Total at September 30, 2014
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Plan Assets					
Cash equivalents	\$ 16,785,771	\$ -	\$ -		\$ 16,785,771
Corporate stocks					
Consumer Discretionary	8,132,749	-	-		8,132,749
Consumer Staples	2,179,824	-	-		2,179,824
Energy	4,085,024	-	-		4,085,024
Financials	7,968,977	-	-		7,968,977
Healthcare	6,492,963	-	-		6,492,963
Industrials	4,597,430	-	-		4,597,430
Information Technology	10,093,882	-	-		10,093,882
Materials	1,564,724	-	-		1,564,724
Other	9,365,724	-	-		9,365,724
Telecommunication Services	2,497,676	-	-		2,497,676
Utilities	791,212	-	-		791,212
Corporate bonds					
A1/A	-	75,050	-		75,050
A1/A-	-	163,752	-		163,752
A1/A+	-	30,661	-		30,661
A1/AA+	-	349,884	-		349,884
AA1/AA+	-	59,875	-		59,875
A2/A+	-	463,432	-		463,432
A2/A	-	662,253	-		662,253
A2/A-	-	765,124	-		765,124
A3/A	-	813,941	-		813,941
A3/A-	-	631,222	-		631,222
AA1/AA	-	35,148	-		35,148
AA3/AA-	-	276,986	-		276,986
AA3/AA+	-	60,260	-		60,260
AAA	-	253,811	-		253,811
AAA/AAA	-	66,813	-		66,813
BAA1/A	-	192,413	-		192,413
BAA1/A-	-	429,987	-		429,987
BAA1/BBB	-	447,138	-		447,138
BAA1/BBB+	-	2,278,731	-		2,278,731
BAA2/A-	-	564,997	-		564,997

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

	2014 Fair Value Measurements Using			Total at September 30, 2014
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
BAA2/BBB	-	2,128,367	-	2,128,367
BAA2/BBB-	-	661,318	-	661,318
BAA2/BBB+	-	673,476	-	673,476
BAA3/BBB	-	185,612	-	185,612
BAA3/BBB-	-	184,836	-	184,836
BAA3/BBB+	-	103,428	-	103,428
Government obligations				
FHLMC	-	656,392	-	656,392
FNMA	-	2,328,329	-	2,328,329
GNMA	-	8,380	-	8,380
US Treasury Notes	11,406,346	-	-	11,406,346
Mutual funds	3,319,322	-	-	3,319,322
	\$ 89,281,624	\$ 15,551,616	\$ -	\$ 104,833,240

	2013 Fair Value Measurements Using			Total at September 30, 2013
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Plan Assets				
Cash equivalents	\$ 10,009,901	\$ -	\$ -	\$ 10,009,901
Corporate stocks				
Consumer Discretionary	7,957,037	-	-	7,957,037
Consumer Staples	4,722,544	-	-	4,722,544
Energy	3,817,642	-	-	3,817,642
Financials	6,360,639	-	-	6,360,639
Health Care	5,042,760	-	-	5,042,760
Industrials	4,311,672	-	-	4,311,672
Information Technology	9,699,554	-	-	9,699,554
Materials	1,820,927	-	-	1,820,927
Other	10,551,152	-	-	10,551,152
Telecommunication Services	2,629,879	-	-	2,629,879
Utilities	832,828	-	-	832,828
Corporate bonds				
A1/A+	-	336,956	-	336,956
A1/AA+	-	337,496	-	337,496
A2/A+	-	342,015	-	342,015
A2/A	-	826,416	-	826,416
A2/A-	-	515,736	-	515,736
A3/A	-	468,787	-	468,787
A3/A-	-	1,345,411	-	1,345,411
A3/BBB+	-	162,170	-	162,170
AA3/A+	-	268,367	-	268,367
BAA1/A	-	180,491	-	180,491

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

	2013 Fair Value Measurements Using			
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total at September 30, 2013
BAA1/BBB	-	366,032	-	366,032
BAA1/BBB+	-	1,640,646	-	1,640,646
BAA1/BBB-	-	174,440	-	174,440
BAA2/A-	-	718,594	-	718,594
BAA2/BBB	-	1,950,930	-	1,950,930
BAA3/BBB	-	619,167	-	619,167
BAA3/BBB-	-	162,807	-	162,807
Government obligations				
FHLMC	-	1,455,116	-	1,455,116
FNMA	-	4,713,963	-	4,713,963
GNMA	-	9,657	-	9,657
US Treasury Notes	7,589,903	-	-	7,589,903
Mutual funds	5,593,828	-	-	5,593,828
	<u>\$ 80,940,266</u>	<u>\$ 16,815,450</u>	<u>\$ -</u>	<u>\$ 97,755,716</u>

St. Joseph's Defined Contribution Plan

St. Joseph's has a defined contribution 403(b) retirement plan covering substantially all of their employees. The plan has two components consisting of a salary reduction portion and a discretionary contribution portion. The salary reduction component allows eligible employees to contribute, as a salary deferral, to the plan. The discretionary contribution portion of the plan allows for additional contributions of eligible wages subject to certain limitations and restriction. Total expense relating to this Plan was \$98,976 and \$0 for the years ended September 30, 2014 and 2013, respectively.

St. Joseph's Defined Benefit Plan

St. Joseph's sponsors a cash balance defined benefit pension plan covering substantially all eligible lay employees. Pension benefits to participating employees are based on years of credited service and annual wages. Prior to January 1, 1999, the plan form was a unit benefit plan, using annual base wages and specified percentages to calculate the units. Benefits under this prior form are still payable to employees who were qualified participants with an accrued benefit. Plan assets, primarily consisting of U.S. government and equity securities, are held in trust by an institutional investment firm. The following tables set forth the plan's funded status and amounts recognized in the financial statements.

Effective January 1, 2014, the Plan was amended to freeze future benefit accruals. Participation is frozen such that there will be no new participants in the Plan after December 31, 2013. The St. Joseph's defined contribution 403(b) Plan remains in place.

	2014	2013
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 12,090,752	\$ 13,452,561
Service cost	133,674	513,970
Interest cost	596,716	532,579
Actuarial (gain) loss	794,296	(2,132,205)
Benefits paid	(312,865)	(276,153)
Benefit obligation at end of year	<u>13,302,573</u>	<u>12,090,752</u>

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

	2014	2013
Change in plan assets		
Fair value in plan assets at beginning of year	4,969,722	4,848,885
Actual return on plan assets	386,614	396,990
Employer contributions	-	-
Benefits paid	(312,864)	(276,153)
Fair value in plan assets at end of year	5,043,472	4,969,722
Funded status at end of year	\$ (8,259,101)	\$ (7,121,030)
Components of net periodic pension cost		
Service cost	\$ 133,674	\$ 513,970
Interest cost	596,716	532,579
Expected return on plan assets	(373,030)	(365,088)
Recognized net actuarial loss	64,236	178,657
Net periodic benefit cost	\$ 421,596	\$ 860,118

	2014	2013
Assumptions as of September 30		
Discount rate	4.50%	5.00%
Expected return on plan assets	7.75%	7.75%
Rate of compensation increases	N/A	3.50%

Following is the Plan's asset allocation and expected future cash flows at September 30, 2014

	Target Allocations	Percentage of Plan Assets
Plan assets		
Equity securities	60%	61%
Debt securities	35%	32%
Cash and cash equivalents	5%	7%
Total	100%	100%

Expected contributions for fiscal 2015 \$ 300,000

Estimated future benefit payments reflecting expected future service

2015	\$ 344,000
2016	\$ 377,444
2017	\$ 383,534
2018	\$ 410,288
2019	\$ 419,097
2020 to 2024	\$ 2,850,919

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2014 and 2013
Note 12. Related Parties
Pallottine Missionary Sisters

PHS is under contract to pay sponsorship fees to its sponsor, Pallottine Missionary Sisters, totaling approximately \$1,363,000 and \$1,298,000 in 2014 and 2013, respectively. St Mary's provides hospitalization coverage for the nonworking Sisters. Costs associated with operation of their infirmary were approximately \$1,035,000 in 2014 and \$1,014,000 in 2013. The Sponsor reimburses St Mary's for the costs of the infirmary, including hospitalization costs for nonworking Sisters. PHS received payments from the Sponsor of \$1,069,000, in 2014 and \$1,009,000, in 2013. St Joseph's incurs no expense associated with the operation of the convent in Buckhannon. Accounts receivable from the Sponsor were approximately \$101,000 and \$86,000 at September 30, 2014 and 2013, respectively. The Sisters have loaned St Joseph's money in prior years to be paid in monthly installments of \$15,974 at an interest rate of 3.0%. The amount outstanding at September 30, 2014 and 2013 was \$225,425 and \$369,251, respectively, and are included in Long-term debt in the accompanying balance sheet.

Tri-State MRI

St Mary's has a 50% interest in Tri-State MRI (the Partnership), through a general partnership agreement with Cabell Huntington Hospital, Inc. The Partnership was formed for the purpose of acquiring and operating a magnetic resonance imaging unit. St Mary's is accounting for its investment in the Partnership under the equity method of accounting.

St Mary's interest in the Partnership is approximately \$262,000 and \$385,000 at September 30, 2014 and 2013, respectively, and is included in other assets in the accompanying consolidated balance sheets. Equity earnings on the investment approximated \$(123,000) and \$(115,000) for the years ended September 30, 2014 and 2013, respectively, which are included in the consolidated statements of operations and changes in net assets in loss from partnership investments.

The following is a summary of certain unaudited financial information of Tri-State MRI as of and for the year ended September 30:

	2014	2013
Assets	\$ 1,607,722	\$ 1,785,766
Liabilities	\$ 1,083,742	\$ 1,016,294
Stockholders' equity	\$ 523,980	\$ 769,472
Revenues (net)	\$ 25,889	\$ 79,648
Expenses	\$ 271,381	\$ 317,935

Three Gables Surgery Center, LLC

St Mary's Medical Management, LLC, purchased 10 Class IV membership units in Three Gables Surgery Center in September 2009 for \$1,400,000. Three Gables Surgery Center, LLC is a for-profit hospital located in Proctorville, Ohio. SMMM received distributions of approximately \$180,000 and \$252,000 for the years ended September 30, 2014 and 2013, respectively.

SMMM also has a management agreement with Three Gables through April 22, 2018. The agreement calls for SMMM to provide senior management leadership and will provide a Facility Manager to assist with normal operating activities of Three Gables. Total amounts received by SMMM for management services for the years ended September 30, 2014 and 2013, were \$447,000 and \$448,000, respectively.

Huntington Area MRI Services, LLC

St Mary's owns a 49% interest in Huntington Area MRI Services, LLC (the Company). Ultimate Health Services, Inc. owns the remaining 51% interest. The Company was formed to provide technical MRI to patients of St Mary's Medical Center at Ultimate's Huntington campus. St Mary's is accounting for its investment under the cost method of accounting. St Mary's interest in the Company is \$24,500 at September 30, 2014 and 2013. SMMC received distributions of approximately \$392,000 and \$294,000 for the years ended September 30, 2014 and 2013, respectively.

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

Note 13. Functional Expenses

PHS provides general health care services, primarily to residents within its geographic location. Expenses related to providing these services are as follows for the years ended September 30:

	2014	2013
Health care services	\$ 310,332,657	\$ 303,416,097
Support services	30,203,909	32,773,155
Educational	5,200,050	5,037,938
General and administrative	81,969,635	78,933,479
	<u>\$ 427,706,251</u>	<u>\$ 420,160,669</u>

Note 14. Medical Malpractice Claims

PHS is a member (2% ownership) of Community Hospital Alternative for Risk Transfer (CHART), which provides the member hospitals the initial insurance protection and excess coverage under a claims-made policy. CHART was formed as a reciprocal risk retention group, which is a form of a captive insurance company owned by its insureds (called "subscribers") domiciled in Vermont and approved to provide coverage in West Virginia. Premiums of approximately \$2.9 million and \$2.8 million were recorded as expense during the years ended September 30, 2014 and 2013, respectively, and were based on the captive's experience to date. PHS had a \$3,057,767 equity interest in CHART at September 30, 2014 and \$2,375,131 at September 30, 2013.

PHS has estimated the ultimate costs for asserted, unasserted and incurred but not reported claims. Accrued malpractice losses outside of amounts covered by insurance at September 30, 2014 and 2013, included in other liabilities, is based on information provided by the risk managers, legal counsel, and historical experience, and in management's opinion, provide an adequate reserve for loss contingencies.

The ultimate amount of claims incurred and resulting payments is dependent on future developments. Accordingly, there is a reasonable possibility that a change in estimate will occur in the near term. Adjustments, if any, to estimates recorded are reflected in operations in the periods such changes are known.

Note 15. Health Care Legislation and Regulation and Contingencies

The health care industry is subject to numerous laws and regulations of Federal, state and local governments. Government activity has increased with respect to investigations and allegations concerning possible violations of various statutes and regulations by health care providers. 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. Management believes that PHS is in compliance with fraud and abuse regulations, as well as other applicable government laws and regulations. If found in violation of these laws, PHS could be subject to substantial monetary fines, civil and criminal penalties and exclusion from participation in the Medicare and Medicaid programs.

St. Joseph's conducted a compliance investigation and self-reported compliance findings to the Office of the United States Attorney for the Northern District of West Virginia concerning certain billing and documentation issues with a physician office owned by the Hospital. The investigation and communications with the Office of the United States Attorney are in the early stages. The ultimate outcome of the investigation and subsequent payback and potential fines and penalties are not known. However, the potential billing issue was immediately corrected when identified in April 2011 and all related fees and cost have been recorded as of September 30, 2011. Management and legal counsel believe that the issue will not have a material financial impact on the Hospital or the consolidated financial statements of PHS.

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

PHS and subsidiaries (PHS) are named in several routine lawsuits incidental to their operations. It is not possible at the present time to estimate the ultimate legal and financial liability, if any, of PHS with respect to such lawsuits. In the opinion of management, after consultation with legal counsel, adequate insurance exists to cover significant financial exposure, in the event there is any, to PHS. Accordingly, in the opinion of management, resolution of those matters is not expected to have a material adverse effect on the consolidated financial position. However, depending on the amount and timing of such resolution, an unfavorable resolution of some or all of these matters could materially affect the future results of operations or cash flows in a particular period.

Note 16. Advertising Expense

PHS and subsidiaries recognize the costs for advertising as they are incurred. Advertising costs included in expenses for 2014 and 2013 were approximately \$4.7 million and \$4.2 million, respectively.

Note 17. Fair Value Measurements

The *Fair Value Measurements and Disclosures Topic* of the Financial Accounting Standards Board (FASB) Accounting Standards Codification defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements.

Under the FASB's authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

As noted above, there is a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 — Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level 2 — Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.

Level 3 — Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation, also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

Assets at Fair Value on a Recurring Basis

The following table presents the financial instruments carried at fair value as of September 30, 2014 and 2013, by caption, on the statement of financial position by the hierarchy defined above

	2014 Fair Value Measurements			
	Total at September 30, 2014	Level 1	Level 2	Level 3
Investments				
Cash equivalents	\$ 18,241,411	\$ 18,241,411	\$ -	\$ -
Corporate stocks				
Consumer Discretionary	5,425,668	5,425,668	-	-
Consumer Staples	1,777,675	1,777,675	-	-
Energy	2,855,372	2,855,372	-	-
Financials	4,734,553	4,734,553	-	-
Health Care	3,809,907	3,809,907	-	-
Industrials	3,197,186	3,197,186	-	-
Information Technology	7,393,871	7,393,871	-	-
Materials	1,443,176	1,443,176	-	-
Other	3,043,514	3,043,514	-	-
Telecommunication Services	1,570,952	1,570,952	-	-
Utilities	653,725	653,725	-	-
Corporate bonds				
A1/A	160,902	-	160,902	-
A1/A-	97,132	-	97,132	-
A1/A+	447,514	-	447,514	-
A1/AA+	221,593	-	221,593	-
A1/AA-	132,684	-	132,684	-
A2/A+	369,406	-	369,406	-
A2/A	607,836	-	607,836	-
A2/AA	84,528	-	84,528	-
A2/A-	568,609	-	568,609	-
A3/A	713,133	-	713,133	-
A3/A-	460,455	-	460,455	-
AA1/AA+	82,467	-	82,467	-
AA1/AA	83,336	-	83,336	-
AA1/AA-	29,810	-	29,810	-
AA2/AA	168,687	-	168,687	-
AA2/AA-	66,413	-	66,413	-
AA3/AA-	245,565	-	245,565	-
AA3/AA+	40,174	-	40,174	-
AAA	229,033	-	229,033	-
AAA/AAA	142,163	-	142,163	-
BAA1/A	5,659	-	5,659	-
BAA1/A-	464,852	-	464,852	-
BAA1/BBB	292,623	-	292,623	-
BAA1/BBB+	1,539,101	-	1,539,101	-
BAA2/A-	518,574	-	518,574	-
BAA2/BBB	2,579,089	-	2,579,089	-
BAA2/BBB-	314,252	-	314,252	-
BAA2/BBB+	153,074	-	153,074	-
BAA3/BBB	123,741	-	123,741	-
BAA3/BBB-	119,599	-	119,599	-
BAA3/BBB+	64,457	-	64,457	-

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

2014 Fair Value Measurements					
	Total at September 30, 2014	Level 1	Level 2	Level 3	
Government obligations					
FNMA	3,763,192	-	3,763,192	-	
FHLMC	1,933,260	-	1,933,260	-	
US Treasury Notes	10,175,906	10,175,906	-	-	
FHLBC	558,835	-	558,835	-	
International Bonds	211,157	-	211,157	-	
Mutual funds	4,127,980	4,127,980	-	-	
Deferred compensation trust asset	2,977,105	2,977,105	-	-	
Total investments at fair value	89,020,906	71,428,001	17,592,905	-	
Liabilities					
Derivative obligation	5,327,883	-	5,327,883	-	
Total liabilities at fair value	\$ 5,327,883	\$ -	\$ 5,327,883	\$ -	
2013 Fair Value Measurements					
	Total at September 30, 2013	Level 1	Level 2	Level 3	
Investments					
Cash equivalents	\$ 17,922,809	\$ 17,922,809	\$ -	\$ -	
Corporate stocks					
Consumer Discretionary	5,017,009	5,017,009	-	-	
Consumer Staples	2,873,899	2,873,899	-	-	
Energy	2,443,373	2,443,373	-	-	
Financials	4,312,350	4,312,350	-	-	
Health Care	3,173,774	3,173,774	-	-	
Industrials	2,854,218	2,854,218	-	-	
Information Technology	6,032,076	6,032,076	-	-	
Materials	1,157,819	1,157,819	-	-	
Other	7,113,050	7,113,050	-	-	
Telecommunication Services	1,805,832	1,805,832	-	-	
Utilities	472,461	472,461	-	-	
Corporate bonds					
A1/A	68,681	-	68,681	-	
A1/A+	386,966	-	386,966	-	
A1/AA+	226,937	-	226,937	-	
A2/A+	354,286	-	354,286	-	
A2/A	900,851	-	900,851	-	
A2/AA	87,007	-	87,007	-	
A2/A-	418,746	-	418,746	-	
A3/A	340,885	-	340,885	-	
A3/A-	1,045,014	-	1,045,014	-	
A3/BBB+	110,044	-	110,044	-	
AA1/AA+	45,259	-	45,259	-	
AA1/AA	61,381	-	61,381	-	
AA1/AA-	29,601	-	29,601	-	
AA2/AA	145,286	-	145,286	-	
AA2/AA-	73,004	-	73,004	-	
AA3/A+	216,419	-	216,419	-	
AA3/AA-	100,720	-	100,720	-	
AAA	75,000	-	75,000	-	

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

	2013 Fair Value Measurements			
	Total at September 30, 2013	Level 1	Level 2	Level 3
AAA/AAA	50,080	-	50,080	-
BAA1/A	124,088	-	124,088	-
BAA1/A-	165,024	-	165,024	-
BAA1/BBB	251,321	-	251,321	-
BAA1/BBB+	1,219,088	-	1,219,088	-
BAA1/ BBB-	122,107	-	122,107	-
BAA2/A-	634,774	-	634,774	-
BAA2/BBB	1,093,236	-	1,093,236	-
BAA2/BBB-	109,012	-	109,012	-
BAA3/BBB	413,521	-	413,521	-
BAA3/BBB-	106,667	-	106,667	-
Government obligations				
FNMA	4,224,714	-	4,224,714	-
FHLMC	3,233,398	-	3,233,398	-
US Treasury Notes	5,467,558	5,467,558	-	-
FHLBC	1,295,682	-	1,295,682	-
International Bonds	124,226	-	124,226	-
Mutual funds	3,578,645	3,578,645	-	-
Deferred compensation trust asset	2,419,956	2,419,956	-	-
Total investments at fair value	84,497,854	66,644,829	17,853,025	-
Liabilities				
Derivative obligation	5,056,603	-	5,056,603	-
Total liabilities at fair value	\$ 5,056,603	\$ -	\$ 5,056,603	\$ -

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

PHS has no assets or liabilities that are recorded at fair value on a nonrecurring basis

Fair Value of Financial Instruments

The table below presents the carrying value and fair value of PHS's financial instruments. The disclosure excludes leases, affiliate investments, pension and benefit obligations, and insurance policy claim reserves.

The fair value represents management's best estimates based on a range of methodologies and assumptions. The carrying value of short-term financial instruments not accounted for at fair value, as well as receivables and payables arising in the ordinary course of business, approximates fair value because of the relatively short period of time between their origination and expected realization. Quoted market prices are used for most investments as well as for liabilities, such as long-term debt, with quoted prices. For liabilities such as long-term debt not accounted for at fair value and without quoted market prices, fair value is based upon estimated cash flows adjusted for credit risk which are discounted using an interest rate appropriate for the maturity of the applicable loans.

For additional information regarding PHS's determination of fair value, including items accounted for at fair value, see the preceding *Fair Value Measurements* section.

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

The following methods and assumptions were used by PHS in estimating the fair value of its financial instruments

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value

Investments: Fair values, which are the amounts reported in the balance sheet, are based on quoted market prices, if available, or estimated using quoted market prices for similar securities

Assets limited as to use: These assets consist primarily of cash and short-term investments and interest receivable. The carrying amount reported in the balance sheet is fair value

Accounts payable and accrued expenses: The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates its fair value

Estimated third-party payor settlements: The carrying amount reported in the balance sheet for estimated third-party payor settlements approximates its fair value

Long-term debt: Fair values of PHS's revenue notes are based on current traded value. The fair value of PHS's remaining long-term debt is estimated using discounted cash flow analysis, based on PHS's current incremental borrowing rates for similar types of borrowing arrangements

The carrying amount and fair values of the Company's financial instruments at September 30, 2014 and 2013 are as follows

	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 19,283,400	\$ 19,283,400	\$ 27,342,637	\$ 27,342,637
Assets limited as to use	\$ 89,020,906	\$ 89,020,906	\$ 84,497,854	\$ 84,497,854
Long-term investments	\$ 6,237,617	\$ 6,237,617	\$ 6,236,546	\$ 6,236,546
Estimated third-party settlements	\$ 142,937	\$ 142,937	\$ (396,670)	\$ (396,670)
Accounts payable and accrued expenses	\$ 36,965,292	\$ 36,965,292	\$ 39,761,096	\$ 39,761,096
Long-term debt	\$ 89,956,468	\$ 89,956,468	\$ 94,854,522	\$ 94,854,522

Note 18. Electronic Health Records (EHR)

The Health Information Technology for Economic and Clinical Health Act ("HITECH Act") was enacted into law on February 17, 2009 as part of the American Recovery and Reinvestment Act (ARRA). The HITECH Act includes provisions designed to increase the use of EHR by both physicians and hospitals. The Hospital intends to comply with the EHR meaningful use requirements of the HITECH Act in time to qualify for the maximum available Medicare and Medicaid incentive payments. The Hospitals' compliance will result in significant costs including professional services focused on successfully designing and implementing EHR solutions along with costs associated with the hardware and software components of the project. The Hospitals have incurred and will continue to incur both capital expenditures and operating expenses in connection with the implementation of its EHR initiatives. The timing of these expenditures does not necessarily correlate with the timing of receipt of the incentive payments and the recognition of revenues. St. Mary's recognized revenues relating to Medicare and Medicaid EHR incentive payments of \$2,603,894 and \$2,062,231, respectively for the year ended September 30, 2014 and \$3,476,887 and \$0, respectively for the year ended September 2013. St. Joseph's recognized revenues relating to Medicare and Medicaid EHR incentive payments of \$1,004,099 and \$0, respectively, for the year ended September 30, 2014, and \$0 and \$401,209, respectively, for the year ended September 30, 2013.

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

Note 19. Estimated Third-Party Settlements

Estimated third-party settlements consist of amounts receivable (payable) to Medicare and Medicaid programs for settlement of current and prior year cost reports, as well as amounts due from the Medicaid program under the disproportionate share program. These estimated settlements by program are as follows:

	2014	2013
Medicare	\$ 942,086	\$ 508,231
Medicaid	(840,000)	(1,025,074)
Medicaid disproportionate share	28,678	108,000
Other	12,173	12,173
Net intermediary receivable/(payable)	\$ 142,937	\$ (396,670)

Note 20. Potential Sale of Hospitals and Subsequent Event**St. Mary's Medical Center**

In 2012, Pallottine Health Services began a process of exploring options with respect to SMMC and SJH, including sale or affiliation. After taking into account the future of health care and the goals and resources of PHS, in March 2014 PHS submitted a request for proposals for other entities to substitute for PHS as the sole member of SMMC to which Cabell Huntington Hospital, Inc. (CHH) submitted a proposal. In November 2014, PHS and SMMC entered into an agreement with CHH whereas the parties have engaged in negotiations and arrived at terms and conditions upon which the transaction will be accomplished. Through the transaction, CHH and SMMC will create a regional healthcare delivery system aimed at increasing the quality of care and the efficiency of care delivery for the greater Huntington community. In the face of the rapidly changing health care landscape, CHH and SMMC recognize that their long-term viability will hinge on their ability to effectively streamline operations and achieve sustainable efficiencies as a system that would otherwise be unattainable as independent healthcare entities. CHH and SMMC have undertaken a study which showed substantial cost savings that are likely to be achieved through the transaction. CHH is in process of performing due diligence with respect to the transaction. There are several provisions within the agreement whereas CHH would pay SMMC a non-performance fee if CHH should determine not to proceed with the transaction due to the occurrence of a regulatory challenge or due to a due diligence finding involving a material adverse effect. If Antitrust council for SMMC or CHH concur that a regulatory challenge is likely to be successful or prohibitively expensive to overcome, SMMC may terminate the Agreement without cost. In addition, the closing of the transaction is conditioned upon all church and regulatory approvals for the transaction being obtained.

St. Joseph's Hospital of Buckhannon

PHS has entered into a Letter of Intent with the West Virginia United Health System (WVUHS) to negotiate a final Definitive Purchase Agreement, in which United Hospital Center, a WVUHS member hospital, would replace PHS as the Sole Corporate Member of St. Joseph's Hospital of Buckhannon, Inc. (SJH). The terms of the final agreement are expected to include a lump sum purchase price in addition to the assumption of all liabilities and assets of SJH including approximately \$10.7 million owed to PHS by the SJH. The purchase price will, after expenses of the transaction, be paid to a new non-profit community foundation. The transaction is subject to approval by the West Virginia Health Care Authority through an approved Certificate of Need. Management believes the transaction will be approved and that the transaction will consummate in July 2015.

OTHER SUPPLEMENTARY FINANCIAL INFORMATION

**INDEPENDENT AUDITOR'S REPORT
ON THE SUPPLEMENTARY FINANCIAL INFORMATION**

To the Board of Trustees
Pallottine Health Services, Inc
and Subsidiaries
Huntington, West Virginia

We have audited the financial statements of Pallottine Health Services, Inc and Subsidiaries as of and for the years ended September 30, 2014 and 2013, and have issued our report thereon which contains an unmodified opinion on those financial statements. See pages 1-2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Arnett Carbis Toothman LLP

Charleston, West Virginia
January 28, 2015

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

DETAILS OF CONSOLIDATED BALANCE SHEET
September 30, 2014

	Pallottine Health Services, Inc.	St. Mary's Medical Center and Subsidiaries	St. Joseph's Hospital and Subsidiaries	Consolidation and Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 355,043	\$ 16,280,450	\$ 2,647,907	\$ -	\$ 19,283,400
Patient accounts receivable, net	-	63,104,886	7,760,286	-	70,865,172
Other accounts receivable	12,614,146	24,090,941	77,352	(25,744,608)	11,037,831
Inventories	-	10,701,086	968,038	-	11,669,124
Prepaid expenses	47,733	3,517,993	1,461,605	-	5,027,331
Estimated third-party settlements	-	81,236	61,701	-	142,937
Current portion of assets limited as to use	-	3,466,667	295,000	-	3,761,667
Total current assets	13,016,922	121,243,259	13,271,889	(25,744,608)	121,787,462
Assets limited as to use, net of amounts required to meet current liabilities	7,296,221	76,555,813	1,407,205	-	85,259,239
Property and equipment, net	38,922	147,550,875	13,421,450	-	161,011,247
Other assets	11,305	825,324	68,994	(11,305)	894,318
Other investments	3,566,152	2,584,432	87,033	-	6,237,617
Total assets	\$ 23,929,522	\$ 348,759,703	\$ 28,256,571	\$ (25,755,913)	\$ 375,189,883
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable and accrued expenses	\$ 15,659,740	\$ 31,502,873	\$ 14,007,287	\$ (24,204,608)	\$ 36,965,292
Current portion of long-term debt	-	3,744,194	587,048	-	4,331,242
Estimated third-party settlements	-	-	-	-	-
Other current liabilities	-	4,655,672	605,905	-	5,261,577
Total current liabilities	15,659,740	39,902,739	15,200,240	(24,204,608)	46,558,111
Long-term debt	-	77,717,771	9,458,760	(1,551,305)	85,625,226
Accrued pension obligation	-	98,300,000	8,358,077	-	106,658,077
Other liabilities	847,034	5,558,777	515,929	-	6,921,740
Total liabilities	16,506,774	221,479,287	33,533,006	(25,755,913)	245,763,154
Net assets:					
Unrestricted	7,422,748	123,458,937	(5,381,913)	-	125,499,772
Temporarily restricted	-	3,821,479	80,478	-	3,901,957
Permanently restricted	-	-	25,000	-	25,000
Total net assets	7,422,748	127,280,416	(5,276,435)	-	129,426,729
Total liabilities and net assets	\$ 23,929,522	\$ 348,759,703	\$ 28,256,571	\$ (25,755,913)	\$ 375,189,883

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

**DETAILS OF CONSOLIDATED STATEMENT OF OPERATIONS AND
CHANGES IN NET ASSETS
Year Ended September 30, 2014**

	Pallottine Health Services, Inc	St Mary's Medical Center and Subsidiaries	St Joseph's Hospital and Subsidiaries	Consolidation and Eliminations	Consolidated
Unrestricted revenues, gains, and other support					
Patient service revenues (net of contractual allowances and discounts)	\$ -	\$ 404,144,810	\$ 43,370,927	\$ -	\$ 447,515,737
Less Provision for bad debts	-	(24,240,353)	(4,692,645)	-	(28,932,998)
Net patient service revenue	-	379,904,457	38,678,282	-	418,582,739
Investment income	1,438,178	4,724,285	148,587	-	6,311,050
Electronic health record incentive reimbursement	-	4,666,125	1,004,099	-	5,670,224
Loss from partnership investments	-	(122,353)	-	-	(122,353)
Other	2,437,560	11,992,613	1,671,907	(2,570,877)	13,531,203
Total unrestricted revenues, gains, and other support	3,875,738	401,165,127	41,502,875	(2,570,877)	443,972,863
Expenses					
Salaries and wages	2,154,655	143,116,625	19,295,313	-	164,566,593
Employee benefits	415,444	53,110,486	5,415,996	-	58,941,926
Supplies	-	87,372,953	5,117,995	-	92,490,948
Purchased services	563,562	46,588,625	3,048,486	(2,564,527)	47,636,146
Plant operations	6,350	16,294,881	1,403,595	(6,350)	17,698,476
Interest	-	3,273,289	334,042	-	3,607,331
Depreciation and amortization	10,817	14,930,339	1,524,271	-	16,465,427
Provision for bad debts	-	1,129,846	-	-	1,129,846
Provider tax	-	9,579,444	769,109	-	10,348,553
Other	226,969	11,370,651	3,223,385	-	14,821,005
Total expenses	3,377,797	386,767,139	40,132,192	(2,570,877)	427,706,251
Excess of revenues over expenses from operations	497,941	14,397,988	1,370,683	-	16,266,612
Change in fair value of derivative obligation	-	(254,823)	(16,457)	-	(271,280)
Excess of revenues over expenses	497,941	14,143,165	1,354,226	-	15,995,332
Other changes in unrestricted net assets					
Net unrealized loss on investments	(360,414)	(274,437)	-	-	(634,851)
Change in pension funded status	-	(3,676,314)	(716,475)	-	(4,392,789)
Increase in unrestricted net assets	137,527	10,192,414	637,751	-	10,967,692
Increase (decrease) in temporarily restricted net assets	-	712,325	(25,982)	-	686,343
Increase in net assets	137,527	10,904,739	611,769	-	11,654,035
Net assets, beginning of year	7,285,221	116,375,677	(5,888,204)	-	117,772,694
Net assets, end of year	\$ 7,422,748	\$ 127,280,416	\$ (5,276,435)	\$ -	\$ 129,426,729

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

DETAILS OF CONSOLIDATED BALANCE SHEET

September 30, 2013

	Pallottine Health Services, Inc	St Mary's Medical Center and Subsidiaries	St Joseph's Hospital and Subsidiaries	Consolidation and Eliminations	Consolidated
ASSETS					
Current assets					
Cash and cash equivalents	\$ 944,554	\$ 25,966,976	\$ 431,107	\$ -	\$ 27,342,637
Patient accounts receivable, net	-	61,548,118	5,306,944	-	66,855,062
Other accounts receivable	10,384,552	22,170,748	119,273	(23,252,732)	9,421,841
Inventories	-	9,676,692	1,003,064	-	10,679,756
Prepaid expenses	46,513	3,025,183	965,865	-	4,037,561
Estimated third-party settlements	-	-	-	-	-
Current portion of assets limited as to use	-	3,386,667	285,000	-	3,671,667
Total current assets	11,375,619	125,774,384	8,111,253	(23,252,732)	122,008,524
Assets limited as to use, net of amounts required to meet current liabilities	8,318,861	70,467,151	2,040,175	-	80,826,187
Property and equipment, net	23,830	142,270,107	14,601,806	-	156,895,743
Other assets	11,305	861,361	76,282	(11,305)	937,643
Other investments	3,057,018	2,707,178	472,350	-	6,236,546
Total assets	\$ 22,786,633	\$ 342,080,181	\$ 25,301,866	\$ (23,264,037)	\$ 366,904,643
LIABILITIES AND NET ASSETS					
Current liabilities					
Accounts payable and accrued expenses	\$ 14,678,597	\$ 34,730,215	\$ 12,065,016	\$ (21,712,732)	\$ 39,761,096
Current portion of long-term debt	-	4,046,787	846,172	-	4,892,959
Estimated third-party settlements	-	394,364	2,306	-	396,670
Other current liabilities	14,019	5,170,407	589,448	-	5,773,874
Total current liabilities	14,692,616	44,341,773	13,502,942	(21,712,732)	50,824,599
Long-term debt	-	81,446,573	10,066,295	(1,551,305)	89,961,563
Accrued pension obligation	-	94,698,687	7,121,030	-	101,819,717
Other liabilities	808,796	5,217,471	499,803	-	6,526,070
Total liabilities	15,501,412	225,704,504	31,190,070	(23,264,037)	249,131,949
Net assets					
Unrestricted	7,285,221	113,266,523	(6,019,664)	-	114,532,080
Temporarily restricted	-	3,109,154	106,460	-	3,215,614
Permanently restricted	-	-	25,000	-	25,000
Total net assets	7,285,221	116,375,677	(5,888,204)	-	117,772,694
Total liabilities and net assets	\$ 22,786,633	\$ 342,080,181	\$ 25,301,866	\$ (23,264,037)	\$ 366,904,643

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

**DETAILS OF CONSOLIDATED STATEMENT OF OPERATIONS AND
CHANGES IN NET ASSETS
Year Ended September 30, 2013**

	Pallottine Health Services, Inc	St Mary's Medical Center and Subsidiaries	St Joseph's Hospital and Subsidiaries	Consolidation and Eliminations	Consolidated
Unrestricted revenues, gains, and other support					
Patient service revenues (net of contractual allowances and discounts) and discounts)	\$ -	\$ 408,389,450	\$ 41,887,518	\$ -	\$ 450,276,968
Less Provision for bad debts	-	(34,414,458)	(6,211,048)	-	(40,625,506)
Net patient service revenue	-	373,974,992	35,676,470	-	409,651,462
Investment income	1,134,123	3,697,134	651,822	-	5,483,079
Electronic health record incentive reimbursement	-	3,476,887	401,209	-	3,878,096
Income from partnership investments	-	(114,493)	-	-	(114,493)
Other	2,129,400	12,919,019	1,067,880	(2,259,962)	13,856,337
Total unrestricted revenues, gains, and other support	3,263,523	393,953,539	37,797,381	(2,259,962)	432,754,481
Expenses					
Salaries and wages	2,101,265	135,831,479	20,010,495	-	157,943,239
Employee benefits	393,198	54,816,835	6,054,336	-	61,264,369
Supplies	-	82,910,381	4,851,069	-	87,761,450
Purchased services	1,026,817	46,335,488	3,934,522	(2,253,612)	49,043,215
Plant operations	6,350	15,394,452	992,995	(6,350)	16,387,447
Interest	-	3,452,612	378,360	-	3,830,972
Depreciation and amortization	6,499	15,559,325	1,674,882	-	17,240,706
Provision for bad debts	-	1,566,599	-	-	1,566,599
Provider tax	-	10,272,996	849,356	-	11,122,352
Other	137,767	10,567,755	3,294,798	-	14,000,320
Total expenses	3,671,896	376,707,922	42,040,813	(2,259,962)	420,160,669
Excess (deficiency) of revenues over expenses from operations	(408,373)	17,245,617	(4,243,432)	-	12,593,812
Change in fair value of derivative obligation	-	2,822,965	324,174	-	3,147,139
Excess (deficiency) of revenues over expenses	(408,373)	20,068,582	(3,919,258)	-	15,740,951
Other changes in unrestricted net assets					
Net unrealized gain (loss) on investments	281,525	1,700,657	(291,913)	-	1,690,269
Change in pension funded status	-	9,903,294	2,342,764	-	12,246,058
Increase (decrease) in unrestricted net assets	(126,848)	31,672,533	(1,868,407)	-	29,677,278
Increase (decrease) in temporarily restricted net assets	-	230,096	(211,459)	-	18,637
Increase (decrease) in net assets	(126,848)	31,902,629	(2,079,866)	-	29,695,915
Net assets, beginning of year	7,412,069	84,473,048	(3,808,338)	-	88,076,779
Net assets, end of year	\$ 7,285,221	\$ 116,375,677	\$ (5,888,204)	\$ -	\$ 117,772,694

ST. MARY'S MEDICAL CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

September 30, 2014 and 2013

ASSETS	2014	2013
Current assets:		
Cash and cash equivalents	\$ 16,280,450	\$ 25,966,976
Patient accounts receivable, net of allowance for doubtful accounts of \$49,597,000 and \$62,224,000	63,104,886	61,548,118
Other accounts receivable	24,090,941	22,170,748
Inventories	10,701,086	9,676,692
Prepaid expenses	3,517,993	3,025,183
Estimated third-party settlements	81,236	-
Current portion of assets limited as to use, externally designated	3,466,667	3,386,667
Total current assets	121,243,259	125,774,384
Assets limited as to use, net of amounts required to meet current liabilities	76,555,813	70,467,151
Property and equipment, net of accumulated depreciation	147,550,875	142,270,107
Other assets	825,324	861,361
Other investments	2,584,432	2,707,178
Total assets	\$ 348,759,703	\$ 342,080,181
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 31,502,873	\$ 34,730,215
Current portion of long-term debt	3,744,194	4,046,787
Estimated third-party settlements	-	394,364
Other current liabilities	4,655,672	5,170,407
Total current liabilities	39,902,739	44,341,773
Long-term debt	77,717,771	81,446,573
Accrued pension obligation	98,300,000	94,698,687
Other liabilities	5,558,777	5,217,471
Total liabilities	221,479,287	225,704,504
Net assets:		
Unrestricted	123,458,937	113,266,523
Temporarily restricted	3,821,479	3,109,154
Total net assets	127,280,416	116,375,677
Total liabilities and net assets	\$ 348,759,703	\$ 342,080,181

ST. MARY'S MEDICAL CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS
Years Ended September 30, 2014 and 2013

	2014	2013
Unrestricted revenues, gains, and other support		
Patient service revenues (net of contractual allowances and discounts)	\$ 404,144,810	\$ 408,389,450
Less Provision for bad debts	(24,240,353)	(34,414,458)
Net patient service revenue	379,904,457	373,974,992
Investment income	4,724,285	3,697,134
Loss from partnership investments	(122,353)	(114,493)
Electronic health record incentive reimbursement	4,666,125	3,476,887
Other	11,992,613	12,919,019
Total unrestricted revenues, gains, and other support	401,165,127	393,953,539
Expenses		
Salaries and wages	143,116,625	135,831,479
Employee benefits	53,110,486	54,816,835
Supplies	87,372,953	82,910,381
Purchased services	46,588,625	46,335,488
Plant operations	16,294,881	15,394,452
Interest	3,273,289	3,452,612
Depreciation and amortization	14,930,339	15,559,325
Provision for bad debts	1,129,846	1,566,599
Provider tax	9,579,444	10,272,996
Other	11,370,651	10,567,755
Total expenses	386,767,139	376,707,922
Excess of revenues over expenses from operations	14,397,988	17,245,617
Change in fair value of derivative obligation	(254,823)	2,822,965
Excess of revenues over expenses	14,143,165	20,068,582
Other changes in unrestricted net assets		
Net unrealized gain (loss) on investments	(274,437)	1,700,657
Change in pension funded status	(3,676,314)	9,903,294
Increase in unrestricted net assets	10,192,414	31,672,533
Increase in temporarily restricted net assets	712,325	230,096
Increase in net assets	10,904,739	31,902,629
Net assets, beginning of year	116,375,677	84,473,048
Net assets, end of year	\$ 127,280,416	\$ 116,375,677

ST. MARY'S MEDICAL CENTER, INC. AND SUBSIDIARIES

DETAILS OF CONSOLIDATED BALANCE SHEET

September 30, 2014

	St. Mary's Medical Center	Vanguard Financial Services	St. Mary's Medical Center Foundation	St. Mary's Occupational Health Center	St. Mary's Medical Management and Subsidiary	Consolidation and Eliminations	Consolidated
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 14,813,206	\$ 178,985	\$ 722,864	\$ 28,525	\$ 536,870	\$ -	\$ 16,280,450
Patient accounts receivable, net	59,497,303	-	-	66,311	3,541,272	-	63,104,886
Other accounts receivable	23,991,551	616,581	41,182	-	3,694	(562,067)	24,090,941
Inventories	10,588,490	-	-	5,021	107,575	-	10,701,086
Prepaid expenses	3,275,327	19,838	1,440	(1,790)	223,178	-	3,517,993
Estimated third-party settlements	81,236	-	-	-	-	-	81,236
Current portion of assets limited as to use	3,466,667	-	-	-	-	-	3,466,667
Total current assets	115,713,780	815,404	765,486	98,067	4,412,589	(562,067)	121,243,259
Assets limited as to use, net of amounts required to meet current liabilities	76,122,380	-	433,433	-	-	-	76,555,813
Property and equipment, net	145,912,050	20,903	-	223	1,617,699	-	147,550,875
Other assets	640,324	-	185,000	-	-	-	825,324
Other investments	4,982,275	-	-	-	1,480,000	(3,877,843)	2,584,432
Total assets	\$ 343,370,809	\$ 836,307	\$ 1,383,919	\$ 98,290	\$ 7,510,288	\$ (4,439,910)	\$ 348,759,703
LIABILITIES AND NET ASSETS							
Current liabilities:							
Accounts payable and accrued expenses	\$ 29,157,220	\$ 166,507	\$ 29,360	\$ 528,834	\$ 2,183,019	\$ (562,067)	\$ 31,502,873
Current portion of long-term debt	3,744,194	-	-	-	-	-	3,744,194
Estimated third-party settlements	-	-	-	-	-	-	-
Other current liabilities	4,655,672	-	-	-	-	-	4,655,672
Total current liabilities	37,557,086	166,507	29,360	528,834	2,183,019	(562,067)	39,902,739
Long-term debt	77,717,771	-	-	-	-	-	77,717,771
Accrued pension obligation	98,300,000	-	-	-	-	-	98,300,000
Other liabilities	5,558,777	-	-	-	-	-	5,558,777
Total liabilities	219,133,634	166,507	29,360	528,834	2,183,019	(562,067)	221,479,287
Net assets:							
Unrestricted	121,670,735	669,800	99,520	(430,544)	5,327,269	(3,877,843)	123,458,937
Temporarily restricted	2,566,440	-	1,255,039	-	-	-	3,821,479
Total net assets	124,237,175	669,800	1,354,559	(430,544)	5,327,269	(3,877,843)	127,280,416
Total liabilities and net assets	\$ 343,370,809	\$ 836,307	\$ 1,383,919	\$ 98,290	\$ 7,510,288	\$ (4,439,910)	\$ 348,759,703

ST. MARY'S MEDICAL CENTER, INC. AND SUBSIDIARIES

DETAILS OF CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

Year Ended September 30, 2014

	St. Mary's Medical Center	Vanguard Financial Services	St. Mary's Medical Center Foundation	St. Mary's Occupational Health Center	St. Mary's Medical Management and Subsidiary	Consolidation and Eliminations	Consolidated
Unrestricted revenues, gains, and other support							
Patient service revenues (net of contractual allowances and discounts)	\$ 380,808,077	\$ -	\$ -	\$ 617,631	\$ 22,719,102	\$ -	\$ 404,144,810
Less Provision for bad debts	(24,240,353)	-	-	-	-	-	(24,240,353)
Net patient service revenue	356,567,724	-	-	617,631	22,719,102	-	379,904,457
Investment income	4,534,385	-	3,443	-	186,457	-	4,724,285
Loss from partnership investments	(7,914,102)	-	-	-	-	7,791,749	(122,353)
Electronic health record incentive reimbursement	4,666,125	-	-	-	-	-	4,666,125
Other	9,678,555	1,656,277	512,186	187,425	2,112,808	(2,154,638)	11,992,613
Total unrestricted revenues, gains, and other support	367,532,687	1,656,277	515,629	805,056	25,018,367	5,637,111	401,165,127
Expenses							
Salaries and wages	120,653,933	720,358	-	280,687	21,461,647	-	143,116,625
Employee benefits	49,102,136	116,668	-	76,410	3,815,272	-	53,110,486
Supplies	86,320,506	249,390	-	134,710	668,347	-	87,372,953
Purchased services	46,335,432	39,123	-	264,232	2,104,476	(2,154,638)	46,588,625
Plant operations	15,753,330	195,718	-	23,832	322,001	-	16,294,881
Interest	3,273,249	40	-	-	-	-	3,273,289
Depreciation and amortization	14,664,457	10,689	-	1,622	253,571	-	14,930,339
Provision for bad debts	-	-	-	3,064	1,126,782	-	1,129,846
Provider tax	9,531,565	-	-	-	47,879	-	9,579,444
Other	7,205,741	581,020	822,174	143,126	2,618,590	-	11,370,651
Total expenses	352,840,349	1,913,006	822,174	927,683	32,418,565	(2,154,638)	386,767,139
Excess (deficiency) of revenues over expenses from operations	14,692,338	(256,729)	(306,545)	(122,627)	(7,400,198)	7,791,749	14,397,988
Change in fair value of derivative obligation	(254,823)	-	-	-	-	-	(254,823)
Excess (deficiency) of revenues over expenses	14,437,515	(256,729)	(306,545)	(122,627)	(7,400,198)	7,791,749	14,143,165
Other changes in unrestricted net assets							
Change in net unrealized gain (loss) on investments	(287,687)	-	13,250	-	-	-	(274,437)
Equity transfers	(279,902)	-	280,297	-	8,981,135	(8,981,530)	-
Change in pension funded status	(3,676,314)	-	-	-	-	-	(3,676,314)
Increase (decrease) in unrestricted net assets	10,193,612	(256,729)	(12,998)	(122,627)	1,580,937	(1,189,781)	10,192,414
Increase in temporarily restricted net assets	477,685	-	234,640	-	-	-	712,325
Increase (decrease) in net assets	10,671,297	(256,729)	221,642	(122,627)	1,580,937	(1,189,781)	10,904,739
Net assets, beginning of year	113,565,878	926,529	1,132,917	(307,917)	3,746,332	(2,688,062)	116,375,677
Net assets, end of year	\$ 124,237,175	\$ 669,800	\$ 1,354,559	\$ (430,544)	\$ 5,327,269	\$ (3,877,843)	\$ 127,280,416

ST. MARY'S MEDICAL CENTER, INC. AND SUBSIDIARIES

DETAILS OF CONSOLIDATED BALANCE SHEET

September 30, 2013

	St. Mary's Medical Center	Vanguard Financial Services	St. Mary's Medical Center Foundation	St. Mary's Occupational Health Center	St. Mary's Medical Management and Subsidiary	Consolidation and Eliminations	Consolidated
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 24,022,206	\$ 526,216	\$ 938,330	\$ 1,047	\$ 479,177	\$ -	\$ 25,966,976
Patient accounts receivable, net	58,959,696	-	-	120,545	2,467,877	-	61,548,118
Other accounts receivable	22,441,904	103,849	35,966	-	-	(410,971)	22,170,748
Inventories	9,676,692	-	-	-	-	-	9,676,692
Prepaid expenses	2,831,327	27,578	6,676	1,196	158,406	-	3,025,183
Estimated third-party settlements	-	-	-	-	-	-	-
Current portion of assets limited as to use	3,386,667	-	-	-	-	-	3,386,667
Total current assets	121,318,492	657,643	980,972	122,788	3,105,460	(410,971)	125,774,384
Assets limited as to use, net of amounts required to meet current liabilities	70,467,151	-	-	-	-	-	70,467,151
Property and equipment, net	140,925,808	24,553	-	1,845	1,317,901	-	142,270,107
Other assets	676,361	-	185,000	-	-	-	861,361
Other investments	3,915,240	-	-	-	1,480,000	(2,688,062)	2,707,178
Total assets	\$ 337,303,052	\$ 682,196	\$ 1,165,972	\$ 124,633	\$ 5,903,361	\$ (3,099,033)	\$ 342,080,181
LIABILITIES AND NET ASSETS							
Current liabilities:							
Notes payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	32,762,885	(244,333)	33,055	432,550	2,157,029	(410,971)	34,730,215
Current portion of long-term debt	4,046,787	-	-	-	-	-	4,046,787
Estimated third-party settlements	394,364	-	-	-	-	-	394,364
Other current liabilities	5,170,407	-	-	-	-	-	5,170,407
Total current liabilities	42,374,443	(244,333)	33,055	432,550	2,157,029	(410,971)	44,341,773
Long-term debt	81,446,573	-	-	-	-	-	81,446,573
Accrued pension obligation	94,698,687	-	-	-	-	-	94,698,687
Other liabilities	5,217,471	-	-	-	-	-	5,217,471
Total liabilities	223,737,174	(244,333)	33,055	432,550	2,157,029	(410,971)	225,704,504
Net assets:							
Unrestricted	111,477,123	926,529	112,518	(307,917)	3,746,332	(2,688,062)	113,266,523
Temporarily restricted	2,088,755	-	1,020,399	-	-	-	3,109,154
Total net assets	113,565,878	926,529	1,132,917	(307,917)	3,746,332	(2,688,062)	116,375,677
Total liabilities and net assets	\$ 337,303,052	\$ 682,196	\$ 1,165,972	\$ 124,633	\$ 5,903,361	\$ (3,099,033)	\$ 342,080,181

ST. MARY'S MEDICAL CENTER, INC. AND SUBSIDIARIES

DETAILS OF CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

Year Ended September 30, 2013

	St. Mary's Medical Center	Vanguard Financial Services	St. Mary's Medical Center Foundation	St. Mary's Occupational Health Center	St. Mary's Medical Management and Subsidiary	Consolidation and Eliminations	Consolidated
Unrestricted revenues, gains, and other support							
Patient service revenues (net of contractual allowances and discounts)	\$ 388,895,870	\$ -	\$ -	\$ 749,610	\$ 18,743,970	\$ -	\$ 408,389,450
Less Provision for bad debts	(34,414,458)	-	-	-	-	-	(34,414,458)
Net patient service revenue	354,481,412	-	-	749,610	18,743,970	-	373,974,992
Investment income	3,438,865	-	1,484	-	256,785	-	3,697,134
Income from partnership investments	(7,448,567)	-	-	-	-	7,334,074	(114,493)
Electronic health record incentive reimbursemen	3,476,887	-	-	-	-	-	3,476,887
Other	10,723,763	1,552,527	531,386	150,576	2,053,593	(2,092,826)	12,919,019
Total unrestricted revenues, gains, and other support	364,672,360	1,552,527	532,870	900,186	21,054,348	5,241,248	393,953,539
Expenses							
Salaries and wages	117,400,914	685,610	-	334,310	17,410,645	-	135,831,479
Employee benefits	50,927,314	122,294	-	81,862	3,685,365	-	54,816,835
Supplies	82,031,139	204,429	-	133,461	541,352	-	82,910,381
Purchased services	45,928,931	23,205	-	271,579	2,204,599	(2,092,826)	46,335,488
Plant operations	14,903,129	200,800	-	30,297	260,226	-	15,394,452
Interest	3,452,412	200	-	-	-	-	3,452,612
Depreciation and amortization	15,318,691	14,149	-	2,544	223,941	-	15,559,325
Provision for bad debts	-	-	-	19,785	1,546,814	-	1,566,599
Provider tax	10,228,778	-	-	-	44,218	-	10,272,996
Other	7,254,729	118,933	834,881	139,306	2,219,906	-	10,567,755
Total expenses	347,446,037	1,369,620	834,881	1,013,144	28,137,066	(2,092,826)	376,707,922
Excess (deficiency) of revenues over expenses from operations	17,226,323	182,907	(302,011)	(112,958)	(7,082,718)	7,334,074	17,245,617
Change in fair value of derivative obligation	2,822,965	-	-	-	-	-	2,822,965
Excess (deficiency) of revenues over expenses	20,049,288	182,907	(302,011)	(112,958)	(7,082,718)	7,334,074	20,068,582
Other changes in unrestricted net assets							
Change in net unrealized gain on investments	1,700,657	-	-	-	-	-	1,700,657
Equity transfers	(283,233)	543,147	274,400	-	6,288,026	(6,822,340)	-
Change in pension funded status	9,903,294	-	-	-	-	-	9,903,294
Increase (decrease) in unrestricted net assets	31,370,006	726,054	(27,611)	(112,958)	(794,692)	511,734	31,672,533
Increase (decrease) in temporarily restricted net assets	304,230	-	(74,134)	-	-	-	230,096
Increase (decrease) in net assets	31,674,236	726,054	(101,745)	(112,958)	(794,692)	511,734	31,902,629
Net assets, beginning of year	81,891,642	200,475	1,234,662	(194,959)	4,541,024	(3,199,796)	84,473,048
Net assets, end of year	\$ 113,565,878	\$ 926,529	\$ 1,132,917	\$ (307,917)	\$ 3,746,332	\$ (2,688,062)	\$ 116,375,677

ST. JOSEPH'S HOSPITAL OF BUCKHANNON, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

September 30, 2014 and 2013

ASSETS	2014	2013
Current assets:		
Cash and cash equivalents	\$ 2,647,907	\$ 431,107
Patient accounts receivable, net of allowance for doubtful accounts	7,760,286	5,306,944
Other accounts receivable	77,352	119,273
Inventories	968,038	1,003,064
Prepaid expenses	1,461,605	965,865
Estimated third-party settlements	61,701	-
Current portion of assets limited as to use	295,000	285,000
Total current assets	13,271,889	8,111,253
Assets limited as to use, net of amounts required to meet current liabilities	1,407,205	2,040,175
Property and equipment, net of accumulated depreciation	13,421,450	14,601,806
Other assets	68,994	76,282
Other investments	87,033	472,350
Total assets	\$ 28,256,571	\$ 25,301,866
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 14,007,287	\$ 12,065,016
Current portion of long-term debt	587,048	846,172
Estimated third-party settlements	-	2,306
Other current liabilities	605,905	589,448
Total current liabilities	15,200,240	13,502,942
Long-term debt	9,458,760	10,066,295
Accrued pension obligation	8,358,077	7,121,030
Other liabilities	515,929	499,803
Total liabilities	33,533,006	31,190,070
Net assets:		
Unrestricted	(5,381,913)	(6,019,664)
Temporarily restricted	80,478	106,460
Permanently restricted	25,000	25,000
Total net assets (deficit)	(5,276,435)	(5,888,204)
Total liabilities and net assets	\$ 28,256,571	\$ 25,301,866

ST. JOSEPH'S HOSPITAL OF BUCKHANNON, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS

Years Ended September 30, 2014 and 2013

	2014	2013
Unrestricted revenues, gains, and other support		
Patient service revenues (net of contractual allowances and discounts)	\$ 43,370,927	\$ 41,887,518
Less Provision for bad debts	(4,692,645)	(6,211,048)
Net patient service revenue	38,678,282	35,676,470
Investment income	148,587	651,822
Electronic health record incentive reimbursement	1,004,099	401,209
Other	1,671,907	1,067,880
Total unrestricted revenues, gains, and other support	41,502,875	37,797,381
Expenses		
Salaries and wages	19,295,313	20,010,495
Employee benefits	5,415,996	6,054,336
Supplies	5,117,995	4,851,069
Purchased services	3,048,486	3,934,522
Plant operations	1,403,595	992,995
Interest	334,042	378,360
Depreciation and amortization	1,524,271	1,674,882
Provider tax	769,109	849,356
Other	3,223,385	3,294,798
Total expenses	40,132,192	42,040,813
Excess (deficiency) of revenues over expenses from operations	1,370,683	(4,243,432)
Change in fair value of derivative obligation	(16,457)	324,174
Excess (deficiency) of revenues over expenses	1,354,226	(3,919,258)
Other changes in unrestricted net assets		
Net unrealized loss on investments	-	(291,913)
Change in pension plan funded status	(716,475)	2,342,764
Increase (decrease) in unrestricted net assets	637,751	(1,868,407)
Decrease in temporarily restricted net assets	(25,982)	(211,459)
Increase (decrease) in net assets	611,769	(2,079,866)
Net assets (deficit), beginning of year	(5,888,204)	(3,808,338)
Net assets (deficit), end of year	\$ (5,276,435)	\$ (5,888,204)

ST. JOSEPH'S HOSPITAL OF BUCKHANNON, INC. AND SUBSIDIARIES

DETAILS OF CONSOLIDATED BALANCE SHEET

September 30, 2014

	St. Joseph's Hospital	St. Joseph's Foundation	Consolidation and Eliminations	St. Joseph's Hospital Consolidated
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,647,907	\$ -	\$ -	\$ 2,647,907
Patient accounts receivable, net	7,760,286	-	-	7,760,286
Other accounts receivable	72,352	5,000	-	77,352
Inventories	968,038	-	-	968,038
Prepaid expenses	1,461,605	-	-	1,461,605
Estimated third-party settlements	61,701	-	-	61,701
Current portion of assets limited as to use	295,000	-	-	295,000
Total current assets	13,266,889	5,000	-	13,271,889
Assets whose use is limited, net of amount required to meet current liabilities	1,245,921	161,284	-	1,407,205
Property and equipment, net	13,421,450	-	-	13,421,450
Other assets	68,994	-	-	68,994
Other investments	87,033	-	-	87,033
Total assets	\$ 28,090,287	\$ 166,284	\$ -	\$ 28,256,571
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued expenses	\$ 14,006,487	\$ 800	\$ -	\$ 14,007,287
Current portion of long-term debt	587,048	-	-	587,048
Estimated third-party settlements	-	-	-	-
Other current liabilities	605,905	-	-	605,905
Total current liabilities	15,199,440	800	-	15,200,240
Long-term debt, net of current portion	9,458,760	-	-	9,458,760
Accrued pension obligation	8,358,077	-	-	8,358,077
Other liabilities	515,929	-	-	515,929
Total liabilities	33,532,206	800	-	33,533,006
Net assets:				
Unrestricted	(5,489,284)	107,371	-	(5,381,913)
Temporarily restricted	22,365	58,113	-	80,478
Permanently restricted	25,000	-	-	25,000
Total net assets	(5,441,919)	165,484	-	(5,276,435)
Total liabilities and net assets	\$ 28,090,287	\$ 166,284	\$ -	\$ 28,256,571

ST. JOSEPH'S HOSPITAL OF BUCKHANNON, INC. AND SUBSIDIARIES

**DETAILS OF CONSOLIDATED STATEMENT OF OPERATIONS AND
CHANGES IN NET ASSETS
Year Ended September 30, 2014**

	St. Joseph's Hospital	St. Joseph's Foundation	Consolidation and Eliminations	St. Joseph's Hospital Consolidated
Unrestricted revenues, gains, and other support				
Patient service revenues (net of contractual allowances and discounts)	\$ 43,370,927	\$ -	\$ -	\$ 43,370,927
Less Provision for bad debts	(4,692,645)	-	-	(4,692,645)
Net patient service revenue	38,678,282	-	-	38,678,282
Investment income	135,429	13,158	-	148,587
Electronic health record incentive reimbursement	1,004,099	-	-	1,004,099
Other	1,660,590	113,139	(101,822)	1,671,907
Total unrestricted revenues, gains, and other support	41,478,400	126,297	(101,822)	41,502,875
Expenses				
Salaries and wages	19,295,313	-	-	19,295,313
Employee benefits	5,415,996	-	-	5,415,996
Supplies	5,115,888	2,107	-	5,117,995
Purchased services	3,048,486	-	-	3,048,486
Plant operations	1,403,595	-	-	1,403,595
Interest	334,042	-	-	334,042
Depreciation and amortization	1,524,271	-	-	1,524,271
Provider tax	769,109	-	-	769,109
Other	3,181,198	144,009	(101,822)	3,223,385
Total expenses	40,087,898	146,116	(101,822)	40,132,192
Excess (deficiency) of revenues over expenses from operations	1,390,502	(19,819)	-	1,370,683
Change in fair value of derivative obligation	(16,457)	-	-	(16,457)
Excess (deficiency) of revenues over expenses	1,374,045	(19,819)	-	1,354,226
Other changes in unrestricted net assets				
Net unrealized loss on investments	-	-	-	-
Change in pension plan funded status	(716,475)	-	-	(716,475)
Increase (decrease) in unrestricted net assets	657,570	(19,819)	-	637,751
Decrease in temporarily restricted net assets	(18,476)	(7,506)	-	(25,982)
Increase (decrease) in net assets	639,094	(27,325)	-	611,769
Net assets (deficit), beginning of year	(6,081,013)	192,809	-	(5,888,204)
Net assets (deficit), end of year	\$ (5,441,919)	\$ 165,484	\$ -	\$ (5,276,435)

ST. JOSEPH'S HOSPITAL OF BUCKHANNON, INC. AND SUBSIDIARIES

DETAILS OF CONSOLIDATED BALANCE SHEET

September 30, 2013

	St. Joseph's Hospital	St. Joseph's Foundation	Consolidation and Eliminations	St. Joseph's Hospital Consolidated
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 431,107	\$ -	\$ -	\$ 431,107
Patient accounts receivable, net	5,306,944	-	-	5,306,944
Other accounts receivable	119,273	-	-	119,273
Inventories	1,003,064	-	-	1,003,064
Prepaid expenses	965,865	-	-	965,865
Estimated third-party settlements	-	-	-	-
Current portion of assets limited as to use	285,000	-	-	285,000
Total current assets	8,111,253	-	-	8,111,253
Assets whose use is limited, net of amount required to meet current liabilities	1,847,366	192,809	-	2,040,175
Property and equipment, net	14,601,806	-	-	14,601,806
Other assets	76,282	-	-	76,282
Other investments	472,350	-	-	472,350
Total assets	\$ 25,109,057	\$ 192,809	\$ -	\$ 25,301,866
LIABILITIES AND NET ASSETS				
Current liabilities:				
Notes payable	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	12,065,016	-	-	12,065,016
Current portion of long-term debt	846,172	-	-	846,172
Estimated third-party settlements	2,306	-	-	2,306
Other current liabilities	589,448	-	-	589,448
Total current liabilities	13,502,942	-	-	13,502,942
Long-term debt, net of current portion	10,066,295	-	-	10,066,295
Accrued pension obligation	7,121,030	-	-	7,121,030
Other liabilities	499,803	-	-	499,803
Total liabilities	31,190,070	-	-	31,190,070
Net assets:				
Unrestricted	(6,146,854)	127,190	-	(6,019,664)
Temporarily restricted	40,841	65,619	-	106,460
Permanently restricted	25,000	-	-	25,000
Total net assets	(6,081,013)	192,809	-	(5,888,204)
Total liabilities and net assets	\$ 25,109,057	\$ 192,809	\$ -	\$ 25,301,866

ST. JOSEPH'S HOSPITAL of BUCKHANNON, INC. AND SUBSIDIARIES

**DETAILS OF CONSOLIDATED STATEMENT OF OPERATIONS AND
CHANGES IN NET ASSETS
Year Ended September 30, 2013**

	St. Joseph's Hospital	St. Joseph's Foundation	Consolidation and Eliminations	St. Joseph's Hospital Consolidated
Unrestricted revenues, gains, and other support				
Patient service revenues (net of contractual allowances and discounts)	\$ 41,887,518	\$ -	\$ -	\$ 41,887,518
Less: Provision for bad debts	(6,211,048)	-	-	(6,211,048)
Net patient service revenue	35,676,470	-	-	35,676,470
Investment income	637,539	14,283	-	651,822
Electronic health record incentive reimbursement	401,209	-	-	401,209
Other	947,089	120,791	-	1,067,880
Total unrestricted revenues, gains, and other support	37,662,307	135,074	-	37,797,381
Expenses				
Salaries and wages	20,010,495	-	-	20,010,495
Employee benefits	6,054,336	-	-	6,054,336
Supplies	4,850,918	151	-	4,851,069
Purchased services	3,934,522	-	-	3,934,522
Plant operations	992,995	-	-	992,995
Interest	378,360	-	-	378,360
Depreciation and amortization	1,674,882	-	-	1,674,882
Provider tax	849,356	-	-	849,356
Other	3,183,707	111,091	-	3,294,798
Total expenses	41,929,571	111,242	-	42,040,813
Excess (deficiency) of revenues over expenses from operations	(4,267,264)	23,832	-	(4,243,432)
Change in fair value of derivative obligation	324,174	-	-	324,174
Excess (deficiency) of revenues over expenses	(3,943,090)	23,832	-	(3,919,258)
Other changes in unrestricted net assets				
Net unrealized loss on investments	(291,913)	-	-	(291,913)
Change in pension plan funded status	2,342,764	-	-	2,342,764
Increase (decrease) in unrestricted net assets	(1,892,239)	23,832	-	(1,868,407)
Decrease in temporarily restricted net assets	(10,024)	(201,435)	-	(211,459)
Decrease in net assets	(1,902,263)	(177,603)	-	(2,079,866)
Net assets (deficit), beginning of year	(4,178,750)	370,412	-	(3,808,338)
Net assets (deficit), end of year	\$ (6,081,013)	\$ 192,809	\$ -	\$ (5,888,204)