

Form **990**

Return of Organization Exempt From Income Tax
Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

OMB No. 1545-0047

2013

Department of the Treasury
Internal Revenue Service

▶ Do not enter Social Security numbers on this form as it may be made public.
▶ Information about Form 990 and its instructions is at www.irs.gov/form990.

Open to Public Inspection

A For the 2013 calendar year, or tax year beginning _____ and ending _____

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

C Name of organization: **St. Joseph Hospital**
 Doing Business As _____
 Number and street (or P.O. box if mail is not delivered to street address) Room/suite
360 Broadway, P.O. Box 403
 City or town, state or province, country, and ZIP or foreign postal code
Bangor, ME 04402-0403

D Employer identification number: **01-0212435**

E Telephone number: **(207) 262-1000**

F Name and address of principal officer: **Mary Prybylo**
 same as C above

G Gross receipts \$: **115,972,162.**

H(a) Is this a group return for subordinates? Yes No
H(b) Are all subordinates included? Yes No
 If "No," attach a list. (see instructions)

H(c) Group exemption number ▶ _____

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

J Website: ▶ **www.stjoeshealing.org**

K Form of organization: Corporation Trust Association Other ▶ _____

L Year of formation: **1960** **M** State of legal domicile: **ME**

Part I Summary		Prior Year	Current Year
Activities & Governance	1 Briefly describe the organization's mission or most significant activities: Community Hospital committed to wellness promotion, holistic healing & healthcare services		
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets.		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	16
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	14
	5 Total number of individuals employed in calendar year 2013 (Part V, line 2a)	5	1118
	6 Total number of volunteers (estimate if necessary)	6	134
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	39,327.
b Net unrelated business taxable income from Form 990-T, line 34	7b	21,520.	
Revenue	8 Contributions and grants (Part VIII, line 1h)	28,561.	121,194.
	9 Program service revenue (Part VIII, line 2g)	101,019,340.	111,639,312.
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,341,163.	694,612.
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	0.	0.
	12 Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	102,389,064.	112,455,118.
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	0.	0.
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0.	0.
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	46,028,196.	48,569,315.
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0.	0.
	b Total fundraising expenses (Part IX, column (D), line 25) ▶	0.	
	17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	49,961,546.	54,805,343.
18 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	95,989,742.	103,374,658.	
19 Revenue less expenses. Subtract line 18 from line 12	6,399,322.	9,080,460.	
Net Assets or Fund Balances	20 Total assets (Part X, line 16)	Beginning of Current Year 73,778,520.	End of Year 76,591,969.
	21 Total liabilities (Part X, line 26)	48,440,864.	44,380,874.
	22 Net assets or fund balances. Subtract line 21 from line 20	25,337,656.	32,211,095.

Part II Signature Block

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

Sign Here Signature of officer: **Mary Prybylo, President & CEO** Date: _____
 Type or print name and title

Paid Preparer Use Only Print/Type preparer's name: **Nicholas E. Porto** Preparer's Signature: _____ Date: **9/20/14** Check if self-employed: PTIN: **P01310283**
 Firm's name: **Baker Newman & Noyes** Firm's EIN: **01-0494526**
 Firm's address: **P.O. Box 507** Phone no.: **(207) 879-2100**
Portland, ME 04112

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission: "St. Joseph Healthcare-committed to wellness promotion and holistic healing-provides healthcare services which embody compassion, competence and community." ... not just words, but a way of life - a noble statement of what we are, meticulously crafted after thoughtful

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 [X] 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 [X] 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 \$ 83,420,303. Including grants of \$ 0.) (Revenue \$ 111,599,985.) St. Joseph Hospital provides quality medical healthcare for all people through direct patient care at various hospital and clinical locations. Although reimbursement for services rendered is critical to the operation and stability of St. Joseph Hospital, it is recognized that not all individuals possess the ability to purchase essential medical services and further that our mission is to serve the community with respect to providing healthcare services and healthcare education.

St. Joseph Hospital provides care to persons covered by governmental programs at below cost. Recognizing its mission to the community, services are provided to both Medicare and Medicaid patients. (continued on Schedule O)

4b (Code:) (Expenses \$ Including grants of \$) (Revenue \$)

4c (Code:) (Expenses \$ Including grants of \$) (Revenue \$)

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

4e Total program service expenses 83,420,303.

Part V 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)? <i>If "Yes," complete Schedule A</i>	X	
2	Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> ?	X	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I</i>		X
4	Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II</i>	X	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-197? <i>If "Yes," complete Schedule C, Part III</i>		X
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I</i>		X
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? <i>If "Yes," complete Schedule D, Part II</i>		X
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III</i>		X
9	Did the organization report an amount in Part X, line 21, for escrow or custodial account liability; serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV</i>		X
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V</i>	X	
11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.		
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI</i>	X	
b	Did the organization report an amount for investments - other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII</i>		X
c	Did the organization report an amount for investments - program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII</i>		X
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX</i>	X	
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i>	X	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X</i>	X	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII</i>		X
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional</i>	X	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i>		X
14a	Did the organization maintain an office, employees, or agents outside of the United States?		X
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Parts I and IV</i>		X
15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? <i>If "Yes," complete Schedule F, Parts II and IV</i>		X
16	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? <i>If "Yes," complete Schedule F, Parts III and IV</i>		X
17	Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I</i>		X
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II</i>		X
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III</i>		X
20a	Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i>	X	
b	If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	X	

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Part IV Checklist of Required Schedules (continued)

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

Note. All Form 990 filers are required to complete Schedule O

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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

Main form table with columns for question number, description, sub-questions (1a-14b), and Yes/No columns. Includes questions about Form 1099-B, Form W-2, Form 990-T, and other IRS filings.

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

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

Section A. Governing Body and Management

Table with 3 columns: Question, Yes, No. Rows include: 1a Enter the number of voting members... 16; 1b Enter the number of voting members included... 14; 2 Did any officer, director, trustee, or key employee have a family relationship... X; 3 Did the organization delegate control over management duties... X; 4 Did the organization make any significant changes to its governing documents... X; 5 Did the organization become aware during the year of a significant diversion of the organization's assets... X; 6 Did the organization have members or stockholders? X; 7a Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body? X; 7b Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? X; 8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following: 8a The governing body? X; 8b Each committee with authority to act on behalf of the governing body? X; 9 Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O X

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

Table with 3 columns: Question, Yes, No. Rows include: 10a Did the organization have local chapters, branches, or affiliates? X; 10b 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?; 11a Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? X; 11b 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 X; 12b Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? X; 12c Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done X; 13 Did the organization have a written whistleblower policy? X; 14 Did the organization have a written document retention and destruction policy? X; 15 Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision? 15a The organization's CEO, Executive Director, or top management official X; 15b Other officers or key employees of the organization X; 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? X; 16b 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?

Section C. Disclosure

- 17 List the states with which a copy of this Form 990 is required to be filed ME
18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.
[] Own website [X] Another's website [X] Upon request [] Other (explain in Schedule O)
19 Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.
20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization:
Michael Hendrix - (207) 907-1200
360 Broadway, Bangor, ME 04402

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Robert Clark Trustee	0.10 0.40	X						0.	0.	0.
(2) Joseph Cyr Trustee	0.10 0.40	X						0.	0.	0.
(3) L. William Demaso Trustee	0.10 0.40	X						0.	0.	0.
(4) Glenn Goodwin Trustee	0.10 0.40	X						0.	0.	0.
(5) Ned Jennings Trustee	0.10 0.40	X						0.	0.	0.
(6) Bernard LaBree Trustee	0.10 0.40	X						0.	0.	0.
(7) Sister Nancy Marie, C.S.S.F. Trustee	0.10 0.40	X						0.	0.	0.
(8) Sheila Pechinski Trustee	0.10 0.40	X						0.	0.	0.
(9) Patricia Quirk Trustee	0.10 0.40	X						0.	0.	0.
(10) Adrien Roy Trustee	0.10 0.40	X						0.	0.	0.
(11) Cynthia Self, M.D. Trustee	0.10 0.40	X						0.	0.	0.
(12) Michael Starks, M.D. Trustee	0.10 0.40	X						0.	0.	0.
(13) William Lucy President	0.10 0.40	X		X				0.	0.	0.
(14) Gen. Nelson Durgin Vice President	0.10 0.40	X		X				0.	0.	0.
(15) Mary Prybylo (Ex Officio) President/CEO	40.00 0.40	X		X				329,496.	0.	30,381.
(16) Kevin Sedgwick Treasurer/CFO	40.00 0.40	X		X				189,434.	0.	17,871.
(17) Joseph Borer, M.D. ED Physician	40.00 0.00					X		256,489.	0.	24,921.

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 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) Paul Buckley, M.D. ED Physician	40.00 0.00					X		286,949.	0.	940.
(19) Thomas Dancoes, M.D. ED Physician	40.00 0.00					X		285,113.	0.	24,911.
(20) Charles Pattavina, M.D. ED Physician	40.00 0.00					X		351,118.	0.	11,811.
(21) Richard Renzi, M.D. ED Physician	40.00 0.00					X		309,028.	0.	21,528.
(22) Wayne Woodford Former Treasurer/CFO	0.00 0.00						X	167,665.	0.	19,530.
1b Sub-total								2,175,292.	0.	151,893.
c Total from continuation sheets to Part VII, Section A								0.	0.	0.
d Total (add lines 1b and 1c)								2,175,292.	0.	151,893.

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

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- 3 Did the organization list any former officer, director, or trustee, key employee, or highest compensated employee on line 1a? If "Yes," complete Schedule J for such individual
- 4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? If "Yes," complete Schedule J for such individual
- 5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? If "Yes," complete Schedule J for such person

	Yes	No
3	X	
4	X	
5		X

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Sound Physicians of Maine, Inc. 1123 Pacific Avenue, Tacoma, WA 98402	Physician Services	1,560,072.
Spectrum Medical Group 324 Gannett Drive, South Portland, ME 04106	Anesthesia Services	1,550,532.
Dragonfly Therapy P.O. Box 225, Stillwater, ME 04489	Physical Therapy	1,073,505.
Morris Switzer 185 Talcott Road, Williston, VT 05495	Architect Services	971,475.
Dahl-Chase Diagnostic Services, 417 State Street, Suite 441, Bangor, ME 04401	Pathology Services	751,903.

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

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Part VIII Statement of Revenue

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

				(A)	(B)	(C)	(D)
				Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1 a	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	121,194.			
	g	Noncash contributions included in lines 1a-1f: \$					
	h	Total. Add lines 1a-1f		121,194.			
Program Service Revenue	2 a	Net Patient Services	Business Code 621110	108,512,458.	108,512,458.		
	b	Medical/Laboratory	621500	2,129,552.	2,090,225.	39,327.	
	c	Services to Affiliates	541200	961,529.	961,529.		
	d	Gift Shop	453220	35,773.	35,773.		
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f		111,639,312.			
	3	Investment income (including dividends, interest, and other similar amounts)		563,060.			563,060.
4	Income from investment of tax-exempt bond proceeds						
5	Royalties						
Other Revenue	6 a	Gross rents	(i) Real (ii) Personal				
	b	Less: rental expenses					
	c	Rental income or (loss)					
	d	Net rental income or (loss)					
	7 a	Gross amount from sales of assets other than inventory	(i) Securities (ii) Other	2,341,909. 1,306,687.			
	b	Less: cost or other basis and sales expenses		2,221,666. 1,295,378.			
	c	Gain or (loss)		120,243. 11,309.			
	d	Net gain or (loss)		131,552.			131,552.
	8 a	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					
	9 a	Gross income from gaming activities. See Part IV, line 19	a				
	b	Less: direct expenses	b				
	c	Net income or (loss) from gaming activities					
10 a	Gross sales of inventory, less returns and allowances	a					
b	Less: cost of goods sold	b					
c	Net income or (loss) from sales of inventory						
Miscellaneous Revenue				Business Code			
11 a							
b							
c							
d	All other revenue						
e	Total. Add lines 11a-11d						
12	Total revenue. See instructions.			112,455,118.	111,599,985.	39,327.	694,612.

Part IX Statement of Functional Expenses

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

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the United States. See Part IV, line 21				
2 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	567,182.	444,671.	122,511.	
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	38,480,853.	30,168,989.	8,311,864.	
8 Pension plan accruals and contributions (Include section 401(k) and 403(b) employer contributions)	109,441.	85,802.	23,639.	
9 Other employee benefits	6,698,051.	5,251,272.	1,446,779.	
10 Payroll taxes	2,713,788.	2,127,610.	586,178.	
11 Fees for services (non-employees):				
a Management	193,775.	151,920.	41,855.	
b Legal	129,954.	101,884.	28,070.	
c Accounting	148,970.	116,792.	32,178.	
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 Sch O.)	10,631,630.	8,335,198.	2,296,432.	
12 Advertising and promotion	287,903.	225,716.	62,187.	
13 Office expenses	17,539,665.	13,751,097.	3,788,568.	
14 Information technology	1,865,255.	1,462,360.	402,895.	
15 Royalties				
16 Occupancy	2,214,934.	1,736,508.	478,426.	
17 Travel	26,251.	20,581.	5,670.	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	212,713.	166,767.	45,946.	
20 Interest	612,776.	480,416.	132,360.	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	3,845,375.	3,014,774.	830,601.	
23 Insurance	1,618,297.	1,268,745.	349,552.	
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 Provision for bad debt	8,825,965.	8,825,965.		
b Tax & Match	2,167,414.	2,167,414.		
c Maintenance & repairs	1,783,923.	1,398,596.	385,327.	
d				
e All other expenses	2,700,543.	2,117,226.	583,317.	
25 Total functional expenses. Add lines 1 through 24e	103,374,658.	83,420,303.	19,954,355.	0.
26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation.				

Check here if following SOP 98-2 (ASC 958-720)

Part X Balance Sheet

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

		(A) Beginning of year		(B) End of year	
Assets	1	Cash - non-interest-bearing	10,501,469.	1	852,723.
	2	Savings and temporary cash investments	733,448.	2	1,157,144.
	3	Pledges and grants receivable, net		3	
	4	Accounts receivable, net	9,253,666.	4	9,405,687.
	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 instr). Complete Part II of Sch L		6	
	7	Notes and loans receivable, net		7	
	8	Inventories for sale or use	1,075,818.	8	863,992.
	9	Prepaid expenses and deferred charges	1,278,566.	9	1,244,468.
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 69,620,177.		
	10b	Less: accumulated depreciation	10b 46,198,729.		
	10c		20,564,223.	10c	23,421,448.
	11	Investments - publicly traded securities	7,931,687.	11	25,296,035.
	12	Investments - other securities. See Part IV, line 11	1,603,616.	12	339,442.
	13	Investments - program-related. See Part IV, line 11		13	
	14	Intangible assets	325,249.	14	305,830.
15	Other assets. See Part IV, line 11	20,510,778.	15	13,705,200.	
16	Total assets. Add lines 1 through 15 (must equal line 34)	73,778,520.	16	76,591,969.	
Liabilities	17	Accounts payable and accrued expenses	6,656,070.	17	6,646,506.
	18	Grants payable		18	
	19	Deferred revenue		19	
	20	Tax-exempt bond liabilities	26,289,871.	20	25,008,648.
	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	688,715.	23	356,551.
	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	14,806,208.	25	12,369,169.
	26	Total liabilities. Add lines 17 through 25	48,440,864.	26	44,380,874.
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.				
	27	Unrestricted net assets	23,060,301.	27	29,782,856.
	28	Temporarily restricted net assets		28	
	29	Permanently restricted net assets	2,277,355.	29	2,428,239.
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> 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	25,337,656.	33	32,211,095.
	34	Total liabilities and net assets/fund balances	73,778,520.	34	76,591,969.

Form 990 (2013)

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	112,455,118.
2	Total expenses (must equal Part IX, column (A), line 25)	2	103,374,658.
3	Revenue less expenses. Subtract line 2 from line 1	3	9,080,460.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	25,337,656.
5	Net unrealized gains (losses) on investments	5	4,975,118.
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	-7,182,139.
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	32,211,095.

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: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> 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: <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		X
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: <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	X	
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.	X	
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		X
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		

Form 990 (2013)

Part I Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

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

Section B. Total Support

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

Section C. Computation of Public Support Percentage

14 Public support percentage for 2013 (line 6, column (f) divided by line 11, column (f))	14		%
15 Public support percentage from 2012 Schedule A, Part II, line 14	15		%
16a 33 1/3% support test - 2013. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization		<input type="checkbox"/>	
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		<input type="checkbox"/>	
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		<input type="checkbox"/>	
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		<input type="checkbox"/>	
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		<input type="checkbox"/>	

Part III Support Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

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

Section B. Total Support

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

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

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

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

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

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

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

Schedule B

(Form 990, 990-EZ, or 990-PF)

Department of the Treasury
Internal Revenue Service

Schedule of Contributors

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

OMB No. 1545-0047

2013

Name of the organization

Employer identification number

St. Joseph Hospital

01-0212435

Organization type (check one):

Filers of:

Section:

Form 990 or 990-EZ

501(c)(3) (enter number) organization

4947(a)(1) nonexempt charitable trust not treated as a private foundation

527 political organization

Form 990-PF

501(c)(3) exempt private foundation

4947(a)(1) nonexempt charitable trust treated as a private foundation

501(c)(3) taxable private foundation

Check if your organization is covered by the **General Rule** or a **Special Rule**.

Note. Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule. See instructions.

General Rule

For an organization filing Form 990, 990-EZ, or 990-PF that received, during the year, \$5,000 or more (in money or property) from any one contributor. Complete Parts I and II.

Special Rules

For a section 501(c)(3) organization filing Form 990 or 990-EZ that met the 33 1/3% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi) and received from any one contributor, during the year, a contribution of the greater of (1) \$5,000 or (2) 2% of the amount on (i) Form 990, Part VIII, line 1h, or (ii) Form 990-EZ, line 1. Complete Parts I and II.

For a section 501(c)(7), (8), or (10) organization filing Form 990 or 990-EZ that received from any one contributor, during the year, total contributions of more than \$1,000 for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals. Complete Parts I, II, and III.

For a section 501(c)(7), (8), or (10) organization filing Form 990 or 990-EZ that received from any one contributor, during the year, contributions for use *exclusively* for religious, charitable, etc., purposes, but these contributions did not total to more than \$1,000. If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc., purpose. Do not complete any of the parts unless the **General Rule** applies to this organization because it received *nonexclusively* religious, charitable, etc., contributions of \$5,000 or more during the year ▶ \$ _____

Caution. An organization that is not covered by the General Rule and/or the Special Rules does not file Schedule B (Form 990, 990-EZ, or 990-PF), but it **must** answer "No" on Part IV, line 2, of its Form 990; or check the box on line H of its Form 990-EZ or on its Form 990-PF, Part I, line 2, to certify that it does not meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990, 990-EZ, or 990-PF. Schedule B (Form 990, 990-EZ, or 990-PF) (2013)

Name of organization St. Joseph Hospital	Employer identification number 01-0212435
--	---

Part I Contributors (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
1		\$ 100,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
		\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
		\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
		\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
		\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
		\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization

Employer identification number

St. Joseph Hospital

01-0212435

Part II Noncash Property (see instructions). Use duplicate copies of Part II if additional space is needed.

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
	_____ _____ _____	\$ _____	_____
	_____ _____ _____	\$ _____	_____
	_____ _____ _____	\$ _____	_____
	_____ _____ _____	\$ _____	_____
	_____ _____ _____	\$ _____	_____
	_____ _____ _____	\$ _____	_____
	_____ _____ _____	\$ _____	_____

Name of organization St. Joseph Hospital	Employer identification number 01-0212435
--	---

Part III Exclusively religious, charitable, etc., individual contributions to section 501(c)(7), (8), or (10) organizations that total more than \$1,000 for the year. Complete columns (a) through (d) and the following line entry. For organizations completing Part III, enter the total of exclusively religious, charitable, etc., contributions of \$1,000 or less for the year. (Enter this information once.) ▶ \$ _____
Use duplicate copies of Part III if additional space is needed.

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	

SCHEDULE C
(Form 990 or 990-EZ)

Political Campaign and Lobbying Activities

OMB No. 1545-0047

2013

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

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

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

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

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

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

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

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

Name of organization St. Joseph Hospital Employer identification number 01-0212435

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

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

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

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

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

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

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

For Paperwork Reduction Act Notice, see the instructions for Form 990 or 990-EZ. Schedule C (Form 990 or 990-EZ) 2013

LHA

332041
11-08-13

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

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

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

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

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

Schedule C (Form 990 or 990-EZ) 2013

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

For each "Yes," response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.	(a)		(b)
	Yes	No	Amount
1 During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:			
a Volunteers?	X		
b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	X		
c Media advertisements?		X	
d Mailings to members, legislators, or the public?		X	
e Publications, or published or broadcast statements?		X	
f Grants to other organizations for lobbying purposes?	X		15,298.
g Direct contact with legislators, their staffs, government officials, or a legislative body?	X		500.
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?	X		500.
i Other activities?		X	
j Total. Add lines 1c through 1i			16,298.
2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		X	
b If "Yes," enter the amount of any tax incurred under section 4912			
c If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

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

Part II-B, Line 1, Lobbying Activities:

American Hospital Association dues paid was \$26,763, of which 23.98% (\$6,418) was available for lobbying activities.

Maine Hospital Association dues paid was \$52,543, of which 16.90% (\$8,880) was available for lobbying activities.

Part IV Supplemental Information (continued)

During 2013, members of the Board of Directors of St. Joseph Hospital contacted various members of the State of Maine legislature to discuss the importance of Medicaid expansion under the Affordable Care Act.

The Director of Community Networks made occasional trips to Augusta to meet with State legislators during legislative sessions. Incidental funds (\$500) were expended in this effort.

Also during 2013, St. Joseph Hospital, along with other regional healthcare providers, hosted a breakfast for area members of the State of Maine legislature to discuss the importance of Medicaid expansion under the Affordable Care Act. Direct expenditures and the value of staff compensation for this event did not exceed \$500.

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.

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

Name of the organization

St. Joseph Hospital

Employer identification number

01-0212435

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.

Table with 2 columns: (a) Donor advised funds, (b) Funds and other accounts. Rows include: 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?, 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?

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

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

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

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items. b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items: (i) Revenues included in Form 990, Part VIII, line 1. (ii) Assets included in Form 990, Part X. 2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items: a Revenues included in Form 990, Part VIII, line 1. b Assets included in Form 990, Part X.

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

- 3 Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply):
- a Public exhibition
 - b Scholarly research
 - c Preservation for future generations
 - d Loan or exchange programs
 - e Other
- 4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII.
- 5 During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? Yes No

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

- 1a Is the organization an agent, trustee, custodian or other Intermediary for contributions or other assets not included on Form 990, Part X? Yes No
- b If "Yes," explain the arrangement in Part XIII and complete the following table:
- | | Amount |
|---------------------------------|--------|
| c Beginning balance | 1c |
| d Additions during the year | 1d |
| e Distributions during the year | 1e |
| f Ending balance | 1f |
- 2a Did the organization include an amount on Form 990, Part X, line 21? Yes No
- b If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided in Part XIII

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

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance	2,277,355.	2,107,925.	2,288,800.	2,072,249.	1,869,854.
b Contributions	5,879.				
c Net investment earnings, gains, and losses	261,017.	169,430.	-180,875.	216,551.	202,395.
d Grants or scholarships					
e Other expenditures for facilities and programs	86,012.				
f Administrative expenses	30,000.				
g End of year balance	2,428,239.	2,277,355.	2,107,925.	2,288,800.	2,072,249.

- 2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as:
- a Board designated or quasi-endowment .00 %
 - b Permanent endowment 100.00 %
 - c Temporarily restricted endowment .00 %
- The percentages in lines 2a, 2b, and 2c should equal 100%.
- 3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by:
- | | Yes | No |
|-----------------------------|-----|----|
| (i) unrelated organizations | | X |
| (ii) related organizations | | X |
- b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?
- 3b

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

Part VI Land, Buildings, and Equipment.

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

Description of property	(a) Cost or other basis (Investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		175,048.		175,048.
b Buildings		28,816,005.	18,760,197.	10,055,808.
c Leasehold improvements		3,184,846.	2,396,204.	788,642.
d Equipment		33,822,065.	25,042,328.	8,779,737.
e Other		3,622,213.		3,622,213.
Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				23,421,448.

Part VII Investments - Other Securities.

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

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A)		
(B)		
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
Total. (Col. (b) must equal Form 990, Part X, col. (B) line 12.)		

Part VIII Investments - Program Related.

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

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

Part IX Other Assets.

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

(a) Description	(b) Book value
(1) Beneficial interest in perpetual trust	2,428,239.
(2) Funds held by Trustees	10,728,074.
(3) Insurance Recoveries	548,887.
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 15.)	13,705,200.

Part X Other Liabilities.

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

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	
(2) Pension obligations	3,368,804.
(3) Estimated 3rd party payor	
(4) settlements	7,680,598.
(5) Miscellaneous reserves	1,319,767.
(6)	
(7)	
(8)	
(9)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 25.)	12,369,169.

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

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return.

Complete if the organization answered "Yes" to Form 990, Part IV, line 12a.

1	Total revenue, gains, and other support per audited financial statements		1	117,430,236.
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:			
a	Net unrealized gains on investments	2a	4,975,118.	
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	4,975,118.	
3	Subtract line 2e from line 1	3	112,455,118.	
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		0.
5	Total revenue. Add lines 3 and 4c. (This must equal Form 990, Part I, line 12.)	5	112,455,118.	

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	103,374,658.
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		0.
3	Subtract line 2e from line 1	3	103,374,658.	
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		0.
5	Total expenses. Add lines 3 and 4c. (This must equal Form 990, Part I, line 18.)	5	103,374,658.	

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.

Part V, line 4:

Ensure the long-term financial viability of the organization.

Part X, Line 2:

Covenant and its member organizations are considered not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code, except as noted below.

St. Joseph Hospital Corporate Services, Inc., a wholly-owned subsidiary of Nashua, is a for-profit organization, which is subject to federal and state income taxes.

Part XIII Supplemental Information (continued)

CHSIL, a wholly-owned subsidiary, is subject to taxation in the Cayman Islands. No income taxes are levied in the Cayman Islands and CHSIL has been granted an exemption for any taxes that might be introduced. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Tax-exempt organizations could be required to record an obligation for income taxes as the result of a tax position they have historically taken on various tax exposure items including unrelated business income or tax status. Under guidance issued by the Financial Accounting Standards Board, assets and liabilities are established for uncertain tax positions taken or positions expected to be taken in income tax returns when such positions are judged to not meet the "more-likely-than-not" threshold, based upon the technical merits of the position. Estimated interest and penalties, if applicable, related to uncertain tax positions are included as a component of income tax expense.

The System has evaluated the position taken on its filed tax returns. The System has concluded no uncertain income tax positions exist at December 31, 2013. The System's tax years from 2010 through 2013 are open and subject to examination.

**SCHEDULE H
(Form 990)**

Hospitals

OMB No. 1545-0047

2013

Department of the Treasury
Internal Revenue Service

▶ 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

Open to Public Inspection

Name of the organization

St. Joseph Hospital

Employer identification number

01-0212435

Part Financial Assistance and Certain Other Community Benefits at Cost

	Yes	No
1a Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	X	
b If "Yes," was it a written policy?	X	
2 If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year. <input type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities		
3 Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year. a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing free care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care: <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input checked="" type="checkbox"/> 200% <input type="checkbox"/> Other _____ %	X	
b Did the organization use FPG as a factor in determining eligibility for providing discounted care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care: <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input checked="" type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %	X	
c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care.		
4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	X	
5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	X	
b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	X	
c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?		X
6a Did the organization prepare a community benefit report during the tax year?	X	
b If "Yes," did the organization make it available to the public?	X	

Complete the following table using the worksheets provided in the Schedule H Instructions. Do not submit these worksheets with the Schedule H.

7 Financial Assistance and Certain Other Community Benefits at Cost						
Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)		1,083	1481165.		1481165.	1.57%
b Medicaid (from Worksheet 3, column a)		5,778	12042975.	7965044.	4077931.	4.31%
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs		6,861	13524140.	7965044.	5559096.	5.88%
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)		159	29,939.	0.	29,939.	.03%
f Health professions education (from Worksheet 5)		739	1278929.	0.	1278929.	1.35%
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)		1,638	153,189.	0.	153,189.	.16%
j Total Other Benefits		2,536	1462057.		1462057.	1.54%
k Total. Add lines 7d and 7j		9,397	14986197.	7965044.	7021153.	7.42%

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group St. Joseph Hospital

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	X	
If "Yes," indicate what the CHNA report describes (check all that apply):			
a	<input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b	<input checked="" type="checkbox"/> Demographics of the community		
c	<input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	<input checked="" type="checkbox"/> How data was obtained		
e	<input checked="" type="checkbox"/> The health needs of the community		
f	<input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	<input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	<input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i	<input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	<input type="checkbox"/> Other (describe in Section C)		
2	Indicate the tax year the hospital facility last conducted a CHNA: <u>20 13</u>		
3	In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Section C how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	X	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Section C		X
5	Did the hospital facility make its CHNA report widely available to the public?	X	
If "Yes," indicate how the CHNA report was made widely available (check all that apply):			
a	<input checked="" type="checkbox"/> Hospital facility's website (list url): <u>www.stjoeshealing.org</u>		
b	<input type="checkbox"/> Other website (list url):		
c	<input checked="" type="checkbox"/> Available upon request from the hospital facility		
d	<input type="checkbox"/> Other (describe in Section C)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply as of the end of the tax year):		
a	<input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	<input type="checkbox"/> Execution of the implementation strategy		
c	<input type="checkbox"/> Participation in the development of a community-wide plan		
d	<input type="checkbox"/> Participation in the execution of a community-wide plan		
e	<input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans		
f	<input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	<input checked="" type="checkbox"/> Prioritization of health needs in its community		
h	<input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	<input type="checkbox"/> Other (describe in Section C)		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Section C which needs it has not addressed and the reasons why it has not addressed such needs		X
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?		X
8b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?		
8c	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) St. Joseph Hospital

Financial Assistance Policy		Yes	No
Did the hospital facility have in place during the tax year a written financial assistance policy that:			
9	Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	X	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	X	
If "Yes," indicate the FPG family income limit for eligibility for free care: <u>200</u> %			
If "No," explain in Section C the criteria the hospital facility used.			
11	Used FPG to determine eligibility for providing discounted care?	X	
If "Yes," indicate the FPG family income limit for eligibility for discounted care: <u>350</u> %			
If "No," explain in Section C the criteria the hospital facility used.			
12	Explained the basis for calculating amounts charged to patients?	X	
If "Yes," indicate the factors used in determining such amounts (check all that apply):			
a	<input checked="" type="checkbox"/> Income level		
b	<input checked="" type="checkbox"/> Asset level		
c	<input checked="" type="checkbox"/> Medical indigency		
d	<input type="checkbox"/> Insurance status		
e	<input type="checkbox"/> Uninsured discount		
f	<input type="checkbox"/> Medicaid/Medicare		
g	<input checked="" type="checkbox"/> State regulation		
h	<input type="checkbox"/> Residency		
i	<input type="checkbox"/> Other (describe in Section C)		
13	Explained the method for applying for financial assistance?	X	
14	Included measures to publicize the policy within the community served by the hospital facility?	X	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply):			
a	<input checked="" type="checkbox"/> The policy was posted on the hospital facility's website		
b	<input checked="" type="checkbox"/> The policy was attached to billing invoices		
c	<input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d	<input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices		
e	<input checked="" type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility		
f	<input checked="" type="checkbox"/> The policy was available on request		
g	<input type="checkbox"/> Other (describe in Section C)		

Billing and Collections

15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	X	
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP:		
a	<input checked="" type="checkbox"/> Reporting to credit agency.		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Section C)		
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP?		X
If "Yes," check all actions in which the hospital facility or a third party engaged:			
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Section C)		

Part V Facility Information (continued) **St. Joseph Hospital**

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

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	No
19	X	
If "No," indicate why:		
a		
b		
c		
d		

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

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

20 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care.

- a The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- b The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- c The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d Other (describe in Section C)

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

20		
21		X
22		X

If "Yes," explain in Section C.

22 During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual?

If "Yes," explain in Section C.

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 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.

St. Joseph Hospital:

Part V, Section B, Line 3: In addition to the survey results compiled from the general community and from the medical community, the Organization conducted focus interviews with fourteen social service and public health and safety organizations: Bangor Area Homeless Shelter, Bangor Area Recovery Network, Bangor Fire Department, Bangor Police Department, Bangor Region Public Health and Wellness, Community Health and Counseling Services, Eastern Area Agency on Aging, Penobscot Community Health Center, Penobscot County Sheriff's Department, Penquis CAP, Rape Response Services, The Salvation Army, Spruce Run, and United Way of Eastern Maine. This group of organizations was selected due to their involvement with the broader community as well as involvement with unique populations. In total 24 individuals from these organizations were interviewed.

St. Joseph Hospital:

Part V, Section B, Line 6i: The Community Health Needs Assessment was planned and conducted during 2013. Also in 2013, an implementation plan was developed and a budget for the provision of services was included in the 2014 Organization budget. Execution of the implementation strategy will begin in 2014 and continue into future years.

St. Joseph Hospital:

Part V, Section B, Line 7: The prioritization of community health needs

Part V Facility Information (continued)

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

began by correlating data received from primary data sources (community survey, medical community survey and key informant focus interviews).

This data was analyzed to ascertain the most prevalent community health needs noted from each constituent group. Secondary data was then utilized to formulate a more comprehensive evaluation of the health need. Once the individual identified health needs had sufficient secondary data, the information was evaluated to determine common themes among the three constituent groups.

Through this process five significant community health needs were identified. These needs were then prioritized utilizing a point system relative to four components: severity of health need (utilizing primary and secondary data sources), estimated feasibility and effectiveness of possible interventions, the level of importance the community, medical community and key informant focus interviews placed on the need (determined by listing within top three barriers to health or listing within top three most pressing health concerns), and synergy between two or more constituent groups relative to importance of health need. The five community health needs in order of importance are: weight management, affordability of health care services, meaningful health education, transportation, and substance abuse. The implementation plan that was developed identifies a number of actions that St. Joseph Hospital will take to address these health needs. In areas where the Hospital does not have the required expertise or resources to address these needs, the implementation plan identifies actions that will provide support to other community organizations that are better able to address these needs.

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6l, 7, 10, 11, 12l, 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.

Recognizing that there will be limited funds available to address the full list of community health needs, and recognizing that other agencies and organizations in the area had expertise or missions in these areas, there are a number of health needs that were identified by some respondents that are not included in the implementation strategy. These include: aging problems, cancer, child abuse/neglect, dental problems, domestic violence, infectious diseases, mental health problems, suicide, and teenage pregnancy.

St. Joseph Hospital:

Part V, Section B, Line 20d: Based on FAP eligibility, either 100% is written off or is subject to a sliding fee scale of which the payment rate is significantly discounted from the commercial payment rates.

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.

Part I, Line 3c:

The Organization does utilize FPG to determine eligibility.

Part I, Line 6a:

The community benefit report is based on the Catholic Health Association guidelines and utilizes the Association's CBISA software to record the benefits.

Part I, Line 7, Column (f):

The Bad Debt expense included on Form 990, Part IX, Line 25(A), but subtracted for purposes of calculating the percentage in this column is \$ 8,825,965.

Part II, Community Building Activities:

Community support consisted of American Red Cross blood drives, sending supplies to elementary school children in need, maintaining a community vegetable stand, laundry services and meals for the local homeless shelter, and providing pastoral care to the community.

Part VI Supplemental Information (Continuation)

Part III, Line 4:

Costs are from the accounting system using cost-to-charge ratios from the as-filed Medicare cost report. St. Joseph Hospital does not factor in discounts and payments in determining bad debt expense. Charges for services rendered to individuals from whom payment is expected and ultimately not received are written off as part of the provision for bad debts.

Please see page 11 of the Hospital's attached financial statements for the text of the footnote pertaining to the Organization's bad debt expense.

Part III, Line 8:

Costs are from the accounting system using cost-to-charge ratios from the as filed Medicare Cost Report, but none of these costs are being claimed as a community benefit Part I, line 7.

Part III, Line 9b:

Our collection policy, R.019, does address patients who require benevolence. If they qualify for free care, then their balance is written off. If they qualify for cost share, then their balance follows the same billing and collection process as any other self-pay account.

Part VI, Line 2:

The Hospital conducted a new Community Health Needs Assessment in 2013. This document will be utilized as a main source of information in directing activities to assist in improving the health of individuals with the Hospital's primary service area. The assessment

Part VI Supplemental Information (Continuation)

conducted in 2013 provided useful information to assist in identifying and prioritizing community health needs. Data collection from a wide cross-section of individuals, including those who serve the poor and the marginalized has resulted in a listing of five areas of priority relative to community health needs. These five areas represent a synergistic awareness of these needs with a wide-array of community health needs assessment participants. In order of importance they are: issues relative to weight management, issues relative to the affordability of health care services, issues relative to meaningful health education, issues relative to transportation, and issues relative to substance abuse.

Part VI, Line 3:

Each inpatient receives a packet upon admission that includes a description of the Hospital's Benevolence (Free Care and Cost Share) Policy. If an inpatient has any questions during their stay, a patient ombudsman is available to assist. Signage is placed in all outpatient registration sites and applications are available. Staff is available to answer questions. Upon billing, included with the statement is a notification that free care and cost share is available, the poverty guidelines, and a telephone number for assistance. The Policy is also posted on the Hospital's website.

Part VI, Line 4:

The Hospital's primary service area is Penobscot County which comprises the county seat and the third most populated city in the State of Maine: Bangor (population 33,039 - Maine.gov 2013 estimate). The County consists of a total area of 3,556.14 square miles. Within the Hospital's primary service area of Penobscot County the southern and

Schedule H (Form 990)

Part V Supplemental Information (Continuation)

western regions of the County account for more than 50% of the inpatient admissions. The Hospital's secondary service area includes the Penobscot County border communities such as the towns of Bucksport and Ellsworth (located in Hancock County), Milo and Dover-Foxcroft (located in Piscataquis County) and Winterport (located in Waldo County). The U.S. Census report estimates the 2012 population for Penobscot County as 153,746; recognizes that 95.4% are white, 50.7% are female; 15.4% are 65 years of age or older; 16.3% are below the poverty level; and the median household income is \$43,601. In 2013, 57% of the hospital admissions were over 65 years of age.

Part VI, Line 5:

The St. Joseph Healthcare system is deeply committed to creating healthier communities and advocating on behalf of those who are disadvantaged and underserved. As a Catholic organization, it is the very core of the Catholic social teachings in which we gain inspiration and guidance for the continuation of the work that began in 1947 under the leadership of the Sisters of St. Felix of Cantalice-the Felician Sisters. The Felician Congregation Foundress, Blessed Mary Angela, was focused on the spiritual renewal of society through compassionate caring for the whole person-body, mind and spirit. It is from this philosophical foundation and with the continued direction, guidance and vision set forth by Covenant Health Systems that St. Joseph Healthcare continues Jesus' healing ministry within the greater Bangor community. Through this ministry St. Joseph Healthcare has donated \$1,503,012 in dollars, goods and services to the greater Bangor community and the global community. The employees' commitment to these various projects is true testament to the Organization being in communion with the Catholic Church and its

Schedule H (Form 990)

Part VI Supplemental Information (Continuation)

social teachings.

St. Joseph Healthcare has recognized its role in supporting human development and the development of healthy communities. One way in which St. Joseph Healthcare strives to support these activities is through the education of the next generation of health care leaders who will be called to continue the Catholic health care ministry. St. Joseph Healthcare assisted 22 aspiring physician assistants and assisted 150 students of nursing, including bachelor-level nursing degree programs, nurse practitioner training programs, and nursing partnerships. St. Joseph Healthcare also provided health professional educational opportunities for 139 individuals. These opportunities represented individuals within one of the following health profession areas of study: emergency medical services, exercise science, health information management, medical technologist, medical assistant, nutrition services, pharmacy, physical therapy, radiography, and respiratory.

St. Joseph Healthcare has provided community health improvement services and outreach to many within the greater Bangor community. As St. Joseph Healthcare is located in a rural area with limited public transportation options, patients are often in need of taxi service but find they are lacking funds to support this need. St. Joseph Healthcare has provided taxi vouchers to ensure that patients have safe travel options. Literacy within the greater Bangor community can often affect an individual's ability to enroll in social service programs. St. Joseph Healthcare has provided application assistance to 97 individuals. The initiative to ensure that individuals gain access to the Affordable Care Act health insurance marketplace through enrollment has been a priority for St.

Joseph Healthcare. The Organization recognized the need for individuals

Schedule H (Form 990)

Part VI Supplemental Information (Continuation)

to receive personal assistance throughout the enrollment process; as such, the Organization took the step to obtain training for certified enrollment counselors. The Spiritual Care Department actively provides spiritual support to patients and their family members. In addition, the Spiritual Care Department support extends to any member of the community who seeks assistance. Through the celebration of Hospital Week, the Organization supported the educational needs of kindergarten children at the local Catholic school and also supported heart healthy activities through the American Heart Association. In celebration of Hospital Week, children were invited to attend a Teddy Bear Clinic in which the children were provided with education and access to medical professionals in a non-threatening environment. The Organization also arranged a fundraiser for the American Heart Association. St. Joseph Healthcare focused on community education through its involvement with two major community events - The Bangor Garden Show and the Harvest Festival. At each of these events, St. Joseph Healthcare professionals provided educational materials, provided cooking demonstrations, provided healthy cookbooks, shared information on creating a garden, and encouraged children by assisting them with planting a bush bean. All of these activities were focused around encouraging individuals to focus on healthy living through healthy food selection. More than 16,000 individuals attended these events. St. Joseph Healthcare supported the pulmonary support group - Better Breathers' Club. This group focuses on the education and lifestyle enhancement to improve pulmonary function. St. Joseph Healthcare was an active member in the Bangor Beacon community grant which focused on innovative care management methods to improve the health and well-being of community members struggling with the effects of long-term health conditions. The Organization supported this program through the printing

Part VI Supplemental Information (Continuation)

of educational materials for community participants. The Organization supported the American Heart Association through graphic design support, printing and donation of items for community outreach activities focused around a community "Fit and Fab" event. St. Joseph Healthcare supported wellness education events through the donations of supplies and educational resources for events organized by the Arthritis Foundation and the Brewer Rehabilitation Center.

St. Joseph Healthcare believes that a strong community requires strong partnerships with many different organizations that share a similar focus to improve the health and well-being of the greater Bangor community with special emphasis on assisting the underserved and those marginalized by society. Employees supported the American Association of Healthcare Administrative Management through providing board leadership, educational training and in-service programming. The Organization supported the American Red Cross through the coordination and facilitation of two community blood drives. The Organization supported activities with the Bangor Public Land Trust and provided assistance with the graphic design of educational materials to encourage community members to utilize the Land Trust trail system for health and wellness activities. In recognition that there are many individuals who are struggling to afford prescription medications, the Organization provided complimentary prescription medications to a number of individuals. The Organization donated many different types of supplies to several agencies. Some of these donations included: building materials and a cash donation was provided to Habitat for Humanity, outdated supplies were donated to a program which redistributes these items for use within developing countries, supplies were provided to the Special Olympics annual games for

Part VI Supplemental Information (Continuation)

the first-aid station and a donation was made for the purchase of carbon monoxide monitors to be placed within all Bangor public schools. Support of the Kiwanis Club occurred through employee commitment to serving within this group and supporting public relations activities. St. Joseph Healthcare provided laundry services for the Greater Bangor Area Homeless Shelter. Through this arrangement the Organization provided freshly laundered sheets and clean towels for every client. St. Joseph Healthcare has supported the Maine Breast Cancer Coalition-an organization dedicated to advocacy, education and support services surrounding breast cancer. In recognizing that food security continues to be a significant challenge within the community, St. Joseph Healthcare commits to providing and serving an evening meal once per month at the Greater Bangor Area Homeless Shelter and a noontime meal at the Dorothy Day Salvation Army Soup Kitchen. The Nutrition Services Department made significant contributions through the donation of excess food and meals to community individuals and to community organizations. The Organization supports a rural school in Kingman, Maine through the creation of a program called "Support a Student" in which each student at the school has been paired with a department within the Organization and members of the department provided items of need for the student. This support includes providing school supplies, slippers, birthday presents and nourishment which is packed in each student's backpack on Friday afternoon to ensure nourishment throughout the weekend. In addition, the Organization has provided several on-site educational program events which included exercise activities, creative art activities and a healthy family meal.

Part VI, Line 6:

St. Joseph Healthcare is comprised of St. Joseph Hospital (an

Schedule H (Form 990)

Part VI Supplemental Information (Continuation)

acute care hospital), St. Joseph Ambulatory Care, Inc., (physician group that provides primary and specialty care), and Alternative Health Services, Inc., (which provides home health and hospice services). By joining Covenant Health System, St. Joseph Healthcare is aligned with two other acute care hospitals and multiple skilled nursing and assisted living facilities.

Part VI, Line 7, List of States Receiving Community Benefit Report:

ME

Part VI, Line 5, Promotion of Community Health (continued):

The Organization's CEO and other members of the Senior Leadership Team provided leadership and expertise to several different community organizations including American Heart Association, Katahdin Council of the Boy Scouts, Rotary Club, City of Bangor-Public Health, Legislative connectivity gatherings, Chamber of Commerce, Maine Hospital Association and the University of Maine among others. The Organization supported the United Way of Eastern Maine through the coordination of an internal employee campaign which encouraged and provided an opportunity for employees to support the efforts of the United Way. The Organization provided numerous community sponsorships to organizations that were focused on improving the health and well-being of the community at large. These included contributions to: Maine Public Health Association, Maine Health Management Coalition, Bangor Area Recovery Network, Maine Harvest Festival, Hampden Children's Day, Bangor Garden Show, The American Folk Festival (multi-cultural awareness event) and the American Red Cross.

Part VI Supplemental Information (Continuation)

St. Joseph Healthcare supported community building activities through the organization of an internal program titled "Adopt a Plot," in which employees were encouraged to adopt a green space on the Organization's property to tend a flower or vegetable garden. Employees donated the vegetables to the Organization's community complimentary vegetable stand.

St. Joseph Healthcare supported community benefit operations through a number of activities including several public education campaigns and programming, a community vegetable exchange stand and programming focused on the elder population. The elder population was an area of focus for outreach and educational activities in collaboration with the Hammond Street Senior Center. Employees arranged speakers and educational programming. The Organization hosts a monthly Senior Wise program in which pertinent health topics are discussed and health experts provide presentations. These programs are coordinated with a nutritious, discounted meal from Nutrition Services. The Organization supported the American Cancer Society's Daffodil Days to support cancer prevention activities. St. Joseph Healthcare coordinated a community fruit and vegetable stand during the summer months in which local gardeners donated their excess produce to the stand and community members were welcome to take these items free of charge. The stand was quite popular with many individuals expressing that they did not have the means to purchase fresh vegetables and that this was their only opportunity to enjoy these items. Several programs were conducted relative to public education activities. These activities involved prostate screening education and community event, education and outreach with the University of Maine board, residence assistants and

Part VI Supplemental Information (Continuation)

general student body regarding sexual assault and violence prevention, outreach and education to a teen homeless shelter focused on healthy relationships, self-care, health related issues and awareness of sexual assault and violence, community education regarding Earth Day programs and the call to environmental stewardship and breast health education to several community organizations. The Organization completed a comprehensive community health needs assessment to determine the priority community needs and align community benefit activities to improve the areas identified as being of priority.

BAKER | NEWMAN | NOYES

Certified Public Accountants

**Covenant Health Systems, Inc.
and Subsidiaries**

Audited Consolidated Financial Statements
and Additional Information

*Years Ended December 31, 2013 and 2012
With Independent Auditors' Report*

COVENANT HEALTH SYSTEMS, INC. AND SUBSIDIARIES

Audited Consolidated Financial Statements and Additional Information

Years Ended December 31, 2013 and 2012

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BAKER | NEWMAN | NOYES

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Covenant Health Systems, Inc.

We have audited the accompanying consolidated financial statements of Covenant Health System, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Covenant Health Systems Insurance, Ltd., Souhegan Home and Hospice Care, Inc., St. Mary's Villa Nursing Home, Inc., and Mary Immaculate Residential Community, Inc. I-III, wholly-owned subsidiaries, which statements reflect total assets constituting 10% of consolidated total assets at December 31, 2013 and 2012, and total revenues constituting 4% and 5%, respectively, of consolidated total revenues for the years then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the report of other auditors. 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 financial statements are free from material misstatement.

The Board of Directors
Covenant Health Systems, Inc.

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 auditors' 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Covenant Health Systems, Inc. and Subsidiaries as of December 31, 2013 and 2012, and the results of their operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Boston, Massachusetts
April 25, 2014

Limited Liability Company

COVENANT HEALTH SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2013 and 2012

(In thousands)

ASSETS

	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 38,312	\$ 52,792
Accounts receivable, net of allowance for doubtful accounts of \$31,924 in 2013 and \$30,683 in 2012 (note 6)	48,285	47,170
Investments (note 4)	91,585	65,618
Inventories	3,665	4,251
Prepaid expenses and other current assets	16,596	16,315
Estimated third-party payor settlements (note 3)	779	23,334
Current portion of assets whose use is limited or restricted (note 4)	<u>4,486</u>	<u>4,532</u>
Total current assets	203,708	214,012
Assets whose use is limited or restricted, less current portion (note 4):		
Funds held by trustees, less current portion (note 6)	35,763	45,641
Deferred compensation	12,683	10,819
Board-designated funds and other long-term investments	241,108	203,781
Replacement reserve	4,963	5,099
Donor-restricted funds	<u>17,785</u>	<u>15,659</u>
Total assets whose use is limited or restricted, less current portion	312,302	280,999
Other assets:		
Other assets	6,685	6,526
Estimated third-party payor settlements (note 3)	2,065	-
Investments in joint ventures (note 10)	<u>10,850</u>	<u>9,701</u>
Total other assets	19,600	16,227
Property, plant and equipment (note 6):		
Land and improvements	21,026	20,747
Buildings and improvements	363,441	349,377
Equipment	189,795	182,650
Construction in progress	<u>17,787</u>	<u>6,107</u>
	592,049	558,881
Less accumulated depreciation	<u>(336,365)</u>	<u>(316,504)</u>
Total property, plant and equipment	<u>255,684</u>	<u>242,377</u>
Total assets	<u>\$ 791,294</u>	<u>\$ 753,615</u>

LIABILITIES AND NET ASSETS

	<u>2013</u>	<u>2012</u>
Current liabilities:		
Line of credit (note 6)	\$ 65	\$ -
Accounts payable	11,409	10,956
Accrued expenses and other liabilities	50,959	53,829
Estimated third-party payor settlements (note 3)	11,754	9,044
Current portion of long-term debt and capital leases (note 6)	<u>9,482</u>	<u>8,654</u>
Total current liabilities	83,669	82,483
Long-term debt and capital leases, less current portion (note 6)	217,754	222,141
Other liabilities	21,268	19,481
Long-term pension obligation (note 7)	7,615	15,036
Professional liability loss reserves (note 2)	<u>23,265</u>	<u>20,588</u>
Total liabilities	353,571	359,729
Net assets:		
Unrestricted	414,220	372,189
Temporarily restricted (note 8)	17,274	15,705
Permanently restricted (note 8)	<u>6,229</u>	<u>5,992</u>
Total net assets	437,723	393,886
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 791,294</u>	<u>\$ 753,615</u>

See accompanying notes.

COVENANT HEALTH SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31, 2013 and 2012

(In thousands)

	<u>2013</u>	<u>2012</u>
Operating revenue:		
Patient service revenue, net of contractual allowances and discounts	\$588,477	\$577,333
Less provision for bad debt	<u>(32,849)</u>	<u>(24,106)</u>
Patient service revenue, net (note 3)	555,628	553,227
Other revenue	26,163	26,315
Net assets released from restrictions for operations	<u>1,400</u>	<u>1,113</u>
Total operating revenue	583,191	580,655
Operating expenses (note 5):		
Salaries and wages	287,758	284,979
Employee benefits (notes 2 and 7)	55,886	63,659
Supplies and other (note 9)	185,172	179,539
Interest	9,075	10,003
Provider tax (note 3)	16,990	17,227
Depreciation and amortization	<u>25,100</u>	<u>25,229</u>
Total operating expenses	<u>579,981</u>	<u>580,636</u>
Income from operations	3,210	19
Nonoperating gains, net (notes 4 and 6)	<u>32,214</u>	<u>32,102</u>
Excess of revenue over expenses before discontinued operations and loss on refinancing of debt	35,424	32,121
Loss on refinancing of debt (note 6)	-	(1,763)
Discontinued operations (note 12)	<u>-</u>	<u>(73)</u>
Excess of revenue over expenses	<u>\$ 35,424</u>	<u>\$ 30,285</u>

See accompanying notes.

COVENANT HEALTH SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years Ended December 31, 2013 and 2012
(In thousands)

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>	<u>Total Net Assets</u>
Balances at January 1, 2012	\$339,448	\$ 13,354	\$ 7,140	\$359,942
Excess of revenue over expenses	30,285	-	-	30,285
Net change in unrealized gains on investments (note 4)	-	100	-	100
Restricted contributions and investment income	-	2,735	1	2,736
Net assets released from restrictions	601	(1,834)	-	(1,233)
Adjustment to long-term pension obligation (note 7)	1,855	-	-	1,855
Reclassification	-	1,350	(1,350)	-
Change in fair value of beneficial interest in perpetual trusts	<u>-</u>	<u>-</u>	<u>201</u>	<u>201</u>
	<u>32,741</u>	<u>2,351</u>	<u>(1,148)</u>	<u>33,944</u>
Balance at December 31, 2012.	372,189	15,705	5,992	393,886
Excess of revenue over expenses	35,424	-	-	35,424
Net change in unrealized gains on investments (note 4)	-	135	-	135
Restricted contributions and investment income	-	2,179	-	2,179
Net assets released from restrictions	117	(1,517)	-	(1,400)
Adjustment to long-term pension obligation (note 7)	7,262	-	-	7,262
Reclassification	(772)	772	-	-
Change in fair value of beneficial interest in perpetual trusts	<u>-</u>	<u>-</u>	<u>237</u>	<u>237</u>
	<u>42,031</u>	<u>1,569</u>	<u>237</u>	<u>43,837</u>
Balance at December 31, 2013	<u>\$414,220</u>	<u>\$ 17,274</u>	<u>\$ 6,229</u>	<u>\$437,723</u>

See accompanying notes.

COVENANT HEALTH SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

December 31, 2013 and 2012
(In thousands)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 43,837	\$ 33,944
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Net realized and change in unrealized appreciation on investments	(21,676)	(19,540)
Net gain from joint ventures	(1,149)	(1,407)
Restricted contributions and investment income	(2,179)	(2,736)
Depreciation and amortization	25,371	25,502
Provision for bad debts	32,849	24,106
Loss on refinancing of debt	-	1,763
Adjustment to long-term pension obligation	(7,262)	(1,855)
(Gain) loss on sale of property, plant and equipment	(105)	176
Changes in operating assets and liabilities:		
Accounts receivable	(33,964)	(19,329)
Inventories, prepaid expenses and other current assets	305	5,090
Other assets	(704)	4,075
Accounts payable, accrued expenses and other liabilities	(630)	(41)
Estimated third-party payor settlements, net	23,200	(1,570)
Professional liability loss reserves	<u>2,677</u>	<u>(12,541)</u>
Net cash provided by operating activities	60,570	35,637
Cash flows from investing activities:		
Purchases of investments and assets whose use is limited or restricted	(120,610)	(129,284)
Sales of investments and assets whose use is limited or restricted	85,062	98,154
Proceeds from sale of property, plant and equipment	366	504
Purchases of property, plant and equipment	<u>(38,757)</u>	<u>(19,352)</u>
Net cash used by investing activities	(73,939)	(49,978)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	7,921	73,916
Payments on long-term debt	(8,536)	(8,228)
Advance from (payments on) line of credit	65	(1,039)
Amounts paid to refinance debt	(2,740)	(42,027)
Bond premium	-	899
Bond issuance costs	-	(1,239)
Restricted contributions and investment income	<u>2,179</u>	<u>2,736</u>
Net cash (used) provided by financing activities	<u>(1,111)</u>	<u>25,018</u>
(Decrease) increase in cash and cash equivalents	(14,480)	10,677
Cash and cash equivalents, beginning of year	<u>52,792</u>	<u>42,115</u>
Cash and cash equivalents, end of year	\$ <u>38,312</u>	\$ <u>52,792</u>
Supplemental disclosure:		
Cash paid for interest (including capitalized interest of \$1,599 and \$674 in 2013 and 2012, respectively)	\$ <u>10,706</u>	\$ <u>10,746</u>

See accompanying notes.

COVENANT HEALTH SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

(In thousands)

1. Organization

Covenant Health Systems, Inc. (Covenant) is organized to coordinate the corporate, administrative, clinical and service strengths and potentials of its member organizations. Covenant functions as the parent company to its member organizations which include St. Joseph Hospital of Nashua NH (Nashua), St. Mary's Health System, St. Joseph Healthcare Foundation and Subsidiaries (Bangor), Youville Lifecare, Inc., Youville House, St. Andre Health Care Facility, Mary Immaculate Health Care Services, Inc., Fanny Allen Corporation, Fanny Allen Holdings, St. Joseph Manor Health Care, Inc., CHS of Waltham, Inc. d/b/a Maristhill (Maristhill), CHS of Worcester, Inc. d/b/a St. Mary Health Care Center, St. Mary's Villa Nursing Home, Inc., Covenant Health Systems Insurance Ltd. (CHSIL), Providentia Prima Trust (Providentia Prima), Youville Place and Helping Hands of St. Marguerite. In 2012, Helping Hands of St. Marguerite was discontinued. All member organizations are providers of health care services except CHSIL, which is licensed to write professional and general liability insurance for the other member organizations; Fanny Allen Corporation and Fanny Allen Holdings, foundations; and Providentia Prima, which is a unitized investment trust. Covenant and its member organizations, and their various related entities are collectively referred to herein as the "System." The System provides acute, long-term and other health care services to patients and residents in New England and Pennsylvania.

2. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are made in the areas of accounts receivable, estimated third-party payor settlements, professional liability loss reserves and self-insurance reserves (included in accrued expenses and other liabilities).

Concentration of Credit Risk

Financial instruments which subject the System to credit risk consist of cash and cash equivalents, accounts receivable, investments and estimated third-party payor settlements. At December 31, 2013 and 2012, the System had cash balances in several financial institutions that exceeded federal depository insurance limits; however, management believes the credit risk related to these financial instruments is minimal. The risk with respect to cash equivalents is minimized by the System's policy of investing in financial instruments with short-term maturities issued by highly rated financial institutions. Estimated third-party payor settlements are primarily comprised of amounts due from state and federal agencies as well as commercial insurers. The System does not expect any credit losses from net recorded amounts. Net accounts receivable represent net receivables from patients and third-party payors for services provided by the System. Patient accounts receivable from the Medicare and Medicaid programs comprise approximately 44% of receivables for both years ended December 31, 2013 and 2012. The System's investments consist of diversified investments and, while subject to market risk, are not subject to concentrations in any sectors. Revenues from the Medicare and Medicaid programs accounted for approximately 62% and 67% of the System's gross patient service revenues for the years ended December 31, 2013 and 2012, respectively, and revenues with Anthem accounted for approximately 5% and 9% of gross patient service revenues for 2013 and 2012, respectively.

COVENANT HEALTH SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012
(In thousands)

2. Significant Accounting Policies (Continued)

Income Taxes

Covenant and its member organizations are considered not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code, except as noted below.

St. Joseph Hospital Corporate Services, Inc., a wholly-owned subsidiary of Nashua, is a for-profit organization, which is subject to federal and state income taxes.

CHSIL, a wholly-owned subsidiary, is subject to taxation in the Cayman Islands. No income taxes are levied in the Cayman Islands and CHSIL has been granted an exemption for any taxes that might be introduced. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Tax-exempt organizations could be required to record an obligation for income taxes as the result of a tax position they have historically taken on various tax exposure items including unrelated business income or tax status. Under guidance issued by the Financial Accounting Standards Board, assets and liabilities are established for uncertain tax positions taken or positions expected to be taken in income tax returns when such positions are judged to not meet the "more-likely-than-not" threshold, based upon the technical merits of the position. Estimated interest and penalties, if applicable, related to uncertain tax positions are included as a component of income tax expense.

The System has evaluated the position taken on its filed tax returns. The System has concluded no uncertain income tax positions exist at December 31, 2013. The System's tax years from 2010 through 2013 are open and subject to examination.

Principles of Consolidation

The consolidated financial statements of the System include the accounts of Covenant and its member organizations. Significant intercompany accounts and transactions have been eliminated in consolidation.

Temporarily and Permanently Restricted Net Assets

Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as either net assets released from restrictions for operations (for noncapital-related items) or net assets released from restrictions for property, plant and equipment (for capital-related items). Permanently restricted net assets have been restricted by donors to be maintained by the System in perpetuity.

COVENANT HEALTH SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

(In thousands)

2. Significant Accounting Policies (Continued)

Statement of Operations

Transactions deemed by management to be ongoing, major or central to the provision of the services offered by the System are reported as operating revenue and operating expenses. Other transactions, which primarily include certain types of investment income and unrestricted contributions, are reported as nonoperating gains.

Management has determined that the net result of the CHSIL insurance operations should be reported in the consolidated nonoperating portion of the income statement and the actuarially determined premium paid by the insured (member organization) should remain as an operating expense. The operating results of Providentia Prima are the net result of investment operations and are reported in the consolidated nonoperating portion of the income statement. The operations of Fanny Allen Corporation and Fanny Allen Holdings are that of a foundation and have been included in nonoperating gains on the consolidated statement of operations.

Excess of Revenue Over Expenses

The consolidated statements of operations include excess of revenue over expenses. Changes in unrestricted net assets which are excluded from excess of revenue over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purpose of acquiring such assets) and pension obligation adjustments other than net periodic pension cost.

Net Patient Service Revenue

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 due to future audits, reviews and investigations. Retroactive adjustments are accrued in the period the related services are rendered and adjusted in future periods as final settlements are determined. Changes in estimated settlements from third-party payors and other changes from prior years resulted in a net increase of \$6,434 and \$3,645 to net patient service revenue for the years ended December 31, 2013 and 2012, respectively.

Charity Care

The System has a formal charity care policy under which patient care is provided to patients who meet certain criteria without charge or at amounts less than its established rates. The System does not pursue collection of amounts determined to qualify as charity care, therefore, they are not reported as revenue.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid instruments which have a maturity of three months or less when purchased.

COVENANT HEALTH SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

(In thousands)

2. Significant Accounting Policies (Continued)

Beneficial Interest in Perpetual Trust

The System is the beneficiary of several trust funds administered by trustees or other third parties. Trusts, wherein the System has an irrevocable right to receive the income earned on the trust assets in perpetuity, are recorded as permanently restricted net assets at the fair value of the trust at the date of receipt and are included in donor-restricted funds in the consolidated balance sheet. Income distributions from the trusts are reported as investment income that increase unrestricted net assets, unless restricted by the donor. Annual changes in market value of the trusts are recorded as increases or decreases to permanently restricted net assets.

Accounts Receivable

The allowance for doubtful accounts is provided based on an analysis by management of the collectibility of outstanding balances. Management considers the age of outstanding balances and past collection efforts in determining the allowance for doubtful accounts. Accounts deemed uncollectible are charged off against the established allowance.

Inventories

Inventories of pharmaceuticals and medical supplies are carried at the lower of cost (determined primarily by the first-in, first-out method) or market.

Property, Plant and Equipment

Property, plant and equipment is stated at cost, or if donated, at fair market value at time of donation, less accumulated depreciation. The System's policy is to capitalize expenditures for major improvements and charge maintenance and repairs currently for expenditures which do not extend the lives of the related assets. The provision for depreciation is determined by the straight-line method at rates intended to amortize the cost of related assets over their estimated useful lives.

The System reviews its long-lived assets when events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Upon determination that an impairment has occurred, these assets are reduced to fair value. No such impairment losses have been recognized to date. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less the cost to dispose.

Gifts of long-lived assets such as property or equipment are reported as unrestricted support and are excluded from the excess of revenue over expenses unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Depreciation expense for the years ended December 31, 2013 and 2012 was \$25,186 and \$25,422, respectively.

COVENANT HEALTH SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012
(In thousands)

2. Significant Accounting Policies (Continued)

Conditional Asset Retirement Obligations

The System recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred, in accordance with the Accounting Standards (the Standards) for *Accounting for Asset Retirement Obligations* (ASC 410-20). When the liability is initially recorded, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the related long lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statement of operations.

As of December 31, 2013 and 2012, \$7,918 and \$7,640, respectively, of conditional asset retirement obligations are included within other liabilities on the consolidated balance sheet.

Deferred Financing Costs/Original Issue Discount

Deferred financing costs and the original issue discount and premium related to the System's bonds payable are being amortized by the effective interest method over the repayment period of the bonds. The original issue discount or premium is presented as a reduction or increase, respectively, of the face amount of bonds payable.

Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted include certain assets set aside by the Board of Directors to provide for the future replacement of property, plant and equipment and certain internal designations by members of the System. These assets are reported as Board-designated funds and other long-term investments. Also, under certain debt agreements, the System is required to maintain assets which have been segregated as externally designated trustee funds. Donor-restricted funds include amounts donated for endowments and other special purpose funds.

Investments and Investment Income

Investments in equity securities with readily determinable market values and all investments in debt securities are recorded at fair market value. At December 31, 2013 and 2012, the System held interests in certain funds and common trusts, which are also referred to as alternative investments. Interests in the alternative investments are generally recorded at fair market value based on the System's ownership share and rights of the investments.

The valuation of the alternative investments is estimated by management based on fair values provided by external investment managers. Covenant reviews and evaluates the valuations provided by the investment managers and believes that these valuations are a reasonable estimate of fair value at December 31, 2013 and 2012, but are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed and such differences could be material. The amount of gain or loss associated with these investments is reflected in the accompanying financial statements based on information provided by the management of the fund.

COVENANT HEALTH SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012
(In thousands)

2. Significant Accounting Policies (Continued)

Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the excess of revenue over expenses unless the income or loss is restricted by donor or law. Realized gains or losses on the sale of investment securities are determined by the specific identification method.

Investment income earned on unrestricted investments is reported as nonoperating gains. Investment income on restricted investments is reported as nonoperating gains unless specifically restricted by the donor or state law, in which case it is reported as an increase in temporarily or permanently restricted net assets.

Donor-Restricted Gifts

Unconditional promises to give that are expected to be collected within one year are recorded at estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value at the date the promise is received based on the present value of their estimated future cash flows. The discount on those amounts is computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue.

Conditional promises to give and indications of intentions to give are not recognized until the related conditions have been met. 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 purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations as net assets released from restrictions.

Professional Liability Loss Contingencies

CHSIL is a wholly-owned captive insurance company incorporated and based in the Cayman Islands for the purpose of providing professional and general liability insurance. The System insures its professional risks on a claims made basis and general liability risks on an occurrence basis through CHSIL.

Estimated liability costs, as calculated by the System's consulting actuaries, consist of specific reserves to cover the estimated liability resulting from medical or general liability incidents or potential claims which have been reported, as well as a provision for claims incurred but not reported. Estimated malpractice liabilities include estimates of future trends in loss severity and frequency and other factors that could vary as the claims are ultimately settled. Although it is not possible to measure the degree of variability inherent in such estimates, management believes the reserves for claims are adequate. These estimates are periodically reviewed, and necessary adjustments are reflected in the consolidated statement of operations in the year the need for such adjustments becomes known. Management is unaware of any claims that would cause the final expense for medical malpractice risks to vary materially from the amounts provided.

COVENANT HEALTH SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012
(In thousands)

2. Significant Accounting Policies (Continued)

In accordance with Accounting Standards Update (ASU) No. 2010-24, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries* (ASU 2010-24), the System recorded a liability of \$2,137 and \$1,746 related to estimated professional liability losses at December 31, 2013 and 2012, respectively. The System also recorded a receivable of \$2,137 and \$1,746 related to estimated recoveries under insurance coverage for recoveries of the potential losses at December 31, 2013 and 2012, respectively.

The System estimates that the total expected claims liabilities at December 31, 2013 and 2012 are \$23,265 and \$20,588, respectively. The System maintains malpractice insurance coverage on a claims made basis. At December 31, 2013, there were no known malpractice claims outstanding which, in the opinion of management, will be settled for amounts in excess of insurance coverage, nor were there any unasserted claims or incidents which require loss accrual. The System intends to renew coverage on a claims made basis and anticipates that such coverage will be available.

Self-Insurance Reserves

Certain members of the System are self-insured for workers' compensation and employee healthcare benefits. These costs are accounted for on an accrual basis to include estimates of future payments on claims incurred.

Retirement Plans

The System's members sponsor several defined contribution retirement plans which cover substantially all employees who have met certain eligibility requirements of the respective plans. Contributions to the defined contribution plans are discretionary and are based upon certain percentages of eligible income. Expenses related to the defined contribution plans were \$2,521 and \$3,365 for 2013 and 2012, respectively. In addition, Nashua and Bangor have defined benefit pension plans. See Note 7 for further information on the defined benefit plans. The System maintains a supplemental executive retirement plan (SERP) for certain executives. Expenses related to the SERP were approximately \$415 and \$402 for the years ended December 31, 2013 and 2012, respectively.

Deferred Compensation

The System has recorded its obligations under deferred compensation agreements with certain physicians and employees of \$12,097 and \$10,694 at December 31, 2013 and 2012, respectively, at the net present value of benefits earned.

Fair Value of Financial Instruments

The carrying amounts of the System's financial instruments as reported in the accompanying consolidated balance sheets, other than long-term debt, approximate fair value.

COVENANT HEALTH SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

(In thousands)

2. Significant Accounting Policies (Continued)

Subsequent Events

Events occurring after the balance sheet date are evaluated by management to determine whether such events should be recognized or disclosed in the financial statements. Management has evaluated subsequent events through April 25, 2014 which is the date the financial statements were available to be issued.

3. Net Patient Service Revenue

The System maintains contracts with Medicare and several State agencies (Medicaid). The System is paid a prospectively determined fixed price for each inpatient and outpatient service depending on the type of illness and the patient's applicable diagnostic classification. The System also receives some minor level of payments from Medicare and Medicaid for services which are settled upon filing and audit of its annual cost reports.

The System has also entered into payment agreements with certain commercial insurance carriers and health maintenance organizations. The basis for payment to the System under these agreements includes discounts from established charges and per diem daily rates.

The System 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. On the basis of historical experience, a significant portion of the System's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the System records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Revenues from third-party payors and the uninsured are summarized as follows at December 31:

	<u>2013</u>	<u>2012</u>
Medicare	\$235,726	\$220,420
Medicaid	96,271	110,508
Commercial	206,843	198,993
Patients (private pay/self pay)	<u>49,637</u>	<u>47,412</u>
	588,477	577,333
Provision for bad debt	<u>(32,849)</u>	<u>(24,106)</u>
	<u>\$555,628</u>	<u>\$553,227</u>

COVENANT HEALTH SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

(In thousands)

3. Net Patient Service Revenue (Continued)

Net patient service revenue consists of the following for the years ended December 31:

	<u>2013</u>	<u>2012</u>
Gross patient service revenue	\$1,257,684	\$1,188,799
Contractual adjustments	(647,408)	(585,768)
Charity care	<u>(21,799)</u>	<u>(25,698)</u>
	<u>\$ 588,477</u>	<u>\$ 577,333</u>

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the System analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debt. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debt, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the System records a provision for bad debt in the period of 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.

The System's allowance for doubtful accounts for self-pay patients decreased from 23% of total accounts receivable at December 31, 2012 to 20% of total accounts receivable at December 31, 2013. The System's provision for bad debt increased from \$24,106 in 2012 to \$32,849 in 2013. The increase/decrease in the allowance as a percentage of self-pay accounts receivable and provision for bad debt was a result of collection trends.

The consolidated balance sheet includes amounts due from the State of Maine under the MaineCare program. The amounts recorded from the State have been determined based upon applicable regulations and the System expects that these amounts will ultimately be paid in full. In September 2013, the System received an interim payment in the amount of \$33,662 from the State of Maine for amounts due under the MaineCare program. The amount represents payment based on interim cost reports and is an estimate pending final settlement. Due to the complex nature of such regulations, there is at least a reasonable possibility that recorded estimates will change by a material amount.

Under the State of New Hampshire's tax code, the State imposes a Medicaid Enhancement Tax (MET) equal to 5.5% of net patient service revenues, with certain exclusions. The amount of tax incurred by Nashua for fiscal 2013 and 2012 was \$7,714 and \$8,078, respectively.

COVENANT HEALTH SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

(In thousands)

3. Net Patient Service Revenue (Continued)

The State of Maine also assesses a provider tax similar to New Hampshire, with disproportionate share funding partially offsetting the tax.

The estimated third-party payor settlements reflected on the balance sheet represent the estimated net amounts to be received or paid under reimbursement contracts with the Centers for Medicare and Medicaid Services (CMS), Medicaid and any commercial payors with settlement provisions. Settlements have been issued through 2004 for Medicare and Medicaid. Anthem settlements are final through 2012.

Laws and regulations governing the Medicare and Medicaid programs are 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 System believes that it is substantially in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing specific to the System. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs. Differences between amounts previously estimated and amounts subsequently determined to be recoverable or payable are included in net patient service revenue in the year that such amounts become known.

Community Benefits

The System does not pursue collection of amounts determined to qualify as charity care; therefore, they are not reported as revenue. The System determines the costs associated with providing charity care by calculating a ratio of cost to gross charges, and then multiplying that ratio by the gross uncompensated charges associated with providing care to patients eligible for free care. Under this methodology, the estimated costs of caring for charity care patients for the years ended December 31, 2013 and 2012 were \$9,486 and \$11,072, respectively.

As part of the System's charitable mission, its member organizations also provide services which primarily benefit the medically under-served in their communities. The System prepares an annual report utilizing the methodology contained in the Catholic Health Association's Guide to Planning and Reporting Community Benefit. The net unsponsored costs of charity care including clinics, unreimbursed Medicaid cost, outreach programs and community health education programs provided by the System for the years ended December 31, 2013 and 2012 were \$38,691 and \$38,402, respectively. Additionally, the System calculates the amount of costs not reimbursed by the Federal Medicare program. Those unreimbursed costs were \$34,275 in 2013 and \$44,727 in 2012.

COVENANT HEALTH SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

(In thousands)

4. Investments

Investments, which are reported at fair value, consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
Investments	\$ 91,585	\$ 65,618
Assets whose use is limited, restricted or board designated	<u>316,788</u>	<u>285,531</u>
Total investments	<u>\$408,373</u>	<u>\$351,149</u>

Fair Value Measurements

Financial assets carried at fair value are classified and disclosed in one of the following three categories:

Level 1 – Assets classified as Level 1 represent items that are traded in active exchange markets and for which valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities. Assets classified as Level 1 include cash and cash equivalents, marketable equity securities, mutual funds, exchange traded funds, and accrued interest and other.

Level 2 – Valuations for assets traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities. Assets classified as Level 2 include U.S. Government securities, pooled-fixed income, corporate bonds, guaranteed investment contracts and cash surrender value of life insurance policies.

Level 3 – Valuations for assets that are derived from other valuation methodologies not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions in determining the fair value assigned to such assets. Assets classified as Level 3 include alternative investments and beneficial interests in perpetual trusts.

In determining the appropriate levels, the System performs a detailed analysis of the valuation methodology of the assets. At each reporting period, all assets for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

COVENANT HEALTH SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

(In thousands)

4. Investments (Continued)

The following presents the balances of assets measured at fair value on a recurring basis at December 31:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2013:				
Cash and cash equivalents	\$ 50,773	\$ -	\$ -	\$ 50,773
U.S. Government securities	-	38,507	-	38,507
Pooled - fixed income	-	3	-	3
Corporate bonds	-	10,943	-	10,943
Guaranteed investment contracts	-	209	-	209
Marketable equity securities:				
Consumer discretionary	10,208	-	-	10,208
Consumer staples	6,273	-	-	6,273
Energy	7,023	-	-	7,023
Financial services	12,378	-	-	12,378
Healthcare	11,021	-	-	11,021
Industrial	9,614	-	-	9,614
Technology	15,012	-	-	15,012
Materials	3,746	-	-	3,746
Telecommunications	1,391	-	-	1,391
Utilities	3,109	-	-	3,109
Exchange traded funds	1,230	-	-	1,230
Alternative investments	-	-	46,854	46,854
Mutual funds:				
Equity funds	146,349	-	-	146,349
Fixed income funds	17,501	-	-	17,501
International equity funds	1,380	-	-	1,380
Accrued interest and other	917	-	-	917
Beneficial interest in perpetual and other trusts	-	-	5,142	5,142
Cash surrender value of life insurance policies	-	8,790	-	8,790
	<u>\$297,925</u>	<u>\$58,452</u>	<u>\$51,996</u>	<u>\$408,373</u>
	<u>73%</u>	<u>14%</u>	<u>13%</u>	<u>100%</u>

COVENANT HEALTH SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

(In thousands)

4. Investments (Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2012:				
Cash and cash equivalents	\$ 55,653	\$ -	\$ -	\$ 55,653
U.S. Government securities	-	47,925	-	47,925
Pooled - fixed income	-	9,174	-	9,174
Corporate bonds	-	3,682	-	3,682
Guaranteed investment contracts	-	296	-	296
Marketable equity securities:				
Conglomerates	102	-	-	102
Consumer discretionary	6,978	-	-	6,978
Consumer staples	5,406	-	-	5,406
Energy	7,149	-	-	7,149
Financial services	10,526	-	-	10,526
Healthcare	8,316	-	-	8,316
Industrial	6,915	-	-	6,915
Technology	11,629	-	-	11,629
Materials	2,735	-	-	2,735
Telecommunications	1,827	-	-	1,827
Utilities	2,048	-	-	2,048
Exchange traded funds	1,143	-	-	1,143
Alternative investments	-	-	45,377	45,377
Mutual funds:				
Equity funds	102,350	-	-	102,350
Fixed income funds	3,035	-	-	3,035
International equity funds	5,792	-	-	5,792
Accrued interest and other	642	-	-	642
Beneficial interest in perpetual and other trusts	-	-	4,833	4,833
Cash surrender value of life insurance policies	-	7,616	-	7,616
	<u>\$232,246</u>	<u>\$68,693</u>	<u>\$50,210</u>	<u>\$351,149</u>
	<u>66%</u>	<u>20%</u>	<u>14%</u>	<u>100%</u>

The change in fair value of Level 3 investments is due to the following:

	<u>Perpetual Trusts</u>	<u>Alternative Investments</u>
Balance at December 31, 2012	\$4,833	\$ 45,377
Purchases	-	15,264
Sales	-	(18,823)
Realized gains on investments	-	2,149
Unrealized gains on investments	<u>309</u>	<u>2,887</u>
Balance at December 31, 2013	<u>\$5,142</u>	<u>\$ 46,854</u>

COVENANT HEALTH SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

(In thousands)

4. Investments (Continued)

	<u>Perpetual Trusts</u>	<u>Alternative Investments</u>
Balance at December 31, 2011	\$4,427	\$ 40,630
Purchases	-	6,670
Sales	-	(5,532)
Realized gains on investments	-	645
Unrealized gains on investments	<u>406</u>	<u>2,964</u>
Balance at December 31, 2012	<u>\$4,833</u>	<u>\$ 45,377</u>

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. As such, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheets and statements of operations.

The principal components of total investment return for the years ended December 31 include:

	<u>2013</u>	<u>2012</u>
Investment income:		
Interest and dividends	\$ 7,091	\$ 6,064
Net realized gains on sales of securities	6,732	6,138
Net unrealized gains on investments	<u>14,944</u>	<u>13,402</u>
Gain on fair value of investments	<u>21,676</u>	<u>19,540</u>
Investment income and gains	<u>\$28,767</u>	<u>\$25,604</u>

All unrestricted investment income and gains including unrealized gains are included as part of nonoperating gains or discontinued operations in the statement of operations.

5. Functional Expenses

The System provides acute and long-term health care services. Expenses related to providing these services are as follows for the years ended December 31:

	<u>2013</u>	<u>2012</u>
Health care services	\$372,021	\$375,966
General and administrative	<u>207,960</u>	<u>204,670</u>
	<u>\$579,981</u>	<u>\$580,636</u>

COVENANT HEALTH SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

(In thousands)

6. Lines of Credit and Long-Term Debt

Six member organizations have available lines of credit totaling \$4,100, which has \$65 outstanding at December 31, 2013. There were no amounts outstanding at December 31, 2012.

The System has three letters of credit totaling \$90, \$1,125 and \$1,400 with banks at December 31, 2013. The letters relate to the System's workers' compensation self-insurance programs.

Long-Term Debt

Long-term debt at December 31 consists of the following:

	<u>2013</u>	<u>2012</u>
Tax-exempt revenue bonds issued through various state and local government agencies with interest rates ranging from 2.0% to 5.5% and with varying maturity dates through 2042. The bonds may generally be redeemed in whole or in part at a premium which is not to exceed 2% of the bonds redeemed. The bonds are generally collateralized by gross receipts and mortgages on substantially all existing and future property, plant and equipment	\$204,462	\$207,609
Mortgages and other notes payable and capital leases with interest rates ranging from 3.25% to 8.25% and with varying maturity dates through 2039	<u>20,791</u>	<u>20,999</u>
	225,253	228,608
Unamortized original issue premium	<u>1,983</u>	<u>2,187</u>
	227,236	230,795
Less current portion	<u>(9,482)</u>	<u>(8,654)</u>
	<u>\$217,754</u>	<u>\$222,141</u>

In February 2001, the System formed an Obligated Group for the purpose of issuing tax-exempt bonds.

On June 27, 2012, the Obligated Group obtained \$39,365 of debt through tax-exempt bonds issued through New Hampshire Health and Education Facilities Authority (NHHEFA) (\$12,365) (balance at December 31, 2013 and 2012, \$12,340 and \$12,365, respectively) and Massachusetts Health and Educational Facilities Authority (MHEFA) (\$27,000) (balance at December 31, 2013 and 2012, \$26,935 and \$27,000, respectively). Proceeds borrowed were used for defeasance of NHHEFA and MHEFA 2002 bonds and to finance capital acquisitions and improvements. The bonds bear interest at rates ranging from 3% to 5% and mature in varying annual amounts to 2042.

In 2012, St. Mary's Regional Medical Center (St. Mary's) obtained \$19,270 of debt through tax-exempt bonds issued through Maine Health and Higher Educational Facilities Authority (MHHEFA) (balance at December 31, 2013 and 2012, \$19,180 and \$19,270, respectively), the proceeds of which were used to refinance existing debt. The bonds are guaranteed by the Obligated Group. The bonds bear interest at 3.42% and mature in varying annual amounts to 2036.

COVENANT HEALTH SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

(In thousands)

6. Lines of Credit and Long-Term Debt (Continued)

In 2012, Bangor obtained \$1,975 of debt through tax-exempt bonds issued through MHHEFA (balance at December 31, 2013 and 2012, \$1,685 and \$1,791, respectively), the proceeds of which were used to refinance existing debt. The Bangor tax-exempt bonds require the establishment of a debt service reserve fund in the amount of \$184 held by a trustee.

In connection with all refinancings, the System recognized a loss of \$1,763 in 2012.

On October 31, 2012, Bangor obtained \$13,490 of debt through tax-exempt bonds issued through MHHEFA (balance at December 31, 2013 and 2012, \$13,160 and \$13,490, respectively), the proceeds of which will be used to finance capital improvements. The bonds are guaranteed by the Obligated Group.

The 2012 tax-exempt bonds require the establishment of a construction fund to be held in trust. Proceeds held in the fund amounted to \$12,002 as of December 31, 2013. The amounts are included in the balance sheet as funds held by trustees. Related construction commitments at December 31, 2013 were approximately \$11.2 million. The Obligated Group is required to maintain a minimum debt service coverage ratio of at least 1.20 and a minimum number of days cash on hand of 30.

In May 2004, the Obligated Group, in connection with the NHHEFA, issued \$21,400 of tax-exempt fixed rate Revenue Bonds, Series 2004 (balance at December 31, 2013 and 2012, \$18,520 and \$18,995, respectively). Nashua received all of the proceeds of the issuance which were used to finance capital acquisitions and improvements. The bonds bear interest at rates ranging from 5% to 5.5% and mature in varying annual amounts to 2034. Under the terms of the loan agreement and the Obligated Group master indenture, the bonds are collateralized by a lien on the gross receipts of the Obligated Group. The Series 2004 bonds have similar covenants as the Series 2012 bonds.

The Series 2004 bonds require the establishment of a debt service reserve fund to be held in trust. Proceeds were used to establish the fund which amounted to approximately \$1,508 at December 31, 2013 and 2012. The amount is included in the balance sheet as funds held by trustees.

In October 2007, the Obligated Group issued \$78,510 in tax-exempt bonds. There were four series issued, collectively "the 2007 Series bonds." The MHEFA issued Series 2007A bonds in the amount of \$12,940 and Series 2007B bonds in the amount of \$11,890 (combined balance at December 31, 2013 and 2012, \$23,120 and \$23,460, respectively). The NHHEFA issued Series 2007A bonds in the amount of \$17,030 and Series 2007B bonds in the amount of \$36,650 (combined balance at December 31, 2013 and 2012, \$49,620 and \$51,045, respectively). The bonds bear interest at rates ranging from 4.5% to 5% and mature in varying annual amounts to 2037.

The proceeds from the issuance of the 2007 Series bonds provided for construction at Nashua of \$15,130, the acquisition of Youville Place (a Massachusetts's assisted living facility) for \$11,500, and the advanced refunding and defeasance of \$42,900 of the Series 2002 bonds. The Series 2007 bonds have similar covenants to the Series 2012 bonds.

COVENANT HEALTH SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(In thousands)

6. Lines of Credit and Long-Term Debt (Continued)

The Series 2007 bonds require the establishment of a debt service reserve fund to be held in trust. Proceeds were used to establish the fund which amounted to approximately \$7,258 at December 31, 2013 and 2012. The amount is included in the balance sheet as funds held by trustees. The Obligated Group is required to maintain a minimum debt service ratio of at least 1.20 and a minimum number of days cash on hand of 30.

In June 2004, St. Mary's and St. Mary's d'Youville Pavilion (d'Youville Pavilion) issued through Maine Health and Higher Educational Facilities Authority (MHHEFA) \$16,055 and \$8,905, respectively, of Revenue Bonds, Series 2004A, for the purpose of refinancing the outstanding Series 1993D Revenue Bonds (balance at December 31, 2013 and 2012 for St. Mary's and d'Youville Pavilion is \$8,635 and \$9,645 and \$2,775 and \$3,445, respectively).

The Series 2004A bonds bear interest at rates ranging from 2.0% to 5.375% and mature in varying annual amounts to 2023. The Series 2004A bonds are collateralized by substantially all of the property, plant, equipment and improvements and accounts receivable of St. Mary's and d'Youville Pavilion. Monthly deposits of principal and interest are made into a debt service fund to meet semiannual debt service payments and to retire the bonds when due.

In October 2007, St. Mary's issued additional Revenue Bonds (Series 2007B) through MHHEFA in the amount of \$6,241 for purposes of funding capital expenditures (balance at December 31, 2013 and 2012, \$5,711 and \$5,851, respectively).

The 2007B bonds bear interest at rates ranging from 4.0% to 5.0% and mature in varying annual amounts to 2037. The bonds are collateralized by substantially all of the property, plant, equipment and improvements and accounts receivable of St. Mary's. Monthly deposits of principal and interest are made into a debt service fund to meet semiannual debt service payments and to retire the bonds when due.

In June 2010, St. Mary's issued additional revenue bonds (Series 2010B) through MHHEFA in the amount of \$7,222 (balance at December 31, 2013 and 2012, \$6,441 and \$6,712, respectively). The proceeds of the 2010B Bonds were used to refinance previously issued revenue bonds. The 2010B Bonds bear interest at varying rates with an average rate of 4.55% and mature in varying annual amounts to 2031. The bonds are collateralized by substantially all the assets of St. Mary's.

The Series 2004A, 2007B and 2010B Bonds also require that St. Mary's satisfy certain measures of financial performance (including a minimum debt service coverage ratio of 1.2 for each year) as long as the bonds are outstanding.

In accordance with the terms of the respective debt agreements, St. Mary's and d'Youville Pavilion are also required to maintain certain funds on deposit with a trustee. These funds are included as funds held by trustees in the accompanying balance sheets.

COVENANT HEALTH SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

(In thousands)

6. Lines of Credit and Long-Term Debt (Continued)

In 2009, St. Mary's issued additional revenue bonds through the Finance Authority of Maine in the amount of \$5,300 (balance at December 31, 2013 and 2012, \$4,200 and \$4,464, respectively) for the purpose of funding capital expenditures. The bonds mature in 2020, bear interest at a variable rate and are subject to an interest rate swap agreement.

St. Mary's Residences has a mortgage payable to Maine State Housing Authority of \$2,590 and \$2,651 with an interest rate of 7.5% at December 31, 2013 and 2012, respectively. The mortgage matures in July 2023 and is collateralized by real property.

Through its acquisition of Bangor, the System acquired a note payable to MHHEFA; Series 2010B -- outstanding balance of \$9,510 and \$10,250 at December 31, 2013 and 2012, respectively. The bonds bear interest at rates ranging from 2.5% to 5% and mature in varying amounts through 2026.

Mary Immaculate Residential Communities I-III have mortgages payable to the Department of Housing and Urban Development and Midland Loans Services, Inc., collateralized by their real property. Total amounts payable are \$8,728 and \$9,037 and interest rates range from 6.10% to 6.875% at December 31, 2013 and 2012, respectively.

St. Mary's Villa Nursing Home, Inc. had a mortgage payable to the Rural Housing Service, US Department of Agriculture of \$2,030 with an interest rate of 4.75% at December 31, 2012 and a mortgage payable to Penn Security Bank of \$700 with an interest rate of 4.76% at December 31, 2012. The mortgages were refinanced in 2013 through the issuance of tax-exempt revenue notes in the amount of \$2,740 (balance at December 31, 2013, \$2,630). The notes mature in 2029 and bear interest at 3.23%.

Additional mortgages payable to various financial institutions total approximately \$9.5 million and \$8.6 million at December 31, 2013 and 2012, respectively, and are held primarily at St. Mary's Health System, Bangor, St. Joseph Manor Health Care, Inc. and St. Mary's Villa Nursing Home, Inc.

Maturities on long-term debt for the five years ending December 31 and thereafter are as follows:

2014	\$ 9,482
2015	8,466
2016	8,581
2017	8,401
2018	9,235
Thereafter	<u>183,071</u>
	<u>\$227,236</u>

The fair value of the System's long-term debt at December 31, 2013 and 2012 was approximately \$196,307 and \$223,850, respectively.

COVENANT HEALTH SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012
(In thousands)

7. **Defined Benefit Pension Plan**

Nashua has a noncontributory defined benefit plan covering all of its eligible employees. The measurement date is December 31.

Effective June 2, 2007, plan participation was frozen for new participants. Benefit service and plan compensation have been frozen effective December 31, 2007. A defined contribution plan replaced the defined benefit plan for Nashua and Souhegan Home and Hospice Care, Inc. A curtailment to the retirement plan for employees of Nashua and Souhegan Home and Hospice Care, Inc. was recorded as of December 31, 2007.

Net periodic pension cost includes the following components for the years ended December 31:

	<u>2013</u>	<u>2012</u>
Interest cost on projected benefit obligation	\$ 1,389	\$ 1,388
Expected return on plan assets	(1,968)	(1,761)
Amortization of loss	<u>1,395</u>	<u>1,456</u>
Net periodic pension expense	<u>\$ 816</u>	<u>\$ 1,083</u>

The following table sets forth the plan's benefit obligation, funded status and amounts recognized in the financial statements at December 31:

	<u>2013</u>	<u>2012</u>
Accumulated benefit obligation	<u>\$31,305</u>	<u>\$35,299</u>
Changes in projected benefit obligations:		
Projected benefit obligations, beginning of period	\$35,299	\$32,525
Interest cost	1,389	1,388
Benefits paid	(4,369)	(824)
Impact of assumption changes	(2,294)	1,553
Experience loss	<u>1,280</u>	<u>657</u>
Projected benefit obligations, end of period	31,305	35,299
Changes in plan assets:		
Fair value of plan assets, beginning of period	28,510	25,228
Actual return on plan assets	3,760	4,106
Benefits paid	<u>(4,369)</u>	<u>(824)</u>
Fair value of plan assets, end of period	<u>27,901</u>	<u>28,510</u>
Funded status	<u>\$ (3,404)</u>	<u>\$ (6,789)</u>

COVENANT HEALTH SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012
(In thousands)

7. Defined Benefit Pension Plan (Continued)

The weighted average assumptions used in accounting for the defined benefit pension plan are as follows as of and for the years ended December 31:

	<u>2013</u>	<u>2012</u>
Discount rate used to determine net periodic pension cost	4.05%	4.30%
Discount rate used to determine benefit obligation	4.95	4.05
Expected long-term rate of return on plan assets	7.50	7.50
Rate of increase in future compensation levels	N/A	N/A

The following is a summary of the allocation of plan assets for the years ended December 31:

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 546	\$ 437
Mutual funds:		
Equity funds	13,197	15,505
Fixed income funds	8,409	8,357
International equity funds	<u>5,749</u>	<u>4,211</u>
	<u>\$27,901</u>	<u>\$28,510</u>

All pension assets are considered to be Level 1 assets (as defined in Note 4).

In selecting the expected long-term rate of return on assets, Nashua considered the average rate of earnings expected on the funds invested or to be invested to provide for the benefits of this plan. This includes considering the trusts' asset allocation and the expected returns likely to be earned over the life of the plan. This basis is consistent with the prior year.

Nashua and affiliates expect to make no contributions to its defined benefit pension plan during the year ended December 31, 2014.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid during the period ended December 31:

2014	\$ 2,470
2015	1,495
2016	2,066
2017	2,180
2018	2,567
2019 through 2023	15,135

COVENANT HEALTH SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012
(In thousands)

7. **Defined Benefit Pension Plan (Continued)**

Bangor has a noncontributory defined benefit plan covering all of its eligible employees of St. Joseph Healthcare Foundation, other affiliates and the Hospital. The measurement date is December 31.

Effective January 1, 2004, plan participation was frozen for new participants. Current participants who qualify under the rule of 60 (combination of age plus years of service) may elect to continue to participate in the plan or to participate in a separate defined contribution plan sponsored by Bangor. Those current participants which do not qualify to continue to participate under the rule of 60, will retain their vested position in the plan but will only be eligible to participate in the defined contribution plan. No new participants will be eligible to participate in the plan. In 2011, Bangor elected to freeze the plan for purposes of benefit services and plan compensation effective June 30, 2012. A curtailment to the retirement plan was recorded as of December 31, 2011.

Net periodic pension cost includes the following components for the years ended December 31:

	<u>2013</u>	<u>2012</u>
Service cost	\$ -	\$ 173
Interest cost on projected benefit obligation	1,074	1,079
Expected return on plan assets	<u>(1,274)</u>	<u>(1,134)</u>
Net periodic pension (income) expense	<u>\$ (200)</u>	<u>\$ 118</u>

The following table sets forth the plan's benefit obligation, funded status and amounts recognized in the financial statements at December 31:

	<u>2013</u>	<u>2012</u>
Accumulated benefit obligation	<u>\$25,621</u>	<u>\$26,817</u>
Changes in projected benefit obligations:		
Projected benefit obligations, beginning of period	\$26,817	\$25,568
Service cost	-	173
Interest cost	1,074	1,079
Benefits paid	(876)	(792)
Experience (gain) loss	<u>(1,394)</u>	<u>789</u>
Projected benefit obligations, end of period	25,621	26,817
Changes in plan assets:		
Fair value of plan assets, beginning of period	18,570	16,402
Actual return on plan assets	2,941	2,185
Employer contributions	775	775
Benefits paid	<u>(876)</u>	<u>(792)</u>
Fair value of plan assets, end of period	<u>21,410</u>	<u>18,570</u>
Funded status	<u>\$ (4,211)</u>	<u>\$ (8,247)</u>

COVENANT HEALTH SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

(In thousands)

7. Defined Benefit Pension Plan (Continued)

The weighted average assumptions used in accounting for the defined benefit pension plan are as follows as of and for the years ended December 31:

	<u>2013</u>	<u>2012</u>
Discount rate used to determine net periodic pension cost	4.05%	4.30%
Discount rate used to determine benefit obligation	4.95	4.05
Expected long-term rate of return on plan assets	7.25	7.50
Rate of increase in future compensation levels	N/A	3.50

The following is a summary of the allocation of plan assets for the years ended December 31:

	<u>2013</u>	<u>2012</u>
Money market	\$ 25	\$ -
Mutual funds:		
Equity funds	13,386	10,986
Fixed income funds	<u>7,999</u>	<u>7,584</u>
	<u>\$21,410</u>	<u>\$18,570</u>

All pension assets are considered to be Level 1 assets (as defined in Note 4).

The target allocation percentage for investments is designed to meet the expected return on plan assets. The plan trustee evaluates its target allocation periodically in relation to market performance and overall market conditions. The plan does not allow for the purchase of derivatives and the overall goal is to provide for adequate investment growth, along with contributions, to provide adequate funding to meet plan obligations on a current and projected basis.

Bangor and affiliates expect to make contributions of \$775 to its defined benefit pension plan during the year ended December 31, 2014.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid during the period ended December 31:

2014	\$ 1,087
2015	1,209
2016	1,301
2017	1,423
2018	1,491
2019 through 2023	8,252

COVENANT HEALTH SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

(In thousands)

8. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2013</u>	<u>2012</u>
Health care services	\$ 2,038	\$ 1,899
Equipment and capital improvements	12,346	10,528
Education and scholarships	687	860
Designated for certain communities	<u>2,203</u>	<u>2,418</u>
	<u>\$17,274</u>	<u>\$15,705</u>

Permanently restricted net assets are restricted to the following at December 31:

	<u>2013</u>	<u>2012</u>
Investments to be held in perpetuity, the income from which is expendable to support various health care services	\$ 1,809	\$ 1,809
Investments to be held in perpetuity, the income from which is unrestricted	853	853
Beneficial interest in perpetual trust	<u>3,567</u>	<u>3,330</u>
	<u>\$ 6,229</u>	<u>\$ 5,992</u>

9. Lease Commitments

Rent expense, primarily for facilities, for the years ended December 31, 2013 and 2012 was \$4,632 and \$5,313, respectively. Aggregate future lease commitments for facility and equipment under noncancelable operating leases for the years ended December 31 are as follows:

2014	\$ 2,774
2015	1,928
2016	1,569
2017	1,281
2018	593
Thereafter	<u>500</u>
	<u>\$ 8,645</u>

COVENANT HEALTH SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

(In thousands)

10. Investments in Joint Ventures

The System has ownership interests in joint ventures. All of the investments are accounted for under the equity method of accounting. The more significant investments in joint ventures are as follows:

The System has a 50% ownership interest in United Ambulance Services which has operations in Lewiston and Auburn, Maine. The investment has a carrying value of \$2,466 and \$2,433 at December 31, 2013 and 2012, respectively.

The System has a 33.3% ownership interest in Nashua Regional Cancer Center. The investment has a carrying value of \$2,671 and \$2,228 at December 31, 2013 and 2012, respectively.

The System has a 33% ownership interest in the Surgery Center of Greater Nashua. The investment has a carrying value of \$1,278 and \$1,250 at December 31, 2013 and 2012, respectively.

The System has a 1.01% ownership in Preferred Professional Insurance Company (PPIC). The investment has a carrying value of \$2,203 and \$2,605 at December 31, 2013 and 2012, respectively.

11. Contingencies

Litigation

Various legal claims, generally incidental to the conduct of normal business, are pending or have been threatened against the System. The System intends to defend vigorously against these claims. While ultimate liability, if any, arising from any such claim is presently indeterminable, it is management's opinion that the ultimate resolution of these claims will not have a material adverse effect on the financial condition of the System.

Regulatory

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Recently, government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. Compliance with such laws and regulations are subject to government review and interpretations as well as regulatory actions unknown or unasserted at this time.

12. Discontinued Operations

During 2012, Helping Hands of St. Marguerite was discontinued. The statements of operations reflect a loss of \$73 in discontinued operations.

The following is a reclassification of discontinued operations at December 31, 2012:

Total operating revenue	\$ 266
Total operating expenses	<u>(339)</u>
Discontinued operations	<u>\$ (73)</u>

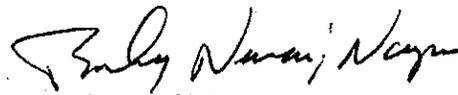
BAKER NEWMAN NOYES

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON THE ADDITIONAL INFORMATION

The Board of Directors
Covenant Health Systems, Inc.

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



Boston, Massachusetts
April 25, 2014

Limited Liability Company

Covenant Health Systems, Inc.
Consolidating Balance Sheet
December 31, 2013
(in thousands)

Assets	Covenant Health Systems, Inc.	(Marist Hill) CHS of Waltham Inc.	St. Joseph Hospital of Nashua, NH, Inc.*	Youville Lifecare, Inc.	Youville House	Mary Immaculate** Corporation	Fanny Allen Corporation	(St. Mary) CHS of Worcester, Inc.	Youville Place	Eliminations	Total Obligated Group
Current assets:											
Cash and cash equivalents	\$ 2,099	\$ 2,222	\$ 4,848	\$ 541	\$ 4,450	\$ 5,661	\$ 192	\$ 896	\$ 1,602	\$ -	\$ 22,511
Accounts receivable	350	976	21,429	-	46	2,464	-	491	42	3	25,801
Allowance for doubtful accounts	-	(41)	(7,366)	-	(14)	(474)	-	(35)	(1)	-	(7,931)
Investments	-	-	47,260	6,534	-	-	-	-	-	-	53,794
Inventories	-	-	1,454	-	-	-	-	-	5	-	1,459
Prepaid expenses and other current assets	220	29	7,310	-	73	186	-	37	83	-	7,938
Estimated third-party payor settlements	-	-	-	105	-	-	-	-	-	-	105
Current portion of assets whose use is limited or restricted	-	13	2,757	-	449	78	-	44	312	-	3,653
Current portion of due from affiliates	69	-	-	-	74	213	-	-	-	(21)	335
Total current assets	2,738	3,199	77,692	7,180	5,078	6,128	192	1,433	2,043	(18)	107,665
Assets whose use is limited or restricted, less current portion:											
Funds held by trustees, less current portion	1,380	2,061	17,044	-	610	-	-	-	1,515	-	22,610
Deferred compensation	-	-	1,504	-	-	-	74	-	-	-	1,578
Board designated funds and other long-term investments	40,820	924	69,261	11,366	4,208	24,114	5,823	-	-	-	156,516
Replacement reserve	444	-	1,905	-	3,470	-	2,068	-	1,611	-	9,398
Donor restricted funds	-	-	-	-	-	-	-	-	-	-	-
Total assets whose use is limited or restricted, less current portion	42,644	2,985	89,614	11,366	8,288	24,114	7,965	-	3,126	-	190,102
Other assets:											
Other assets	858	160	14,820	100	123	-	-	-	210	-	16,271
Due from affiliates, less current portion	6,370	-	15,569	-	534	-	-	-	-	(17,282)	5,191
Estimated third-party payor settlements	-	-	-	-	-	-	-	-	-	-	-
Investments in joint ventures	23,829	-	4,507	1	-	-	-	-	-	-	28,337
Total other assets	31,057	160	34,896	101	657	-	-	-	210	(17,282)	49,799
Property, plant and equipment	-	485	3,589	-	-	105	-	317	750	-	5,246
Land and improvements	61	6,553	94,187	-	16,267	13,327	-	3,739	11,253	-	145,387
Buildings and improvements	1,148	3,316	75,725	-	766	7,790	-	1,405	1,510	-	91,660
Equipment	-	169	10,757	-	180	116	-	-	779	-	12,001
Construction in progress	1,209	10,523	184,258	-	17,213	21,338	-	5,461	14,292	-	254,294
Less accumulated depreciation	(836)	(4,871)	(117,514)	-	(5,818)	(15,551)	-	(2,919)	(3,532)	-	(151,041)
Total property, plant and equipment	373	5,652	66,744	-	11,395	5,787	-	2,542	10,760	-	103,253
Total assets	\$ 76,812	\$ 11,996	\$ 268,946	\$ 18,647	\$ 25,418	\$ 38,029	\$ 8,157	\$ 3,975	\$ 16,139	\$ (17,300)	\$ 450,819

* Certain entities included in St. Joseph Hospital of Nashua, NH, Inc. and Mary Immaculate are not included in the Obligated Group.
** Total of Obligated Group carried forward to next page.

Covenant Health Systems, Inc.
Consolidating Balance Sheet
December 31, 2013
(In thousands)

Assets	St. Mary's Health System	Fanny Allen Holdings	Covenant Health Systems LTD	St. Joseph Manor Health Care, Inc.	St. Joseph Hospital Corporate Services, Inc.	St. Joseph Hospital Family Medicine	Mary Immaculate Residential Community, Inc.	St. Andre Health Care Facility	St. Mary's Villa Nursing Home, Inc.	Provi-dentia Prima Trust	St. Joseph Health-care Founda-tion	St. Joseph Valua-tion Co.	Elimi-nations	System Consol-idated
Current assets:														
Cash and cash equivalents	\$ 5,159	\$ 75	\$ 3,638	\$ 337	\$ 1,127	\$ 36	\$ 476	\$ 56	\$ 3,643	\$ 637	\$ 1,255	\$ -	\$ (637)	\$ 38,312
Accounts receivable	29,873	-	-	1,619	1,565	399	52	690	1,002	-	19,243	-	(35)	80,209
Allowance for doubtful accounts	(13,449)	-	-	(186)	(1,380)	(85)	-	(102)	(180)	-	(8,611)	-	-	(31,924)
Investments	12,706	-	-	-	-	-	-	-	-	-	25,085	-	-	91,585
Inventories	1,335	-	-	-	-	-	-	7	-	-	864	-	-	3,665
Prepaid expenses and other current assets	4,082	-	2,249	57	597	447	-	56	258	3,879	1,377	-	(4,344)	16,596
Estimated third-party payor settlements	389	-	-	-	-	-	-	-	265	-	-	-	-	779
Current portion of assets whose use is limited or restricted	-	-	-	-	-	-	88	19	-	-	726	-	-	4,486
Current portion of due from affiliates	-	-	-	-	-	-	-	-	-	-	-	-	(335)	-
Total current assets	40,095	75	5,887	1,827	1,909	797	616	725	5,008	4,516	39,939	-	(5,351)	203,708
Assets whose use is limited or restricted, less current portion:														
Funds held by trustees, less current portion	2,351	-	-	-	-	-	74	-	-	-	10,728	-	-	35,763
Deferred compensated Board designated funds and other long-term investments	36,433	7	32,219	1,510	-	-	-	1,474	5,405	228,417	7,544	-	(228,417)	241,108
Replacement reserve	191	-	-	-	-	-	4,772	-	-	-	-	-	-	4,963
Donor restricted funds	4,439	-	-	17	-	-	-	-	350	-	3,581	-	-	17,785
Total assets whose use is limited or restricted, less current portion	43,414	7	32,219	1,527	1,105	-	4,846	1,474	5,755	228,417	21,853	-	(228,417)	312,302
Other assets:														
Due from affiliates, less current portion	1,395	-	-	-	1,220	-	263	14	64	-	941	(123)	(13,360)	6,685
Estimated third-party payor settlements	2,065	-	-	-	-	-	-	-	-	-	-	-	(5,191)	-
Investments in joint ventures	3,000	-	-	-	902	-	-	-	-	-	479	(247)	(21,621)	2,065
Total other assets	6,460	-	-	-	2,122	-	263	14	64	-	1,420	(370)	(40,172)	19,600
Property, plant and equipment														
Land and improvements	5,732	716	-	260	1,644	-	106	559	553	-	3,432	2,778	-	21,026
Buildings and improvements	93,873	13,863	-	5,508	13,274	-	25,730	3,870	13,886	-	39,421	8,628	-	363,441
Equipment	46,789	393	-	2,438	5,808	-	1,110	3,018	3,119	-	35,311	149	-	189,795
Construction in progress	1,241	-	-	-	-	-	-	242	291	-	3,633	379	-	17,787
Less accumulated depreciation	(147,635)	(14,972)	-	(8,206)	(20,726)	-	(26,946)	(7,689)	(17,849)	-	(81,797)	(11,935)	-	(592,049)
Total property, plant and equipment	(77,729)	(13,324)	-	(3,713)	(10,800)	-	(17,526)	(4,811)	(6,650)	-	(51,924)	1,153	-	(336,365)
Total assets	\$ 159,875	\$ 1,730	\$ 38,106	\$ 7,847	\$ 25,062	\$ 797	\$ 15,145	\$ 5,091	\$ 22,026	\$ 232,933	\$ 93,085	\$ 12,718	\$ (273,940)	\$ 791,294

Covenant Health Systems, Inc.
Consolidating Balance Sheet
December 31, 2013
(In thousands)

Liabilities and Net Assets

Current liabilities:

Line of credit
Accounts payable
Accrued expenses and other liabilities
Estimated third-party payor settlements
Current portion of due to affiliates
Current portion of long-term debt and capital leases
Total current liabilities

Long-term debt and capital leases, less current portion
Due to affiliates, less current portion

Other liabilities

Long-term pension obligation

Professional liability loss reserves
Total liabilities

Net assets:

Share capital
Unrestricted
Temporarily restricted
Permanently restricted
Retained earnings (deficit)
Total net assets

Total liabilities and net assets

	Covenant Health Systems, Inc.	(Marist Hill) CHS of Waltham Inc.	St. Joseph Hospital of Nashua, NH, Inc.*	Yourville Lifecare, Inc.	Yourville House	Mary Immaculate*	Fanny Allen Corporation	(St. Mary) CHS of Worcester, Inc.	Youville Place	Eliminations	Total Obligated Group
\$	711	142	\$ 3,721	\$ -	\$ 17	\$ 629	\$ -	\$ -	\$ 57	\$ 3	\$ 5,280
	1,395	364	15,501	270	942	1,159	-	412	569	-	20,602
	-	128	1,265	759	-	45	-	177	-	-	2,374
	434	193	3	-	-	(8)	-	-	73	(629)	66
	69	108	2,539	-	75	-	-	-	235	(19)	3,007
	2,609	935	23,029	1,029	1,034	1,825	-	569	924	(645)	31,329
	4,351	8,438	94,595	-	10,835	-	-	-	11,496	(1,185)	128,530
	15,135	-	-	-	-	-	-	-	-	(15,470)	(335)
	1,447	443	7,563	-	225	530	74	-	298	-	10,580
	-	-	3,404	-	-	-	-	-	-	-	3,404
	-	23	1,061	-	21	63	-	30	21	-	1,219
	23,542	9,639	129,662	1,029	12,115	2,418	74	619	12,739	(17,300)	174,727
	52,788	2,157	144,554	17,618	9,833	35,605	-	-	-	-	273,095
	482	-	1,402	-	2,881	6	6,139	3,324	1,077	-	8,488
	-	-	403	-	589	-	1,362	32	2,323	-	1,574
	-	-	(7,065)	-	-	-	582	-	-	-	(7,065)
	53,270	2,157	139,294	17,618	13,303	35,611	8,083	3,356	3,400	-	276,092
	\$ 76,812	\$ 11,996	\$ 268,946	\$ 18,647	\$ 25,418	\$ 38,029	\$ 8,157	\$ 3,975	\$ 16,139	\$ (17,300)	\$ 450,819

* Certain entities included in St. Joseph Hospital of Nashua, NH, Inc. and Mary Immaculate are not included in the Obligated Group.
** Total of Obligated Group carried forward to next page.

Covenant Health Systems, Inc.
Consolidating Balance Sheet
December 31, 2013
(In thousands)

Liabilities and Net Assets

	St. Mary's Health System	Fanny Allen Holdings	Covenant Health Systems LTD	St. Joseph Manor Health Care, Inc.	St. Joseph Hospital Corporate Services, Inc.	St. Joseph Hospital Family Medicine	Mary Immaculate Residential Community, Inc.	St. Andre Health Care Facility	Mary's Villa Nursing Home, Inc.	Provident Primary Trust	St. Joseph Health-care Foundation	St. Joseph Valuation Co.	Eliminations	System Consolidated
Current liabilities:														
Line of credit	1,931	—	(509)	295	469	—	—	65	175	2,782	3,596	—	—	\$ 65
Accounts payable	—	—	—	—	—	—	—	—	—	—	—	—	—	\$ 11,409
Accrued expenses and other liabilities	19,230	84	119	339	2,205	546	315	240	542	170	6,737	—	—	(170)
Estimated third-party payor settlements	1,521	—	—	178	—	—	—	—	—	—	7,681	—	—	11,754
Current portion of due to affiliates	—	—	—	—	—	—	221	—	49	—	—	—	—	(336)
Current portion of long-term debt and capital leases	3,185	—	—	171	49	—	329	193	426	—	2,172	—	—	(50)
Total current liabilities	25,867	84	(390)	983	2,723	546	865	1,148	1,192	2,952	20,186	—	—	(3,816)
Long-term debt and capital leases, less current portion	51,933	—	—	2,263	55	—	8,399	586	4,851	—	23,976	327	—	(3,166)
Due to affiliates, less current portion	—	—	—	—	—	—	—	—	2,857	—	2,000	—	—	(4,522)
Other liabilities	725	—	—	17	9,469	—	71	60	346	—	—	—	—	21,268
Long-term pension obligation	—	—	—	—	—	—	—	—	—	—	4,211	—	—	7,615
Professional liability loss reserves	1,536	—	16,875	27	2,232	—	—	25	31	—	1,320	—	—	23,265
Total liabilities	80,061	84	16,485	3,280	14,479	546	9,335	1,819	9,277	2,952	51,693	327	(11,504)	353,571
Net assets:														
Share capital	—	—	120	—	315,660	—	—	—	—	—	—	—	—	(315,780)
Unrestricted	76,340	1,646	21,501	4,541	—	251	(237)	3,272	12,426	—	37,811	12,391	—	414,220
Temporarily restricted	2,400	—	—	16	—	—	6,047	—	323	—	—	—	—	17,274
Permanently restricted	1,074	—	—	—	—	—	—	—	—	—	3,581	—	—	6,229
Retained earnings (deficit)	79,814	1,646	21,621	4,557	(305,077)	—	—	—	—	229,981	—	—	—	82,161
Total net assets	159,875	1,730	38,106	7,847	25,062	797	15,145	5,091	22,026	\$232,933	\$93,085	\$12,718	\$273,940	\$791,294
Total liabilities and net assets														

Covenant Health Systems, Inc.
Consolidating Statement of Operations
December 31, 2013
(In thousands)

	Covenant Health Systems, Inc.	(Marist Hill) CHS of Waltham Inc.	St. Joseph Hospital of Nashua, NH, Inc.*	Youville Lifecare, Inc.	Youville House	Mary Immaculate*	Fanny Allen Corporation	(St. Mary) CHS of Worcester, Inc.	Youville Place	Eliminations	Total Obligated Group
Operating revenue:											
Patient service revenue, net of contractual allowances and discounts	\$ --	\$ 10,072	\$ 177,650	\$ --	\$ 6,021	\$ 23,266	\$ --	\$ 8,243	\$ 5,473	\$ --	\$ 230,725
Less provision for bad debt	--	66	(10,110)	--	(1)	(118)	--	(15)	(1)	--	(10,179)
Patient service revenue, net	--	10,138	167,540	--	6,020	23,148	--	8,228	5,472	--	220,546
Other revenue	9,466	31	4,179	--	193	1,125	--	72	231	(3,756)	11,541
Net assets released from restrictions for operations	56	--	189	--	193	--	--	7	52	--	497
Total operating revenue	9,522	10,169	171,908	--	6,406	24,273	--	8,307	5,755	(3,756)	232,584
Operating expenses:											
Salaries and wages	5,048	4,945	70,961	--	2,338	13,432	--	4,815	2,264	--	103,803
Employee benefits	1,374	855	14,084	--	572	2,457	--	970	550	--	20,862
Supplies and other	3,032	3,032	56,697	--	1,405	5,852	--	1,784	1,554	(3,756)	69,656
Interest	836	343	2,808	--	413	--	--	--	602	--	5,002
Provider tax	106	515	7,714	--	--	136	--	683	--	--	9,048
Depreciation and amortization	--	445	8,563	--	692	810	--	300	596	--	11,512
Total operating expenses	10,396	10,191	160,827	--	5,420	22,687	--	8,552	5,566	(3,756)	219,893
Income (loss) from operations	(874)	(22)	11,081	--	986	1,586	--	(245)	189	--	12,701
Nonoperating gains (losses), net	5,476	95	733	1,678	451	1,902	566	(1)	11	--	10,911
Excess (deficiency) of revenue over expenses	4,602	73	11,814	1,678	1,437	3,488	566	(246)	200	--	23,612
Other changes in unrestricted net assets:											
Net assets released from restrictions for property, plant and equipment	--	--	95	--	--	--	--	--	--	--	95
Adjustment to long-term pension obligation	--	--	4,201	--	--	--	--	--	--	--	4,201
Reclassification	--	--	--	--	(772)	--	--	--	--	--	(772)
Transfer among affiliates	1,013	--	(1,012)	--	--	--	--	--	--	--	1
Increase (decrease) in unrestricted net assets	\$ 5,615	\$ 73	\$ 15,098	\$ 1,678	\$ 665	\$ 3,488	\$ 566	\$ (246)	\$ 200	\$ --	\$ 27,137

* Certain entities included in St. Joseph Hospital of Nashua, NH, Inc. and Mary Immaculate are not included in the Obligated Group.
*** Total of Obligated Group carried forward to next page.

Covenant Health Systems, Inc.
 Consolidating Statement of Operations
 December 31, 2013
 (in thousands)

	St. Mary's Health System	Fanny Allen Holdings	Covenant Health Systems Insurance LTD	St. Joseph Manor Health Care, Inc.	St. Joseph Hospital Corporate Services, Inc.	St. Joseph Hospital Family Medicine	Mary Immaculate Residential Community, Inc.	St. Andre Health Care Facility	St. Mary's Villa Nursing Home, Inc.	Provi-dentia Prima Trust	St. Joseph Health-care Founda-tion	St. Joseph Valua-tion Co.	Elimi-nations	System Consol-idated
Operating revenue:														
Patient service revenue, net of contractual allowances and discounts	\$ 178,399	\$ -	\$ -	\$ 11,525	\$ 22,909	\$ 5,703	\$ -	\$ 7,639	\$ 13,515	\$ -	\$ 118,771	\$ -	\$ (709)	\$ 588,477
Less provision for bad debt	(12,390)	-	-	(71)	(1,086)	(107)	-	(31)	78	-	(9,063)	-	-	(32,849)
Patient service revenue, net	166,009	-	-	11,454	21,823	5,596	-	7,608	13,593	-	109,708	-	(709)	555,628
Other revenue	9,412	-	-	487	2,077	41	3,730	18	23	-	3,852	-	(5,018)	26,163
Net assets released from restrictions	840	-	-	4	-	-	-	-	59	-	-	-	-	1,400
Total operating revenue	176,261	-	-	11,945	23,900	5,637	3,730	7,626	13,675	-	113,560	-	(5,727)	583,191
Operating expenses:														
Salaries and wages	88,813	-	-	6,044	23,316	3,393	614	3,867	6,588	-	51,320	-	-	287,758
Employee benefits	12,981	-	-	1,219	5,030	1,012	101	764	1,618	-	12,300	-	(1)	55,886
Supplies and other	59,680	-	-	3,502	6,562	2,252	1,287	2,412	3,471	-	42,074	-	(5,724)	185,172
Interest	2,845	-	-	21	6	-	556	44	198	-	692	(89)	-	9,075
Provider tax	4,429	-	-	613	-	-	-	456	277	-	2,167	-	-	16,990
Depreciation and amortization	6,226	-	-	346	932	-	934	324	577	-	4,540	(291)	-	25,100
Total operating expenses	174,774	-	-	11,745	35,846	6,657	3,492	7,867	12,729	-	113,093	(380)	(5,725)	579,981
Income (loss) from operations	1,487	-	-	200	(11,946)	(1,020)	238	(241)	946	-	467	380	(2)	3,210
Nonoperating gains (losses), net	3,241	(132)	3,614	228	1,408	-	-	160	368	16,406	3,118	1,351	(8,459)	32,214
Excess (deficiency) of revenue over expenses	4,728	(132)	3,614	428	(10,538)	(1,020)	238	(81)	1,314	16,406	3,585	1,731	(8,461)	35,424
Other changes in unrestricted net assets:														
Net assets released from restrictions for property, plant and equipment	22	-	-	-	-	-	-	-	-	-	-	-	-	117
Adjustment to long-term pension obligation	-	-	-	-	-	-	-	-	-	-	3,061	-	-	7,262
Reclassification	-	-	-	-	-	-	-	-	-	-	-	-	-	(772)
Transfer among affiliates	-	-	-	-	9,983	1,107	-	-	-	37,036	-	-	(48,127)	-
Increase (decrease) in unrestricted net assets	\$ 4,750	\$ (132)	\$ 3,614	\$ 428	\$ (555)	\$ 87	\$ 238	\$ (81)	\$ 1,314	\$ 53,442	\$ 6,646	\$ 1,731	\$ (56,588)	\$ 42,031

St. Joseph Hospital of Nashua, NH
Consolidating Balance Sheet
December 31, 2013
(In thousands)

	St. Joseph Hospital of Nashua, NH	The Surgi Center at St. Joseph Hospital, Inc.	Souhegan Home and Hospice Care, Inc.	Eliminations	Total Obligated Group	St. Joseph Hospital Corporate Services, Inc.	St. Joseph Hospital DH Family Medicine	Eliminations	St. Joseph Hospital Consolidated
Assets									
Current assets:									
Cash and cash equivalents	\$ 4,729	\$ -	\$ 119	\$ -	\$ 4,848	\$ 1,127	\$ 36	\$ -	\$ 6,011
Accounts receivable	20,951	-	478	-	21,429	1,565	399	-	23,393
Allowance for doubtful accounts	(7,284)	-	(82)	-	(7,366)	(1,380)	(85)	-	(8,831)
Investments	46,865	-	395	-	47,260	-	-	-	47,260
Inventories	1,454	-	-	-	1,454	-	-	-	1,454
Prepaid expenses and other current assets	7,336	-	41	(67)	7,310	597	447	(421)	7,933
Estimated third-party payor settlements	-	-	-	-	-	-	-	-	-
Current portion of assets whose use is limited or restricted	2,757	-	-	-	2,757	-	-	-	2,757
Current portion of due from affiliates	-	-	-	(67)	-	1,909	797	(421)	-
Total current assets	76,808	-	951	(67)	77,692	1,909	797	(421)	79,977
Assets whose use is limited or restricted, less current portion:									
Funds held by trustees, less current portion	17,044	-	-	-	17,044	-	-	-	17,044
Deferred compensation	1,504	-	-	-	1,504	11,105	-	-	12,609
Board designated funds and other long-term investments	69,261	-	-	-	69,261	-	-	-	69,261
Replacement reserve	-	-	-	-	-	-	-	-	-
Donor restricted funds	1,087	-	718	-	1,805	-	-	-	1,805
Total assets whose use is limited or restricted, less current portion	88,896	-	718	-	89,614	11,105	-	-	100,719
Other assets:									
Due from affiliates, less current portion	15,443	-	-	(623)	14,820	1,220	-	(10,836)	5,204
Estimated third-party payor settlements	15,569	-	-	-	15,569	-	-	-	15,569
Investments in joint ventures	4,507	-	-	-	4,507	902	-	-	5,409
Total other assets	35,519	-	-	(623)	34,896	2,122	-	(10,836)	26,182
Property, plant and equipment									
Land and improvements	3,587	-	2	-	3,589	1,644	-	-	5,233
Buildings and improvements	93,978	-	209	-	94,187	13,274	-	-	107,461
Equipment	75,130	-	595	-	75,725	5,808	-	-	81,533
Construction in progress	10,757	-	-	-	10,757	-	-	-	10,757
Less accumulated depreciation	(183,452)	-	(806)	-	(184,258)	(20,726)	-	-	(204,984)
Total property, plant and equipment	(116,834)	-	(680)	-	(117,514)	(10,800)	-	-	(128,314)
	66,618	-	126	-	66,744	9,926	-	-	76,670
Total assets	\$ 267,841	\$ -	\$ 1,795	\$ (690)	\$ 268,946	\$ 25,062	\$ 797	\$ (11,257)	\$ 283,548

St. Joseph Hospital of Nashua, NH
 Consolidating Statement of Operations
 December 31, 2013
 (In thousands)

	St. Joseph Hospital of Nashua, NH	The Surgi Center at St. Joseph Hospital, Inc.	Souhegan Home and Hospice Care, Inc.	Eliminations	Total Obligated Group	St. Joseph Hospital Corporate Services, Inc.	St. Joseph Hospital DH Family Medicine	Eliminations	St. Joseph Hospital Consolidated
Operating revenue:									
Patient service revenue, net of contractual allowances and discounts	\$ 174,302	\$ -	\$ 3,614	\$ (266)	\$ 177,650	\$ 22,909	\$ 5,703	\$ (709)	\$ 205,553
Less provision for bad debt	(10,094)	-	(16)	-	(10,110)	(1,086)	(107)	-	(11,303)
Patient service revenue, net	164,208	-	3,598	(266)	167,540	21,823	5,596	(709)	194,250
Other revenue	4,233	-	-	(54)	4,179	2,077	41	(866)	5,431
Net assets released from restrictions for operations	189	-	-	-	189	-	-	-	189
Total operating revenue	168,630	-	3,598	(320)	171,908	23,900	5,637	(1,575)	199,870
Operating expenses:									
Salaries and wages	68,267	-	2,694	-	70,961	23,316	3,393	-	97,670
Employee benefits	13,749	-	542	(207)	14,084	5,030	1,012	(1)	20,125
Supplies and other	56,188	-	622	(113)	56,697	6,562	2,252	(1,574)	63,937
Interest	2,808	-	-	-	2,808	6	-	-	2,814
Provider tax	7,714	-	-	-	7,714	-	-	-	7,714
Depreciation and amortization	8,535	-	28	-	8,563	932	-	-	9,495
Total operating expenses	157,261	-	3,866	(320)	160,827	35,846	6,657	(1,575)	201,755
Income (loss) from operations	11,369	-	(288)	-	11,081	(11,946)	(1,020)	-	(1,885)
Nonoperating gains (losses), net	445	-	119	169	733	1,408	-	11,558	13,699
Excess (deficiency) of revenue over expenses	11,814	-	(169)	169	11,814	(10,538)	(1,020)	11,558	11,814
Other changes in unrestricted net assets:									
Net assets released from restrictions for property, plant and equipment	95	-	-	-	95	-	-	-	95
Adjustment to long-term pension obligation	4,201	-	-	-	4,201	-	-	-	4,201
Transfer among affiliates	(1,012)	-	310	(310)	(1,012)	9,983	1,107	(11,090)	(1,012)
Increase (decrease) in unrestricted net assets	\$ 15,098	\$ -	\$ 141	\$ (141)	\$ 15,098	\$ (555)	\$ 87	\$ 468	\$ 15,098

St. Joseph Hospital Corporate Services, Inc.
 Consolidating Balance Sheet
 December 31, 2013
 (In thousands)

	St. Joseph Hospital Corporate Services	GNM Corp.	SJ Physician Services	Elimi- nations	St. Joseph Hospital Corporate Services, Inc. Consolidated
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Assets

Current assets:

Cash and cash equivalents	\$ 190	\$ 50	\$ 887	\$ -	\$ 1,127
Accounts receivable	2	-	1,563	-	1,565
Allowance for doubtful accounts	-	-	(1,380)	-	(1,380)
Investments	-	-	-	-	-
Inventories	-	-	-	-	-
Prepaid expenses and other current assets	99	-	526	(28)	597
Estimated third-party payor settlements	-	-	-	-	-
Current portion of assets whose use is limited or restricted	-	-	-	-	-
Current portion of due from affiliates	-	-	-	-	-
Total current assets	291	50	1,596	(28)	1,909

Assets whose use is limited or restricted, less current portion:

Funds held by trustees, less current portion	-	-	-	-	-
Deferred compensation	204	-	10,901	-	11,105
Board designated funds and other long-term investments	-	-	-	-	-
Replacement reserve	-	-	-	-	-
Donor restricted funds	-	-	-	-	-
Total assets whose use is limited or restricted, less current portion	204	-	10,901	-	11,105

Other assets:

Other assets	156,979	8	1,212	(156,979)	1,220
Due from affiliates, less current portion	-	-	-	-	-
Estimated third-party payor settlements	158	-	744	-	902
Investments in joint ventures	157,137	8	1,956	(156,979)	2,122
Total other assets	-	-	-	-	-

Property, plant and equipment

Land and improvements	-	1,644	-	-	1,644
Buildings and improvements	-	11,395	1,879	-	13,274
Equipment	855	45	4,908	-	5,808
Construction in progress	-	-	-	-	-
Less accumulated depreciation	855	13,084	6,787	-	20,726
Total property, plant and equipment	(829)	(4,455)	(5,516)	-	(10,800)
	26	8,629	1,271	-	9,926

Total assets

	\$ 157,658	\$ 8,687	\$ 15,724	\$(157,007)	\$ 25,062
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St. Joseph Hospital Corporate Services, Inc.
 Consolidating Balance Sheet
 December 31, 2013
 (In thousands)

Liabilities and Net Assets

Current liabilities:

Line of credit									
Accounts payable	41	\$	3	\$	—	\$	—	\$	—
Accrued expenses and other liabilities	311		16		451		(26)		469
Estimated third-party payor settlements	—		—		1,878		—		2,205
Current portion of due to affiliates	(178)		—		—		—		—
Current portion of long-term debt and capital leases	—		49		180		(2)		—
Total current liabilities	174		68		2,509		(28)		2,723

Long-term debt and capital leases,
 less current portion

Due to affiliates, less current portion

Other liabilities

Long-term pension obligation

Professional liability loss reserves

Total liabilities

Net assets:

Share capital

Unrestricted

Temporarily restricted

Permanently restricted

Retained earnings (deficit)

Total net assets

Total liabilities and net assets

	St. Joseph Hospital Corporate Services	GNM Corp.	SJ Physician Services	Elimi- nations	St. Joseph Hospital Corporate Services, Inc. Consolidated
\$	—	\$	\$	\$	\$
	41	3	451	(26)	469
	311	16	1,878	—	2,205
	(178)	—	—	—	—
	—	—	180	(2)	—
	—	49	—	—	49
	174	68	2,509	(28)	2,723
	—	55	—	—	55
	—	—	—	—	—
	507	—	8,962	—	9,469
	—	—	—	—	—
	—	—	2,232	—	2,232
	681	123	13,703	(28)	14,479
	163,417	4,898	147,349	(4)	315,660
	—	—	—	—	—
	—	—	—	—	—
	(6,440)	3,666	(145,328)	(156,975)	(305,077)
	156,977	8,564	2,021	(156,979)	10,583
	\$ 157,658	\$ 8,687	\$ 15,724	\$ (157,007)	\$ 25,062

St. Joseph Hospital Corporate Services, Inc.
 Consolidating Statement of Operations
 December 31, 2013
 (in thousands)

	St. Joseph Hospital Corporate Services	GNM Corp.	SJ Physician Services	Elimi- nations	St. Joseph Hospital Corporate Services, Inc. Consolidated
Operating revenue:					
Patient service revenue, net of contractual allowances and discounts	\$ -	\$ -	\$ 22,909	\$ -	\$ 22,909
Less: provision for bad debt	-	-	(1,086)	-	(1,086)
Patient service revenue, net	1,201	1,291	21,823	-	21,823
Other revenue	-	-	1,745	(2,160)	2,077
Net assets released from restrictions for operations	-	-	-	-	-
Total operating revenue	1,201	1,291	23,568	(2,160)	23,900
Operating expenses:					
Salaries and wages	1,625	-	21,691	-	23,316
Employee benefits	364	-	4,666	-	5,030
Supplies and other	464	579	7,677	(2,158)	6,562
Interest	-	6	-	-	6
Provider tax	-	-	-	-	-
Depreciation and amortization	48	318	566	-	932
Total operating expenses	2,501	903	34,600	(2,158)	35,846
Income (loss) from operations	(1,300)	388	(11,032)	(2)	(11,946)
Nonoperating gains (losses), net	342	-	1,066	-	1,408
Excess (deficiency) of revenue over expenses	(958)	388	(9,966)	(2)	(10,538)
Other changes in unrestricted net assets:					
Net assets released from restrictions for property, plant and equipment	-	-	-	-	-
Adjustment to long-term pension obligation	-	-	-	-	-
Transfer among affiliates	12,007	(668)	9,993	(11,349)	9,983
Increase (decrease) in unrestricted net assets	\$ 11,049	\$ (280)	\$ 27	\$ (11,351)	\$ (555)

Mary Immaculate Health Care Services, Inc.
 Consolidating Balance Sheet
 December 31, 2013
 (in thousands)

	Mary Immaculate Nursing	Mary Immaculate Adult Care	Mary Immaculate Management	Mary Immaculate Transportation	Mary Immaculate Guild	Mary Immaculate Eliminations	Total Obligated Mary Immaculate	MI Residential Comm. II	MI Residential Comm. III	Total MI Residential Comm.	Mary Immaculate Health Care Services, Inc. Consolidated
Assets											
Current assets:											
Cash and cash equivalents	\$ 4,151	\$ 528	\$ 476	\$ 497	\$ 9	\$ -	\$ 5,661	\$ 38	\$ 223	\$ 476	\$ 6,137
Accounts receivable	1,915	484	75	10	-	-	2,464	18	19	52	2,516
Allowance for doubtful accounts	(367)	(91)	(16)	-	-	-	(474)	-	-	-	(474)
Investments	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses and other current assets	180	-	6	-	-	-	186	-	-	-	186
Estimated third-party payor settlements	-	-	-	-	-	-	-	-	-	-	-
Current portion of assets whose use is limited or restricted	.75	-	3	-	-	-	78	35	29	88	166
Current portion of due from affiliates	575	-	-	-	-	(362)	213	-	-	-	-
Total current assets	6,529	901	544	507	9	(362)	8,128	91	271	616	8,531
Assets whose use is limited or restricted, less current portion:											
Funds held by trustees, less current portion	-	-	-	-	-	-	-	-	41	74	74
Deferred compensation	-	-	-	-	-	-	-	-	-	-	-
Board designated funds and other long-term investments	15,251	2,489	3,708	2,666	-	-	24,114	-	-	-	24,114
Replacement reserve	-	-	-	-	-	-	-	785	2,224	1,763	4,772
Donor restricted funds	-	-	-	-	-	-	-	-	-	-	-
Total assets whose use is limited or restricted, less current portion	15,251	2,489	3,708	2,666	-	-	24,114	785	2,265	1,796	28,960
Other assets:											
Other assets	-	-	-	-	-	-	-	-	182	81	263
Due from affiliates, less current portion	-	-	-	-	-	-	-	-	-	-	-
Estimated third-party payor settlements	-	-	-	-	-	-	-	-	-	-	-
Investments in joint ventures	-	-	-	-	-	-	-	-	-	-	-
Total other assets	-	-	-	-	-	-	-	-	182	81	263
Property, plant and equipment	105	-	-	-	-	-	105	101	5	106	211
Land and improvements	12,948	310	69	-	-	-	13,327	12,347	7,123	25,730	39,057
Buildings and improvements	7,072	211	68	439	-	-	7,790	437	317	1,110	8,900
Equipment	-	-	116	-	-	-	116	-	-	-	116
Construction in progress	20,125	521	253	439	-	-	21,338	12,885	7,484	26,946	48,284
Less accumulated depreciation	(14,833)	(345)	(49)	(324)	-	-	(15,551)	(7,654)	(5,343)	(17,526)	(33,077)
Total property, plant and equipment	5,292	176	204	115	-	-	5,787	5,231	2,141	9,420	15,207
Total assets	\$ 27,072	\$ 3,566	\$ 4,456	\$ 3,288	\$ 9	\$ (362)	\$ 38,029	\$ 6,107	\$ 4,859	\$ 15,145	\$ 52,961

Mary Immaculate Health Care Services, Inc.
 Consolidating Balance Sheet
 December 31, 2013
 (in thousands)

Liabilities and Net Assets

	Mary Immaculate Nursing	Mary Immaculate Adult Care	Mary Immaculate Management	Mary Immaculate Transportation	Mary Immaculate Guild	Mary Immaculate Eliminations	Total Obligated Mary Immaculate	MI Residential Comm. II	MI Residential Comm. III	Total MI Residential Comm.	Eliminations	Mary Immaculate Health Care Services, Inc. Consolidated
Current liabilities:												
Line of credit												
Accounts payable	589	40					629					629
Accrued expenses and other liabilities	970	63	112	14			1,159	111	98	315		1,474
Estimated third-party payor settlements	45						45					45
Current portion of due to affiliates		183	169	(2)	4	(362)	(8)	81	59	221	(213)	
Current portion of long-term debt and capital leases								213	62	54		329
Total current liabilities	1,604	286	281	12	4	(362)	1,825	405	249	865	(213)	2,477
Long-term debt and capital leases, less current portion								1,448	3,722	8,399		8,399
Due to affiliates, less current portion												
Other liabilities	530						530	20	31	71		601
Long-term pension obligation												
Professional liability loss reserves	63						63					63
Total liabilities	2,197	286	281	12	4	(362)	2,418	1,873	4,002	9,335	(213)	11,540
Net assets:												
Share capital												
Unrestricted	24,874	3,275	4,175	3,276	5		35,605	(1,813)	857	(237)		35,368
Temporarily restricted	1	5					6	6,047		6,047		6,053
Permanently restricted												
Retained earnings												
Total net assets	24,875	3,280	4,175	3,276	5		35,611	4,234	857	5,810		41,421
Total liabilities and net assets	\$ 27,072	\$ 3,566	\$ 4,456	\$ 3,288	\$ 9	\$ (362)	\$ 38,029	\$ 6,107	\$ 4,859	\$ 15,145	\$ (213)	\$ 52,961

Mary Immaculate Health Care Services, Inc.
 Consolidating Balance Sheet
 December 31, 2013
 (in thousands)

	Mary Immaculate Nursing	Mary Immaculate Adult Care	Mary Immaculate Management	Mary Immaculate Transportation	Mary Immaculate Guild	Mary Immaculate Eliminations	Total Obligated Immaculate	MI Residential Comm. II	MI Residential Comm. III	Total MI Residential Comm.	Mary Immaculate Health Care Services, Inc. Consolidated
Operating revenue:											
Patient service revenue, net of contractual allowances and discounts	\$ 19,140	\$ 2,543	\$ 2,025	\$ -	\$ -	\$ (442)	\$ 23,266	\$ -	\$ -	\$ -	\$ 23,266
Less provision for bad debt	(60)	(58)	-	-	-	(118)	(118)	-	-	-	(118)
Patient service revenue, net	19,080	2,485	2,025	-	-	(442)	23,148	-	-	-	23,148
Other revenue	162	63	1,006	757	-	(863)	1,125	1,238	1,229	3,730	4,899
Net assets released from restrictions for operations	-	-	-	-	-	-	-	-	-	-	-
Total operating revenue	19,242	2,548	3,031	757	-	(1,305)	24,273	1,263	1,238	3,730	27,847
Operating expenses:											
Salaries and wages	10,800	938	1,469	225	-	-	13,432	208	207	614	14,046
Employee benefits	1,982	174	262	39	-	-	2,457	34	33	101	2,558
Supplies and other	4,881	1,114	1,014	148	-	(1,305)	5,852	447	409	1,287	6,983
Interest	-	-	-	-	-	-	-	121	233	202	556
Provider tax	136	-	-	-	-	-	136	-	-	-	136
Depreciation and amortization	748	25	7	30	-	-	810	509	233	934	1,744
Total operating expenses	18,547	2,251	2,752	442	-	(1,305)	22,687	1,319	1,138	3,492	26,023
Income (loss) from operations	695	297	279	315	-	-	1,586	(56)	100	238	1,824
Nonoperating gains (losses), net	1,109	244	325	219	5	-	1,902	-	-	-	1,902
Excess (deficiency) of revenue over expenses	1,804	541	604	534	5	-	3,488	(56)	100	238	3,726
Other changes in unrestricted net assets:											
Net assets released from restrictions for property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-
Adjustment to long-term pension obligation	-	-	-	-	-	-	-	-	-	-	-
Transfer among affiliates	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in unrestricted net assets	\$ 1,804	\$ 541	\$ 604	\$ 534	\$ 5	\$ -	\$ 3,488	\$ (56)	\$ 100	\$ 238	\$ 3,726

St. Joseph Healthcare Foundation
 Consolidating Balance Sheet
 December 31, 2013
 (In thousands)

	St. Joseph Healthcare Foundation	St. Joseph Hospital (Bangor)	M.&J Company	St. Joseph Ambulatory Care, Inc.	Alternative Health Services	Strauss Corporation	Elimi- nations	St. Joseph Healthcare Foundation Consolidated
Assets								
Current assets:								
Cash and cash equivalents	\$ 76	\$ 853	\$ 44	\$ 207	\$ 75	\$	\$	\$ 1,255
Accounts receivable	5	17,803	84	1,112	239			19,243
Allowance for doubtful accounts		(8,398)	(11)	(196)	(6)			(8,611)
Investments	6,217	18,184		684				25,085
Inventories		864						864
Prepaid expenses and other current assets		1,244	12	111	10			1,377
Estimated third-party payor settlements								
Current portion of assets whose use is limited or restricted		726						726
Current portion of due from affiliates								
Total current assets	6,298	31,276	129	1,918	318			39,939
Assets whose use is limited or restricted, less current portion:								
Funds held by trustees, less current portion		10,728						10,728
Deferred compensation								
Board designated funds and other long-term investments		7,544						7,544
Replacement reserve								
Donor restricted funds	1,153	2,428						3,581
Total assets whose use is limited or restricted, less current portion	1,153	20,700						21,853
Other assets:								
Due from affiliates, less current portion		855	9	72		5		941
Estimated third-party payor settlements								
Investments in joint ventures	144	339					(4)	479
Total other assets	144	1,194	9	72		5	(4)	1,420
Property, plant and equipment								
Land and improvements	80	408	2,944					3,432
Buildings and improvements		31,768	7,640	13				39,421
Equipment		33,822	421	916	152			35,311
Construction in progress		3,622	8	3				3,633
Less accumulated depreciation	80	(69,620)	(11,013)	(932)	152			(81,797)
Total property, plant and equipment		(46,199)	(5,108)	(468)	(148)			(51,924)
Total assets	80	23,421	5,905	464	3			29,873
	\$ 7,675	\$ 76,591	\$ 6,043	\$ 2,454	\$ 321	\$ 5	\$ (4)	\$ 93,085

St. Joseph Healthcare Foundation
 Consolidating Balance Sheet
 December 31, 2013
 (In thousands)

	St. Joseph Healthcare Foundation	St. Joseph Hospital (Bangor)	M&J Company	St. Joseph Ambulatory Care, Inc.	Alternative Health Services	Strauss Corporation	Elimi- nations	St. Joseph Healthcare Foundation Consolidated
Liabilities and Net Assets								
Current liabilities:								
Line of credit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	93	3,185	32	265	21	-	-	3,596
Accrued expenses and other liabilities	1,958	4,059	-	580	139	1	-	6,737
Estimated third-party payor settlements	-	7,681	-	-	-	-	-	7,681
Current portion of due to affiliates	600	(600)	-	-	-	-	-	-
Current portion of long-term debt and capital leases	-	1,785	387	-	-	-	-	2,172
Total current liabilities	2,651	16,110	419	845	160	1	-	20,186
Long-term debt and capital leases, less current portion	-	23,581	395	-	-	-	-	23,976
Due to affiliates, less current portion	-	-	-	2,000	-	-	-	2,000
Other liabilities	-	-	-	-	-	-	-	-
Long-term pension obligation	842	3,369	-	-	-	-	-	4,211
Professional liability loss reserves	-	1,320	-	-	-	-	-	1,320
Total liabilities	3,493	44,380	814	2,845	160	1	-	51,693
Net assets:								
Share capital	-	-	-	-	-	-	-	-
Unrestricted	3,029	29,783	5,229	(391)	161	4	(4)	37,811
Temporarily restricted	-	-	-	-	-	-	-	-
Permanently restricted	1,153	2,428	-	-	-	-	-	3,581
Retained earnings	-	-	-	-	-	-	-	-
Total net assets	4,182	32,211	5,229	(391)	161	4	(4)	41,392
Total liabilities and net assets	\$ 7,675	\$ 76,591	\$ 6,043	\$ 2,454	\$ 321	\$ 5	\$ (4)	\$ 93,085

St. Joseph Healthcare Foundation
 Consolidating Statement of Operations
 December 31, 2013
 (In thousands)

	St. Joseph Healthcare Foundation	St. Joseph Hospital (Bangor)	M.&J Company	St. Joseph Ambulatory Care, Inc.	Alternative Health Services	Strauss Corporation	Elimi- nations	St. Joseph Healthcare Foundation Consolidated
Operating revenue:								
Patient service revenue, net of contractual allowances and discounts	\$ --	\$ 108,512	\$ --	\$ 8,709	\$ 1,550	\$ --	\$ --	\$ 118,771
Less provision for bad debt	--	(8,826)	--	(235)	(2)	--	--	(9,063)
Patient service revenue, net	--	99,686	--	8,474	1,548	--	--	109,708
Other revenue	--	3,127	1,419	1,931	15	--	(2,640)	3,852
Net assets released from restrictions for operations	--	--	--	--	--	--	--	--
Total operating revenue	--	102,813	1,419	10,405	1,563	--	(2,640)	113,560
Operating expenses:								
Salaries and wages	--	38,879	--	11,232	1,209	--	--	51,320
Employee benefits	--	9,570	--	2,337	393	--	--	12,300
Supplies and other	435	39,475	412	4,071	321	--	(2,640)	42,074
Interest	--	613	58	21	--	--	--	692
Provider tax	--	2,167	--	--	--	--	--	2,167
Depreciation and amortization	--	3,845	318	376	1	--	--	4,540
Total operating expenses	435	94,549	788	18,037	1,924	--	(2,640)	113,093
Income (loss) from operations	(435)	8,264	631	(7,632)	(361)	--	--	467
Nonoperating gains (losses), net	1,254	1,982	(117)	(2)	1	--	--	3,118
Excess (deficiency) of revenue over expenses	819	10,246	514	(7,634)	(360)	--	--	3,585
Other changes in unrestricted net assets:								
Net assets released from restrictions for property, plant and equipment	--	--	--	--	--	--	--	--
Adjustment to long-term pension obligation	(588)	3,659	--	--	--	--	--	3,061
Transfer among affiliates	373	(7,182)	(279)	6,692	396	--	--	--
Increase (decrease) in unrestricted net assets	\$ 594	\$ 6,723	\$ 235	\$ (942)	\$ 36	\$ --	\$ --	\$ 6,646

St. Mary's Health System
Consolidating Balance Sheet
December 31, 2013
(In thousands)

	St. Mary's Health System	St. Mary's Regional Medical Center	St. Mary's d'Youville Pavilion	St. Mary's Residences	Community Clinical Services, Inc.	Elimi-nations	St. Mary's Health System Consolidated
Assets							
Current assets:							
Cash and cash equivalents	\$ 284	\$ 3,470	\$ 1,049	\$ 123	\$ 233	\$	\$ 5,159
Accounts receivable	2	26,500	1,981	-	1,390	-	29,873
Allowance for doubtful accounts	-	(12,693)	(88)	-	(666)	-	(13,449)
Investments	6,696	5,743	-	267	-	-	12,706
Inventories	-	1,243	78	-	14	-	1,335
Prepaid expenses and other current assets	467	3,940	201	101	202	(829)	4,082
Estimated third-party payor settlements	-	-	478	-	(89)	-	389
Current portion of assets whose use is limited or restricted	-	-	-	-	-	-	-
Current portion of due from affiliates	(21,387)	21,843	1	(385)	58	(130)	-
Total current assets	(13,938)	50,046	3,700	106	1,140	(959)	40,095
Assets whose use is limited or restricted, less current portion:							
Funds held by trustees, less current portion	-	1,861	490	-	-	-	2,351
Deferred compensation	-	-	-	-	-	-	-
Board designated funds and other long-term investments	1,250	31,377	3,541	9	256	-	36,433
Replacement reserve	-	-	-	191	-	-	191
Donor restricted funds	4,907	1,689	60	23	57	(2,297)	4,439
Total assets whose use is limited or restricted, less current portion	6,157	34,927	4,091	223	313	(2,297)	43,414
Other assets:							
Other assets	177	987	58	173	-	-	1,395
Due from affiliates, less current portion	-	-	-	-	-	-	-
Estimated third-party payor settlements	-	2,065	-	-	-	-	2,065
Investments in joint ventures	534	2,466	-	-	-	-	3,000
Total other assets	711	5,518	58	173	-	-	6,460
Property, plant and equipment							
Land and improvements	2,260	1,633	1,728	111	-	-	5,732
Buildings and improvements	7,227	70,071	9,592	6,868	115	-	93,873
Equipment	1,116	37,130	7,624	387	532	-	46,789
Construction in progress	341	754	132	7	7	-	1,241
Less accumulated depreciation	(10,844)	(109,588)	(19,076)	(7,373)	(654)	-	(147,635)
Total property, plant and equipment	(3,022)	(53,759)	(14,480)	(6,069)	(399)	-	(77,729)
Total assets	7,922	55,829	4,596	1,304	255	-	69,906
	\$ 852	\$146,320	\$ 12,445	\$ 1,806	\$ 1,708	\$ (3,256)	\$ 159,875

St. Mary's Health System
Consolidating Balance Sheet
December 31, 2013
(In thousands)

Liabilities and Net Assets

	St. Mary's Health System	St. Mary's Regional Medical Center	St. Mary's d'Youville Pavilion	St. Mary's Residences	Community Clinical Services, Inc.	Eliminations	St. Mary's Health System Consolidated
Current liabilities:							
Line of credit	\$ 42	\$ 1,665	\$ 174	\$ 26	\$ 4	\$ -	\$ 1,931
Accounts payable	5,422	10,398	2,175	30	1,205	-	19,230
Accrued expenses and other liabilities	-	1,521	-	-	-	-	1,521
Estimated third-party payor settlements	130	-	-	-	-	(130)	-
Current portion of due to affiliates	-	-	-	-	-	-	-
Current portion of long-term debt and capital leases	265	2,071	785	64	-	-	3,185
Total current liabilities	5,859	15,675	3,134	120	1,209	(130)	25,867
Long-term debt and capital leases, less current portion	3,935	43,343	2,129	2,526	-	-	51,933
Due to affiliates, less current portion	-	-	-	-	-	-	-
Other liabilities	3,659	135	-	57	-	(3,126)	725
Long-term pension obligation	-	-	-	-	-	-	-
Professional liability loss reserves	1,083	453	-	-	-	-	1,536
Total liabilities	14,536	59,606	5,263	2,703	1,209	(3,256)	80,061
Net assets:							
Share capital	-	-	-	-	-	-	-
Unrestricted	(15,358)	85,025	7,151	(920)	442	-	76,340
Temporarily restricted	1,307	992	21	23	57	-	2,400
Permanently restricted	367	697	10	-	-	-	1,074
Retained earnings	-	-	-	-	-	-	-
Total net assets	(13,684)	86,714	7,182	(897)	499	-	79,814
Total liabilities and net assets	\$ 852	\$ 146,320	\$ 12,445	\$ 1,806	\$ 1,708	\$ (3,256)	\$ 159,875

St. Mary's Health System
 Consolidating Statement of Operations
 December 31, 2013
 (In thousands)

	St. Mary's Health System	St. Mary's Regional Medical Center	St. Mary's d'Youville Pavilion	St. Mary's Residences	Community Clinical Services, Inc.	Eliminations	St. Mary's Health System Consolidated
Operating revenue:							
Patient service revenue, net of contractual allowances and discounts	\$ (6)	\$ 149,810	\$ 19,502	\$ -	\$ 9,093	\$ -	\$ 178,399
Less provision for bad debt	5	(10,957)	(168)	-	(1,270)	-	(12,390)
Patient service revenue, net	(1)	138,853	19,334	-	7,823	-	166,009
Other revenue	17,145	8,025	5,193	1,639	1,579	(24,169)	9,412
Net assets released from restrictions for operations	59	732	1	48	-	-	840
Total operating revenue	17,203	147,610	24,528	1,687	9,402	(24,169)	176,261
Operating expenses:							
Salaries and wages	1,427	71,264	8,938	-	7,184	-	88,813
Employee benefits	9,651	14,445	2,301	-	1,138	(14,554)	12,981
Supplies and other	2,609	51,478	10,964	1,266	2,993	(9,630)	59,680
Interest	160	2,122	166	197	-	-	2,645
Provider tax	-	3,236	1,193	-	-	-	4,429
Depreciation and amortization	438	4,964	607	166	51	-	6,226
Total operating expenses	14,285	147,509	24,169	1,629	11,366	(24,184)	174,774
Income (loss) from operations	2,918	101	359	58	(1,964)	15	1,487
Nonoperating gains (losses), net	(1,857)	2,784	364	-	1,965	(15)	3,241
Excess (deficiency) of revenue over expenses	1,061	2,885	723	58	1	-	4,728
Other changes in unrestricted net assets:							
Net assets released from restrictions for property, plant and equipment	-	-	12	10	-	-	22
Adjustment to long-term pension obligation	-	-	-	-	-	-	-
Transfer among affiliates	(2,279)	2,275	-	-	4	-	-
Increase (decrease) in unrestricted net assets	\$ (1,218)	\$ 5,160	\$ 735	\$ 68	\$ 5	\$ -	\$ 4,750

**SCHEDULE J
(Form 990)**

Compensation Information

OMB No. 1545-0047

2013

Open to Public Inspection

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

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 23.

▶ Attach to Form 990. ▶ See separate instructions.

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

Department of the Treasury
Internal Revenue Service

Name of the organization

St. Joseph Hospital

Employer identification number

01-0212435

Part I Questions Regarding Compensation

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.

- | | |
|--|--|
| <input type="checkbox"/> First-class or charter travel | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input type="checkbox"/> Travel for companions | <input type="checkbox"/> Payments for business use of personal residence |
| <input type="checkbox"/> Tax indemnification and gross-up payments | <input type="checkbox"/> Health or social club dues or initiation fees |
| <input type="checkbox"/> Discretionary spending account | <input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef) |

b If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain

2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, and officers, including the CEO/Executive Director, regarding the items checked in line 1a?

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.

- | | |
|--|---|
| <input checked="" type="checkbox"/> Compensation committee | <input type="checkbox"/> Written employment contract |
| <input type="checkbox"/> Independent compensation consultant | <input checked="" type="checkbox"/> Compensation survey or study |
| <input type="checkbox"/> Form 990 of other organizations | <input checked="" type="checkbox"/> 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?
- b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?
- 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.

Only section 501(c)(3) and 501(c)(4) organizations must complete lines 5-9.

5 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:

- a** The organization?
- b** Any related organization?

If "Yes" to line 5a or 5b, describe in Part III.

6 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:

- a** The organization?
- b** Any related organization?

If "Yes" to line 6a or 6b, describe in Part III.

7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III

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

9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

	Yes	No
1b		
2		
4a	X	
4b		X
4c		X
5a		X
5b		X
6a		X
6b		X
7	X	
8		X
9		

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

Schedule J (Form 990) 2013

Part II 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.

Part I, Line 4a:

Wayne Woodford received severance payments of \$172,638.

Part I, Line 7:

Joseph Borer, Paul Buckley, Thomas Dancoes, Charles
Pattavina, and Richard Renzi received incentive bonuses.

SCHEDULE K
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax-Exempt Bonds
Complete if the organization answered "Yes" on Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.

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

OMB No. 1545-0047

2013

Open to Public Inspection

Name of the organization

St. Joseph Hospital

Employer identification number
01-0212435

Part I Bond Issues See Part VI for Column (f) Continuations

(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased (h) On behalf of issuer		(i) Pooled financing	
						Yes	No	Yes	No
A MHHEFA	01-0314384	None	06/24/10	16207915.	Refinance Series 1998B, 1999A and		X		X
B MHHEFA	01-0314384	None	06/28/12	2,900,361.	Refinance Series 2002A revenue bond		X		X
C MHHEFA	01-0314384	None	10/31/12	13490000.	Construction Project -Renovate		X		X

Part II Proceeds

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Amount of bonds retired								
2 Amount of bonds legally defeased								
3 Total proceeds of issue		16,207,915.		2,900,361.		13,490,000.		
4 Gross proceeds in reserve funds		1,260,488.		184,381.				
5 Capitalized interest from proceeds						761,145.		
6 Proceeds in refunding escrows								
7 Issuance costs from proceeds		137,832.		38,004.		185,272.		
8 Credit enhancement from proceeds								
9 Working capital expenditures from proceeds								
10 Capital expenditures from proceeds								
11 Other spent proceeds		14,809,595.		2,677,976.		2,576,654.		
12 Other unspent proceeds						9,966,929.		
13 Year of substantial completion	2010		2012					
14 Were the bonds issued as part of a current refunding issue?	X		X				X	
15 Were the bonds issued as part of an advance refunding issue?		X		X			X	
16 Has the final allocation of proceeds been made?	X		X				X	
17 Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X			X		

Part III Private Business Use

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

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Part III Private Business Use (Continued)

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
3a Are there any management or service contracts that may result in private business use of bond-financed property?		X		X		X		
3b If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
3c Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		
3d If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4 Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government		.00 %		.00 %		.00 %		%
5 Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government		.00 %		.00 %		.00 %		%
6 Total of lines 4 and 5		.00 %		.00 %		.00 %		%
7 Does the bond issue meet the private security or payment test?		X		X		X		
8a Has there been a sale or disposition of any of the bond-financed property to a non-governmental person other than a 501(c)(3) organization since the bonds were issued?		X		X		X		
b If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of								%
c If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?								%
9 Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?	X		X		X			

Part IV Arbitrage

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

Part IV Arbitrage (Continued)

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

Part V Procedures To Undertake Corrective Action

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
Has the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations?	X		X		X		X	

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

Schedule K, Part I, Bond Issues:

(a) Issuer Name: MHHEFA
 (f) Description of Purpose: Refinance Series 1998B, 1999A and 2001A revenue bonds

(a) Issuer Name: MHHEFA

(f) Description of Purpose: Refinance Series 2002A revenue bonds

(a) Issuer Name: MHHEFA

(f) Description of Purpose: Construction Project -Renovate ED & ASU, & Const New Medical Office Buildin

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 990-EZ or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

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

OMB No. 1545-0047

2013

Open to Public
Inspection

Name of the organization

St. Joseph Hospital

Employer identification number

01-0212435

Form 990, Part III, Line 1, Description of Organization Mission:

consideration, study and examination of all the things we do, big and small, day and night, caring for our patients. These are the words we live by, each and every one of us who comprise the caring community of St. Joseph Healthcare. We take our mission seriously. Those we serve depend on it. St. Joseph Hospital provides quality medical healthcare regardless of race, creed, sex, national origin, handicap, age, sexual orientation or ability to pay. Although reimbursement for services rendered is critical to operation and stability, it is recognized that not all individuals possess the ability to purchase essential medical services and further that our mission is to serve the community with respect to providing healthcare services.

Form 990, Part III, Line 4a, Program Service Accomplishments:

Charity care is also provided through many reduced price services and free programs offered throughout the year based upon activities and services which St. Joseph Hospital believes will serve a bona fide community health need. For more information regarding the services and programs provided at St. Joseph Hospital and Hospital's commitment to serve all members of the community please visit our website at www.stjoeshealing.org or contact the Public Affairs office at (207) 262-1720.

Form 990, Part VI, Section A, line 6:

St. Joseph Healthcare Foundation, a Maine nonprofit

LHA For Paperwork Reduction Act Notice, see the instructions for Form 990 or 990-EZ.

Schedule O (Form 990 or 990-EZ) (2013)

332211
09-04-13

Name of the organization St. Joseph Hospital	Employer identification number 01-0212435
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corporation, shall be the sole member of St. Joseph Hospital.

Form 990, Part VI, Section A, line 7a:

The Member of St. Joseph Hospital shall elect the trustees of the Organization and may remove them with or without cause.

Form 990, Part VI, Section A, line 7b:

St. Joseph Healthcare Foundation, the Member of St. Joseph Hospital (the Organization), shall have the following powers and rights, as outlined in its articles of incorporation and bylaws:

- (a) To approve any change in the written statements of philosophy and mission of the Organization or any subsidiary of the Organization, and to monitor compliance with same;
- (b) To amend and to repeal the articles of incorporation and the bylaws of the Organization, and to approve the adoption, amendment or repeal of the governing instruments of any subsidiary of the Organization;
- (c) To elect the Trustees of the Organization and to remove them with or without cause;
- (d) To appoint and remove the President of the Organization, including a President secured by management contract;
- (e) To ratify the Board of Trustees' election of the Chairperson of the Board of Trustees;
- (f) To approve all plans of merger, consolidation, reorganization or dissolution of the Organization or any subsidiary of the Organization, or the sale, lease, assignment or transfer of substantially all of the assets of the Organization or any subsidiary of the Organization, or the purchase or acquisition by the Organization or any subsidiary of the Organization of an interest in any corporation, partnership, joint venture or other entity,

Name of the organization St. Joseph Hospital	Employer identification number 01-0212435
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whether newly created or previously existing, which interest, in the case of a for profit entity, represents 25 percent or more of the voting power thereof or equity interest therein, or, in the case of a nonprofit entity, represents 25 percent or more of the voting power thereof or membership interest therein;

(g) To approve all Board-approved long-range strategic plans of the Organization before their implementation;

(h) To approve the acquisition, sale or encumbrance by the Organization or any subsidiary of the Organization of any real estate valued in excess of the amount set by the Member in writing from time to time;

(i) To approve all Board approved capital budgets of the Organization and non-budgeted expenses which are in excess of the amount set by the Member in writing from time to time, and to approve the Organization's operating budget in accordance with policies set by the Member in writing from time to time;

(j) To approve all debt of the Organization, not part of the approved budget, in excess of limits set by the Member in writing from time to time before such debt is incurred;

(k) To appoint the auditors of the Organization and any subsidiary of the Organization;

(l) To approve the sale, assignment or transfer by the Organization or any subsidiary of the Organization of any equity interest or membership interest in any subsidiary of the Organization;

(m) To approve any reclassification or other change of any capital stock or other equity security of any subsidiary of the Organization, or any recapitalization of any subsidiary of the Organization; and

(n) To approve the issuance of, or the creation of any obligation to issue, any equity security of any subsidiary of the Organization, or any

Name of the organization

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increase or decrease in the total number of shares of authorized capital stock or other equity security of any subsidiary of the Organization.

Form 990, Part VI, Section B, Line 11:

There is a formal presentation of the 990 to the Finance Committee and copies are provided to all Board members.

Form 990, Part VI, Section B, Line 12c:

Each board member is required to complete a form disclosing any conflicts of interest. When these conflicts are known, any Board member with a conflict of interest is asked to leave the meeting or abstain from voting or both.

Form 990, Part VI, Section B, Line 15:

Through compensation surveys/studies and employment contracts, compensations are determined by the compensation committee and approved by the Board.

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 each individual request.

Form 990, Part IX, Line 11g, Other Fees:

Physician Services:

Program service expenses 3,607,039.

Management and general expenses 993,776.

Fundraising expenses 0.

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09-04-13

Schedule O (Form 990 or 990-EZ) (2013)

Name of the organization St. Joseph Hospital	Employer identification number 01-0212435
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Total expenses 4,600,815.

Purchased Services:

Program service expenses 3,829,739.

Management and general expenses 1,055,132.

Fundraising expenses 0.

Total expenses 4,884,871.

Medical Testing Services:

Program service expenses 898,420.

Management and general expenses 247,524.

Fundraising expenses 0.

Total expenses 1,145,944.

Total Other Fees on Form 990, Part IX, line 11g, Col A 10,631,630.

Form 990, Part XI, line 9, Changes in Net Assets:

Transfers to affiliates -7,182,139.

Form 990, Part XII, Line 2c:

The audit process has not changed from the prior year.

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)

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	Yes No	
					Yes	No
(1) M & J Company		K	792,942. Actual amount transferred			X
(2) M & J Company		L	24,720. Actual amount transferred			X
(3) M & J Company		S	185,051. Actual amount transferred			X
(4)						
(5)						
(6)						

Part VI Supplemental Information

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

Lined area for supplemental information.