

Part III

Statement of Program Service Accomplishments

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

☐ Yes ☒ No

1

Briefly describe the organization's mission

The Catholic Health System (CHS) Mission is to provide quality healthcare services in an acute care setting. Committed to a common mission, CHS providers continue the healing ministry of Jesus, seeking to improve the health of individuals and communities. We provide high quality service that has reverence, compassion, justice, and excellence. The 2013 Community Service Plan can be found at www.chsbuffalo.org

2

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

☐ Yes ☒ No

If "Yes," describe these new services on Schedule O

3

Did the organization cease conducting, or make significant changes in how it conducts, any program services?

☐ Yes ☒ No

If "Yes," describe these changes on Schedule O

4

Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a

(Code) (Expenses \$ 150,224,571 including grants of \$) (Revenue \$ 200,941,712)

Inpatient Services 75,489 Acute Care Patient Days16,798 Newborn Patient Days27,817 Skilled Nursing Patient Days6,373 I/P Ambulatory Surgeries

4b

(Code) (Expenses \$ 79,086,873 including grants of \$) (Revenue \$ 105,941,967)

Outpatient Services 59,530 ED Visits net of Admits297,124 Referred Ambulatory Visits10,184 Operating Room6,257 G I Laboratory1,717 Interventional Radiology1,368 Windsong Ambulatory Surgery Center546 Transfusion

4c

(Code) (Expenses \$ 6,497,330 including grants of \$) (Revenue \$ 17,159,890)

Primary Care Clinics 25,903 Clinic/Primary Care Center Visits322,132 Substance Visits

4d

Other program services (Describe in Schedule O)

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

















4e

Total program service expenses

235,808,774

Part IV

Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

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

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

☐

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	242	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
1c			
2a		2,631	
2b		Yes	
3a			No
3b			
4a			No
b			
5a			No
5b			No
5c			
6a			No
6b			
7 Organizations that may receive deductible contributions under section 170(c).			
7a			No
7b			
7c			No
7d			
7e			No
7f			No
7g			No
7h			
8			No
9 Sponsoring organizations maintaining donor advised funds.			
9a			No
9b			No
10 Section 501(c)(7) organizations. Enter			
10a			
10b			
11 Section 501(c)(12) organizations. Enter			
11a			
11b			
12a			
12b			
13a			
13b			
13c			
14a			No
14b			

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	16	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
b	Enter the number of voting members included in line 1a, above, who are independent	7	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
a	The governing body?	8a	Yes
b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed▶
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> 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 ▶David MacholzVP Finance Corporate Controller 144 Genesee Street Finance 4th Buffalo, NY 14203 (716) 828-2974

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

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

Form **990** (2013)

Part VII

1b	Sub-Total	▼			
c	Total from continuation sheets to Part VII, Section A	▼			
d	Total (add lines 1b and 1c)	▼	2,956,238	7,420,865	199,103

2 Total number of individuals (including but not limited to those list
\$100,000 of reportable compensation from the organization. 65

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Sodexo Inc & Affiliates PO Box 81049 Woburn MA 01813	Environmental Services	2,989,967
Quest Diagnostics (Chicago) 2178 Collection Center Drive Chicago IL 60693	Laboratory Services	1,623,366
Buffalo Medical Group 85 High Street Buffalo NY 14203	Physician Services	1,575,000
Siemens Medical Solutions Bank of Mello PO Box 120001 Dept 0733 Dallas TX 75312	Maintenance Services	739,583
Endion Hospitalist Services PO Box 645037 Cincinnati OH 45264	Physician Services	677,362

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 ▶45

Part VIII

Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns	1a			
	b	Membership dues	1b			
	c	Fundraising events	1c			
	d	Related organizations	1d			
	e	Government grants (contributions)	1e			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	122,828		
	g	Noncash contributions included in lines 1a-1f \$				
	h	Total. Add lines 1a-1f		122,828		
Program Service Revenue	2a	Medicaid/Medicare	Business Code 900099	167,256,320	167,256,320	
	b	Patient Service	900099	148,237,630	148,237,630	
	c					
	d					
	e					
	f	All other program service revenue				
	g	Total. Add lines 2a-2f		315,493,950		
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		263,159	
4		Income from investment of tax-exempt bond proceeds				
5		Royalties				
6a		Gross rents	(i) Real 821,503	(ii) Personal		
b		Less rental expenses	0			
c		Rental income or (loss)	821,503			
d		Net rental income or (loss)		821,503		821,503
7a		Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other		
b		Less cost or other basis and sales expenses				
c		Gain or (loss)				
d		Net gain or (loss)				
8a		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a			
b		Less direct expenses	b			
c		Net income or (loss) from fundraising events				
9a		Gross income from gaming activities See Part IV, line 19	a			
b		Less direct expenses	b			
c		Net income or (loss) from gaming activities				
10a		Gross sales of inventory, less returns and allowances	a			
b		Less cost of goods sold	b			
c		Net income or (loss) from sales of inventory				
	Miscellaneous Revenue	Business Code				
11a	Shared Service	900099	2,402,588	2,402,588		
b	Meaningful Use Money	900099	2,357,888		2,357,888	
c	Cafeteria	900099	1,144,768		1,144,768	
d	All other revenue		1,606,174		1,606,174	
e	Total. Add lines 11a-11d		7,511,418			
12	Total revenue. See Instructions		324,212,858	317,896,538	0	6,193,492

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.				
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).				
7	Other salaries and wages.	119,292,536	108,802,968	10,489,568	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	10,235,676	9,417,606	818,070	
9	Other employee benefits.	16,590,479	15,116,954	1,473,525	
10	Payroll taxes.	7,444,832	6,785,661	659,171	
11	Fees for services (non-employees):				
a	Management.				
b	Legal.	39,476	14,152	25,324	
c	Accounting.				
d	Lobbying.				
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.				
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	13,194,043	9,501,911	3,692,132	
12	Advertising and promotion.	28,972	26,206	2,766	
13	Office expenses.	8,530,466	4,858,337	3,672,129	
14	Information technology.	409,756	121,599	288,157	
15	Royalties.				
16	Occupancy.	3,750,387	1,152,852	2,597,535	
17	Travel.	147,802	132,442	15,360	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.	84,346	74,171	10,175	
20	Interest.	1,962,912	1,962,912		
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	11,910,067	11,910,067		
23	Insurance.	3,122,973	2,896,331	226,642	
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O).				
a	Medical Supplies	53,151,215	54,226,831	-1,075,616	
b	Shared Service	51,062,919		51,062,919	
c	Purchased Services & Ot	14,044,904	6,785,438	7,259,466	
d	Non-Medical Supplies	2,514,089	2,022,336	491,753	
e	All other expenses				
25	Total functional expenses. Add lines 1 through 24e.	317,517,850	235,808,774	81,709,076	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 <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		178,626	1	29,847
	2	Savings and temporary cash investments		115,701,231	2	129,874,903
	3	Pledges and grants receivable, net		136,332	3	138,545
	4	Accounts receivable, net		44,346,176	4	37,376,147
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		5,285,870	8	6,013,105
	9	Prepaid expenses and deferred charges		1,572,324	9	1,536,757
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a135,481,081			
	b	Less accumulated depreciation	10b60,945,273	75,489,660	10c	74,535,808
	11	Investments—publicly traded securities			11	
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		40,153,877	15	48,588,550
	16	Total assets. Add lines 1 through 15 (must equal line 34)		282,864,096	16	298,093,662
Liabilities	17	Accounts payable and accrued expenses		43,269,356	17	39,199,641
	18	Grants payable		272,110	18	448,112
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		28,648,948	20	26,894,340
	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		7,648,399	23	8,100,755
	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		131,729,545	25	110,362,539
	26	Total liabilities. Add lines 17 through 25		211,568,358	26	185,005,387
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		69,184,523	27	110,436,850
	28	Temporarily restricted net assets		1,988,692	28	2,528,902
	29	Permanently restricted net assets		122,523	29	122,523
	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		71,295,738	33	113,088,275
	34	Total liabilities and net assets/fund balances		282,864,096	34	298,093,662

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	324,212,858
2	Total expenses (must equal Part IX, column (A), line 25)	2	317,517,850
3	Revenue less expenses Subtract line 2 from line 1	3	6,695,008
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	71,295,738
5	Net unrealized gains (losses) on investments	5	
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	35,097,529
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	113,088,275

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

SCHEDULE A
(Form 990 or 990EZ)

Department of the
Treasury
Internal Revenue Service

Public Charity Status and Public Support
Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

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

OMB No 1545-0047

2013

Open to Public
Inspection

Name of the organization Sisters of Charity Hospital	Employer identification number 16-0743187
---	--

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

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

1

☐

2

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☐

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

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

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

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

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

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

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

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

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

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

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated

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

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

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

(i)

A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?

(ii)

A family member of a person described in (i) above?

(iii)

A 35% controlled entity of a person described in (i) or (ii) above?

Provide the following information about the supported organization(s)

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

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

Part II

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

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

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

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

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

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

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

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

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

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

Facts And Circumstances Test

Return Reference	Explanation	
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SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization Sisters of Charity Hospital	Employer identification number 16-0743187
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Part I

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

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	
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? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	

Part II

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

1

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

☐ Preservation of land for public use (e g , recreation or education)☐ Preservation of an historically important land area
☐ Protection of natural habitat☐ Preservation of a certified historic structure
☐ Preservation of open space

2

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

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

3

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

4

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

5

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

☐ Yes☐ No

6

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

7

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

8

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

☐ Yes☐ No

9

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

Part III

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

1a

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

b

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

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

▶ \$ _____

(ii) Assets included in Form 990, Part X

▶ \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

b

Assets included in Form 990, Part X

▶ \$ _____

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

- 3

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

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other
- 4

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

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

☐ Yes

☐ No

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

- 1a

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

☐ Yes

☐ No
- b

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

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance
- | | |
|----|--------|
| | Amount |
| 1c | |
| 1d | |
| 1e | |
| 1f | |
- 2a

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

☐ Yes

☐ No
- b

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

☐

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

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

- 2

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

Board designated or quasi-endowment
- b

Permanent endowment
- c

Temporarily restricted endowment

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

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

3a(i)

Yes

No

(ii) related organizations

3a(ii)

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		1,958,968		1,958,968
b Buildings		25,612,920	14,989,455	10,623,465
c Leasehold improvements		32,187,643	7,594,892	24,592,751
d Equipment		72,805,135	38,360,926	34,444,209
e Other		2,916,415		2,916,415
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				74,535,808

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	326,159,782
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIII)	2d	2,069,752
e	Add lines 2a through 2d	2e	2,069,752
3	Subtract line 2e from line 1	3	324,090,030
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	122,828
c	Add lines 4a and 4b	4c	122,828
5	Total revenue Add lines 3 and 4c . (This must equal Form 990, Part I, line 12)	5	324,212,858

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	318,553,374
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	1,035,525
e	Add lines 2a through 2d	2e	1,035,525
3	Subtract line 2e from line 1	3	317,517,849
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	317,517,849

Part XIII Supplemental Information

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

Return Reference	Explanation
Part XI, Line 2d - Other Adjustments	SOC Foundation Inc Revenue
Part XI, Line 4b - Other Adjustments	Contributions from Sisters Hospital Foundation and Grant Income Baby Cafe Grant
Part XII, Line 2d - Other Adjustments	Foundation Expenses less the SOC Foundation Contributions to the Hospital

[illegible]

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Sisters of Charity Hospital

Employer identification number
16-0743187

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," was it a written policy?	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year <input checked="" 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 <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input checked="" type="checkbox"/> Other <u>11000 0000000000 %</u> b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input checked="" type="checkbox"/> Other <u>50000 0000000000 %</u> 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"?	3a	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	3b	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	4	Yes	
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?	5a	Yes	
6a	Did the organization prepare a community benefit report during the tax year?	5b	Yes	
b	If "Yes," did the organization make it available to the public?	5c		No
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H	6a	Yes	
		6b	Yes	

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)			3,464,340	210,225	3,254,115	1 020 %
b Medicaid (from Worksheet 3, column a)			68,955,280	48,623,301	20,331,979	6 400 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			72,419,620	48,833,526	23,586,094	7 420 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			1,986,298		1,986,298	0 630 %
f Health professions education (from Worksheet 5)			9,111,274	2,541,373	6,569,901	2 070 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)			747,584		747,584	0 240 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			340,257		340,257	0 110 %
j Total. Other Benefits			12,185,413	2,541,373	9,644,040	3 050 %
k Total. Add lines 7d and 7j			84,605,033	51,374,899	33,230,134	10 470 %

Part II

Community Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing					
2	Economic development					
3	Community support		65,925		65,925	0.020 %
4	Environmental improvements		4,596		4,596	0 %
5	Leadership development and training for community members					
6	Coalition building					
7	Community health improvement advocacy					
8	Workforce development					
9	Other					
10	Total		70,521		70,521	0.020 %

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

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

1

Yes

2

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

2

3,481,841

3

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

3

1,532,941

4

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

Section B. Medicare

5

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

5

48,578,989

6

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

6

49,018,072

7

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

7

-439,083

8

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

☐

Cost accounting system

☐

Cost to charge ratio

☒

Other

9a

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

9a

Yes

9b

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

9b

No

Part IV

Management Companies and Joint Ventures

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

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V

Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)
How many hospital facilities did the organization operate during the tax year?
2

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

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

Part V

Facility Information (continued)

Section B. Facility Policies and Practices

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

Sisters Hospital

Name of hospital facility or facility reporting group

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

1

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1 Yes	
a	<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 checked="" type="checkbox"/> Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a CHNA 20 <u>13</u>		
3	In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3 Yes	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4 Yes	
5	Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5 Yes	
a	<input checked="" type="checkbox"/> Hospital facility's website (list url) <u>http //www.chsbuffalo.org/AboutUs/Communi</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 Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply as of the end of the tax year)		
a	<input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	<input checked="" type="checkbox"/> Execution of the implementation strategy		
c	<input checked="" type="checkbox"/> Participation in the development of a community-wide plan		
d	<input checked="" 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 Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	No
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$ _____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No		
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9	Yes		
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>110 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes		
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>500 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes		
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes		
a <input checked="" type="checkbox"/> Income level					
b <input checked="" type="checkbox"/> Asset level					
c <input type="checkbox"/> Medical indigency					
d <input checked="" type="checkbox"/> Insurance status					
e <input checked="" type="checkbox"/> Uninsured discount					
f <input checked="" type="checkbox"/> Medicaid/Medicare					
g <input checked="" type="checkbox"/> State regulation					
h <input type="checkbox"/> Residency					
i <input type="checkbox"/> Other (describe in Part VI)					
13 Explained the method for applying for financial assistance?		13	Yes		
14 Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		14	Yes		
a <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 upon request					
g <input checked="" type="checkbox"/> Other (describe in Part VI)					
Billing and Collections					
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?		15	Yes		
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP					
a <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)					
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP?				17	No
If "Yes," check all actions in which the hospital facility or a third party engaged					
a <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)

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

☐

Notified individuals of the financial assistance policy on admission
- b

☐

Notified individuals of the financial assistance policy prior to discharge
- c

☐

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

☐

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

☐

Other (describe in Section C)

Policy Relating to Emergency Medical Care

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

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

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

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

[illegible]

Part V

Facility Information (continued)

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

How many non-hospital health care facilities did the organization operate during the tax year? 12

Name and address	Type of Facility (describe)
1 See Additional Data Table	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Part VI

Supplemental Information

Provide the following information

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

Form and Line Reference	Explanation
Part I, Line 3c	N/A
Part I, Line 6a	Sisters Hospital Community Benefit Report is contained in a report prepared by the Catholic Health System

Form and Line Reference	Explanation
Part I, Line 7	Costing is a full step down methodology of cost from non-revenue producing departments to revenue producing departments', with assignment of cost to individual charge items based on volume and charge amount. All patient accounts are cost with the same methodology regardless of patient type (inpatient, outpatient, emergency room, etc) or insurance coverage (Medicare, Medicaid, private insurance, uninsured, etc)
Part II, Community Building Activities	Sisters Hospital provided Community Building in the form of Community Support and Leadership Development which improved community leadership by promoting understanding of community healthcare needs and services at various events throughout the community

Form and Line Reference	Explanation
Part III, Line 4	<p>The amount in Part III line 2 is the actual bad debt expenses of \$3,481,841 written down to cost, utilizing the Uninsured Ratio of Cost to Charges (RCC) obtained from the full step down methodology of cost described in Part 1, line 7. The amount in Part III line 3 is the estimate of bad debt from uninsured balance which is developed as follows: as policy is to write accounts to bad debt 120 days after discharge, the discharge date period of 10/1/2012 to 9/30/2013 was used to determine the population of uninsured accounts. The balance of these accounts was determined and the RCC was applied to develop the estimate in H Part III Line 3. As our determination of eligibility for the Healthcare Assistance Program (HAP) (Charity Care) is based solely on the presentation for care without insurance, which is now for each account, and use of a sophisticated estimator (PARO) of each guarantor's ability to pay an estimate of "the amount that reasonably could be attributable to patients who likely would qualify for financial assistance under the hospital's charity care policy if sufficient information had been available to make a determination of their eligibility" is not relevant. The organization's financial statements do not include a footnote that describes bad debt expense, but the financial statements account for bad debt expenses in the statement of operations as actual expenses written off and an estimate of future write-offs less any recoveries.</p>
Part VI, Line 2	<p>Catholic Health utilizes multiple methods to assess the health care needs of the communities it serves, including:</p> <ul style="list-style-type: none"> * Evaluations administered by the Catholic Health Community Education Department after each class, workshop, or program it sponsors, * Patient, resident and caregiver satisfaction surveys, * Physician and leadership participation in forums to define health needs of patient populations, and * Participation in regional planning initiatives.

Form and Line Reference	Explanation
Part VI, Line 3	<p>Sisters Hospital 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 Catholic Health System Healthcare Assistance Program (HAP) policy. For example, Sisters Hospital has posters and brochures available which include contact information for the Financial Clearance staff in admissions areas, emergency rooms, primary care and outpatient rehabilitation clinics, Revenue Management Center (RMC) and other areas of the organization's facilities where eligible patients are likely to be present, provides information about financial assistance and HAP contact information to patients as part of the intake process, provides financial assistance and HAP contact information to inpatients either during or within 90 days of discharge of their hospital stay, patient bills include the following language: "The Catholic Health System has a Healthcare Assistance Program to assist those in need of financial assistance for qualified patients. If you would like to obtain additional information on the Healthcare Assistance Program, please call (716) 601-3600. Thank you. Our Customer Service area is our front end team to assist all patients in this process." Additionally, we discuss with the patient the availability of various government benefits, such as Medicaid or state programs, and assist the patient with qualification for such programs, where applicable, and there is information about financial aid posted on the Catholic Health System website.</p>
Part VI, Line 4	<p>Catholic Health serves the eight counties of Western New York. The System's primary service area is Erie County which accounts for 90% of its inpatient admissions and 85% of ambulatory care visits. Erie County consists of a mix of urban, suburban and rural populations. It includes the City of Buffalo, New York State's second largest city, surrounded by a ring of older suburbs, which is followed by a ring of more newly developed suburbs, and then rural communities. The current population of Erie County is over nine hundred thousand, with about one-third living in Buffalo. Erie County has an average income significantly lower than and has a greater percentage of persons over the age of 55 than New York State and the United States. Erie County's population is projected to decrease between now and 2017, with the greatest decline expected in those ages 35-54, and the greatest increase projected in those 55 and over. Erie County is less racially and ethnically diverse than New York State or the rest of the country, and the Non-White populations are concentrated in and immediately around the City of Buffalo. All of the 11 zip codes in Erie County that have a Non-White population of 50% or more are in Buffalo.</p>

Form and Line Reference	Explanation
Part VI, Line 5	<p>One of the fundamental reasons for the creation of Catholic Health was to ensure the continued viability of faith-based health care to meet the needs of residents in Erie County and the surrounding communities. Integral to this effort is caring for the needs of those who are poor and disadvantaged. The services provided by Catholic Health organizations are provided in response to identified community needs, and reflect the System's emphasis on caring for the underserved. Catholic Health collaborates with other organizations to maximize its ability to provide needed services to the residents of our region. Each year, Catholic Health touches tens of thousands of community residents through community health education programs, health screenings, clinical and support services, and community support activities. Catholic Health will continue to meet community needs by providing charity care and Medicaid services, in addition to various other community benefit programs, including community health improvement, community benefit operations, health professions education, community building, as well as cash and in-kind contributions.</p>
Part VI, Line 6	<p>In 2013, Catholic Health (the System), including Kenmore Mercy Hospital, Mercy Hospital of Buffalo, Sisters of Charity Hospital, and Sisters of Charity Hospital - St. Joseph Campus, jointly conducted a Community Health Needs Assessment (CHNA) to better understand the health needs of the community they serve and to fulfill the requirements of both the Internal Revenue Service (IRS) and the New York State Department of Health (DOH). To ensure the assessment was comprehensive, input from the public and several community organizations was solicited. As part of this coordinated initiative, the System developed a three-year Implementation Strategy to address the health needs identified in the assessment.</p>

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

Additional Data

Software ID:

Software Version:

EIN: 16-0743187

Name: Sisters of Charity Hospital

Form 990 Schedule H, Part V Section D. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

Section D. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

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

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

Name and address	Type of Facility (describe)
1 Harvey Austin School #97 1405 Sycamore St Buffalo, NY 14211	Extension Clinic
2 Pathways Methadone 158 Holden Avenue Buffalo, NY 14214	Extension Clinic
3 Rochester Pathways 79 Howell Street Rochester, NY 14614	Extension Clinic
4 St Vincent Health Center 1595 Bailey Ave Buffalo, NY 14212	Extension Clinic
5 Sisters Ambulatory Surgery Center 45 Spindrift Dr Williamsville, NY 14221	Extension Clinic
6 Sisters Athleticare 100 Corporate Pky Amherst, NY 14226	Extension Clinic
7 Sisters Hospital Star Program 3730 Sheridan Dr Amherst, NY 14226	Extension Clinic
8 West Hertel Academy 489 Hertel Ave Buffalo, NY 14212	Extension Clinic
9 Southside Elementary School #93 430 Southside Pkwy Buffalo, NY 14210	Extension Clinic
10 St Catherine Laboure Health Care Center 2157 Main Street Buffalo, NY 14214	Extension Clinic
11 CHS Partners in Rehab 6199 Transit Rd Depew, NY 14043	Extension Clinic
12 Sisters Central Park Diagnostic Center 34 Benwood Ave Buffalo, NY 14214	Extension Clinic

Schedule J
(Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 23.
▶ Attach to Form 990. ▶ See separate instructions.

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Sisters of Charity Hospital

Employer identification number
16-0743187

Part I

Questions Regarding Compensation

	Yes	No
<div><div>1a</div><div>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</div><div><div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input checked="" type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div></div><div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div></div></div>		
<div><div>b</div><div>If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain</div></div>	1bYes	
<div><div>2</div><div>Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, officers, including the CEO/Executive Director, regarding the items checked in line 1a?</div></div>	2Yes	
<div><div>3</div><div>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</div><div><div><input checked="" type="checkbox"/> Compensation committee</div><div><input checked="" type="checkbox"/> Independent compensation consultant</div><div><input checked="" type="checkbox"/> Form 990 of other organizations</div><div><input checked="" type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div></div>		
<div><div>4</div><div>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</div></div>		
<div><div>a</div><div>Receive a severance payment or change-of-control payment?</div></div>	4aYes	
<div><div>b</div><div>Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div></div>	4bYes	
<div><div>c</div><div>Participate in, or receive payment from, an equity-based compensation arrangement?</div></div> <div>If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III</div>	4c	No
<div><div></div><div>Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.</div></div>		
<div><div>5</div><div>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</div></div>		
<div><div>a</div><div>The organization?</div></div>	5a	No
<div><div>b</div><div>Any related organization?</div></div> <div>If "Yes," to line 5a or 5b, describe in Part III</div>	5b	No
<div><div>6</div><div>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</div></div>		
<div><div>a</div><div>The organization?</div></div>	6aYes	
<div><div>b</div><div>Any related organization?</div></div> <div>If "Yes," to line 6a or 6b, describe in Part III</div>	6bYes	
<div><div>7</div><div>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</div></div>	7	No
<div><div>8</div><div>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</div></div>	8	No
<div><div>9</div><div>If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?</div></div>	9	

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

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

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

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

Part III **Supplemental Information**

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

Return Reference	Explanation
Part I, Line 1a	One Officer received a tax indemnification and gross-up payment for reimbursement of withholding taxes in conjunction with certain taxable benefits paid on behalf of employee
Part I, Lines 4a-b	A severance payment of \$176,379.28 was made for Christine Kluckhohn, an associate who was listed in Part 1a. Certain Officers and Key employees participated in a supplemental nonqualified retirement plan per the terms and conditions of their employment arrangement. Pension CHS & Acutes Pension GAP: Joseph McDonald \$26,000.00; Mark Sullivan \$19,500.00; Dr. Brian D'Arcy \$9,800.00; Peter Bergmann \$7,334.00; CHE SERP: Joseph McDonald \$299,904.00.
Part I, Line 6	The 2013 Incentive payments were dependent upon achieving the Catholic Health System Operating Income target for Catholic Health System participants or the Ministry Operating Income target for Ministry participants. Joseph McDonald \$355,199.37; Mark Sullivan \$180,495.91; James A. Dunlop Jr. \$221,130.56; Dr. Brian D'Arcy \$49,658.25; Nancy Sheehan \$50,717.26; Michael Moley \$151,752.84; John Stravos \$38,645.95; Christine Kluckhohn \$18,463.54; Bartholomew Rodriques \$20,996.27; Dr. Michael Galang \$104,515.96; Dr. Michael Edbauer \$57,419.55; Dave Macholz \$27,841.37; Dr. Ali Ghomi \$90,000.00; Peter Bergmann \$76,523.85; Charles Urlaub \$51,901.70; James Millard \$43,857.45; Dr. Nady Shehata \$37,878.03; Dr. Anthony Pivarunus \$34,922.50; Matthew Hamp \$24,234.21; Martin Boryszak \$18,702.21; Dr. Bruce Rodgers \$6,250.00.

Additional Data

Software ID:
Software Version:
EIN: 16-0743187
Name: Sisters of Charity Hospital

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
Joseph McDonald President and CEO , CHS	(i)	0	0	0	0	0	0	0
	(ii)	707,646	355,199	615,228	4,992	18,285	1,701,350	0
Mark Sullivan Executive VP / COO	(i)	0	0	0	0	0	0	0
	(ii)	434,186	180,496	133,549	-9,590	16,330	754,971	0
Peter Bergmann President, and CEO Sisters	(i)	364,848	76,524	45,800	-6,310	22,356	503,218	0
	(ii)	0	0	0	0	0	0	0
David Macholz Treasurer	(i)	0	0	0	0	0	0	0
	(ii)	182,055	27,841	26,256	-11,013	17,660	242,799	0
James Millard Director	(i)	0	0	0	0	0	0	0
	(ii)	245,733	43,857	39,672	-54,323	281	275,220	0
Charles Urlaub Officer/Director	(i)	0	0	0	0	0	0	0
	(ii)	343,560	51,902	57,567	6,518	16,720	476,267	0
Christine Kluchhohn Pres & CEO Continuing Care	(i)	0	0	0	0	0	0	0
	(ii)	83,923	18,464	185,908	-46,313	22,582	264,564	0
Michael Edbauer Director	(i)	0	0	0	0	0	0	0
	(ii)	203,206	28,710	24,730	-304	8,688	265,030	0
James A Dunlop Jr Executive VP, Finance / CFO	(i)	0	0	0	0	0	0	0
	(ii)	383,536	221,131	69,814	-68,063	16,919	623,337	0
Dr Brian D'Arcy Senior VP, Medical Affairs	(i)	0	0	0	0	0	0	0
	(ii)	311,162	49,658	73,788	24,059	23,306	481,973	0
Matthew Hamp COO , Sisters	(i)	158,303	24,234	49,850	-6,363	17,801	243,825	0
	(ii)	0	0	0	0	0	0	0
Martin Borzyak COO , Sisters/SJC	(i)	144,261	18,702	7,378	-503	7,711	177,549	0
	(ii)	0	0	0	0	0	0	0
Michael Moley Sr VP Human Resource	(i)	0	0	0	0	0	0	0
	(ii)	309,221	151,753	183,624	6,662	16,862	668,122	0
John Stavros Sr VP Marketing / P R	(i)	0	0	0	0	0	0	0
	(ii)	198,733	38,646	41,579	17,048	18,473	314,479	0
Dr Michael Galang Chief Information Officer	(i)	0	0	0	0	0	0	0
	(ii)	304,298	104,516	39,708	-1,161	6,010	453,371	0
Nancy Sheehan SVP Legal Service, General Counsel	(i)	0	0	0	0	0	0	0
	(ii)	261,089	50,717	19,526	1,457	6,282	339,071	0
Richard J Ruh MD Sr VP, Service Lines	(i)	0	0	0	0	0	0	0
	(ii)	326,942	29,786	44,797	5,158	17,478	424,161	0
Dr Nady Shehata VP, Medical Affairs	(i)	268,673	37,878	23,524	2,117	22,163	354,355	0
	(ii)	0	0	0	0	0	0	0
Bartholomew Rodrigues Sr VP, Mission Integration	(i)	0	0	0	0	0	0	0
	(ii)	157,996	20,996	38,161	1,147	22,926	241,226	0
Bruce Rodgers Physician	(i)	350,002	6,250	774	14,492	389	371,907	0
	(ii)	0	0	0	0	0	0	0

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
Dr Jack R Lawler Physician	(i)	310,039	0	1,188	17,822	1,861	330,910	0
	(ii)	0	0	0	0	0	0	0
Dr Margaret McDonnell Physician	(i)	319,572	0	774	4,717	22,187	347,250	0
	(ii)	0	0	0	0	0	0	0
Dr Anthony Pivarunus Physician	(i)	287,357	34,923	16,364	-70,212	18,533	286,965	0
	(ii)	0	0	0	0	0	0	0
Dr Ali Ghomi Physician	(i)	303,340	90,000	15,680	2,460	22,806	434,286	0
	(ii)	0	0	0	0	0	0	0

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Sisters of Charity Hospital

Employer identification number
16-0743187

Part I

Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	Dormitory Authority of the State of NY	14-6000293	64983Q5S4	11-29-2006	30,295,000	Part VI		X		X		X
B	Dormitory Authority of the State of NY	14-6000293	64983Q5U9	11-29-2006	8,435,000	Part VI		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired								
2	Amount of bonds legally defeased								
3	Total proceeds of issue	30,295,000		8,435,000					
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrows								
7	Issuance costs from proceeds	1,120,911		341,581					
8	Credit enhancement from proceeds	179,286		49,919					
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	28,994,803		8,043,500					
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion	1994		2005					
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X		X					
15	Were the bonds issued as part of an advance refunding issue?		X		X				
16	Has the final allocation of proceeds been made?	X		X					
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X					

Part III

Private Business Use

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

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?		X		X				
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X				
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
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								
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								
6	Total of lines 4 and 5								
7	Does the bond issue meet the private security or payment test?		X		X				
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X				
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of								
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				

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?	X		X					
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?								
b	Exception to rebate?								
c	No rebate due?								
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?	X		X					
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?	X		X					
b	Name of provider	HSBC Bank USA NA		JP Morgan Chase NA					
c	Term of hedge	18 500000000000		18 500000000000					
d	Was the hedge superintegrated?		X		X				
e	Was the hedge terminated?		X		X				

Part IV Arbitrage (Continued)

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

Part V Procedures To Undertake Corrective Action

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

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

Return Reference	Explanation
Part I A (f)	Description of Purpose To refund Sisters of Charity of Buffalo Insured Revenue Bonds, Series 2003, which were bonds issued for the purpose of refunding a series of bonds issued in 1991, the proceeds of which were applied to finance the construction and renovation of the Sisters of Charity facilities and to refinance outstanding indebtedness
Part I B (f)	Description of Purpose To finance the cost of the St Joseph Campus emergency room expansion project

Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

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

OMB No 1545-0047
2013
Open to Public Inspection

Name of the organization
Sisters of Charity Hospital

Employer identification number
16-0743187

Part I Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only).
Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

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

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

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

Part II Loans to and/or From Interested Persons.
Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

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

Part III Grants or Assistance Benefitting Interested Persons.
Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

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

Part IV

Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No

Part V

Supplemental Information

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

Return Reference	Explanation
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Additional Data

Software ID:
Software Version:
EIN: 16-0743187
Name: Sisters of Charity Hospital

Form 990, Schedule L, Part IV - Business Transactions Involving Interested Persons

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Karen Hamp	Wife of COO, Matt Hamp	42,718	RN, Kenmore		No
(2) Susan Urlaub	Wife of Mercy CEO, C J Urlaub	78,195	Corporate Nurse Educator		No
(3) James Manzella	Acute Care Board Member	224,880	Key Employee of Manzella Marketing		No
(4) David Zapfel	Brother of BOD, Msgr Robert Zapfel	27,471	HR Employee of CHS		No
(5) Kathleen Zapfel	Sister in Law of BOD, Msgr Robert Zapfel	65,673	HR Employee of CHS		No
(6) Susan Gallaher-Stavros	Wife of Key Employee, John Stavros	14,437	Nurse, McAuley Seton Home Care		No
(7) Marie Packard	Daughter of BOD, Dennis Dombek	79,972	Mercy Physical Therapist		No
(8) Dr Craig Fetterman	Partner of Buffalo Niagara Hospitalists	836,313	Acute Care Board Member		No

SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury

Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization Sisters of Charity Hospital	Employer identification number 16-0743187
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990 Schedule O, Supplemental Information

Return Reference	Explanation
Form 990, Part VI, Section A, line 6	
Form 990, Part VI, Section A, line 7a	According to the CHS Bylaws, each member is equally allowed to appoint up to three individuals to act as its representatives on the Corporate Member Board, and in undertaking any action in its capacity as a Member. The Corporate Member Board oversees the governance of the Catholic Health System.
Form 990, Part VI, Section A, line 7b	Each member is entitled to one vote on each matter properly submitted at any membership meeting, and the members also have reserve powers which allow approval for certain business events and ratification of certain business transactions.
Form 990, Part VI, Section B, line 11	Yes, an electronic copy of the Form 990 was provided to the CHS Boards of Directors before it was filed. The CHS Board of Directors has delegated the responsibility to review the 990 to the Audit Committee. The CHS Audit Committee reviewed in detail selected information for all CHS entities. Reviewed with the Audit Committee: 1. Core Form Part IV Checklist of required schedules; 2. Core Form Part VI Governance, Management and Disclosure; 3. Core Form Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees and Independent Contractors; 4. Schedule H Hospitals; 5. Schedule K Supplemental information on Tax Exempt Bonds; 6. Schedule J Compensation Information; 7. Schedule L Transactions with Interested Persons; 8. Schedule R Related Organizations and Unrelated Partnerships; 9. Process for which remaining Core Form was completed, utilizing audited financial information.
Form 990, Part VI, Section B, line 12c	All associates on the Merit program, all Physicians and Non Physician Practitioners as well as Physician groups who are independent contractors or employees of CHS, and all board members must complete a Conflict of Interest Disclosure Statement (COIDS) in order to fulfill the annual requirements. COIDS are distributed to all parties, as per applicable policy, and once complete are followed up with as follows: 1. Associate and Physician completed COIDS are reviewed and signed off by the manager. If a disclosure is noted, it is discussed with the manager, and the document is forwarded to the Compliance Officer who reviews and follows up as appropriate. Once review/follow up is completed the Compliance Officer will sign the COIDS, maintain a copy in the compliance office and return the original to HR for filing in the Personnel file. 2. All board member COIDS are returned to Compliance Officer for review and follow up as warranted. The Compliance Officer will sign each COIDS and retain on file in the compliance office in a confidential manner.
Form 990, Part VI, Section B, line 15	In 2013, the Catholic Health System utilized a Compensation Committee of the Board of Directors to monitor the Executive Compensation as per the Executive Compensation Philosophy and Strategy for the CHS CEO, COO, CFO, CEO's for each Ministry, and all Senior Vice Presidents. The Compensation Committee provides oversight to management decisions which are based on outlines approved by the committee, and performs a review of data. The outcome of these meetings is documented.
Form 990, Part VI, Section C, line 19	We make our form 990 open for public inspection upon request. Our website includes an annual report which includes selected financial information. Our financial statements, governing documents and conflict of interest policy are provided upon request according to applicable federal and state laws.
Form 990, Part XI, line 9	Pension Liability Adjustments 31,530,077. Equity Transfer from Affiliates 18,715. Change in Unrestricted Interest in Net Assets of Sisters Foundation 1,014,596. Interest Rate Swap Adjustment 1,993,931. Change in Temporary Restricted Interest in Net Assets of Sisters Foundation 540,210.

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Sisters of Charity Hospital

Employer identification number
16-0743187

Part I Identification of Disregarded Entities Complete if the organization answered "Yes" on Form 990, Part IV, line 33.					
(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.							
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
See Additional Data Table							

Part III

Identification of Related Organizations Taxable as a Partnership

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) Caritas Medical Arts Building LLC 350 Essjay Road Suite 101 Williamsville, NY 14221 16-1521486	Rental Real Estate	NY		Related	42,305	73,785		No			No	

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust

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

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

Part V

Transactions With Related Organizations

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

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

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

- a** Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties or **(iv)** rent from a controlled entity
- b** Gift, grant, or capital contribution to related organization(s)
- c** Gift, grant, or capital contribution from related organization(s)
- d** Loans or loan guarantees to or for related organization(s)
- e** Loans or loan guarantees by related organization(s)

- f** Dividends from related organization(s)
- g** Sale of assets to related organization(s)
- h** Purchase of assets from related organization(s)
- i** Exchange of assets with related organization(s)
- j** Lease of facilities, equipment, or other assets to related organization(s)

- k** Lease of facilities, equipment, or other assets from related organization(s)
- l** Performance of services or membership or fundraising solicitations for related organization(s)
- m** Performance of services or membership or fundraising solicitations by related organization(s)
- n** Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)
- o** Sharing of paid employees with related organization(s)

- p** Reimbursement paid to related organization(s) for expenses
- q** Reimbursement paid by related organization(s) for expenses

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

	Yes	No
1a		No
1b	Yes	
1c	Yes	
1d	Yes	
1e		No
1f		No
1g		No
1h		No
1i		No
1j	Yes	
1k		No
1l	Yes	
1m	Yes	
1n	Yes	
1o	Yes	
1p	Yes	
1q	Yes	
1r	Yes	
1s	Yes	

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

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved

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

[illegible]

Part VII

Supplemental Information

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

Return Reference	Explanation
------------------	-------------

Additional Data

Software ID:

Software Version:

EIN: 16-0743187

Name: Sisters of Charity Hospital

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512 (b)(13) controlled entity?	
						Yes	No
(1) Catholic Health System Inc 144 Genesee Street Buffalo, NY 14203 22-2565278	Health Care Delivery System	NY	501 c 3	Schedule A line 9			No
(1) Mercy Hospital of Buffalo 565 Abbott Road Buffalo, NY 14220 16-0756336	Acute Care Hospital	NY	501 c 3	Schedule A line 3	Catholic Health System Inc		No
(2) Kenmore Mercy Hospital 2950 Elmwood Avenue Kenmore, NY 14217 16-0762843	Acute Care Hospital	NY	501 c 3	Schedule A line 3	Catholic Health System Inc		No
(3) Nazareth Home of the Franciscan Sisters 291 North Street Buffalo, NY 14201 16-0813142	Skilled Nursing Facility	NY	501 c 3	Schedule A line 9	Catholic Health System Inc		No
(4) St Clare Manor 543 Locust Street Lockport, NY 14094 16-0782647	Skilled Nursing Facility	NY	501 c 3	Schedule A line 9	Catholic Health System Inc		No
(5) St Elizabeth Home for the Aged 5539 Broadway Lancaster, NY 14086 16-0743154	Adult Home	NY	501 c 3	Schedule A line 9	Catholic Health System Inc		No
(6) St Francis Home of Williamsville 147 Reist St Williamsville, NY 14221 16-0743153	Skilled Nursing Facility	NY	501 c 3	Schedule A line 9	Catholic Health System Inc		No
(7) St Francis of Buffalo Inc 34 Benwood Ave Buffalo, NY 14214 16-1523535	Skilled Nursing Facility	NY	501 c 3	Schedule A line 9	Catholic Health System Inc		No
(8) St Joseph Manor 2211 West State Street Olean, NY 14760 16-0796400	Skilled Nursing Facility	NY	501 c 3	Schedule A line 9	Catholic Health System Inc		No
(9) St Luke Manor for the Chronically Ill 17 Wiard St Batavia, NY 14020 16-0794811	Skilled Nursing Facility	NY	501 c 3	Schedule A line 9	Catholic Health System Inc		No
(10) St Mary's Manor 515 6th Street Niagara Falls, NY 14301 16-0924139	Skilled Nursing Facility	NY	501 c 3	Schedule A line 9	Catholic Health System Inc		No
(11) St Vincent Manor 319 Washington Avenue Dunkirk, NY 14048 16-0743167	Adult Home	NY	501 c 3	Schedule A line 9	Catholic Health System Inc		No
(12) WNY Catholic Long Term Care Inc 6400 Powers Rd Orchard Park, NY 14127 16-1434368	Skilled Nursing Facility	NY	501 c 3	Schedule A line 9	Catholic Health System Inc		No
(13) Niagara Homemaker Services (Mercy Home Care) 144 Genesee Street Cheektowaga, NY 14203 16-1317960	Home Care Provider	NY	501 c 3	Schedule A line 9	Catholic Health System Inc		No
(14) McAuley Seton Home Care 144 Genesee Street Cheektowaga, NY 14203 16-1310062	Home Care Provider	NY	501 c 3	Schedule A line 9	Catholic Health System Inc		No
(15) Catholic Health System Infusion Pharmacy Inc 144 Genesee Street Cheektowaga, NY 14203 20-0198518	Home Care Infusion Services	NY	501 c 3	Schedule A line 9	Catholic Health System Inc		No
(16) CHS Program of All-Inclusive Care for the Elderly Inc 55 Melroy Avenue Lackawanna, NY 14218 26-1252884	All-inclusive Care for the Elderly	NY	501 c 3	Schedule A line 3	Catholic Health System Inc		No
(17) Sisters Hospital Foundation 2130 Main Street Buffalo, NY 14214 22-2283077	Foundation	NY	501 c 3	Schedule A line 7	Sisters of Charity Hospital		No
(18) KMH Homes Inc 144 Genesee Street Buffalo, NY 14203 16-1387890	Real Estate Holding Company	NY	501 c 3	Schedule A line 9	Catholic Health System Inc		No
(19) Trinity Medical WNY PC 144 Genesee Street Cheektowaga, NY 14203 27-2576645	Primary Care Provider	NY	501 c 3	Schedule A line 11	Catholic Health System Inc		No

CONSOLIDATED FINANCIAL STATEMENTS

SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE
CATHOLIC HEALTH SYSTEM, INC.)

DECEMBER 31, 2013

**SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC.)**

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Consolidated Financial Statements:	
Consolidated Balance Sheets	2
Consolidated Statements of Operations and Changes in Net Assets	3 - 4
Consolidated Statements of Cash Flows	5
Notes to the Consolidated Financial Statements	6 - 29
Independent Auditor's Report on Accompanying Supplementary Information	30
Supplemental Schedules:	
Schedule of Net Cost of Providing Care of Persons Living in Poverty and Community Benefit Programs (Schedule of Social Accountability - Unaudited)	31
Consolidating Information	32 - 34



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Catholic Health System, Inc
Buffalo, New York

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Sisters of Charity Hospital and its subsidiary (collectively, the "Hospital"), which comprise the consolidated balance sheet as of December 31, 2013, and the related consolidated statement of operations and changes in net assets and cash flows for the year then ended and the related notes to the consolidated financial statements

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we consider internal control relevant to the Hospital's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sisters of Charity Hospital and its subsidiary as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 15, the Hospital had significant transactions with related parties.

Other Matters

The consolidated financial statements of Sisters of Charity Hospital for the year ended December 31, 2012, were audited by other auditors whose report dated April 25, 2013, expressed an unmodified opinion on those statements.

Freed Maxick CPAs, P.C.

Buffalo, New York
April 10, 2014

**SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC.)**

**CONSOLIDATED BALANCE SHEETS
December 31,**

ASSETS	2013	2012
Current assets:		
Cash and cash equivalents	\$ 130,418,177	\$ 115,787,546
Patient/resident accounts receivable, net of allowance for doubtful accounts of \$8,890,000 (2012 - \$10,743,000)	37,376,146	44,346,176
Other receivables	4,343,477	2,741,063
Inventories	6,058,830	5,322,983
Prepaid expenses and other current assets	584,529	561,477
Due from affiliates	635,263	514,235
Total current assets	179,416,422	169,273,480
Assets limited as to use	210,318	629,324
Investments	7,442,151	6,367,731
Due from affiliates	10,303,395	10,303,395
Property and equipment, net	74,555,334	75,522,350
Other assets	26,197,287	20,771,554
Total assets	\$ 298,124,907	\$ 282,867,834
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term obligations	\$ 4,473,060	\$ 3,905,253
Long-term obligations subject to short-term remarketing arrangements	-	26,717,698
Accounts payable	15,118,197	15,642,847
Accrued expenses	13,581,559	12,729,317
Due to third-party payors	10,979,242	15,172,208
Due to affiliates	21,295,050	19,488,120
Total current liabilities	65,447,108	93,655,443
Long-term obligations, net	30,522,035	5,674,395
Long-term portion of insurance liabilities	34,580,752	29,051,031
Pension obligation	49,035,900	75,703,302
Asset retirement obligation	2,360,078	2,231,290
Interest rate swap	3,017,203	5,071,179
Other long term liabilities	73,555	185,455
Total liabilities	185,036,631	211,572,095
Net assets:		
Unrestricted	110,436,851	69,184,524
Temporarily restricted	2,528,902	1,988,692
Permanently restricted	122,523	122,523
Total net assets	113,088,276	71,295,739
Total liabilities and net assets	\$ 298,124,907	\$ 282,867,834

See accompanying notes

**SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC.)**

**CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
For the Years Ended December 31,**

	<u>2013</u>	<u>2012</u>
Unrestricted revenue and other support:		
Net patient/resident service revenue	\$ 322,669,354	\$ 317,985,233
Provision for bad debts	<u>(7,195,373)</u>	<u>(10,260,599)</u>
Net patient/resident service revenue, less provision for bad debts	315,473,981	307,724,634
Other revenue	7,671,856	8,921,083
Net assets released from restrictions used in operations	<u>65,000</u>	<u>61,000</u>
Total unrestricted revenue and other support	<u>323,210,837</u>	<u>316,706,717</u>
Expenses:		
Salaries and wages	143,399,622	139,149,094
Employee benefits	44,426,262	41,676,588
Medical and professional fees	14,982,907	13,515,958
Purchased services	28,478,163	29,050,062
Supplies	56,915,230	56,691,261
Depreciation and amortization	13,237,876	12,408,190
Interest	2,049,654	2,128,656
Insurance	3,226,293	3,003,918
Other expenses	<u>11,837,368</u>	<u>11,373,503</u>
Total expenses	<u>318,553,375</u>	<u>308,997,230</u>
Income from operations	4,657,462	7,709,487
Nonoperating revenues and losses:		
Investment income	1,392,199	858,713
Contributions and other	<u>1,556,746</u>	<u>665,094</u>
Total nonoperating revenues and losses	<u>2,948,945</u>	<u>1,523,807</u>
Excess of revenues over expenses	<u><u>\$ 7,606,407</u></u>	<u><u>\$ 9,233,294</u></u>

See accompanying notes

**SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC.)**

**CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)
For the Years Ended December 31,**

	2013	2012
Unrestricted net assets:		
Excess of revenues over expenses	\$ 7,606,407	\$ 9,233,294
Change in unrealized loss on interest rate swap	1,993,931	(215,936)
Change in pension obligation, other than net periodic cost	31,530,077	(8,680,685)
Net assets released from restriction used for capital	102,257	270,050
Distributions and transfers to (from) parent and affiliates	18,715	(2,102,854)
Other	940	-
Increase (decrease) in unrestricted net assets	<u>41,252,327</u>	<u>(1,496,131)</u>
Temporarily restricted net assets:		
Contributions	651,454	320,380
Special events revenue	56,013	48,628
Temporarily restricted net assets released from restrictions	<u>(167,257)</u>	<u>(331,050)</u>
Increase in temporarily restricted net assets	540,210	37,958
Increase (decrease) in net assets	<u>41,792,537</u>	<u>(1,458,173)</u>
Net assets - beginning of year	<u>71,295,739</u>	<u>72,753,912</u>
Net assets - end of year	<u><u>\$ 113,088,276</u></u>	<u><u>\$ 71,295,739</u></u>

See accompanying notes

**SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC.)**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31,**

	2013	2012
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 41,792,537	\$ (1,458,173)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation and amortization	13,237,876	12,408,190
Provision for bad debts	7,195,373	10,260,599
Distributions and transfers (from) to parent and affiliates	(18,715)	2,102,854
Change in pension obligation, other than net periodic cost	(31,530,077)	8,680,685
Equity in loss (gain) of investee	46,193	(32,765)
Discount on issuance	19,584	19,584
Gain on sale of assets	23,862	135,707
Gain on extinguishment of capital leases	-	(51,200)
Change in unrealized (gain) loss on interest rate swap	(2,053,976)	223,840
Change in unrealized gains on investments	(681,589)	(363,237)
Realized gain on investments	(297,138)	(98,867)
(Increase) decrease in assets		
Patient accounts receivables	(225,343)	(11,992,424)
Other receivables	(1,602,414)	974,326
Inventories	(735,847)	(1,299,728)
Prepaid expenses and other assets	(23,052)	(58,570)
Due from affiliate	(121,027)	205,811
Other assets	(324,247)	(291,805)
Increase (decrease) in liabilities		
Accounts payable	1,055,428	1,272,234
Accrued expenses	852,242	197,527
Due to third-party payors	(4,192,966)	853,536
Due to affiliates	492,285	4,290,087
Other liabilities	5,046,785	4,470,323
Net cash provided by operating activities	27,955,774	30,448,534
Cash flows from investing activities:		
Purchase of property and equipment	(9,381,668)	(12,730,613)
Proceeds from sale of property and equipment	100	590,865
Purchase of assets limited as to use	-	(2,839,316)
Proceeds from sale of assets limited as to use	419,006	2,209,992
Change in investments, net	(95,693)	(130,220)
Net cash used in investing activities	(9,058,255)	(12,899,292)
Cash flows from financing activities:		
Distributions and transfers (from) to parent and affiliates	18,715	(2,102,854)
Proceeds from issuance of long-term debt	-	2,880,483
Repayment of current and long-term obligations	(4,285,603)	(4,021,294)
Net cash used in financing activities	(4,266,888)	(3,243,665)
Increase in cash and cash equivalents	14,630,631	14,305,577
Cash and cash equivalents, beginning of year	115,787,546	101,481,969
Cash and cash equivalents, end of year	<u>\$ 130,418,177</u>	<u>\$ 115,787,546</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 2,030,070	\$ 2,109,072
Assets acquired via capital leases	\$ 1,383,690	\$ -

See accompanying notes

**SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC.)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION

Sisters of Charity Hospital is a not-for-profit acute care hospital and skilled nursing facility. Sisters of Charity Hospital provides inpatient, outpatient and emergency services for the residents primarily in and around its surrounding area. Admitting physicians are primarily practitioners in the local area. All operations are located in Erie County, New York and serve the community of Western New York.

Following the release of New York State's "Healthcare Facilities in the 21st Century" Report, also known as the Berger Commission, in 2006, St. Joseph Hospital (SJH) was slated for closure. The decision was later overturned after the State agreed to keep the Cheektowaga hospital open as part of Sisters of Charity Hospital. On April 1, 2009, St. Joseph Hospital officially closed and merged with Sisters of Charity Hospital, becoming Sisters of Charity Hospital, St. Joseph Campus (SJC). As the Catholic Health System was the sole corporate member of both St. Joseph Hospital and Sisters of Charity Hospital, the accounts of St. Joseph Hospital were merged into the results of Sisters of Charity Hospital as of January 1, 2009.

Sisters of Charity Hospital is the sole corporate member of Sisters Hospital Foundation, Inc. (the Foundation). The Foundation is a not-for-profit organization incorporated under the New York State Corporation Laws. The Foundation's sole purpose is to receive and administer gifts and bequests made on behalf of the Sisters of Charity Hospital, which are generally used to support the capital needs of the Sisters of Charity Hospital. On March 9, 2009, the St. Joseph Hospital Foundation received approval from the New York State Department of State to consummate a merger with the Sisters Hospital Foundation, Inc. The merger took place on April 1, 2009, contemporaneous with the merger of Sisters of Charity Hospital and St. Joseph Hospital. Per the merger, the assets of the St. Joseph Hospital Foundation were combined with those of the Sisters Hospital Foundation, as of January 1, 2009.

Sisters of Charity Hospital and the Foundation (collectively referred to as the "Hospital") are a part of the Catholic Health System, Inc. ("CHS" or the "System") and its organizational structure is discussed below.

System: Catholic Health System, Inc. and Subsidiaries is an integrated healthcare delivery system in Western New York jointly sponsored by the Sisters of Mercy, Daughters of Charity and the Diocese of Buffalo. Catholic Health East (CHE), Ascension Health System and the Diocese of Buffalo are the corporate members of CHS, with equal ownership interest. CHS is the sole corporate member of the following subsidiaries:

Acute Care Subsidiaries: The Acute Care Subsidiaries (collectively referred to as the "Hospitals") include Mercy Hospital of Buffalo (MHB), Kenmore Mercy Hospital including The McAuley Residence and KMH Homes Inc. (KMH) and Sisters of Charity Hospital (SCH).

Long-Term Care Subsidiaries: The Long-term Care Subsidiaries include St. Clare Manor (closed December 2003), St. Francis Geriatric and Healthcare Services, Inc. (closed December 2009), St. Francis Home of Williamsville, Western New York Catholic Long-Term Care, Inc. (Father Baker Manor), St. Joseph's Manor (closed August 2006), St. Luke's Manor of Batavia (closed June 2004), St. Mary's Manor (closed 2003), Nazareth Home of the Franciscan Sisters of the Immaculate Conception (closed 2007), St. Elizabeth's Home and St. Vincent's Home for the Aged.

Home Care Subsidiaries and Other: The Home Care and Other Subsidiaries include Mercy Home Care of Western New York, Inc., McAuley Seton Home Care (MSHC), Our Lady of Victory Renaissance Corporation, Catholic Health Infusion Pharmacy, Continuing Care Foundation and Catholic Health System Program of All Inclusive Care for the Elderly, Inc. (LIFE) and Trinity Medical WNY, PC.

**SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC.)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements of the Hospital include the accounts of Sisters of Charity Hospital and Sisters Hospital Foundation. All significant intercompany balances and transactions have been eliminated in the consolidated amounts.

Use of Estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by the Hospital include, but are not limited to, the reserves for asset retirement obligations, reserve for bad debts, reserve for third-party payor contractual adjustments and allowances, the provision for estimated receivables and payables for final settlements with those payors, the insurance reserves for workers' compensation, professional and general liability, and actuarial assumptions used in determining pension expense.

Risks and Uncertainties: Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is at least possible that changes in risks in the near term could materially affect the net assets of the Hospital.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to third-party payment matters will change by a material amount in the near term.

Cash and Cash Equivalents: The Hospital considers all highly liquid investments, generally with original maturities of three months or less when purchased, and short term investments (certificates of deposit), excluding amounts limited as to use, to be cash equivalents. The Hospital maintains funds on deposit in excess of amounts insured by the Federal Depository Insurance limits.

Other Receivables: Other receivables consist primarily of managed care risk sharing receivables, foundation receivables, physician loans, and other receivables. There is no allowance for doubtful accounts established against these receivables.

Inventory Valuation: Inventory consists primarily of drugs, medical supplies and food. These inventories are generally stated at the lower of cost (first-in, first-out) or market.

Assets Limited as to Use: Assets limited as to use include assets set aside for debt service as required by trustee or indenture agreements, and assets set aside by the Board of Directors for specific future purposes. The Board retains control and may at its discretion subsequently use for other purposes.

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated balance sheets. Realized and unrealized gains and losses are included in excess of revenues over expenses unless such earnings are restricted by donor or law.

Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Investment income or loss (including realized gains or losses on investments, interest, and dividends) is included in the excess of revenues over expenses, unless their use is restricted by donor stipulations or law. Unrealized gains and losses on investments are included in the operating measure as the investments are trading securities.

**SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC.)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Expenses and Other Assets: Prepaid expenses and other assets consist of prepaid general expenses, interest, insurance recoveries, deferred financing costs, and other miscellaneous deferred charges. Amortization of financing costs is provided on the effective interest method over the maturity of the bond issues. The investments in health care related joint ventures and partnerships are accounted for on the equity or cost methods, as appropriate.

Property and Equipment: Property and equipment are stated at cost if purchased, or if contributed, at the fair value on the date contributed. Depreciation is computed using the straight-line method over useful lives ranging from three to forty years. Equipment under capital lease is amortized on the straight-line method over the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated financial statements.

Gifts of long-lived assets such as land, building, or equipment are reported as unrestricted support 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 these long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Impairment of Long-Lived Assets: The Hospital evaluates its long-lived assets for financial impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable.

The Hospital evaluates the recoverability of long-lived assets not held for sale by measuring the carrying amount of the assets against the estimated undiscounted future cash flows associated with them. If such evaluations indicate that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values. Based on these evaluations, there were no adjustments to the carrying value of long-lived assets in 2013 and 2012.

Asset Retirement Obligations: The Hospital accrues for asset retirement obligations in the period in which they are incurred if sufficient information is available to reasonably estimate the fair value of the obligation. Over time, the liability is accreted to its settlement value. Upon settlement of the liability, the Hospital will recognize a gain or loss for any difference between the settlement amount and liability recorded. Accretion expense for the years ended December 31, 2013 and 2012 was \$128,788 and \$115,504, respectively.

Net Patient/Resident Service Revenue: Net patient service revenue is reported at the estimated net realizable amounts from third-party payors, patients, and others for services rendered. These estimated amounts include estimated adjustments under various reimbursement agreements with third-party payors and government regulations. The Hospital has agreements that provide for payments to the Hospital at amounts different from its established charges. Payment arrangements include prospectively determined rates per discharge, discounted charges, reimbursed costs, per diem payments, and risk share arrangements. Third-party payors retain the right to review and propose adjustments to amounts recorded by the Hospital after initial payment of the claim. Such adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as necessary. CHS's Healthcare Assistance Program provides discounts to uninsured patients and self-pay balances. In addition, the Hospital will also assist patients with the application process for free or low-cost insurance. Those uninsured patients who do not qualify for the Healthcare Assistance Program or low-cost insurance and live in New York State, a state contiguous to New York State, or the state of Ohio, are provided an uninsured discount based on a service-specific uninsured rate. This uninsured rate is similar in calculation method and amount to third-party payor methods and rates.

**SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC.)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Under the New York Health Care Reform Act (NYHCRA), hospitals are authorized to negotiate reimbursement rates with certain non-Medicare payors except for Medicaid, Workers' Compensation and No-fault, which are regulated by New York State. These negotiated rates may take the form of rates per discharge, reimbursed costs, discounted charges or as per diem payments. Reimbursement rates for non-Medicare payors regulated by New York State are determined on a prospective basis. These rates also vary according to a patient classification system defined by the Health Care Reform Act (HCRA) that is based on clinical, diagnostic and other factors.

A summary of the payment arrangements with major governmental third-party payors follows:

- **Medicare.** Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor. Cost reports have been audited and finalized by the Medicare Administrative Contractor through December 31, 2009. Disproportionate Share (DSH), Indirect Medical Education (IME), Graduate Medical Education (GME), Paramedical Education and Meaningful Use (MU) are all reconciled through settlement processes. During 2012, the system began participation with Catholic Medical Partners (CMP) as an Accountable Care Organization (ACO). The ACO places a global budget on all traditional Medicare claims (excluding e.g. DSH, IME, DME, MU) for patients associated with CMP Primary Care physicians. Claims are processed through fee for service billing and reconciled to the global budget along with quality measurement at the end of the period.
- **Non-Medicare.** The New York Health Care Reform Act of 1996, as updated, governs payments to hospitals in New York State. Under this system, hospitals and all non-Medicare payors, except Medicaid, Workers' Compensation and No-Fault insurance programs, negotiate hospital's payment rates. If negotiated rates are not established, payors are billed at hospitals established charges. Medicaid, Workers' Compensation and No-Fault payors pay hospital rates promulgated by the New York State Department of Health (DOH) on a prospective basis. Adjustments to current and prior years' rates for these payors will continue to be made in the future. Effective December 1, 2009, NYS implemented inpatient reimbursement reform. The reform updated the data utilized to calculate the NYS DRG rates and service intensity weights (SIWS) in order to utilize refined data and more current information in DOH promulgated rates. Similar type outpatient reforms were implemented effective December 1, 2008.

Amounts recognized in 2013 and 2012 related to prior years, including adjustments to prior year estimates and audit settlements, increased revenues \$3,946,814 and \$6,106,295, respectively. These changes in estimates related to estimates for prior years cost report reopening, appeals, and tentative final cost reports, some of which are still subject to audit, additional reopening, and/or appeals.

Approximately 51% and 50% of net patient/resident service revenue was generated from services rendered to patients/residents under Medicare and Medicaid programs in 2013 and 2012, respectively. Approximately 38% and 40% of net patient/resident service revenue was generated from services rendered to patients under managed care programs in 2013 and 2012.

There are various proposals at the federal and state level that could, among other things, reduce payment rates. The outcome of these proposals, regulatory changes and other market conditions cannot presently be determined.

**SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC.)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provision for Bad Debts: The provision for bad debt is based upon management's assessment of expected net collections considering economic experience, trends in health care coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payor category, including those amounts not covered by insurance and history of cash collections. The results of this review are then used to make any modifications to the provision for bad debt expense to establish an appropriate allowance for uncollectible accounts. After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, the Hospital follows established guidelines for placing certain past-due patient balances with the collection agencies, subject to terms of certain restrictions on collection efforts as determined by the Hospital. Accounts receivable are written off after collection efforts have been followed in accordance with the Hospital's policies.

Patient and resident service revenue, net of contractual allowances and discounts, (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows for the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Patient/resident service revenue (net of contractual allowances and discounts)		
Medicare	\$ 119,483,494	\$ 115,001,843
Medicaid	43,545,629	43,922,653
Blue Cross	33,834,605	34,118,504
Other third party payors	117,753,306	119,132,084
Patients/residents	<u>8,052,320</u>	<u>5,810,149</u>
Total net patient/resident service revenue	322,669,354	317,985,233
Provision for bad debts	<u>(7,195,373)</u>	<u>(10,260,599)</u>
Net patient/resident service revenue less provision for bad debts	<u>\$ 315,473,981</u>	<u>\$ 307,724,634</u>

Charity Care: The Hospital provides services to all patients regardless of ability to pay. A patient is classified as a charity patient based on income eligibility criteria as established by the Healthcare Assistance Program (HAP) which is determined by presentation for care without insurance, while using an estimator (PARO) of each guarantor's ability to pay. Free care is determined at 110% of Federal Poverty Guidelines (FPG), whereas discounted care is also provided at 500% FPG.

Of the Hospital's total expenses, an estimated \$3,254,115 and \$3,333,680 arose from providing services to charity care patients in 2013 and 2012, respectively. Costing is a full step down methodology of cost from non-revenue producing departments to revenue producing departments, with assignment of cost to individual charge items based on volume and charge amount. Additional costs for the Hospital include required payments for a gross receipts assessment to New York State which is used to fund the New York State Medicaid program and HCRA. Revenues that offset the costs of Charity Care include payments from the New York State Uncompensated Care Pools.

The Hospital provides care to patients at no charge or at a discounted rate who meet eligibility requirements under its Health Care Assistance Policy (charity care). In addition to charity care, the Hospital provides services to patients covered by Medicaid. The payments received for services provided to patients covered by Medicaid may be at or below costs in addition to the cost of care for patients without insurance. The Hospital is also required to pay a gross receipts assessment to New York State which is used to fund the New York State Medicaid program and HCRA.

**SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC.)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Collective Bargaining Agreements: The Hospital has approximately 23% of its employees working under four collective bargaining agreements. The agreements are set to expire beginning August 1, 2014 through May 31, 2017.

Operating and Nonoperating Revenue and Losses: The Hospital's primary mission is dedicated to meeting the health care needs in the regions in which it operates. The Hospital is committed to providing a broad range of general and specialized health care services including inpatient, primary care, long-term care, outpatient services, and other health care related services. Only those activities directly associated with the furtherance of this mission are considered to be operating activities. Such activities include operation of cafeterias, parking lots, rental real estate and other ancillary activities. Other activities that result in gains or losses unrelated to the Hospital's primary mission are considered to be nonoperating.

Electronic Health Record Incentive Payments: The American Recovery and Reinvestment Act of 2009 provides for Medicare and Medicaid incentive payments beginning in 2011 for eligible hospitals and professionals that adopt and meaningfully use certified electronic health record (EHR) technology. The Hospital recognizes income related to Medicare and Medicaid incentive payments using a gain contingency model that is based upon when the Hospital has demonstrated meaningful use of certified EHR technology for the applicable period and the cost report information for the full cost report year that will determine the final calculation of the incentive payment is available.

Medicaid EHR incentive calculations and related payment amounts are based upon prior period cost report information available at the time the Hospital adopts, implements or demonstrates meaningful use of certified EHR technology for the applicable period, and are not subject to revision for cost report data filed for a subsequent period. Thus, incentive income recognition occurs at the point the hospital adopts, implements or demonstrates meaningful use of certified EHR technology for the applicable period, as the cost report information for the full cost report year that will determine the final calculation of the incentive payment is known at that time. Medicare EHR incentive calculations and related initial payment amounts are based upon the most current filed cost report information available at the time the Hospital demonstrates meaningful use of certified EHR technology for the applicable period. However, unlike Medicaid, this initial payment amount will be adjusted based upon an updated calculation using the annual cost report information for the cost report period that began during the applicable payment year. Thus, incentive income recognition occurs at the point the Hospital demonstrates meaningful use of certified EHR technology for the applicable period and the cost report information for the full cost report year that will determine the final calculation of the incentive payment is available.

The Hospital recognized approximately \$2,400,000 and \$3,400,000 of electronic health record incentive income related to Medicare and Medicaid incentive programs during the years ended December 31, 2013 and 2012, respectively, which is recorded in other operating revenue.

Other Revenues: The composition of other revenue for the years ended December 31, is set forth in the following table:

	<u>2013</u>	<u>2012</u>
Shared services (Note 15)	\$ 2,402,587	\$ 2,415,036
Cafeteria revenue	1,144,768	1,056,132
Parking revenue	415,608	403,979
Rental income	59,510	60,405
Unrestricted contributions to Foundation	282,575	319,887
Foundation special events revenue	347,457	368,455
Foundation gift shop revenue	265,650	300,395
Medicare and Medicaid meaningful use	2,357,888	3,432,712
Other	<u>395,813</u>	<u>564,082</u>
Total other revenues	<u>\$ 7,671,856</u>	<u>\$ 8,921,083</u>

**SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC.)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Expenses: The composition of other expenses for the years ended December 31, is set forth in the following table

	<u>2013</u>	<u>2012</u>
System dues (a)	\$ 2,916,424	\$ 3,292,156
Rental and operating leases	2,288,220	2,001,378
NYS Health Facilities cash receipts assessment program	2,217,067	1,906,081
Catholic Health System other expense	1,890,425	1,712,754
Other	<u>2,525,232</u>	<u>2,461,134</u>
Total other expenses	<u>\$ 11,837,368</u>	<u>\$ 11,373,503</u>

(a) System dues are comprised of the following expenses

	<u>2013</u>	<u>2012</u>
Salaries, wages and employee benefits	\$ 615,345	\$ 558,345
Professional fees and purchase services	352,106	724,693
Dues to Catholic Health East	1,643,769	1,707,603
Other	<u>305,204</u>	<u>301,515</u>
Total system dues	<u>\$ 2,916,424</u>	<u>\$ 3,292,156</u>

Contributions: Contributions received are recorded as unrestricted, temporary restricted or permanently restricted net assets depending on the existence and nature of any donor restrictions

Contributions and pledges that are restricted by the donor are reported as an increase in unrestricted net assets if the restrictions expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished in the reporting period in which the contribution is recognized. All other donor-restricted support is reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets released from restrictions.

Excess of Revenues over Expenses: The statement of operations and changes in net assets includes excess of revenues over expenses, commonly referred to as the performance indicator. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), and the effective portion of cash flow hedging derivatives, and pension liability adjustments.

Net Assets: Unrestricted assets are available for the general operating expenses of the Hospital and are not subject to any donor limitations.

**SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC.)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Temporarily restricted net assets are those whose use is limited by donors to a specific period or purpose and includes the temporarily restricted net assets of Sisters Hospital Foundation, Inc. Temporarily restricted net assets are released to unrestricted net assets as restrictions are met, which can occur in the same period. Gifts whose restrictions are met in the same period in which they are received are recorded as an increase in unrestricted net assets. Such restrictions include purpose restrictions where donors have specified the purpose for which the net assets are to be spent, or time restrictions imposed by donors or implied by the nature of the gift, pledges to be paid in future periods and life income funds. Investment return is included in unrestricted net assets unless the return is restricted by donor or law.

Permanently restricted net assets have been restricted by donors to be maintained by the Hospital in perpetuity.

Income Taxes: The consolidated financial statements do not include a provision for income taxes as the Hospital is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The tax-exempt organizations are subject to federal taxes on unrelated business income under section 511 of the Internal Revenue Code which are reported as other expenses in these consolidated financial statements. The Hospital's federal Exempt Organization Business Income Tax Returns for 2010, 2011, and 2012 remain subject to examination by the Internal Revenue Service.

Transactions among Subsidiaries: Common costs incurred by CHS are allocated to the subsidiaries on a pro-rata cost basis formula. The allocation of these costs is recorded as other revenue by CHS and is recorded by the subsidiaries as a component of the natural account classification. The related income and expense is eliminated in the consolidated financial statements. The respective assets and liabilities are eliminated in the consolidated financial statements.

Capitalized Software Costs: The Hospital capitalizes certain costs that are incurred to purchase or to create and implement internal-use computer software, which includes software coding, installation, testing and certain data conversion from both internal and external providers in accordance with accounting guidance. These capitalized costs are amortized on a straight-line basis over ten years and reviewed for impairment on an annual basis. The Hospital capitalized software, computer equipment, and other external costs of \$2,611,476 and \$1,274,592 during 2013 and 2012, respectively. Capitalized internal project labor costs amounted to \$54,411 and \$111,104 during 2013 and 2012, respectively.

Reclassifications: Certain prior year amounts were reclassified to conform to the 2013 consolidated financial statement presentation.

Subsequent Events: The Hospital evaluated subsequent events through April 10, 2014 which was the date the financial statements were available to be issued.

NOTE 3. ASSETS LIMITED AS TO USE

Assets limited as to use was comprised of cash and cash equivalents held by a trustee under an indenture agreement of \$210,318 and \$629,324 at December 31, 2013 and 2012 respectively.

**SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC.)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. INVESTMENTS

Investments consist of the following at December 31

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Marketable equity securities	\$ 4,338,062	\$ 5,625,082	\$ 3,361,547	\$ 3,796,396
Governmental and corporate Obligations	<u>1,625,866</u>	<u>1,817,069</u>	<u>2,240,769</u>	<u>2,571,335</u>
	<u>\$ 5,963,928</u>	<u>\$ 7,442,151</u>	<u>\$ 5,602,316</u>	<u>\$ 6,367,731</u>

Investment income and losses is summarized as follows for the years ended December 31

	<u>2013</u>	<u>2012</u>
Interest and dividend income	\$ 413,472	\$ 396,609
Net realized and unrealized gains and losses	<u>978,727</u>	<u>462,104</u>
Total investment income	<u>\$ 1,392,199</u>	<u>\$ 858,713</u>

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment, recorded at cost, consists of the following at December 31

	<u>2013</u>	<u>2012</u>
Land and land improvements	\$ 3,079,886	\$ 3,119,282
Buildings	25,762,300	26,952,200
Leasehold improvements	31,080,425	26,266,330
Equipment	58,413,672	60,200,615
Automobiles	125,417	108,897
Equipment under capital leases	<u>14,579,808</u>	<u>13,183,984</u>
	133,041,508	129,831,308
Less: Accumulated depreciation	(53,485,754)	(51,789,439)
Accumulated amortization on equipment under capital leases	<u>(7,791,419)</u>	<u>(6,904,239)</u>
	71,764,335	71,137,630
Construction in progress	<u>2,790,999</u>	<u>4,384,720</u>
Property and equipment, net	<u>\$ 74,555,334</u>	<u>\$ 75,522,350</u>

Depreciation expense in 2013 and 2012 amounted to \$10,567,933 and \$9,848,940, respectively. Amortization expense on equipment under capital leases amounted to \$2,455,123 and \$2,351,733 in 2013 and 2012, respectively. Fully depreciated or amortized assets of \$9,099,835 and \$13,505,475 were written-off for the years ended December 31, 2013 and 2012, respectively.

**SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC.)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. OTHER ASSETS AND OTHER RECEIVABLES

The composition of prepaid expenses, other assets and other receivables is as follows at December 31

	<u>2013</u>	<u>2012</u>
Current prepaid expenses and other current assets:		
Prepaid expenses	\$ 450,391	\$ 424,784
Security deposits	<u>134,138</u>	<u>136,693</u>
Prepaid expenses and other current assets	<u>\$ 584,529</u>	<u>\$ 561,477</u>
Current other receivables:		
Physician loans	\$ 1,866,857	\$ 2,185,526
Managed care risk receivables	1,752,917	-
Other	<u>723,703</u>	<u>555,537</u>
Other receivables	<u>\$ 4,343,477</u>	<u>\$ 2,741,063</u>
Non-current:		
Insurance recoveries	\$ 24,136,294	\$ 18,902,583
Debt issuance costs, net accumulated amortization	952,228	1,038,260
Equity investment	54,567	100,760
Workers' compensation funding surplus	<u>1,054,198</u>	<u>729,951</u>
Other assets	<u>\$ 26,197,287</u>	<u>\$ 20,771,554</u>

Amortization expense on deferred financing costs amounted to \$86,032 and \$85,153 for the years ended December 31, 2013 and 2012, respectively. Accumulated Amortization related to the debt issuance costs amounted to \$588,081 and \$502,049 at December 31, 2013 and December 31, 2012, respectively, respectively. Amortization expense is expected to be approximately \$86,000 for the years ended December 31, 2014 to 2018.

NOTE 7. ACCRUED EXPENSES

Accrued expenses consist of the following at December 31

	<u>2013</u>	<u>2012</u>
Payroll and benefits	\$ 10,697,347	\$ 10,357,464
Workers' compensation, current portion	1,845,109	1,712,533
Other	<u>1,039,103</u>	<u>659,320</u>
Accrued expenses	<u>\$ 13,581,559</u>	<u>\$ 12,729,317</u>

**SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC.)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. LONG-TERM OBLIGATIONS

Long-Term Debt: Long-term debt, inclusive of capital lease obligations, were comprised of the following at December 31

	<u>2013</u>	<u>2012</u>
2006 Series B and D Bonds Payable (a)	\$ 26,737,283	\$ 28,547,700
Capital lease obligations at varying interest rates ranging from 3.47% to 6.68%	<u>8,257,812</u> 34,995,095	<u>7,749,646</u> 36,297,346
Less: Current portion	(4,473,060)	(3,905,253)
Less: Long-term obligations subject to short-term remarketing arrangements (a)	<u>-</u>	<u>(26,717,698)</u>
Long-term obligations, net	<u>\$ 30,522,035</u>	<u>\$ 5,674,395</u>

- (a) In 2006, the System formed the Acute Care Obligated Group (the Obligated Group), consisting of its three primary hospitals (MHB, SCH, and KMH) and the parent. No affiliates of CHS other than the Members of the Obligated Group were included in this offering. Collectively, the Obligated Group refinanced all outstanding indebtedness of the Obligated Group. On November 29, 2006, \$68,820,000 of Dormitory Authority of the State of New York (DASNY or the Authority) Catholic Health System Obligated Group Revenue Bonds, Series 2006 were issued. The Series 2006 B Bonds for \$30,295,000 were loaned to the Hospital for the purpose of refunding the Authority's Hospital Insured Revenue Bonds, Series 2003, which bonds were issued for the purpose of refunding a series of bonds issued in 1991. The Series 2006 D Bonds for \$8,435,000 were loaned to Sisters of Charity Hospital, St. Joseph Campus to finance the cost of SJC's emergency room expansion project. The discount on the bonds of \$363,937 will be accreted over the life of the bonds.

In connection with the issuance of the Series 2006 Bonds, the Obligated Group entered into a Loan Agreement (the Loan Agreement) whereby the Obligated Group is required to pay funds sufficient in timing and amount to pay the principal and redemption price of the Series 2006 Bonds and related interest and administrative expenses as they come due. The Series 2006 Bonds pay interest at a variable remarketed rate and are collateralized by a letter of credit with HSBC Bank which expires on November 29, 2014. In the event the letter of credit is not renewed at expiration, and no event of default exists then, the outstanding Bonds, at the option of the members of the Obligated Group, would be subject to a mandatory tender and will then convert to a five year (initial) Term Loan. Repayment of the principal of Initial Term Loan shall be identical to the scheduled principal payments on the Bonds with the remaining amount due at the end of the five year term.

The interest borne by the Series 2006 Bonds will be determined by the Remarketing Agent to be the lowest rate that, in the judgment of the Remarketing Agent, under prevailing financial market conditions, enables such Series 2006 Bonds to be sold at a price of par. The variable interest rate was 0.06% and 0.13% at December 31, 2013 and 2012, respectively.

The Loan Agreement specifies that the Hospital shall continuously pledge, as a security for the payment of all liabilities and the performance of all obligations of the Hospital pursuant to the loan agreement, a security interest in and assignment of the gross receipts of the Hospital, together with the Hospital's right to receive or collect the gross receipts. Further, the Hospital delivered a mortgage to secure all obligations and liabilities of the Hospital under the Loan Agreement. As further security to the Loan Agreement, the Hospital granted DASNY a security interest in such fixtures, furnishings and equipment as owned by the Hospital. In addition, a letter of credit in the amount of the bonds was entered into with HSBC Bank USA to provide security on the Series 2006 Bonds.

**SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC.)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. LONG-TERM OBLIGATIONS (CONTINUED)

Certain financial covenants must be maintained by the Obligated Group. Failure to comply with these covenants requires a formal consultants report and quarterly progress reports demonstrating how the facility is progressing towards compliance. The Loan Agreement requires the Obligated Group to comply with certain financial covenants, including maintenance of (i) a minimum number of days cash on hand, (ii) long-term debt service coverage, and (iii) a maximum leverage ratio. The Obligated Group was in compliance with these covenants at December 31, 2013 and 2012.

Prior to 2013, the letter of credit reimbursement agreement contained an acceleration clause that relied upon subjective evaluation criteria, which necessitated a current classification for the related obligations. The letter of credit reimbursement agreement has since been modified to replace the previously subjective criteria with objective and measureable criteria. Accordingly, the obligations are classified as non-current liabilities at December 31, 2013.

Aggregate maturities of long-term obligations, including capital lease obligations, subsequent to December 31, 2013 are as follows:

	<u>Long-Term Debt</u>	<u>Capital Leases</u>	<u>Total</u>
2014	\$ 1,900,000	\$ 2,819,017	\$ 4,719,017
2015	1,972,500	1,957,401	3,929,901
2016	2,050,000	926,296	2,976,296
2017	2,132,500	899,025	3,031,525
2018	2,217,500	451,513	2,669,013
Thereafter	<u>16,464,783</u>	<u>2,408,261</u>	<u>18,873,044</u>
	<u>\$ 26,737,283</u>	9,461,513	36,198,796
Less Interest		<u>(1,203,701)</u>	<u>(1,203,701)</u>
		<u>\$ 8,257,812</u>	<u>\$ 34,995,095</u>

Operating Leases

Future minimum lease payments under non-cancellable operating leases (net of sublease rentals) are as follows:

2014	\$ 1,820,298
2015	1,498,694
2016	1,340,180
2017	752,289
2018	23,229
Thereafter	<u>-</u>
	<u>\$ 5,434,690</u>

Total expense for rents and operating type leases for equipment and property was approximately \$2,288,220 and \$2,001,378 for 2013 and 2012, respectively.

**SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC.)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. DERIVATIVE FINANCIAL INSTRUMENTS

In connection with the issuance of the Series 2006 Bonds and execution of the Loan Agreement, the Hospital entered into an interest rate swap agreement (a derivative agreement) with HSBC Bank USA, NA and JP Morgan Chase (the "Financial Institutions") for purposes of mitigating risk posed by the Bonds accruing interest at a variable rate. Further, the Hospital agreed not to take or omit to take any action that could reasonably be expected to result in the termination of the derivative agreement unless otherwise approved by the Financial Institutions, provided, however, that termination of the derivative agreement shall not constitute an event of default for purposes of the Loan Agreement, but upon any such termination of the derivative agreement, the Financial Institutions may require that the Hospital direct the Series 2006 Bonds to be converted into bonds that bear a fixed rate of interest. The terms of the swap require the Hospital to pay a fixed rate of 3.80% on the notional amount (\$27,895,000 at December 31, 2013) and in exchange, the Hospital will receive a variable rate payment based upon the Securities Industry and Financial Markets Association Index, calculated weekly. The notional amount of the swap is matched to the maturity schedule of the Series 2006 Bonds. The swap agreement was executed on December 13, 2006 and expires July 1, 2025. These dates correlate to the issue date and due date of the Series 2006 Bonds. In accordance with accounting guidance, the instrument qualifies for hedge treatment and is designated a cash flow hedge of future interest payments. The effective portion of the hedge has been excluded from excess of revenues over expenses and recorded within changes to net assets.

The fair value of derivative instruments at December 31 is as follows:

		2013		2012	
		Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate contracts					
floating to fixed	Long-term liabilities		\$ <u>3,017,203</u>	Long-term liabilities	\$ <u>5,071,179</u>

The effects of derivative instruments on the consolidated statements of operations and changes in net assets for 2013 and 2012 are as follows:

		Ineffective portion in Statement of Operations		Effective portion in Net Assets	
		2013	2012	2013	2012
Change in fair value of interest rate swaps		\$ <u>60,045</u>	\$ <u>(7,904)</u>	\$ <u>1,993,931</u>	\$ <u>(215,936)</u>

The Hospital measures its interest rate swaps at fair market value on a recurring basis. The fair market value of the interest rate swaps is determined based on financial models that consider current and future market interest rates and adjustments for non-performance risk. The inputs utilized in the valuation process of the interest rate swaps are considered to be Level 2 within the fair value hierarchy defined in Note 14.

**SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC.)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFIT PLANS

Pension Arrangements: Effective January 1, 2001, the System began maintaining a qualified defined benefit pension plan covering substantially all of its employees. As of that date, active participants in the KMH, MHB, SJH and SCH (the Hospitals) plans who were employed at the Hospitals, are covered under the Retirement Plan of the Catholic Health System (the Plan). Effective January 1, 2002, all other entities in the System, with the exception of the Nazareth Home, began participation in the Plan. Pension assets and liabilities from legacy plans, if any, were transferred to the Plan on September 25, 2002.

Effective January 1, 2001 or 2002, as applicable, all non-union employees who had met the age and service requirements under their previous plan were given the option of choosing to participate in the cash balance feature of the Plan. Those who choose not to participate in the cash balance feature accrue benefits under the same formula as their previous plan. All non-union employees who become participants after that date automatically participate under the cash balance formula.

The Plan bases benefits upon both years of service and earnings. Participants under the Hospitals formula earn benefits under a final average formula. The cash balance formula is a hypothetical account balance formula. A participant's benefit obligation is assigned to the location at which the person works. As participants transfer around the System to other CHS subsidiaries, the obligations and a proportional amount of the plan's assets transfer.

Funded Status: The following tables summarize Sisters of Charity Hospital's changes in the projected benefit obligation, the plan assets and the funded status of the CHS pension plan as well as the components of net periodic benefit costs, including key assumptions. The disclosures below have been actuarially determined based on an allocation of the System's obligations specific to Sisters of Charity Hospital. The measurement dates for plan assets and obligations were December 31, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Projected Benefit Obligations		
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 174,275,258	\$ 151,720,890
Service cost	6,376,404	5,752,366
Interest cost	6,795,849	6,887,098
Actuarial gain	(24,965,268)	15,492,747
Benefits paid	(4,125,465)	(3,748,801)
Transfer (to) from CHS Subsidiaries	795,361	(1,691,525)
Expenses	<u>(129,703)</u>	<u>(137,517)</u>
Projected Benefit obligation at end of year	<u>\$ 159,022,436</u>	<u>\$ 174,275,258</u>
Accumulated benefit obligations, end of year	<u>\$ 139,157,644</u>	<u>\$ 150,751,726</u>
Plan Assets		
Change in plan assets		
Fair value of assets at beginning of year	\$ 98,571,956	\$ 89,004,332
Actual return on plan assets	9,898,916	9,704,495
Transfers (to) from CHS subsidiaries	397,831	(633,060)
Benefits paid	(4,125,465)	(3,748,801)
Hospital contributions	5,373,000	4,382,507
Expenses	<u>(129,703)</u>	<u>(137,517)</u>
Fair value of plan assets at end of year	<u>\$ 109,986,535</u>	<u>\$ 98,571,956</u>
Funded status at end of year	<u>\$ 49,035,900</u>	<u>\$ 75,703,302</u>

**SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC.)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFIT PLANS (CONTINUED)

Amounts recognized in the consolidated balance sheets:

	<u>2013</u>	<u>2012</u>
Non-current liabilities	\$ <u>(49,035,900)</u>	\$ <u>(75,703,302)</u>
Net amounts recognized	\$ <u>(49,035,900)</u>	\$ <u>(75,703,302)</u>

Amounts recognized in unrestricted net assets consists of:

Actuarial net loss	\$ (34,958,265)	\$ (66,596,210)
Prior service cost	<u>522,488</u>	<u>630,356</u>
Total amount recognized	\$ <u>(34,435,777)</u>	\$ <u>(65,965,854)</u>

Components of net periodic benefit cost:

Service cost	\$ 6,376,404	\$ 5,752,366
Interest cost	6,795,849	6,887,098
Expected return on plan assets	(7,959,485)	(7,633,946)
Amortization of prior service cost or (credit)	(107,868)	(107,868)
Recognized actuarial loss	<u>5,130,776</u>	<u>3,790,916</u>
Net periodic pension cost	\$ <u>10,235,676</u>	\$ <u>8,688,566</u>

Since the Hospital is a participant in the System's plan, the following disclosures are made for the entire plan in the aggregate, and do not represent the Hospital on a stand-alone basis.

The estimated prior service cost, and net loss that will be amortized from unrestricted net assets into net periodic pension cost over the next fiscal year for the System are \$229,260 and \$8,530,663, respectively

The Plan's investment policies and strategies were used to develop the expected long-term rate of return on risk-free investment (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return of each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption.

The Plan's target asset allocation for and the actual asset allocation percentages for 2013 and 2012 are as follows at the respective measurement dates

<u>Asset Category</u>	<u>Target</u>	<u>Actual</u>	
		<u>2013</u>	<u>2012</u>
Equities	65%	61%	50%
Fixed income	25	30	35
Other	<u>10</u>	<u>9</u>	<u>15</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

**SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC.)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFIT PLANS (CONTINUED)

The portfolio is diversified among a mix of assets including large and small cap, domestic and foreign equities, fixed income, alternatives (a fund of hedge funds), and cash. Asset mix is targeted to a specific allocation, either intermediate or long-term, that is established by evaluating expected return, standard deviation, and correlation of various assets against the plan's long-term objectives. Asset performance is monitored quarterly and rebalanced if asset classes exceed explicit ranges. The investment policy governs permitted types of investments, and outlines specific benchmarks and performance percentiles. The Investment Subcommittee of the Stewardship Committee of the CHE Board oversees the pension investment program and monitors investment performance. Risk is closely monitored through the evaluation of portfolio holdings and tracking the beta and standard deviation of the portfolio performance. The use of derivative financial instruments as an investment vehicle is specifically limited.

Accounting Standards Codification Topic 820 allows for the use of a practical expedient for the estimation of fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by the Plan to value its investments in its Level 3 investments is the net asset value (NAV) per share, or its equivalent. For investments in non-unitized investments, the equivalent is the Plan's proportionate share of the partner's capital of the investment partnerships as reported by the general partners. Through its monitoring activities, the Plan believes that the carrying amounts of these financial instruments are reasonable estimates of fair value.

The assets or liability's fair value measurement level with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2013 and 2012.

Cash and cash equivalents: Include certain instruments in highly liquid debt instruments with original maturities of three months or less at date of purchase.

Marketable debt securities: Valued based on yields currently available on comparable securities of issuers with similar credit rating.

Marketable equity securities: Valued at closing price reported on the active market on which the individual securities are traded.

Partnership joint venture interests: These securities are estimated using current information obtained from the general partner or investment manager for the respective funds. Investments in venture capital/private equity partnerships are generally estimated using partner's capital balances, and the fair value of investments in hedge funds are generally estimated using NAVs. In cases where the investee has provided its investors with a NAV per share or partner capital balances that have been calculated in accordance with the AICPA Audit and Accounting Guide, *Investment Companies*, the Plan has estimated its fair value by using the NAV provided by the investee as of December 31st.

Commingled funds: Valued at the NAV of units of the commingled fund. The NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different from the reported NAV.

**SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC.)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFIT PLANS (CONTINUED)

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables present the Plan's financial instruments as of December 31, 2013 and 2012, measured at fair value on a recurring basis using the fair value hierarchy defined in Note 14.

At December 31, 2013	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Cash and cash equivalents	\$ 10,610,231	\$ 13	\$ -	\$ 10,610,244
Marketable equity securities				
SRI large cap	36,140	-	-	36,140
Large cap flex	44,116,418	-	-	44,116,418
Small cap growth	17,695,823	-	-	17,695,823
International	11,359,573	-	-	11,359,573
Small cap value	8,722,468	-	-	8,722,468
Other	527,064	-	-	527,064
Marketable debt securities				
US government obligations	31,735,616	-	-	31,735,616
Private placement	-	8,996,603	-	8,996,603
Banking and finance	-	9,752,736	-	9,752,736
International	-	6,203,252	-	6,203,252
Utility	-	3,897,766	-	3,897,766
Other	-	19,425,390	-	19,425,390
Alternative investments				
Commingled funds	-	85,147,948	8,669,516	93,817,464
International hedge funds	-	-	4,825,571	4,825,571
Venture capital funds	-	-	5,179,554	5,179,554
Total	<u>\$ 124,803,333</u>	<u>\$133,423,708</u>	<u>\$ 18,674,641</u>	<u>\$ 276,901,682</u>

**SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC.)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFIT PLANS (CONTINUED)

At December 31, 2012	Level I	Level II	Level III	Total
Cash and cash equivalents	\$ 14,491,559	\$ 50,617	\$ -	\$ 14,542,176
Marketable equity securities				
SRI large cap	22,077	-	-	22,077
Large cap flex	26,642,255	-	-	26,642,255
Small cap growth	12,959,036	-	-	12,959,036
International	9,081,671	-	-	9,081,671
Small cap value	6,136,226	-	-	6,136,226
Other	178,292	-	-	178,292
Marketable debt securities				
US government obligations	24,932,327	-	-	24,932,327
Private placement	-	9,259,692	-	9,259,692
Banking and finance	-	11,041,890	-	11,041,890
International	-	3,475,915	-	3,475,915
Utility	-	4,405,823	-	4,405,823
Other	-	19,683,218	-	19,683,218
Alternative investments				
Commingled funds	-	62,498,917	18,617,733	81,116,650
International hedge funds	-	-	3,168,623	3,168,623
Venture capital funds	-	-	8,561,450	8,561,450
Total	\$ 94,443,443	\$110,416,072	\$ 30,347,806	\$ 235,207,321

A roll forward of pension assets classified by the defined benefit plan as Level 3 within the fair value hierarchy (defined above) is as follows

	2013	2012
Fair value January 1	\$ 30,347,806	\$ 27,055,386
Realized and unrealized gains (losses)	1,146,712	944,022
Purchases	11,545,579	13,009,261
Sales	(24,365,456)	(10,660,863)
Fair value December 31	<u>\$ 18,674,641</u>	<u>\$ 30,347,806</u>

Contributions: Contributions to the Plan are made to make benefit payments to plan participants. The funding policy is to contribute amounts to the trusts sufficient to meet minimum funding requirements plus such additional amounts as may be determined to be appropriate. Contributions are made to benefit plans for the sole benefit of plan participants.

The System is expected to contribute an aggregate amount of approximately \$21,400,000 to the pension plan trust in 2014 to be allocated amongst participating entities.

**SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC.)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFIT PLANS (CONTINUED)

Benefit Payments: The following table summarizes the System's estimated future benefit payments. Actual benefit payments may differ from expected benefit payments.

2014	\$ 16,945,000
2015	\$ 18,559,000
2016	\$ 20,569,000
2017	\$ 22,658,000
2018	\$ 24,425,000
2019 – 2023	\$ 158,705,000

	<u>2013</u>	<u>2012</u>
Weighted average assumptions used to determine End of the year benefit obligations:		
Discount rate	5.05%	3.95%
Rate of compensation increase	3.00%	3.00%
Weighted average assumptions used to determine Net periodic pension cost:		
Discount rate	3.95%	4.60%
Expected long-term rate of return on plan assets	8.00%	8.00%
Measurement date	12/31/2013	12/31/2012

NOTE 11. INSURANCE ARRANGEMENTS

The System, on the Hospital's behalf, participates in the CHE Trinity Inc. insurance program which provides coverage for healthcare professional (medical malpractice) and general liability exposures. The System had two insurance programs in 2013, as the legacy CHE program merged with Trinity Health's insurance program to form the CHE Trinity Inc. program. Prior to June 1, 2013, the primary limits for healthcare professional and general liability were \$3,000,000 per occurrence and were insured by Stella Maris Insurance Company, Ltd. (SMICL), a Cayman-domiciled insurer wholly-owned by CHE. Subsequent to June 1, 2013, the primary limits were \$20,000,000 for healthcare professional liability and \$1,000,000 for general liability per occurrence. Professional and general liabilities are insured by Venzke Insurance Company, Ltd. (Venzke), a Cayman-domiciled insurer wholly-owned by CHE Trinity, Inc. Excess coverage was also provided to the System, and this excess coverage is fully reinsured with nonaffiliated commercial insurance companies.

The coverage provided is on a claims-made basis. The System, on the Hospital's behalf therefore retains the liability for unasserted claims resulting from incidents that occurred on services provided prior to the financial statement date. The System has independent actuaries estimate the ultimate costs of such unasserted claims, which were discounted at 3% and 4% in 2013 and 2012, respectively. The Hospital's portion of the System's current portion of liabilities for unpaid and incurred but not reported claims at December 31, 2013 and 2012 is \$154,300 and \$144,533, respectively, and is included in accrued expenses. The Hospital's portion of the System's long term portion of liabilities for unpaid and incurred but not reported claims at December 31, 2013 and 2012 is \$19,071,700 and \$14,412,118, respectively, and is included in other long-term insurance liabilities. The charges to expenses for professional and general liability for 2013 and 2012 approximated \$2,900,533 and \$2,677,324, respectively, which has been included in insurance expense. In 2011, the Hospital adopted the principles of insurance claim and recovery accounting for professional and general liabilities. The required liability claims and any anticipated insurance recoveries to be reported on a gross basis versus the previous practice of netting the recoveries against liability claims. Amounts recognized as insurance receivables related to the claims approximate \$16,140,000 and \$11,666,000 at December 31, 2013 and 2012, respectively. Insurance recoveries are measured on the same basis as the liability subject to the need for a valuation allowance for uncollectible amounts.

**SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC.)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11. INSURANCE ARRANGEMENTS (CONTINUED)

The System's insurance program for workers' compensation, in which the Hospital participates, has a deductible of \$350,000 per occurrence. Claims in excess of self-insurance levels are fully insured. Losses from asserted claims and from unasserted claims identified by the System's incident reporting for the Hospital were accrued on an discounted basis based on actuarial estimates of the settlement of such claims. The discount rate applied is 3% and 4% in 2013 and 2012, respectively. The Hospital's portion of the System's current portion of liabilities for unpaid and incurred but not reported claims at December 31, 2013 and 2012 is \$1,845,109 and \$1,712,533, respectively, and is included in accrued expenses. The Hospital's portion of the System's long term portion of liabilities for unpaid and incurred but not reported claims at December 31, 2013 and 2012 is \$15,509,052 and \$14,638,913, respectively, and is included in other long-term insurance liabilities.

The charges to expense for workers' compensation costs approximated \$2,303,000 and \$2,761,000 in 2013 and 2012, respectively, and are included in employee benefits expense. In 2011, the Hospital adopted the principles of insurance claim and recovery accounting for workers' compensation liabilities. The required liability claims and any anticipated insurance recoveries to be reported on a gross basis versus the previous practice of netting the recoveries against liability claims. Amounts recognized as insurance receivables related to the claims are \$7,996,294 and \$7,236,583 at December 31, 2013 and 2012, respectively. Insurance recoveries are measured on the same basis as the liability subject to the need for a valuation allowance for uncollectible amounts.

The System's insurance for employee health costs, in which the Hospital participates, is self-insured up to \$350,000 per claim. Claims in excess of self-insurance levels are fully insured. Claims are accrued based upon the Hospital's estimates of the aggregate liability for claims incurred using certain actuarial assumptions used in the insurance industry and based on the System's experience. Charges were billed monthly by the System and are included in employee benefit costs.

NOTE 12. LEGAL MATTERS

The Hospital is involved in litigation and regulatory investigations arising in the course of business. The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at the time. 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 under Medicare and Medicaid programs in the current and preceding years. Management believes it is in compliance with such laws and regulations and no unknown or unasserted claims were known at this time, which could have a material adverse affect on the Hospital's future financial position, results from operations or cash flows.

**SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC.)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13. CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of who are residents of Western New York and are insured under third-party agreements. The mix of receivables from patients and third-party payors at December 31 are as follows:

	<u>2013</u>	<u>2012</u>
Medicare	27%	30%
Medicaid	17	15
Blue Cross	7	8
Other third-party payors	34	34
Patients	<u>15</u>	<u>13</u>
	<u>100%</u>	<u>100%</u>

The Hospital maintains funds in excess of amounts insured by the Federal Depository Insurance limits. The Hospital has diversified its deposit amounts in a variety of institutions to reduce the level of concentrated credit risk.

NOTE 14. FAIR VALUE MEASUREMENTS

The following methods and assumptions were used by the Hospital in estimating fair value disclosures for consolidated financial statements:

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

Investments: The fair values for marketable equity, marketable debt, government, and fixed income securities are valued at the closing price reported on the active market on which the individual securities are traded.

Interest Rate Swap: The fair value of the interest rate swaps is determined based on financial models that consider current and future market interest rates and adjustments for nonperformance risk. The fair value of these interest rate derivatives are based on quoted prices for similar instruments from a commercial bank, and therefore, the interest rate derivatives are considered a Level 2 item in the fair value hierarchy.

Long-term debt: The fair value of the based on current rates offered for similar issues with similar security terms and maturities, or estimated using a discount rate that a market participant would demand. The carrying value of the long-term debt approximates fair value as of December 31, 2013 and 2012. Long-term debt would be classified as Level 2 in the fair value hierarchy.

Assets and liabilities recorded at fair value in the balance sheet are categorized based upon the level of judgment associated with the inputs used to measure their fair value. An asset or a liability's categorization within the fair value hierarchy is based on the lowest level of judgment input to its valuation. Hierarchical levels, as defined by accounting guidance, are directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities as follows:

**SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC.)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14. FAIR VALUE MEASUREMENTS (CONTINUED)

Level I – Valuations based on quoted prices in active markets for identical assets or liabilities that the Hospital has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in active market, valuation of these products do not entail a significant degree of judgment. Level I assets include cash and cash equivalents, debt and equity securities that are traded in an active exchange markets, as well as certain U.S. Treasury and other U.S. Governments and agencies bonds that are highly liquid and are actively traded in over-the counter markets.

Level II – Valuations based on quoted prices in active markets for similar assets or liabilities quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly. Level II assets include equity and fixed income managed funds with quoted prices that are traded less frequently than exchange-traded instruments whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

Level III – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. These are generally company generated inputs and are not market based inputs. Level III assets would include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques as well as instruments for which the determination of fair value requires significant investment management judgment or estimation.

Financial instruments measured at fair value are based on one or more of the three valuation techniques noted in fair value guidance. The three valuation techniques are as follows:

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

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

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

The following tables present information about assets and liabilities that are measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value as of December 31, 2013 and 2012.

**SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC.)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14. FAIR VALUE MEASUREMENTS (CONTINUED)

At December 31, 2013	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Assets limited as to use:				
Cash and cash equivalents	\$ <u>210,318</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>210,318</u>
	\$ <u>210,318</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>210,318</u>
Investments:				
Cash and cash equivalents	\$ 311,339	\$ -	\$ -	\$ 311,339
Common stock	4,331,981	-	-	4,331,981
Exchange traded funds				
Growth	295,610	-	-	295,610
Value	488,434	-	-	488,434
Loans	110,444	-	-	110,444
Mutual funds				
Growth	41,595	-	-	41,595
International	45,679	-	-	45,679
Intermediate term bonds	-	380,401	-	380,401
Corporate bonds	-	588,454	-	588,454
U S Government and agency obligations	<u>848,214</u>	<u>-</u>	<u>-</u>	<u>848,214</u>
	\$ <u>6,473,296</u>	\$ <u>968,855</u>	\$ <u>-</u>	\$ <u>7,442,151</u>
Interest rate swap	\$ <u>-</u>	\$ <u>3,017,203</u>	\$ <u>-</u>	\$ <u>3,017,203</u>
 At December 31, 2012				
	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Assets limited as to use:				
Cash and cash equivalents	\$ <u>629,324</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>629,324</u>
	\$ <u>629,324</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>629,324</u>
Investments:				
Cash and cash equivalents	\$ 210,509	\$ -	\$ -	\$ 210,509
Common stock	2,913,304	-	-	2,913,304
Exchange traded funds				
Growth	248,991	-	-	248,991
Value	295,725	-	-	295,725
Mutual funds				
Growth	91,103	-	-	91,103
International	36,764	-	-	36,764
Intermediate term bonds	-	712,322	-	712,322
Corporate bonds	-	833,452	-	833,452
U S Government and agency obligations	<u>1,025,561</u>	<u>-</u>	<u>-</u>	<u>1,025,561</u>
	\$ <u>4,821,957</u>	\$ <u>1,545,774</u>	\$ <u>-</u>	\$ <u>6,367,731</u>
Interest rate swap	\$ <u>-</u>	\$ <u>5,071,179</u>	\$ <u>-</u>	\$ <u>5,071,179</u>

**SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC.)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15. RELATED PARTY TRANSACTIONS

The Hospital is one of a group of healthcare providers who are affiliated as a result of their association with the Catholic Health System, Inc. During 2013 and 2012, the Hospital recorded expenses to affiliates for administration services, rent and other services. These expenses approximated \$58,774,764 and \$56,842,631 for 2013 and 2012, respectively and are recorded in the statement of operations. The Hospital also provided cost sharing services to and received reimbursement from affiliates for laboratory, computer and other services. Revenue from these services approximated \$2,489,000 and \$2,441,000 for 2013 and 2012, respectively.

During 2013 and 2012 distributions were made (to) and from the parent and affiliates totaling \$18,715 and \$(2,102,854), respectively. During 2013 and 2012, the Hospital received cash payments from affiliates and made cash payments to affiliates in the normal course of operations.

Amounts due to affiliates at December 31, 2013 and 2012 were \$21,295,050 and \$19,488,120, respectively. Amounts due from affiliates at December 31, 2013 and 2012 were \$10,938,658 and \$10,817,630, respectively. The amounts due to affiliates are non-interest bearing and have no maturity date.

Amount due from parent of \$8,362,249 represents an uncollateralized non-interest bearing demand note receivable. It is the intention of the Hospital and the System that this loan will not be repaid within the next year. Accordingly, the outstanding loan is classified as a non-current asset, due from affiliate.

Caritas Medical Arts Building L L C is a joint venture between Sisters of Charity Hospital and Ciminelli Development Company. In 2009, Caritas Medical Art Building, L L C refinanced its mortgage. As of December 31, 2013, there was \$1,997,825 of debt outstanding, of which the Hospital has guaranteed \$665,942. Per the guaranty agreement, the Hospital's obligation shall decrease on a dollar for dollar basis as the principal amount of the obligation is paid down.

NOTE 16. FUNCTIONAL EXPENSES

The Hospital provides general health care services to residents within its geographic location. Expenses relating to providing these services the years ended December 31 are as follows:

	<u>2013</u>	<u>2012</u>
Healthcare services	\$ 235,808,773	\$ 230,137,997
General and administrative	<u>82,744,602</u>	<u>78,859,233</u>
	<u>\$ 318,553,375</u>	<u>\$ 308,997,230</u>

INDEPENDENT AUDITOR'S REPORT ON ACCOMPANYING SUPPLEMENTARY INFORMATION

To the Board of Directors
Catholic Health System, Inc
Buffalo, New York

We have audited the consolidated financial statements of Sisters of Charity Hospital (a subsidiary of Catholic Health System, Inc) as of December 31, 2013 and for the year then ended and our report thereon appears on page 1 of this document. The financial statements of Sisters of Charity Hospital for the year ended December 31, 2012 were audited by other auditors whose report was dated April 25, 2013. That audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Schedule of Net Cost of Providing Care of Persons Living in Poverty and Community Benefit Programs (Schedule of Social Accountability) is the responsibility of management and is provided for purposes of additional analysis of the consolidated financial statements. Such information is unaudited and therefore, we do not express an opinion on the Schedule of Net Cost of Providing Care of Persons Living in Poverty and Community Benefit Programs (Schedule of Social Accountability).

The consolidating information is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual companies 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 2013 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Freed Maxick CPAs, P.C.

Buffalo, New York
April 10, 2014

**SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC.)**

**SCHEDULE OF NET COST OF PROVIDING CARE OF PERSONS LIVING IN POVERTY AND
COMMUNITY BENEFIT PROGRAMS (SCHEDULE OF SOCIAL ACCOUNTABILITY - UNAUDITED)
Years Ended December 31, 2013 and 2012**

The total costs related to the care of the poor and benefits for the broader community as of December 31 are set forth in the following table

	<u>2013</u>	<u>2012</u>
Charity care	\$ 3,254,115	\$ 3,333,680
Cost of community benefit programs	9,714,561	6,349,018
Unpaid cost of Medicaid programs	<u>20,331,979</u>	<u>15,623,169</u>
Social accountability costs	<u>\$ 33,300,655</u>	<u>\$ 25,305,867</u>

SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC)

CONSOLIDATING BALANCE SHEETS
December 31, 2013

ASSETS	Sisters of Charity Hospital	Sisters Hospital Foundation, Inc	Eliminations	Consolidated
Current assets				
Cash and cash equivalents	\$ 129,694,433	\$ 723,744	\$ -	\$ 130,418,177
Patient/resident accounts receivable, net of allowance for doubtful accounts of \$8,890,000	37,376,146	-	-	37,376,146
Other receivables	4,052,218	429,366	(138,107)	4,343,477
Inventories	6,013,105	45,725	-	6,058,830
Prepaid expenses and other current assets	584,529	-	-	584,529
Due from affiliates	635,263	-	-	635,263
Total current assets	178,355,694	1,198,835	(138,107)	179,416,422
Interest in net assets of Sisters Hospital Foundation, Inc	8,491,160	-	(8,491,160)	-
Assets limited as to use	210,318	-	-	210,318
Investments	-	7,442,151	-	7,442,151
Due from affiliates	10,303,395	-	-	10,303,395
Property and equipment, net	74,535,808	19,526	-	74,555,334
Other assets	26,197,287	-	-	26,197,287
Total assets	\$ 298,093,662	\$ 8,660,512	\$ (8,629,267)	\$ 298,124,907
LIABILITIES AND NET ASSETS				
Current liabilities				
Current portion of long-term obligations	\$ 4,473,060	\$ -	\$ -	\$ 4,473,060
Accounts payable	15,086,952	2,917	28,328	15,118,197
Accrued expenses	13,581,559	-	-	13,581,559
Due to third-party payors	10,979,242	-	-	10,979,242
Due to affiliates	21,295,050	166,435	(166,435)	21,295,050
Total current liabilities	65,415,863	169,352	(138,107)	65,447,108
Long-term obligations, net	30,522,035	-	-	30,522,035
Long-term portion of insurance liabilities	34,580,752	-	-	34,580,752
Pension obligation	49,035,900	-	-	49,035,900
Asset retirement obligation	2,360,078	-	-	2,360,078
Interest rate swap	3,017,203	-	-	3,017,203
Other long term liabilities	73,555	-	-	73,555
Total liabilities	185,005,386	169,352	(138,107)	185,036,631
Net assets				
Unrestricted	110,436,851	5,839,735	(5,839,735)	110,436,851
Temporarily restricted	2,528,902	2,528,902	(2,528,902)	2,528,902
Permanently restricted	122,523	122,523	(122,523)	122,523
Total net assets	113,088,276	8,491,160	(8,491,160)	113,088,276
Total liabilities and net assets	\$ 298,093,662	\$ 8,660,512	\$ (8,629,267)	\$ 298,124,907

See accompanying notes

SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC)

CONSOLIDATING STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2013

	Sisters of Charity Hospital	Sisters Hospital Foundation, Inc	Eliminations	Consolidated
Unrestricted revenue and other support				
Net patient/resident service revenue	\$ 322,669,354	\$ -	\$ -	\$ 322,669,354
Provision for bad debts	(7,175,404)	(19,969)	-	(7,195,373)
Net patient/resident service revenue, less provision for bad debts	315,493,950	(19,969)	-	315,473,981
Other revenue	6,776,174	895,682	-	7,671,856
Net assets released from restrictions used in operations	-	65,000	-	65,000
Total unrestricted revenue and other support	322,270,124	940,713	-	323,210,837
Expenses				
Salaries and wages	143,089,506	310,116	-	143,399,622
Employee benefits	44,375,129	51,133	-	44,426,262
Medical and professional fees	14,847,953	134,954	-	14,982,907
Purchased services	28,433,944	44,219	-	28,478,163
Supplies	56,907,973	7,257	-	56,915,230
Depreciation and amortization	13,224,712	13,164	-	13,237,876
Interest	2,049,654	-	-	2,049,654
Insurance	3,226,293	-	-	3,226,293
Other expenses	11,362,686	596,570	(121,888)	11,837,368
Total expenses	317,517,850	1,157,413	(121,888)	318,553,375
Income (loss) from operations	4,752,274	(216,700)	121,888	4,657,462
Nonoperating revenues and losses				
Investment income	263,160	1,129,039	-	1,392,199
Contributions and other	1,556,746	-	-	1,556,746
Total nonoperating revenues and losses	1,819,906	1,129,039	-	2,948,945
Excess of unrestricted revenue and other support over expenses	\$ 6,572,180	\$ 912,339	\$ 121,888	\$ 7,606,407

See accompanying notes

SISTERS OF CHARITY HOSPITAL
(A SUBSIDIARY OF THE CATHOLIC HEALTH SYSTEM, INC)

CONSOLIDATING STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)
For the Years Ended December 31, 2013

	Sisters of Charity Hospital	Sisters Hospital Foundation, Inc	Eliminations	Consolidated
Unrestricted net assets				
Excess of revenues over expenses	\$ 6,572,180	\$ 912,339	\$ 121,888	\$ 7,606,407
Change in unrealized loss on interest rate swap	1,993,931	-	-	1,993,931
Change in pension obligation, other than net periodic cost	31,530,077	-	-	31,530,077
Change in unrestricted interest in SOC Foundation, Inc	1,014,596	-	(1,014,596)	-
Distributions from Foundation	121,888	-	(121,888)	-
Net assets released from restriction used for capital	-	102,257	-	102,257
Distributions and Transfers to parent and affiliates	18,715	-	-	18,715
Grant Revenue for capital expenditures	940	-	-	940
Increase (decrease) in unrestricted net assets	41,252,327	1,014,596	(1,014,596)	41,252,327
Temporarily restricted net assets				
Contributions	-	651,454	-	651,454
Special events revenue	-	56,013	-	56,013
Temporarily restricted net assets released from restrictions	-	(167,257)	-	(167,257)
Change in temporarily restricted net assets of Sisters Hospital Foundation, Inc	540,210	-	(540,210)	-
Increase (decrease) in temporarily restricted net assets	540,210	540,210	(540,210)	540,210
Increase (decrease) in net assets	41,792,537	1,554,806	(1,554,806)	41,792,537
Net assets - beginning of year	71,295,739	6,936,354	(6,936,354)	71,295,739
Net assets - end of year	<u>\$ 113,088,276</u>	<u>\$ 8,491,160</u>	<u>\$ (8,491,160)</u>	<u>\$ 113,088,276</u>

See accompanying notes