

## PUBLIC INSPECTION COPY

EXTENDED TO NOVEMBER 15, 2016

Form **990**Department of the Treasury  
Internal Revenue Service**Return of Organization Exempt From Income Tax**  
Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

- ▶ Do not enter social security numbers on this form as it may be made public.  
▶ Information about Form 990 and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No. 1545-0047

**2015**Open to Public  
Inspection

**A** For the 2015 calendar year, or tax year beginning and ending

**B** Check if applicable:  
☐ Address change  
☐ Name change  
☐ Initial return  
☐ Final return/terminated  
☐ Amended return  
☐ Application pending

**C** Name of organization  
LODI COMMUNITY HOSPITAL

Doing business as

Number and street (or P.O. box if mail is not delivered to street address) Room/suite  
225 ELYRIA STREET

City or town, state or province, country, and ZIP or foreign postal code  
LODI, OH 44254

**D** Employer identification number  
34-0718390

**E** Telephone number  
330-948-5501

**G** Gross receipts \$ 16,765,237.

**H(a)** Is this a group return for subordinates? ☐ Yes ☒ No

**H(b)** Are all subordinates included? ☐ Yes ☐ No  
If "No," attach a list. (see instructions)

**H(c)** Group exemption number ▶

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

**J** Website: ▶ [WWW.LODIHOSPITAL.COM](http://WWW.LODIHOSPITAL.COM)

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

**L** Year of formation: 1920 **M** State of legal domicile: OH

**Part I Summary**

**Activities & Governance**

1 Briefly describe the organization's mission or most significant activities: TO IMPROVE THE HEALTH AND LIVES OF THE PEOPLE AND COMMUNITIES WE SERVE.

2 Check this box ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets.

3 Number of voting members of the governing body (Part VI, line 1a) **3** 11

4 Number of independent voting members of the governing body (Part VI, line 1b) **4** 7

5 Total number of individuals employed in calendar year 2015 (Part V, line 2a) **5** 163

6 Total number of volunteers (estimate if necessary) **6** 20

7a Total unrelated business revenue from Part VIII, column (C), line 12 **7a** 0.

b Net unrelated business taxable income from Form 990-T, line 34 **7b** 0.

**Revenue**

	Prior Year	Current Year
8 Contributions and grants (Part VIII, line 1h)	10,000.	14,121.
9 Program service revenue (Part VIII, line 2g)	17,195,707.	16,574,232.
10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	-24,640.	-38,801.
11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	215,168.	103,308.
12 Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	17,396,235.	16,652,860.

**Expenses**

	Prior Year	Current Year
13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	10,289.	13,760.
14 Benefits paid to or for members (Part IX, column (A), line 4)	0.	0.
15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	7,538,906.	7,602,844.
16a Professional fundraising fees (Part IX, column (A), line 11e)	0.	0.
b Total fundraising expenses (Part IX, column (D), line 25) ▶	0.	
17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	7,767,572.	7,473,720.
18 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	15,316,767.	15,090,324.
19 Revenue less expenses. Subtract line 18 from line 12	2,079,468.	1,562,536.

**Net Assets or Fund Balances**

	Beginning of Current Year	End of Year
20 Total assets (Part X, line 16)	11,712,071.	11,116,607.
21 Total liabilities (Part X, line 26)	1,880,306.	2,043,938.
22 Net assets or fund balances. Subtract line 21 from line 20	9,831,765.	9,072,669.

**Part II Signature Block**

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

**Sign Here**

Signature of officer  
STEVEN C. GLASS, CHIEF FINANCIAL OFFICER  
Type or print name and title

Date

**Paid Preparer Use Only**

Print/Type preparer's name Preparer's signature Date Check if self-employed ☐ PTIN

Firm's name ▶ Firm's EIN ▶

Firm's address ▶ Phone no.

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

**Exempt Organization Declaration and Signature for  
Electronic Filing**

OMB No. 1545-1870

For calendar year 2015, or tax year beginning \_\_\_\_\_, 2015, and ending \_\_\_\_\_, 20\_\_\_\_

**2015**Department of the Treasury  
Internal Revenue Service

For use with Forms 990, 990-EZ, 990-PF, 1120-POL, and 8868

Name of exempt organization

Employer identification number

LODI COMMUNITY HOSPITAL

34-0710390

**Part I** Type of Return and Return Information (Whole Dollars Only)

Check the box for the type of return being filed with Form 8453-EO and enter the applicable amount, if any, from the return. If you check the box on line 1a, 2a, 3a, 4a, or 5a below and the amount on that line of the return being filed with this form was blank, then leave line 1b, 2b, 3b, 4b, or 5b, whichever is applicable, blank (do not enter -0-). If you entered -0- on the return, then enter -0- on the applicable line below. Do not complete more than one line in Part I.

1a Form 990 check here <input checked="" type="checkbox"/>	b Total revenue, if any (Form 990, Part VIII, column (A), line 12)	1b	16,652,860
2a Form 990-EZ check here <input type="checkbox"/>	b Total revenue, if any (Form 990-EZ, line 9)	2b	
3a Form 1120-POL check here <input type="checkbox"/>	b Total tax (Form 1120-POL, line 22)	3b	
4a Form 990-PF check here <input type="checkbox"/>	b Tax based on investment income (Form 990-PF, Part VI, line 5)	4b	
5a Form 8868 check here <input type="checkbox"/>	b Balance due (Form 8868, Part I, line 3c or Part II, line 8c)	5b	

**Part II** Declaration of Officer

6 ☐ I authorize the U.S. Treasury and its designated Financial Agent to initiate an Automated Clearing House (ACH) electronic funds withdrawal (direct debit) entry to the financial institution account indicated in the tax preparation software for payment of the organization's federal taxes owed on this return, and the financial institution to debit the entry to this account. To revoke a payment, I must contact the U.S. Treasury Financial Agent at 1-888-353-4537 no later than 2 business days prior to the payment (settlement) date. I also authorize the financial institutions involved in the processing of the electronic payment of taxes to receive confidential information necessary to answer inquiries and resolve issues related to the payment.

☐ If a copy of this return is being filed with a state agency(ies) regulating charities as part of the IRS Fed/State program, I certify that I executed the electronic disclosure consent contained within this return allowing disclosure by the IRS of this Form 990/990-EZ/990-PF (as specifically identified in Part I above) to the selected state agency(ies).

Under penalties of perjury, I declare that I am an officer of the above named organization and that I have examined a copy of the organization's 2015 electronic return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that the amount in Part I above is the amount shown on the copy of the organization's electronic return. I consent to allow my intermediate service provider, transmitter, or electronic return originator (ERO) to send the organization's return to the IRS and to receive from the IRS (a) an acknowledgement of receipt or reason for rejection of the transmission, (b) the reason for any delay in processing the return or refund, and (c) the date of any refund.

Sign  
Here

Signature of officer

Date

CHIEF FINANCIAL OFFICER  
Title**Part III** Declaration of Electronic Return Originator (ERO) and Paid Preparer (see instructions)

I declare that I have reviewed the above organization's return and that the entries on Form 8453-EO are complete and correct to the best of my knowledge. If I am only a collector, I am not responsible for reviewing the return and only declare that this form accurately reflects the data on the return. The organization officer will have signed this form before I submit the return. I will give the officer a copy of all forms and information to be filed with the IRS, and have followed all other requirements in Pub. 4163, Modernized e-file (MeF) Information for Authorized IRS e-file Providers for Business Returns. If I am also the Paid Preparer, under penalties of perjury I declare that I have examined the above organization's return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. This Paid Preparer declaration is based on all information of which I have any knowledge.

<b>ERO's Use Only</b>	ERO's signature	Date	Check if also paid preparer <input type="checkbox"/>	Check if self-employed <input type="checkbox"/>	ERO's SSN or PTIN
	Firm's name (or yours if self-employed), address, and ZIP code				EIN
				Phone no.	

Under penalties of perjury, I declare that I have examined the above return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer is based on all information of which the preparer has any knowledge.

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name				Firm's EIN
	Firm's address				Phone no.

**Part III** Statement of Program Service AccomplishmentsCheck if Schedule O contains a response or note to any line in this Part III ☐**1** Briefly describe the organization's mission:

LODI COMMUNITY HOSPITAL'S MISSION IS TO IMPROVE THE HEALTH AND LIVES  
OF THE PEOPLE AND COMMUNITIES WE SERVE.

**2** Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? ☐ Yes ☒ No

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

**3** Did the organization cease conducting, or make significant changes in how it conducts, any program services? ☐ Yes ☒ No

If "Yes," describe these changes on Schedule O.

**4** Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.**4a** (Code: ) (Expenses \$ 2,272,220. including grants of \$ ) (Revenue \$ 3,064,741. )

LODI COMMUNITY HOSPITAL IS A 25 BED HOSPITAL OFFERING INPATIENT  
SERVICES FOR MEDICAL AND SURGICAL PATIENTS.

**4b** (Code: ) (Expenses \$ 10,002,268. including grants of \$ ) (Revenue \$ 13,505,726. )

LODI COMMUNITY HOSPITAL OFFERS A VARIETY OF OUTPATIENT SERVICES.  
OUTPATIENT SERVICES OFFERED TO PATIENTS INCLUDE RADIOLOGY, PHYSICAL  
THERAPY, CARDIAC, SURGERY, MAMMOGRAPHY, SLEEP CENTER, LAB SERVICES AND  
EMERGENCY SERVICES.

**4c** (Code: ) (Expenses \$ 13,760. including grants of \$ 13,760. ) (Revenue \$ 3,765. )

LODI COMMUNITY HOSPITAL OFFERS COMMUNITY HEALTH AND EDUCATIONAL  
SERVICES TO THE LOCAL AND SURROUNDING COMMUNITIES.

**4d** Other program services (Describe in Schedule O.)

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

**4e** Total program service expenses **12,288,248.**

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

Form 990 (2015)

**Part IV Checklist of Required Schedules** (continued)

	Yes	No
20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H	X	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	X	
21 Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or domestic government on Part IX, column (A), line 1? If "Yes," complete Schedule I, Parts I and II		X
22 Did the organization report more than \$5,000 of grants or other assistance to or for domestic individuals on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III		X
23 Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? If "Yes," complete Schedule J	X	
24a Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a		X
b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		
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?		
d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		
25a Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? If "Yes," complete Schedule L, Part I		X
b Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? If "Yes," complete Schedule L, Part I		X
26 Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? If "Yes," complete Schedule L, Part II		X
27 Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? If "Yes," complete Schedule L, Part III		X
28 Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions):		
a A current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV		X
b A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV		X
c An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? If "Yes," complete Schedule L, Part IV		X
29 Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M		X
30 Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M		X
31 Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I		X
32 Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? If "Yes," complete Schedule N, Part II		X
33 Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Schedule R, Part I		X
34 Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1	X	
35a Did the organization have a controlled entity within the meaning of section 512(b)(13)?	X	
b If "Yes" to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Schedule R, Part V, line 2	X	
36 Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2		X
37 Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? If "Yes," complete Schedule R, Part VI		X
38 Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19?	X	

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



**Part V** Statements Regarding Other IRS Filings and Tax ComplianceCheck if Schedule O contains a response or note to any line in this Part V ☐

		Yes	No
1a Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable	1a 11		
b Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	1b 0		
c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	X	
2a Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a 163		
b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note: If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b	X	
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a		X
b If "Yes," has it filed a Form 990-T for this year? If "No," to line 3b, provide an explanation in Schedule O	3b		
4a At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a		X
b If "Yes," enter the name of the foreign country: See instructions for filing requirements for FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR).			
5a Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a		X
b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b		X
c If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c		
6a Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?	6a		X
b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b		
7 Organizations that may receive deductible contributions under section 170(c).			
a Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a		X
b If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b		
c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c		X
d If "Yes," indicate the number of Forms 8282 filed during the year	7d		
e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e		X
f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f		X
g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g		
h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h		
8 Sponsoring organizations maintaining donor advised funds. Did a donor advised fund maintained by the sponsoring organization have excess business holdings at any time during the year?	8		
9 Sponsoring organizations maintaining donor advised funds.			
a Did the sponsoring organization make any taxable distributions under section 4966?	9a		
b Did the sponsoring organization make a distribution to a donor, donor advisor, or related person?	9b		
10 Section 501(c)(7) organizations. Enter:			
a Initiation fees and capital contributions included on Part VIII, line 12	10a		
b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b		
11 Section 501(c)(12) organizations. Enter:			
a Gross income from members or shareholders	11a		
b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)	11b		
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a		
b If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b		
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
a Is the organization licensed to issue qualified health plans in more than one state? Note: See the instructions for additional information the organization must report on Schedule O.	13a		
b Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b		
c Enter the amount of reserves on hand	13c		
14a Did the organization receive any payments for indoor tanning services during the tax year?	14a		X
b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O	14b		

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

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

**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 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.	11	
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	X
3 Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, or trustees, or key employees to a management company or other person?	3	X
4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	X
5 Did the organization become aware during the year of a significant diversion of the organization's assets?	5	X
6 Did the organization have members or stockholders?	6	X
7a Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	X
b Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	X
8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
a The governing body?	8a	X
b Each committee with authority to act on behalf of the governing body?	8b	X
9 Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	X

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

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

**Section C. Disclosure**

17 List the states with which a copy of this Form 990 is required to be filed ☒ OH

18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.  
☒ Own website ☐ Another's website ☒ Upon request ☐ Other (explain in Schedule O)

19 Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.

20 State the name, address, and telephone number of the person who possesses the organization's books and records: ☒  
 ROBERT F. WAITKUS - 330-445-2526  
 6801 BRECKSVILLE ROAD, RK-85, INDEPENDENCE, OH 44131

**Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors**Check if Schedule O contains a response or note to any line in this Part VII ☐**Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees****1a** Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(1) ALAN PAPA PRESIDENT, COO, DIRECTOR	5.00 50.00	X		X				0.	463,469.	28,956.
(2) THOMAS STOVER, MD DIRECTOR	5.00 50.00	X						0.	889,597.	30,917.
(3) ANTHONY HAYEK, M.D. DIRECTOR	5.00 50.00	X						0.	202,994.	32,140.
(4) TODD BREAU, MD DIRECTOR	5.00 X	X						0.	0.	0.
(5) PAULA BAUER, M.D. DIRECTOR	5.00 X	X						0.	0.	0.
(6) MARY BETH C. CARROLL DIR CHAIR, THRU 10/15	5.00 X	X	X					0.	0.	0.
(7) SONIA ALEMAGNO, PHD DIR VICE CHAIR THRU 10/15	5.00 X	X	X					0.	0.	0.
(8) THERESA CARTER DIRECTOR, CHAIR BEG 10/15	5.00 X	X	X					0.	0.	0.
(9) LAURA CULP DIRECTOR	5.00 X	X						0.	0.	0.
(10) LEE GILL DIRECTOR	5.00 X	X						0.	0.	0.
(11) JAMES RICE DIRECTOR	5.00 X	X						0.	0.	0.
(12) LANCE TALMAGE, M.D. DIRECTOR	5.00 X	X						0.	0.	0.
(13) KRISTIE VANAUKEN DIRECTOR	5.00 X	X						0.	0.	0.
(14) CRAIG M. BABBITT SECRETARY	5.00 50.00			X				0.	390,806.	32,356.
(15) DEBORAH GORBACH INTERIM TREASURER BEG. 6/15	5.00 50.00			X				0.	256,822.	19,538.
(16) SUE J. MCCARTHY TREASURER THRU 6/15	5.00 50.00			X				0.	254,674.	18,655.
(17) DAVE FRIGO ASSISTANT TREASURER	5.00 50.00			X				0.	225,709.	22,255.



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

(A) Name and title	(B) Average hours per week (list any hours for related organizations below line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(18) DANA KOCSIS CHIEF NURSING OFFICER	50.00				X			165,937.	0.	2,543.
(19) DAVID PETER, MD SR VP MEDICAL OFFICER	5.00 50.00				X			0.	426,492.	30,477.
(20) THOMAS WHELAN PRES COMMUNITY/SPECIALTY HOSP	30.00 20.00				X			97,937.	149,991.	0.
<b>1b Sub-total</b>								263,874.	3,260,554.	217,837.
<b>c Total from continuation sheets to Part VII, Section A</b>								0.	0.	0.
<b>d Total (add lines 1b and 1c)</b>								263,874.	3,260,554.	217,837.

**2** Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization **1**

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

**Section B. Independent Contractors**

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

(A) Name and business address	(B) Description of services	(C) Compensation
EPMG OF OHIO INC. PA, 2000 GREEN RD, SUITE 300, ANN ARBOR, MI 48105-1571	ER PHYSICIANS	581,585.
RESPIRATORY SUPPORT SERVICES 328 BOSTON MILLS ROAD, HUDSON, OH 44236	CARDIOPULMONARY SERVICES	389,338.
ARAMARK 115 NORTH FIRST STREET, BURBANK, CA 91502	LINEN SERVICES	125,376.
ALLIANCE HEALTHCARE SERVICES P.O. BOX 96485, CHICAGO, IL 60693-6485	MRI SERVICES	123,430.
CHIPPEWA ROOFING, LLC POB BOX 93, CHIPPEWA LAKE, OH 44215	ROOFING REPAIR & REPLACEMENT	105,950.

**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 **5**

**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
<b>Contributions, Gifts, Grants and Other Similar Amounts</b>	<b>1 a</b> Federated campaigns	<b>1a</b>					
	<b>b</b> Membership dues	<b>1b</b>					
	<b>c</b> Fundraising events	<b>1c</b>					
	<b>d</b> Related organizations	<b>1d</b>					
	<b>e</b> Government grants (contributions)	<b>1e</b>	14,121.				
	<b>f</b> All other contributions, gifts, grants, and similar amounts not included above	<b>1f</b>					
	<b>g</b> Noncash contributions included in lines 1a-1f: \$						
	<b>h Total. Add lines 1a-1f</b>			14,121.			
<b>Program Service Revenue</b>	<b>2 a</b> NET PATIENT SERVICES	<b>Business Code</b>	621990	14,375,252.	14,375,252.		
	<b>b</b> MEDICARE/MEDICAID PAYM		921990	2,195,215.	2,195,215.		
	<b>c</b> OTHER PROGRAM SERVICES		900099	3,765.	3,765.		
	<b>d</b>						
	<b>e</b>						
	<b>f</b> All other program service revenue						
	<b>g Total. Add lines 2a-2f</b>			16,574,232.			
	<b>Other Revenue</b>	<b>3</b> Investment income (including dividends, interest, and other similar amounts)			2,534.		
<b>4</b> Income from investment of tax-exempt bond proceeds							
<b>5</b> Royalties							
<b>6 a</b> Gross rents		(i) Real	(ii) Personal				
<b>b</b> Less: rental expenses		43,855.					
<b>c</b> Rental income or (loss)		71,042.					
<b>d</b> Net rental income or (loss)		-27,187.					
<b>7 a</b> Gross amount from sales of assets other than inventory		(i) Securities	(ii) Other				
<b>b</b> Less: cost or other basis and sales expenses			41,335.				
<b>c</b> Gain or (loss)			-41,335.				
<b>d</b> Net gain or (loss)				-41,335.			-41,335.
<b>8 a</b> Gross income from fundraising events (not including \$ of contributions reported on line 1c). See Part IV, line 18		<b>a</b>					
<b>b</b> Less: direct expenses		<b>b</b>					
<b>c</b> Net income or (loss) from fundraising events							
<b>9 a</b> Gross income from gaming activities. See Part IV, line 19		<b>a</b>					
<b>b</b> Less: direct expenses		<b>b</b>					
<b>c</b> Net income or (loss) from gaming activities							
<b>10 a</b> Gross sales of inventory, less returns and allowances		<b>a</b>					
<b>b</b> Less: cost of goods sold	<b>b</b>						
<b>c</b> Net income or (loss) from sales of inventory							
<b>Miscellaneous Revenue</b>			<b>Business Code</b>				
<b>11 a</b> CHANGE IN INTEREST-FOU		900099	65,017.			65,017.	
<b>b</b> CAFETERIA		900099	45,026.			45,026.	
<b>c</b>							
<b>d</b> All other revenue		900099	20,452.			20,452.	
<b>e Total. Add lines 11a-11d</b>			130,495.				
<b>12 Total revenue. See instructions.</b>			16,652,860.	16,574,232.	0.	64,507.	

**Part IX** Statement of Functional Expenses

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

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

☒ X

	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
<b>Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.</b>				
<b>1</b> Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21	9,760.	9,760.		
<b>2</b> Grants and other assistance to domestic individuals. See Part IV, line 22	4,000.	4,000.		
<b>3</b> Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16				
<b>4</b> Benefits paid to or for members				
<b>5</b> Compensation of current officers, directors, trustees, and key employees	275,231.	275,231.		
<b>6</b> Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
<b>7</b> Other salaries and wages	5,898,258.	5,065,185.	833,073.	
<b>8</b> Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	107,727.	93,163.	14,564.	
<b>9</b> Other employee benefits	889,383.	767,610.	121,773.	
<b>10</b> Payroll taxes	432,245.	371,302.	60,943.	
<b>11</b> Fees for services (non-employees):				
<b>a</b> Management				
<b>b</b> Legal				
<b>c</b> Accounting	47,388.		47,388.	
<b>d</b> Lobbying	488.		488.	
<b>e</b> Professional fundraising services. See Part IV, line 17				
<b>f</b> Investment management fees				
<b>g</b> Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Sch O.)	2,150,490.	1,829,385.	321,105.	
<b>12</b> Advertising and promotion	86,111.	86,111.		
<b>13</b> Office expenses	381,684.	283,383.	98,301.	
<b>14</b> Information technology	91,362.	79,011.	12,351.	
<b>15</b> Royalties				
<b>16</b> Occupancy	880,598.	761,548.	119,050.	
<b>17</b> Travel	31,140.	17,195.	13,945.	
<b>18</b> Payments of travel or entertainment expenses for any federal, state, or local public officials				
<b>19</b> Conferences, conventions, and meetings	2,118.		2,118.	
<b>20</b> Interest	39.	34.	5.	
<b>21</b> Payments to affiliates				
<b>22</b> Depreciation, depletion, and amortization	790,981.	363,088.	427,893.	
<b>23</b> Insurance	295,324.	255,398.	39,926.	
<b>24</b> 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.)				
<b>a</b> PROVISION FOR BAD DEBTS	1,429,141.	1,429,141.		
<b>b</b> MEDICAL SUPPLIES	595,753.	595,753.		
<b>c</b> MGMT FEE TO AGHS	346,668.		346,668.	
<b>d</b> OHIO FRANCHISE FEE	329,099.		329,099.	
<b>e</b> All other expenses	15,336.	1,950.	13,386.	
<b>25</b> Total functional expenses. Add lines 1 through 24e	15,090,324.	12,288,248.	2,802,076.	0.
<b>26</b> Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation.				

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

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

		(A) Beginning of year		(B) End of year
<b>Assets</b>	1 Cash - non-interest-bearing	359,604.	1	430,926.
	2 Savings and temporary cash investments		2	
	3 Pledges and grants receivable, net		3	
	4 Accounts receivable, net	2,975,983.	4	2,479,420.
	5 Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L		5	
	6 Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instr). Complete Part II of Sch L		6	
	7 Notes and loans receivable, net		7	
	8 Inventories for sale or use	45,265.	8	48,903.
	9 Prepaid expenses and deferred charges	119,203.	9	101,945.
	10a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 16,661,462.		
	b Less: accumulated depreciation	10b 9,704,312.	10c	6,957,150.
	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	1,062,004.	15	1,098,263.
16 <b>Total assets.</b> Add lines 1 through 15 (must equal line 34)	11,712,071.	16	11,116,607.	
<b>Liabilities</b>	17 Accounts payable and accrued expenses	1,021,521.	17	953,735.
	18 Grants payable		18	
	19 Deferred revenue		19	1,033.
	20 Tax-exempt bond liabilities		20	
	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		23	
	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	858,785.	25	1,089,170.
	26 <b>Total liabilities.</b> Add lines 17 through 25	1,880,306.	26	2,043,938.
<b>Net Assets or Fund Balances</b>	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	9,143,413.	27	8,413,076.
	28 Temporarily restricted net assets	688,352.	28	659,593.
	29 Permanently restricted net assets		29	
	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 <b>Total net assets or fund balances</b>	9,831,765.	33	9,072,669.
34 <b>Total liabilities and net assets/fund balances</b>	11,712,071.	34	11,116,607.	

Form 990 (2015)

**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	16,652,860.
2	Total expenses (must equal Part IX, column (A), line 25)	2	15,090,324.
3	Revenue less expenses. Subtract line 2 from line 1	3	1,562,536.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	9,831,765.
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	-2,321,632.
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	9,072,669.

**Part XII Financial Statements and Reporting**

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

☒

	Yes	No
1 Accounting method used to prepare the Form 990: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O.		
2a Were the organization's financial statements compiled or reviewed by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both: <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		X
b Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both: <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	X	
c If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.	X	
3a As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		X
b If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits		

Form 990 (2015)





**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) 2011	(b) 2012	(c) 2013	(d) 2014	(e) 2015	(f) Total
<b>1</b> Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.") .....						
<b>2</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf .....						
<b>3</b> The value of services or facilities furnished by a governmental unit to the organization without charge ...						
<b>4</b> Total. Add lines 1 through 3 .....						
<b>5</b> 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) .....						
<b>6</b> Public support. Subtract line 5 from line 4 .....						

**Section B. Total Support**

Calendar year (or fiscal year beginning in) ►	(a) 2011	(b) 2012	(c) 2013	(d) 2014	(e) 2015	(f) Total
<b>7</b> Amounts from line 4 .....						
<b>8</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources ...						
<b>9</b> Net income from unrelated business activities, whether or not the business is regularly carried on ...						
<b>10</b> Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.) .....						
<b>11</b> Total support. Add lines 7 through 10 .....						
<b>12</b> Gross receipts from related activities, etc. (see instructions) .....					12	
<b>13</b> First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here .....						<input type="checkbox"/>

**Section C. Computation of Public Support Percentage**

<b>14</b> Public support percentage for 2015 (line 6, column (f) divided by line 11, column (f)) .....	14	%
<b>15</b> Public support percentage from 2014 Schedule A, Part II, line 14 .....	15	%
<b>16a</b> 33 1/3% support test - 2015. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization .....	<input type="checkbox"/>	
<b>b</b> 33 1/3% support test - 2014. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization .....	<input type="checkbox"/>	
<b>17a</b> 10% -facts-and-circumstances test - 2015. 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 VI how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization .....	<input type="checkbox"/>	
<b>b</b> 10% -facts-and-circumstances test - 2014. 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 VI how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization .....	<input type="checkbox"/>	
<b>18</b> Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions .....	<input type="checkbox"/>	

Schedule A (Form 990 or 990-EZ) 2015

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

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

**Section A. Public Support**

Calendar year (or fiscal year beginning in) ►	(a) 2011	(b) 2012	(c) 2013	(d) 2014	(e) 2015	(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) 2011	(b) 2012	(c) 2013	(d) 2014	(e) 2015	(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 VI.) .....						
13 Total support. (Add lines 9, 10c, 11, and 12.)						

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

**Section C. Computation of Public Support Percentage**

15 Public support percentage for 2015 (line 8, column (f) divided by line 13, column (f)) .....	15		%
16 Public support percentage from 2014 Schedule A, Part III, line 15 .....	16		%

**Section D. Computation of Investment Income Percentage**

17 Investment income percentage for 2015 (line 10c, column (f) divided by line 13, column (f)) .....	17		%
18 Investment income percentage from 2014 Schedule A, Part III, line 17 .....	18		%

19a 33 1/3% support tests - 2015. 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 - 2014. 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 Supporting Organizations**

(Complete only if you checked a box in line 11 on Part I. If you checked 11a of Part I, complete Sections A and B. If you checked 11b of Part I, complete Sections A and C. If you checked 11c of Part I, complete Sections A, D, and E. If you checked 11d of Part I, complete Sections A and D, and complete Part V.)

**Section A. All Supporting Organizations**

	Yes	No
<b>1</b> Are all of the organization's supported organizations listed by name in the organization's governing documents? If "No" describe in Part VI how the supported organizations are designated. If designated by class or purpose, describe the designation. If historic and continuing relationship, explain.		
<b>2</b> Did the organization have any supported organization that does not have an IRS determination of status under section 509(a)(1) or (2)? If "Yes," explain in Part VI how the organization determined that the supported organization was described in section 509(a)(1) or (2).		
<b>3a</b> Did the organization have a supported organization described in section 501(c)(4), (5), or (6)? If "Yes," answer (b) and (c) below.		
<b>b</b> Did the organization confirm that each supported organization qualified under section 501(c)(4), (5), or (6) and satisfied the public support tests under section 509(a)(2)? If "Yes," describe in Part VI when and how the organization made the determination.		
<b>c</b> Did the organization ensure that all support to such organizations was used exclusively for section 170(c)(2)(B) purposes? If "Yes," explain in Part VI what controls the organization put in place to ensure such use.		
<b>4a</b> Was any supported organization not organized in the United States ("foreign supported organization")? If "Yes," and if you checked 11a or 11b in Part I, answer (b) and (c) below.		
<b>b</b> Did the organization have ultimate control and discretion in deciding whether to make grants to the foreign supported organization? If "Yes," describe in Part VI how the organization had such control and discretion despite being controlled or supervised by or in connection with its supported organizations.		
<b>c</b> Did the organization support any foreign supported organization that does not have an IRS determination under sections 501(c)(3) and 509(a)(1) or (2)? If "Yes," explain in Part VI what controls the organization used to ensure that all support to the foreign supported organization was used exclusively for section 170(c)(2)(B) purposes.		
<b>5a</b> Did the organization add, substitute, or remove any supported organizations during the tax year? If "Yes," answer (b) and (c) below (if applicable). Also, provide detail in Part VI, including (i) the names and EIN numbers of the supported organizations added, substituted, or removed; (ii) the reasons for each such action; (iii) the authority under the organization's organizing document authorizing such action; and (iv) how the action was accomplished (such as by amendment to the organizing document).		
<b>b</b> <b>Type I or Type II only.</b> Was any added or substituted supported organization part of a class already designated in the organization's organizing document?		
<b>c</b> <b>Substitutions only.</b> Was the substitution the result of an event beyond the organization's control?		
<b>6</b> Did the organization provide support (whether in the form of grants or the provision of services or facilities) to anyone other than (i) its supported organizations, (ii) individuals that are part of the charitable class benefited by one or more of its supported organizations, or (iii) other supporting organizations that also support or benefit one or more of the filing organization's supported organizations? If "Yes," provide detail in Part VI.		
<b>7</b> Did the organization provide a grant, loan, compensation, or other similar payment to a substantial contributor (defined in section 4958(c)(3)(C)), a family member of a substantial contributor, or a 35% controlled entity with regard to a substantial contributor? If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).		
<b>8</b> Did the organization make a loan to a disqualified person (as defined in section 4958) not described in line 7? If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).		
<b>9a</b> Was the organization controlled directly or indirectly at any time during the tax year by one or more disqualified persons as defined in section 4946 (other than foundation managers and organizations described in section 509(a)(1) or (2))? If "Yes," provide detail in Part VI.		
<b>b</b> Did one or more disqualified persons (as defined in line 9a) hold a controlling interest in any entity in which the supporting organization had an interest? If "Yes," provide detail in Part VI.		
<b>c</b> Did a disqualified person (as defined in line 9a) have an ownership interest in, or derive any personal benefit from, assets in which the supporting organization also had an interest? If "Yes," provide detail in Part VI.		
<b>10a</b> Was the organization subject to the excess business holdings rules of section 4943 because of section 4943(f) (regarding certain Type II supporting organizations, and all Type III non-functionally integrated supporting organizations)? If "Yes," answer 10b below.		
<b>b</b> Did the organization have any excess business holdings in the tax year? (Use Schedule C, Form 4720, to determine whether the organization had excess business holdings.)		



**Part IV** Supporting Organizations (continued)

- 11 Has the organization accepted a gift or contribution from any of the following persons?
- a A person who directly or indirectly controls, either alone or together with persons described in (b) and (c) below, the governing body of a supported organization?
- b A family member of a person described in (a) above?
- c A 35% controlled entity of a person described in (a) or (b) above? If "Yes" to a, b, or c, provide detail in Part VI.

	Yes	No
11a		
11b		
11c		

**Section B. Type I Supporting Organizations**

- 1 Did the directors, trustees, or membership of one or more supported organizations have the power to regularly appoint or elect at least a majority of the organization's directors or trustees at all times during the tax year? If "No," describe in Part VI how the supported organization(s) effectively operated, supervised, or controlled the organization's activities. If the organization had more than one supported organization, describe how the powers to appoint and/or remove directors or trustees were allocated among the supported organizations and what conditions or restrictions, if any, applied to such powers during the tax year.
- 2 Did the organization operate for the benefit of any supported organization other than the supported organization(s) that operated, supervised, or controlled the supporting organization? If "Yes," explain in Part VI how providing such benefit carried out the purposes of the supported organization(s) that operated, supervised, or controlled the supporting organization.

	Yes	No
1		
2		

**Section C. Type II Supporting Organizations**

- 1 Were a majority of the organization's directors or trustees during the tax year also a majority of the directors or trustees of each of the organization's supported organization(s)? If "No," describe in Part VI how control or management of the supporting organization was vested in the same persons that controlled or managed the supported organization(s).

	Yes	No
1		

**Section D. All Type III Supporting Organizations**

- 1 Did the organization provide to each of its supported organizations, by the last day of the fifth month of the organization's tax year, (i) a written notice describing the type and amount of support provided during the prior tax year, (ii) a copy of the Form 990 that was most recently filed as of the date of notification, and (iii) copies of the organization's governing documents in effect on the date of notification, to the extent not previously provided?
- 2 Were any of the organization's officers, directors, or trustees either (i) appointed or elected by the supported organization(s) or (ii) serving on the governing body of a supported organization? If "No," explain in Part VI how the organization maintained a close and continuous working relationship with the supported organization(s).
- 3 By reason of the relationship described in (2), did the organization's supported organizations have a significant voice in the organization's investment policies and in directing the use of the organization's income or assets at all times during the tax year? If "Yes," describe in Part VI the role the organization's supported organizations played in this regard.

	Yes	No
1		
2		
3		

**Section E. Type III Functionally-Integrated Supporting Organizations**

- 1 Check the box next to the method that the organization used to satisfy the Integral Part Test during the year (see instructions):
- a ☐ The organization satisfied the Activities Test. Complete line 2 below.
- b ☐ The organization is the parent of each of its supported organizations. Complete line 3 below.
- c ☐ The organization supported a governmental entity. Describe in Part VI how you supported a government entity (see instructions).

**2 Activities Test. Answer (a) and (b) below.**

- a Did substantially all of the organization's activities during the tax year directly further the exempt purposes of the supported organization(s) to which the organization was responsive? If "Yes," then in Part VI identify those supported organizations and explain how these activities directly furthered their exempt purposes, how the organization was responsive to those supported organizations, and how the organization determined that these activities constituted substantially all of its activities.
- b Did the activities described in (a) constitute activities that, but for the organization's involvement, one or more of the organization's supported organization(s) would have been engaged in? If "Yes," explain in Part VI the reasons for the organization's position that its supported organization(s) would have engaged in these activities but for the organization's involvement.

	Yes	No
2a		
2b		
3a		
3b		

**3 Parent of Supported Organizations. Answer (a) and (b) below.**

- a Did the organization have the power to regularly appoint or elect a majority of the officers, directors, or trustees of each of the supported organizations? Provide details in Part VI.
- b Did the organization exercise a substantial degree of direction over the policies, programs, and activities of each of its supported organizations? If "Yes," describe in Part VI the role played by the organization in this regard.



**Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations**

- 1 ☐ Check here if the organization satisfied the Integral Part Test as a qualifying trust on Nov. 20, 1970. See instructions. All other Type III non-functionally integrated supporting organizations must complete Sections A through E.

Section A - Adjusted Net Income		(A) Prior Year	(B) Current Year (optional)
1	Net short-term capital gain	1	
2	Recoveries of prior-year distributions	2	
3	Other gross income (see instructions)	3	
4	Add lines 1 through 3	4	
5	Depreciation and depletion	5	
6	Portion of operating expenses paid or incurred for production or collection of gross income or for management, conservation, or maintenance of property held for production of income (see instructions)	6	
7	Other expenses (see instructions)	7	
8	<b>Adjusted Net Income</b> (subtract lines 5, 6 and 7 from line 4)	8	

Section B - Minimum Asset Amount		(A) Prior Year	(B) Current Year (optional)
1	Aggregate fair market value of all non-exempt-use assets (see instructions for short tax year or assets held for part of year):		
a	Average monthly value of securities	1a	
b	Average monthly cash balances	1b	
c	Fair market value of other non-exempt-use assets	1c	
d	Total (add lines 1a, 1b, and 1c)	1d	
e	Discount claimed for blockage or other factors (explain in detail in Part VI):		
2	Acquisition indebtedness applicable to non-exempt-use assets	2	
3	Subtract line 2 from line 1d	3	
4	Cash deemed held for exempt use. Enter 1-1/2% of line 3 (for greater amount, see instructions).	4	
5	Net value of non-exempt-use assets (subtract line 4 from line 3)	5	
6	Multiply line 5 by .035	6	
7	Recoveries of prior-year distributions	7	
8	<b>Minimum Asset Amount</b> (add line 7 to line 6)	8	

Section C - Distributable Amount			Current Year
1	Adjusted net income for prior year (from Section A, line 8, Column A)	1	
2	Enter 85% of line 1	2	
3	Minimum asset amount for prior year (from Section B, line 8, Column A)	3	
4	Enter greater of line 2 or line 3	4	
5	Income tax imposed in prior year	5	
6	<b>Distributable Amount.</b> Subtract line 5 from line 4, unless subject to emergency temporary reduction (see instructions)	6	
7	<input type="checkbox"/> Check here if the current year is the organization's first as a non-functionally-integrated Type III supporting organization (see instructions).		

**Part V** Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations (continued)

Section D - Distributions		Current Year
1	Amounts paid to supported organizations to accomplish exempt purposes	
2	Amounts paid to perform activity that directly furthers exempt purposes of supported organizations, in excess of income from activity	
3	Administrative expenses paid to accomplish exempt purposes of supported organizations	
4	Amounts paid to acquire exempt-use assets	
5	Qualified set-aside amounts (prior IRS approval required)	
6	Other distributions (describe in Part VI). See instructions.	
7	Total annual distributions. Add lines 1 through 6.	
8	Distributions to attentive supported organizations to which the organization is responsive (provide details in Part VI). See instructions.	
9	Distributable amount for 2015 from Section C, line 6	
10	Line 8 amount divided by Line 9 amount	

Section E - Distribution Allocations (see instructions)	(i) Excess Distributions	(ii) Underdistributions Pre-2015	(iii) Distributable Amount for 2015
1 Distributable amount for 2015 from Section C, line 6			
2 Underdistributions, if any, for years prior to 2015 (reasonable cause required-see instructions)			
3 Excess distributions carryover, if any, to 2015:			
a			
b			
c			
d From 2013			
e From 2014			
f Total of lines 3a through e			
g Applied to underdistributions of prior years			
h Applied to 2015 distributable amount			
i Carryover from 2010 not applied (see instructions)			
j Remainder. Subtract lines 3g, 3h, and 3i from 3f.			
4 Distributions for 2015 from Section D, line 7: \$			
a Applied to underdistributions of prior years			
b Applied to 2015 distributable amount			
c Remainder. Subtract lines 4a and 4b from 4.			
5 Remaining underdistributions for years prior to 2015, if any. Subtract lines 3g and 4a from line 2 (if amount greater than zero, see instructions).			
6 Remaining underdistributions for 2015. Subtract lines 3h and 4b from line 1 (if amount greater than zero, see instructions).			
7 Excess distributions carryover to 2016. Add lines 3j and 4c.			
8 Breakdown of line 7:			
a			
b			
c Excess from 2013			
d Excess from 2014			
e Excess from 2015			

## Part VI

**Supplemental Information.** Provide the explanations required by Part II, line 10; Part II, line 17a or 17b; Part III, line 12; Part IV, Section A, lines 1, 2, 3b, 3c, 4b, 4c, 5a, 6, 9a, 9b, 9c, 11a, 11b, and 11c; Part IV, Section B, lines 1 and 2; Part IV, Section C, line 1; Part IV, Section D, lines 2 and 3; Part IV, Section E, lines 1c, 2a, 2b, 3a and 3b; Part V, line 1; Part V, Section B, line 1e; Part V, Section D, lines 5, 6, and 8; and Part V, Section E, lines 2, 5, and 6. Also complete this part for any additional information. (See instructions.)

**Schedule B**

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

Department of the Treasury  
Internal Revenue Service**Schedule of Contributors**

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

OMB No. 1545-0047

**2015**

Name of the organization

LODI COMMUNITY HOSPITAL

Employer identification number

34-0718390

Organization type (check one):

Filers of:

Section:

Form 990 or 990-EZ

☒ 501(c)( 3 ) (enter number) organization☐ 4947(a)(1) nonexempt charitable trust not treated as a private foundation☐ 527 political organization

Form 990-PF

☐ 501(c)(3) exempt private foundation☐ 4947(a)(1) nonexempt charitable trust treated as a private foundation☐ 501(c)(3) taxable private foundationCheck if your organization is covered by the **General Rule** or a **Special Rule**.**Note.** Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule. See instructions.**General Rule**

- ☒ For an organization filing Form 990, 990-EZ, or 990-PF that received, during the year, contributions totaling \$5,000 or more (in money or property) from any one contributor. Complete Parts I and II. See instructions for determining a contributor's total contributions.

**Special Rules**

- ☐ For an organization described in section 501(c)(3) filing Form 990 or 990-EZ that met the 33 1/3% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi), that checked Schedule A (Form 990 or 990-EZ), Part II, line 13, 16a, or 16b, and that received from any one contributor, during the year, total contributions of the greater of (1) \$5,000 or (2) 2% of the amount on (i) Form 990, Part VIII, line 1h, or (ii) Form 990-EZ, line 1. Complete Parts I and II.
- ☐ For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, total contributions of more than \$1,000 *exclusively* for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals. Complete Parts I, II, and III.
- ☐ For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, contributions *exclusively* for religious, charitable, etc., purposes, but no such contributions totaled more than \$1,000. If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc., purpose. Do not complete any of the parts unless the **General Rule** applies to this organization because it received *nonexclusively* religious, charitable, etc., contributions totaling \$5,000 or more during the year ▶ \$ \_\_\_\_\_

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

**LHA** For Paperwork Reduction Act Notice, see the Instructions for Form 990, 990-EZ, or 990-PF. **Schedule B (Form 990, 990-EZ, or 990-PF) (2015)**

Name of organization

Employer identification number

LODI COMMUNITY HOSPITAL

34-0718390

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

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
1		\$ 14,121.	Person <input checked="checked" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
		\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
		\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
		\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
		\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
		\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
		\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)



Name of organization	Employer identification number
LODI COMMUNITY HOSPITAL	34-0718390

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

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

Name of organization

Employer identification number

LODI COMMUNITY HOSPITAL

34-0718390

**Part III** Exclusively religious, charitable, etc., contributions to organizations described in section 501(c)(7), (8), or (10) that total more than \$1,000 for the year from any one contributor. Complete columns (a) through (e) and the following line entry. For organizations completing Part III, enter the total of exclusively religious, charitable, etc., contributions of \$1,000 or less for the year. (Enter this info. once.) ▶ \$

Use duplicate copies of Part III if additional space is needed.

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

**SCHEDULE C**  
**(Form 990 or 990-EZ)**

Department of the Treasury  
Internal Revenue Service

**Political Campaign and Lobbying Activities**

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

OMB No. 1545-0047

**2015**

**Open to Public  
Inspection**

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

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

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

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

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

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

Name of organization <b>LODI COMMUNITY HOSPITAL</b>	Employer identification number <b>34-0718390</b>
--	---

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

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

2 Political expenditures ..... ▶ \$ \_\_\_\_\_

3 Volunteer hours ..... ▶ \_\_\_\_\_

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

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

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

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

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

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

Schedule C (Form 990 or 990-EZ) 2015

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

**A** Check ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures).

**B** Check ☐ if the filing organization checked box A and "limited control" provisions apply.

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals
<b>1a</b> Total lobbying expenditures to influence public opinion (grass roots lobbying) .....			
<b>b</b> Total lobbying expenditures to influence a legislative body (direct lobbying) .....			
<b>c</b> Total lobbying expenditures (add lines 1a and 1b) .....			
<b>d</b> Other exempt purpose expenditures .....			
<b>e</b> Total exempt purpose expenditures (add lines 1c and 1d) .....			
<b>f</b> Lobbying nontaxable amount. Enter the amount from the following table in both columns.			
<b>If the amount on line 1e, column (a) or (b) is:</b>	<b>The lobbying nontaxable amount is:</b>		
Not over \$500,000	20% of the amount on line 1e.		
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000.		
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000.		
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000.		
Over \$17,000,000	\$1,000,000.		
<b>g</b> Grassroots nontaxable amount (enter 25% of line 1f) .....			
<b>h</b> Subtract line 1g from line 1a. If zero or less, enter -0- .....			
<b>i</b> Subtract line 1f from line 1c. If zero or less, enter -0- .....			
<b>j</b> If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? .....			

☐ Yes ☐ No

**4-Year Averaging Period Under section 501(h)**

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below.

See the separate instructions for lines 2a through 2f.)

**Lobbying Expenditures During 4-Year Averaging Period**

Calendar year (or fiscal year beginning in)	(a) 2012	(b) 2013	(c) 2014	(d) 2015	(e) Total
<b>2a</b> Lobbying nontaxable amount					
<b>b</b> Lobbying ceiling amount (150% of line 2a, column(e))					
<b>c</b> Total lobbying expenditures					
<b>d</b> Grassroots nontaxable amount					
<b>e</b> Grassroots ceiling amount (150% of line 2d, column (e))					
<b>f</b> Grassroots lobbying expenditures					

Schedule C (Form 990 or 990-EZ) 2015

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

For each "Yes," response on lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.

	(a)		(b)
	Yes	No	Amount
<b>1</b> During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:			
<b>a</b> Volunteers?		X	
<b>b</b> Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		X	
<b>c</b> Media advertisements?		X	
<b>d</b> Mailings to members, legislators, or the public?		X	
<b>e</b> Publications, or published or broadcast statements?		X	
<b>f</b> Grants to other organizations for lobbying purposes?	X		488.
<b>g</b> Direct contact with legislators, their staffs, government officials, or a legislative body?		X	
<b>h</b> Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		X	
<b>i</b> Other activities?		X	
<b>j</b> Total. Add lines 1c through 1i			488.
<b>2a</b> Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		X	
<b>b</b> If "Yes," enter the amount of any tax incurred under section 4912			
<b>c</b> If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
<b>d</b> If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

**Part IV** Supplemental Information

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

PART II-B, LINE 1, LOBBYING ACTIVITIES:

PART II-B, LINE 1 (F), GRANTS TO OTHER ORGANIZATIONS FOR LOBBYING

PURPOSES:

LODI COMMUNITY HOSPITAL IS A DUES PAYING MEMBER OF THE OHIO HOSPITAL

ASSOCIATION (OHA). A PORTION OF OUR DUES (\$461) IS USED BY OHA

FOR LOBBYING ACTIVITIES.



**SCHEDULE D**  
(Form 990)Department of the Treasury  
Internal Revenue Service**Supplemental Financial Statements**▶ Complete if the organization answered "Yes" on Form 990,  
Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b.  
▶ Attach to Form 990.▶ Information about Schedule D (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No. 1545-0047

**2015**Open to Public  
Inspection

Name of the organization

LODI COMMUNITY HOSPITAL

Employer identification number

34-0718390

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

	(a) Donor advised funds	(b) Funds and other accounts
1 Total number at end of year		
2 Aggregate value of contributions to (during year)		
3 Aggregate value of 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?		<input type="checkbox"/> Yes <input type="checkbox"/> No
6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit?		<input type="checkbox"/> Yes <input type="checkbox"/> No

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

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

<input type="checkbox"/> Preservation of land for public use (e.g., recreation or education)	<input type="checkbox"/> Preservation of a historically important land area
<input type="checkbox"/> Protection of natural habitat	<input type="checkbox"/> Preservation of a certified historic structure
<input type="checkbox"/> 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 Tax Year
a Total number of conservation easements	2a
b Total acreage restricted by conservation easements	2b
c Number of conservation easements on a certified historic structure included in (a)	2c
d Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d

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

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

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

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

7 Amount of expenses incurred in monitoring, inspecting, handling of violations, 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" on 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) Revenue included on 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 Revenue included on 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" on 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 Does the organization include an amount on Form 990, Part X, line 21, for escrow or custodial account liability? ☐ Yes ☐ No

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

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

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance	688,352.	705,793.	779,774.	683,304.	336,802.
b Contributions		291.	8,901.	34,659.	343,021.
c Net investment earnings, gains, and losses	52,179.	36,620.	81,322.	70,646.	3,481.
d Grants or scholarships					
e Other expenditures for facilities and programs	80,938.	54,352.	164,204.	-8,835.	
f Administrative expenses					
g End of year balance	659,593.	688,352.	705,793.	779,774.	683,304.

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 ☐ 100.00 %

The percentages on 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

(ii) related organizations

	Yes	No
3a(i)		X
3a(ii)	X	
3b	X	

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

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" on 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		98,793.		98,793.
b Buildings		10,113,227.	4,957,680.	5,155,547.
c Leasehold improvements				
d Equipment		5,705,028.	4,288,505.	1,416,523.
e Other		744,414.	458,127.	286,287.
Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10c.)				6,957,150.

Schedule D (Form 990) 2015

**Part VII Investments - Other Securities.**

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

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

**Part VIII Investments - Program Related.**

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

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

**Part IX Other Assets.**

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

(a) Description	(b) Book value
(1) INTEREST IN FOUNDATION NET ASSETS	1,098,263.
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 15.)	

1,098,263.

**Part X Other Liabilities.**

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

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	
(2) ESTIMATED MEDICARE SETTLEMENT DUE	360,791.
(3) ACCRUED SELF INSURANCE CLAIMS PAYABLE	708,379.
(4) ASSET RETIREMENT OBLIGATION	20,000.
(5)	
(6)	
(7)	
(8)	
(9)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 25.)	

1,089,170.

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

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

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

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

**Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.**

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

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

**Part XIII Supplemental Information.**

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

PART X, LINE 2:

LODI COMMUNITY HOSPITAL IS A SUBSIDIARY OF AKRON GENERAL HEALTH SYSTEM.

AKRON GENERAL HEALTH SYSTEM AND ALL OF ITS SUBSIDIARIES, ARE INCLUDED IN

THE AUDITED FINANCIAL STATEMENTS OF THE CLEVELAND CLINIC FOUNDATION.

THE CLEVELAND CLINIC FOUNDATION'S ("THE CLEVELAND CLINIC HEALTH SYSTEM" OR

"SYSTEM") AUDITED FINANCIAL STATEMENTS ARE REPORTED ON A CONSOLIDATED

BASIS, INCLUDING EXEMPT, TAXABLE, AND FOREIGN ENTITIES TO WHICH THE ASC

740-10 LIABILITY RELATES. THE ASC 740-10 FOOTNOTE ON THE CONSOLIDATED

FINANCIAL STATEMENTS FOR THE CLEVELAND CLINIC HEALTH SYSTEM READS AS

FOLLOWS:

**Part XIII** Supplemental Information *(continued)*

AT DECEMBER 31, 2015 AND 2014, THE LIABILITY FOR UNCERTAINTY IN INCOME

TAXES WAS \$4.1 MILLION AND \$9.7 MILLION, RESPECTIVELY. THE SYSTEM DOES NOT

EXPECT A SIGNIFICANT INCREASE OR DECREASE IN UNRECOGNIZED TAX BENEFITS

WITHIN THE NEXT 12 MONTHS. THE SYSTEM RECOGNIZES INTEREST AND PENALTIES

ACCRUED RELATED TO THE LIABILITY FOR UNRECOGNIZED TAX BENEFITS IN THE

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS.



**SCHEDULE H**  
**(Form 990)**

Department of the Treasury  
Internal Revenue Service

**Hospitals**

- ▶ **Complete if the organization answered "Yes" on Form 990, Part IV, question 20.**  
▶ **Attach to Form 990.**  
▶ **Information about Schedule H (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).**

OMB No. 1545-0047

**2015**

**Open to Public Inspection**

Name of the organization

LODI COMMUNITY HOSPITAL

Employer identification number

34-0718390

**Part I Financial Assistance and Certain Other Community Benefits at Cost**

**1a** Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a

**b** If "Yes," was it a written policy?

**2** If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year.

☒ Applied uniformly to all hospital facilities

☐ Applied uniformly to most hospital facilities

☐ Generally tailored to individual hospital facilities

**3** Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year.

**a** Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing free care?

If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care:

☐ 100% ☐ 150% ☒ 200% ☐ Other \_\_\_\_\_ %

**b** Did the organization use FPG as a factor in determining eligibility for providing discounted care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care:

☐ 200% ☐ 250% ☐ 300% ☐ 350% ☒ 400% ☐ Other \_\_\_\_\_ %

**c** If the organization used factors other than FPG in determining eligibility, describe in Part VI the criteria used 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"?

**5a** Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?

**b** If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?

**c** If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?

**6a** Did the organization prepare a community benefit report during the tax year?

**b** If "Yes," did the organization make it available to the public?

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

**7 Financial Assistance and Certain Other Community Benefits at Cost**

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
<b>a</b> Financial Assistance at cost (from Worksheet 1)			169,107.		169,107.	1.24%
<b>b</b> Medicaid (from Worksheet 3, column a)			1,765,226.	715,545.	1,049,681.	7.68%
<b>c</b> Costs of other means-tested government programs (from Worksheet 3, column b)						
<b>d</b> Total Financial Assistance and Means-Tested Government Programs			1,934,333.	715,545.	1,218,788.	8.92%
<b>Other Benefits</b>						
<b>e</b> Community health improvement services and community benefit operations (from Worksheet 4)			139,675.	8,974.	130,701.	.96%
<b>f</b> Health professions education (from Worksheet 5)			38,184.		38,184.	.28%
<b>g</b> Subsidized health services (from Worksheet 6)						
<b>h</b> Research (from Worksheet 7)						
<b>i</b> Cash and in-kind contributions for community benefit (from Worksheet 8)			38,876.		38,876.	.28%
<b>j</b> Total. Other Benefits			216,735.	8,974.	207,761.	1.52%
<b>k</b> Total. Add lines 7d and 7j			2,151,068.	724,519.	1,426,549.	10.44%

	(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						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development						
9 Other			25,874.		25,874.	.17%
10 Total			25,874.		25,874.	.17%

		1	2	3
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 157			X
2	Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount	2	493,637.	
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit	3		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.			
<b>Section B. Medicare</b>				
5	Enter total revenue received from Medicare (including DSH and IME)	5	3,017,691.	
6	Enter Medicare allowable costs of care relating to payments on line 5	6	2,877,168.	
7	Subtract line 6 from line 5. This is the surplus (or shortfall)	7	140,523.	
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:			
	<input type="checkbox"/> Cost accounting system			
	<input checked="" type="checkbox"/> Cost to charge ratio			
	<input type="checkbox"/> Other			
<b>Section C. Collection Practices</b>				
9a	Did the organization have a written debt collection policy during the tax year?	9a		X
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI	9b		X

[illegible]

## Section A. Hospital Facilities

How many hospital facilities did the organization operate during the tax year? 1

Name, address, primary website address, and state license number (and if a group return, the name and EIN of the subordinate hospital organization that operates the hospital facility)

[illegible]

**Part V Facility Information** (continued)**Section B. Facility Policies and Practices**

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

Name of hospital facility or letter of facility reporting group LODI COMMUNITY HOSPITALLine number of hospital facility, or line numbers of hospital facilities in a facility reporting group (from Part V, Section A): 1

	Yes	No
<b>Community Health Needs Assessment</b>		
1 Was the hospital facility first licensed, registered, or similarly recognized by a state as a hospital facility in the current tax year or the immediately preceding tax year?		X
2 Was the hospital facility acquired or placed into service as a tax-exempt hospital in the current tax year or the immediately preceding tax year? If "Yes," provide details of the acquisition in Section C		X
3 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 12	X	
If "Yes," indicate what the CHNA report describes (check all that apply):		
a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b <input checked="" type="checkbox"/> Demographics of the community		
c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input checked="" type="checkbox"/> How data was obtained		
e <input checked="" type="checkbox"/> The significant health needs of the community		
f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j <input type="checkbox"/> Other (describe in Section C)		
4 Indicate the tax year the hospital facility last conducted a CHNA: 20 <u>13</u>		
5 In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Section C how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	X	
6a Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Section C	X	
b Was the hospital facility's CHNA conducted with one or more organizations other than hospital facilities? If "Yes," list the other organizations in Section C		X
7 Did the hospital facility make its CHNA report widely available to the public?	X	
If "Yes," indicate how the CHNA report was made widely available (check all that apply):		
a <input checked="" type="checkbox"/> Hospital facility's website (list url): <u>WWW.AKRONGENERAL.ORG</u>		
b <input type="checkbox"/> Other website (list url):		
c <input type="checkbox"/> Made a paper copy available for public inspection without charge at the hospital facility		
d <input type="checkbox"/> Other (describe in Section C)		
8 Did the hospital facility adopt an implementation strategy to meet the significant community health needs identified through its most recently conducted CHNA? If "No," skip to line 11	X	
9 Indicate the tax year the hospital facility last adopted an implementation strategy: 20 <u>13</u>		
10 Is the hospital facility's most recently adopted implementation strategy posted on a website?	X	
a If "Yes," (list url): <u>WWW.AKRONGENERAL.ORG</u>		
b If "No," is the hospital facility's most recently adopted implementation strategy attached to this return?		X
11 Describe in Section C how the hospital facility is addressing the significant needs identified in its most recently conducted CHNA and any such needs that are not being addressed together with the reasons why such needs are not being addressed.		
12a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?		X
b If "Yes" to line 12a, did the organization file Form 4720 to report the section 4959 excise tax?		
c If "Yes" to line 12b, 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 (FAP)**Name of hospital facility or letter of facility reporting group LODI COMMUNITY HOSPITAL

	Yes	No
Did the hospital facility have in place during the tax year a written financial assistance policy that:		
<b>13</b> Explained eligibility criteria for financial assistance, and whether such assistance included free or discounted care? .....	<b>13</b> X	
If "Yes," indicate the eligibility criteria explained in the FAP:		
a <input checked="" type="checkbox"/> Federal poverty guidelines (FPG), with FPG family income limit for eligibility for free care of <u>200</u> % and FPG family income limit for eligibility for discounted care of <u>400</u> %		
b <input checked="" type="checkbox"/> Income level other than FPG (describe in Section C)		
c <input type="checkbox"/> Asset level		
d <input type="checkbox"/> Medical indigency		
e <input type="checkbox"/> Insurance status		
f <input type="checkbox"/> Underinsurance status		
g <input type="checkbox"/> Residency		
h <input checked="" type="checkbox"/> Other (describe in Section C)		
<b>14</b> Explained the basis for calculating amounts charged to patients? .....	<b>14</b> X	
<b>15</b> Explained the method for applying for financial assistance? .....	<b>15</b> X	
If "Yes," indicate how the hospital facility's FAP or FAP application form (including accompanying instructions) explained the method for applying for financial assistance (check all that apply):		
a <input checked="" type="checkbox"/> Described the information the hospital facility may require an individual to provide as part of his or her application		
b <input checked="" type="checkbox"/> Described the supporting documentation the hospital facility may require an individual to submit as part of his or her application		
c <input checked="" type="checkbox"/> Provided the contact information of hospital facility staff who can provide an individual with information about the FAP and FAP application process		
d <input type="checkbox"/> Provided the contact information of nonprofit organizations or government agencies that may be sources of assistance with FAP applications		
e <input type="checkbox"/> Other (describe in Section C)		
<b>16</b> Included measures to publicize the policy within the community served by the hospital facility? .....	<b>16</b> X	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply):		
a <input checked="" type="checkbox"/> The FAP was widely available on a website (list url): <u>WWW.AKRONGENERAL.ORG</u>		
b <input checked="" type="checkbox"/> The FAP application form was widely available on a website (list url): <u>WWW.AKRONGENERAL.ORG</u>		
c <input checked="" type="checkbox"/> A plain language summary of the FAP was widely available on a website (list url): <u>WWW.AKRONGENERAL.ORG</u>		
d <input checked="" type="checkbox"/> The FAP was available upon request and without charge (in public locations in the hospital facility and by mail)		
e <input checked="" type="checkbox"/> The FAP application form was available upon request and without charge (in public locations in the hospital facility and by mail)		
f <input checked="" type="checkbox"/> A plain language summary of the FAP was available upon request and without charge (in public locations in the hospital facility and by mail)		
g <input checked="" type="checkbox"/> Notice of availability of the FAP was conspicuously displayed throughout the hospital facility		
h <input checked="" type="checkbox"/> Notified members of the community who are most likely to require financial assistance about availability of the FAP		
i <input checked="" type="checkbox"/> Other (describe in Section C)		

**Billing and Collections**

<b>17</b> 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 all of the actions the hospital facility or other authorized party may take upon non-payment? .....	<b>17</b> X	
<b>18</b> 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(ies)		
b <input type="checkbox"/> Selling an individual's debt to another party		
c <input type="checkbox"/> Actions that require a legal or judicial process		
d <input type="checkbox"/> Other similar actions (describe in Section C)		
e <input type="checkbox"/> None of these actions or other similar actions were permitted		



**Part V** Facility Information (continued)Name of hospital facility or letter of facility reporting group LODI COMMUNITY HOSPITAL

- 19 Did the hospital facility or other authorized 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?

	Yes	No
19		X

If "Yes," check all actions in which the hospital facility or a third party engaged:

- a ☐ Reporting to credit agency(ies)  
 b ☐ Selling an individual's debt to another party  
 c ☐ Actions that require a legal or judicial process  
 d ☐ Other similar actions (describe in Section C)

- 20 Indicate which efforts the hospital facility or other authorized party made before initiating any of the actions listed (whether or not checked) in line 19 (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)  
 f ☐ None of these efforts were made

**Policy Relating to Emergency Medical Care**

- 21 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that required 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?

21	X	

If "No," indicate why:

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

**Charges to Individuals Eligible for Assistance Under the FAP (FAP-Eligible Individuals)**

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

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


- 23 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?

23		X
----	--	---

If "Yes," explain in Section C.

- 24 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?

24		X
----	--	---

If "Yes," explain in Section C.

**Part V** Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16i, 18d, 19d, 20e, 21c, 21d, 22d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2" "B, 3," etc.) and name of hospital facility.

LODI COMMUNITY HOSPITAL:

PART V, SECTION B, LINE 5: AS DESCRIBED IN THE EXECUTIVE SUMMARY OF ITS

2013 COMMUNITY HEALTH NEEDS ASSESSMENT (CHNA) REPORT, LODI COMMUNITY

HOSPITAL (LCH) PARTICIPATED IN A COMMUNITY BASE COLLABORATIVE IN

CONDUCTING ITS CHNA. THE COLLABORATIVE WAS COMPOSED OF GOVERNMENTAL AND

NONPROFIT AGENCIES. ITS STEERING COMMITTEE SELECTED A GROUP OF COMMUNITY

MEMBERS TO RESPOND TO A SELF-ADMINISTERED SURVEY. THE COMMUNITY MEMBERS

INCLUDED PERSONS WITH SPECIAL KNOWLEDGE OF OR EXPERTISE IN PUBLIC HEALTH,

SUCH AS A REPRESENTATIVE FROM THE RELEVANT COUNTY HEALTH DEPARTMENT, CITY

GOVERNMENT, AND/OR OR STATE GOVERNMENT. A LIST OF EACH MEMBER'S

ORGANIZATION CAN BE FOUND IN THE EXECUTIVE SUMMARY OF LCH'S CHNA.

LODI COMMUNITY HOSPITAL:

PART V, SECTION B, LINE 6A: IN PREPARING ITS OWN COMMUNITY HEALTH NEEDS

ASSESSMENT (CHNA), LODI COMMUNITY HOSPITAL PARTICIPATED IN A COMMUNITY

WIDE COLLABORATIVE THAT INCLUDED MEDINA HOSPITAL AND WADSWORTH RITTMAN

HOSPITAL.

LODI COMMUNITY HOSPITAL:

PART V, SECTION B, LINE 11: IN GENERAL, THE KEY NEEDS IDENTIFIED BY THE

2013 CHNA WERE THE FOLLOWING: FOR ADULTS - CHRONIC DISEASES, MENTAL

HEALTH, SUBSTANCE ABUSE, LIFESTYLE FACTORS, ACCESS TO HEALTH CARE, QUALITY

OF HEALTH CARE AND ENVIRONMENTAL FACTORS; AND FOR CHILDREN - ENVIRONMENTAL

FACTORS, MENTAL HEALTH AND ACCESS TO HEALTH CARE.

**Part V** Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16i, 18d, 19d, 20e, 21c, 21d, 22d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

THE HEALTH NEEDS THAT LCH WILL NOT ADDRESS ARE HIV SCREENINGS FOR ADULTS.

IT ALSO WILL NOT ADDRESS ANEMIA AND ELEVATED LEAD LEVELS IN CHILDREN.

THESE NEEDS ALREADY ARE BEING ADDRESSED BY THE COUNTY HEALTH DEPARTMENT

WHICH HAS THE APPROPRIATE EXPERTISE AND RESOURCES FOR THESE ISSUES.

LODI COMMUNITY HOSPITAL:

PART V, SECTION B, LINE 16I: FOR UNINSURED AND UNDERINSURED PATIENTS, OUR

FINANCIAL COUNSELORS OR ELIGIBILITY VENDOR STAFF REACH OUT UPON ADMISSION,

OR AS SOON AS POSSIBLE THEREAFTER, TO EXPLAIN THE PROGRAMS FOR FREE OR

DISCOUNTED CARE AND TO ASSESS ELIGIBILITY FOR MEDICAID AND OTHER VARIOUS

PROGRAMS (VETERAN'S ADMINISTRATION, COBRA, OTHER LOCAL PROGRAMS, ETC.).

FOR SCHEDULED OUTPATIENT SERVICES, FINANCIAL COUNSELORS ATTEMPT TO CONTACT

THE PATIENT PRIOR TO SERVICE TO SCREEN UNINSURED PATIENTS FOR POSSIBLE

ASSISTANCE/PAYMENT SOLUTIONS. IF UNABLE TO CONTACT PATIENT PRIOR TO THE

SERVICE, WE ATTEMPT TO SCREEN ON THE DAY OF SERVICE OR AS SOON THEREAFTER

AS POSSIBLE.

FOR UNSCHEDULED EMERGENCY SERVICES, SCREENING MAY BE COMPLETED DURING THE

VISIT WHEN PATIENT IS ABLE. OTHERWISE, ATTEMPTS TO CONTACT THE PATIENT

ARE MADE BY THE FINANCIAL COUNSELING STAFF.

IN EITHER CASE, IF WE ARE UNABLE TO CONTACT THE PATIENT, THE FINANCIAL

ASSISTANCE INFORMATION IS ON EACH BILLING STATEMENT SENT TO THE PATIENT.

IF THE PATIENT IS DETERMINED TO BE LIKELY ELIGIBLE FOR MEDICAID, THE

**Part V** Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16i, 18d, 19d, 20e, 21c, 21d, 22d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

ELIGIBILITY VENDOR STAFF ASSIST AND REPRESENT THE PATIENT THROUGHOUT THE

APPLICATION PROCESS (UPON APPROVAL FROM THE PATIENT).

IN ADDITION TO SIGNAGE, INFORMATION EXPLAINING OUR PROGRAMS ARE IN ALL OF

OUR REGISTRATION AREAS. OUR WELCOME PACKETS ALSO INCLUDE INFORMATION AS

DOES OUR WEBSITE. ALL STATEMENTS MAILED TO PATIENTS INCLUDE A NOTICE THAT

OUR FINANCIAL ASSISTANCE APPLICATIONS ARE ON THE BACK OF THE STATEMENT.

PHONE NUMBERS ARE PROVIDED FOR ASSISTANCE.

LODI COMMUNITY HOSPITAL:

PART V, SECTION B, LINE 22D: THE HOSPITAL FACILITY USED THE MEDICARE RATES

AND ALL PRIVATE HEALTH INSURANCE WHEN CALCULATING THE MAXIMUM AMOUNTS THAT

CAN BE CHARGED.



**Part VI** Supplemental Information

Provide the following information.

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

PART I, LINE 7:

COSTING METHODOLOGY. THE ORGANIZATION USED A COST TO CHARGE RATIO. THE

COST TO CHARGE RATIO USED WAS DERIVED USING WORKSHEET 2 OF THE SCHEDULE H

INSTRUCTIONS.

PART I, LINE 7(F):

COLUMN (F): IN CALCULATING THE PERCENTAGE OF TOTAL EXPENSE REPORTED IN

COLUMN (F), TOTAL EXPENSES AS REPORTED ON FORM 990, PART IX, LINE 25,

COLUMN (A) WERE REDUCED BY \$1,429,141 - THE AMOUNT OF BAD DEBT EXPENSE

INCLUDED ON THAT LINE.

PART II, COMMUNITY BUILDING ACTIVITIES:

PART III, SECTION A, LINES 2 AND 3: COSTING METHODOLOGY. BAD DEBTS AS

REPORTED ON LINE 2 ARE DERIVED FROM THE GROSS CHARGES WRITTEN OFF AS

UNCOLLECTIBLE FOR FINANCIAL REPORTING PURPOSES. THE COST-CHARGE RATIO

DERIVED FROM SCHEDULE H, WORKSHEET 2 - RATIO OF PATIENT CARE COST TO

CHARGES, WAS APPLIED IN CALCULATING LINE 2.



**Part VI** Supplemental Information (Continuation)

PART III, LINE 4:

THE PROVISION FOR BAD DEBTS IS BASED UPON MANAGEMENT'S ASSESSMENT OF  
HISTORICAL AND EXPECTED NET COLLECTIONS CONSIDERING HISTORICAL BUSINESS  
AND ECONOMIC CONDITIONS, 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. THE RESULTS OF  
THIS REVIEW ARE THEN USED TO MAKE ANY MODIFICATIONS TO THE PROVISION FOR  
BAD DEBTS TO ESTABLISH AN APPROPRIATE ALLOWANCE FOR UNCOLLECTIBLE  
RECEIVABLES.

AFTER SATISFACTION OF AMOUNTS DUE FROM INSURANCE, LODI COMMUNITY HOSPITAL  
FOLLOWS ESTABLISHED GUIDELINES FOR PLACING CERTAIN PAST-DUE PATIENT  
BALANCES WITH COLLECTION AGENCIES, SUBJECT TO VARIOUS RESTRICTIONS  
INCLUDING A PROHIBITION AGAINST ENGAGING IN EXTRAORDINARY COLLECTION  
PROCEDURES AGAINST AN INDIVIDUAL WITHOUT HAVING FIRST MADE REASONABLE  
EFFORTS TO DETERMINE THAT INDIVIDUALS ELIGIBILITY UNDER THE FINANCIAL  
ASSISTANCE POLICY.

PART III, LINE 8:

LODI COMMUNITY HOSPITAL PROVIDES AN IMPORTANT COMMUNITY BENEFIT THROUGH  
ITS PARTICIPATION IN THE MEDICARE PROGRAM. BY ABSORBING THIS SHORTFALL,  
LODI COMMUNITY HOSPITAL PROMOTES THE HEALTH OF THOSE MEMBERS OF THE  
COMMUNITY RELYING ON MEDICARE AND LESSENS THE BURDEN OF GOVERNMENT BY  
DOING SO.

THE COSTING METHODOLOGY USED TO DETERMINE THE AMOUNT OF MEDICARE ALLOWABLE  
COSTS IS THE COST TO CHARGE RATIO DEVELOPED IN ACCORDANCE WITH THE

**Part VI** Supplemental Information (Continuation)

## MEDICARE COST REPORT INSTRUCTIONS.

## PART III, LINE 9B:

LODI COMMUNITY HOSPITAL'S BAD DEBT COLLECTION POLICY ADDRESSES HOW TO IDENTIFY AND PROCESS PATIENTS' ACCOUNTS FOR QUALIFICATION AS CHARITY CARE OR OTHER FINANCIAL ASSISTANCE. AT REGISTRATION/ADMISSION A SCREENING PROCESS IDENTIFIES THOSE PATIENTS WITHOUT INSURANCE. THOSE PATIENT ACCOUNTS ARE AUTOMATICALLY CHECKED FOR POSSIBLE MEDICAID OR OTHER FINANCIAL ASSISTANCE ELIGIBILITY. WHERE ELIGIBILITY IS ESTABLISHED, THE PATIENT RECEIVES ASSISTANCE AFTER COMPLETING ANY REQUIRED APPLICATIONS. PATIENTS WHO QUALIFY FOR 100% CHARITY CARE WILL HAVE THEIR CHARGES WRITTEN OFF AS SUCH AND NO COLLECTION EFFORTS WILL FOLLOW. PATIENTS THAT QUALIFY FOR A SLIDING SCALE DISCOUNT THROUGH CHARITY CARE WILL HAVE THEIR STATEMENT ADJUSTED ACCORDINGLY. IF THE ADJUSTED BALANCE IS UNPAID, THE ADJUSTED BALANCE GOES TO COLLECTIONS IN ACCORDANCE WITH POLICY FOR ALL BAD DEBT ACCOUNTS.

## PART VI, LINE 2:

THERE ARE A VARIETY OF NEEDS ASSESSMENT METHODS EMPLOYED BY LODI COMMUNITY HOSPITAL IN DETERMINING THE HEALTH NEEDS OF THE COMMUNITY IT SERVES. FOR MEDICAL STAFFING AND SERVICES, A COMBINATION OF FACTORS INCLUDING THE COMMUNITY'S DEMOGRAPHICS AND HEALTH NEEDS, THE DEMOGRAPHICS OF MEDICAL STAFF (PHYSICIAN AGE, SPECIALTY, ETC...) ARE WEIGHED TO DETERMINE WHERE RESOURCES SHOULD BE CONCENTRATED IN ORDER TO MEET CURRENT AND FUTURE HEALTHCARE NEEDS OF THE COMMUNITY. LODI COMMUNITY HOSPITAL PARTICIPATES IN HEALTHCARE INITIATIVES OF STATE AND LOCAL HEALTH DEPARTMENTS, EITHER SOLELY OR IN CONCERT WITH OTHER HEALTHCARE PROVIDERS, DEPENDING ON THE INITIATIVE. LODI COMMUNITY HOSPITAL HAS WORKED WITH LOCAL CHURCHES AND

**Part VI** Supplemental Information (Continuation)

SOCIAL WELFARE ORGANIZATIONS TO IDENTIFY AND SERVICE HEALTHCARE NEEDS OF  
PERSONS WHO ARE UNDERSERVED BY GOVERNMENT PROGRAMS OR WHO HAVE FALLEN  
COMPLETELY THROUGH GOVERNMENT SAFETY NETS.

PART VI, LINE 3:

FOR UNINSURED AND UNDERINSURED PATIENTS, OUR FINANCIAL COUNSELORS OR  
ON-SITE ELIGIBILITY VENDOR STAFF REACH OUT UPON ADMISSION OR PRIOR TO  
DISCHARGE TO EXPLAIN THE PROGRAMS FOR FREE OR DISCOUNTED CARE AND TO  
ASSESS ELIGIBILITY FOR MEDICAID AND OTHER VARIOUS PROGRAMS (VETERAN'S  
ADMINISTRATION, COBRA, OTHER LOCAL PROGRAMS, ETC.).

IF THE PATIENT IS DETERMINED TO BE LIKELY ELIGIBLE FOR MEDICAID, THE  
ELIGIBILITY VENDOR STAFF ASSIST AND REPRESENT THE PATIENT THROUGHOUT THE  
APPLICATION PROCESS (UPON APPROVAL FROM THE PATIENT).

IN ADDITION TO SIGNAGE, BROCHURES EXPLAINING OUR PROGRAMS ARE IN ALL OF  
OUR REGISTRATION AREAS. OUR WELCOME PACKETS ALSO INCLUDE INFORMATION AS  
DOES OUR WEBSITE. ALL STATEMENTS MAILED TO PATIENTS INCLUDE A NOTICE THAT  
OUR FINANCIAL ASSISTANCE APPLICATIONS ARE ON THE BACK OF THE STATEMENT.  
PHONE NUMBERS ARE PROVIDED FOR ASSISTANCE.

FINANCIAL ASSISTANCE APPLICATIONS ARE ON THE BACK OF EVERY PATIENT  
STATEMENT AS WELL AS MESSAGES INFORMING PATIENTS THAT ASSISTANCE IS  
AVAILABLE - VIA WEBSITE, AUTOMATED ATTENDANT OR CUSTOMER SERVICE LINE.  
SUCH MESSAGES ALSO ARE CONSPICUOUSLY POSTED IN PATIENT AREAS AND  
THROUGHOUT OUR FACILITIES. WE ALSO HAVE FINANCIAL ASSISTANCE INFORMATION  
SUCH AS CUSTOMER SERVICE PHONE NUMBERS POSTED THROUGHOUT OUR FACILITIES AT  
PATIENT INTAKE AREAS. IN ADDITION, FINANCIAL COUNSELORS ARE AVAILABLE AT

**Part VI** Supplemental Information (Continuation)

OUR MAIN CAMPUS TO DISCUSS PAYMENT OPTIONS AND FINANCIAL ASSISTANCE WITH  
PATIENTS AS THEY DISCHARGE.

PART VI, LINE 4:

LODI COMMUNITY HOSPITAL IS LOCATED IN SOUTHERN MEDINA COUNTY AND SERVES  
THE POPULATION OF 174,915 PEOPLE IN MEDINA. THE MEDIAN AGE OF RESIDENTS  
IN MEDINA IS 41.3 AND THE MEDIAN HOUSEHOLD INCOME IS AROUND \$50,000.

THE DOMINANT INDUSTRIES IN THE AREA ARE AGRICULTURE, MANUFACTURING, RETAIL  
AND GOVERNMENT. LODI COMMUNITY HOSPITAL ALSO SERVES A LARGE AMISH  
POPULATION. WHILE MEDINA COUNTY'S CURRENT UNEMPLOYMENT RATE IS AT 4.6%  
THE SURROUNDING COUNTIES' RATES ARE HIGHER; LORAIN IS 6.2% AND CUYAHOGA IS  
5.8% WITH THE STATE OF OHIO AT 5%.

PART VI, LINE 5:

IN ORDER TO ENSURE THE FURTHERANCE OF LODI COMMUNITY HOSPITAL'S EXEMPT  
PURPOSE, ITS BOARD OF DIRECTORS CONSISTS OF COMMUNITY MEMBERS - THE  
MAJORITY OF WHOM ARE INDEPENDENT. THE SIZE OF THE BOARD IS DESIGNED TO BE  
LARGE ENOUGH TO PROVIDE SUFFICIENT EXPERTISE AND DIVERSITY FOR AN  
ORGANIZATION OF THIS SIZE WITHOUT BEING TOO LARGE TO MANAGE ITSELF. THE  
BOARD, AS WELL AS SENIOR MANAGEMENT AND MEDICAL STAFF LEADERS, ARE CHARGED  
BY POLICY WITH THE EXPECTATION THAT PERSONS IN SUCH POSITIONS WILL  
ADVOCATE STRONG TIES BETWEEN THE ORGANIZATION AND THE COMMUNITY IT SERVES.  
AMONG OTHER THINGS THE POLICY CITES THE ASSUMPTION OF BOARD POSITIONS WITH  
SERVICE ORGANIZATIONS AND COMMUNITY AGENCIES AS WAYS TO PROMOTE SUCH TIES.

THROUGH THE HEALTH SYSTEM'S COMMUNITY HEALTH COMMITTEE, LODI COMMUNITY  
HOSPITAL RECEIVES CONSIDERABLE SUPPORT IN MAINTAINING CONTACTS WITH A

**Part VI** Supplemental Information (Continuation)

DIVERSE CROSS SECTION OF ITS COMMUNITY. THE COMMUNITY HEALTH COMMITTEE  
SUPPORTS INITIATIVES DESIGNED TO MEET THE NEEDS OF VULNERABLE,  
DISADVANTAGED POPULATIONS AND THOSE WHO LACK ACCESS TO QUALITY HEALTH  
CARE. THE MAJORITY OF THE COMMUNITY MEMBERS ARE INDEPENDENT MEMBERS WHOSE  
FOCUSED MISSION PROVIDES AN IMPORTANT ACCESS POINT FOR GROUPS WITHIN THE  
COMMUNITY.

LODI COMMUNITY HOSPITAL ALSO MAINTAINS AN OPEN MEDICAL STAFF.

LODI COMMUNITY HOSPITAL IS BOUND BY LAW TO REINVEST ANY SURPLUS FROM  
OPERATIONS INTO ITS FACILITIES AND PROGRAMS IN FURTHERANCE OF ITS EXEMPT  
PURPOSE, PROMOTING THE HEALTH OF THE COMMUNITY IT SERVES.

## PART VI, LINE 6:

AKRON GENERAL HEALTH SYSTEM IS A NOT-FOR-PROFIT HEALTHCARE ORGANIZATION  
WITH THE MISSION OF IMPROVING THE HEALTH AND LIVES OF PATIENTS AND THE  
COMMUNITY, AKRON GENERAL HEALTH SYSTEM INCLUDES: AKRON GENERAL MEDICAL  
CENTER, A 537-BED TEACHING AND RESEARCH MEDICAL CENTER, EDWIN SHAW REHAB,  
THE AREA'S LARGEST PROVIDER OF REHABILITATION SERVICES, PARTNERS PHYSICIAN  
GROUP AND LODI COMMUNITY HOSPITAL; AKRON GENERAL PARTNERS, WHICH INCLUDES  
THE AKRON GENERAL HEALTH & WELLNESS CENTERS, COMMUNITY HEALTH CENTERS AND  
OTHER COMPANIES, VISITING NURSE SERVICE AND AFFILIATES, THE LARGEST AND  
MOST COMPREHENSIVE PROVIDER OF HOME HEALTHCARE AND HOSPICE SERVICES IN  
OHIO, AND THE AKRON GENERAL FOUNDATION.

AKRON GENERAL HEALTH SYSTEM BRINGS TOGETHER A NETWORK OF HEALTH CARE  
FACILITIES AND STAFF WITH A RICH HERITAGE OF EXCEPTIONAL CARE. IT IS AN  
INTEGRATED HEALTH SYSTEM THAT PROVIDES HIGH-QUALITY HEALTHCARE FOR

**Part VI** Supplemental Information (Continuation)

PATIENTS AND COMMUNITY THROUGHOUT THEIR ENTIRE LIFE - BIRTHS, INPATIENT

AND OUTPATIENT SERVICES FOR ADULTS, EMERGENCY CARE, HOME CARE, WELLNESS,

DURABLE MEDICAL EQUIPMENT AND HOSPICE SERVICES.



**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" on Form 990, Part IV, line 23.

► Attach to Form 990.

► Information about Schedule J (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No. 1545-0047

**2015**

Open to Public  
Inspection

Name of the organization

LODI COMMUNITY HOSPITAL

Employer identification number

34-0718390

**Part I** Questions Regarding Compensation

**1a** Check the appropriate box(es) if the organization provided any of the following to or for a person listed on Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.

☒ First-class or charter travel

☐ Travel for companions

☒ Tax indemnification and gross-up payments

☐ Discretionary spending account

☐ Housing allowance or residence for personal use

☐ Payments for business use of personal residence

☐ Health or social club dues or initiation fees

☐ Personal services (e.g., maid, chauffeur, chef)

Yes No

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

**1b**

X

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

**2**

X

**3** Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III.

☒ Compensation committee

☒ Independent compensation consultant

☒ Form 990 of other organizations

☐ Written employment contract

☒ Compensation survey or study

☒ Approval by the board or compensation committee

**4** During the year, did any person listed on Form 990, Part VII, Section A, line 1a, with respect to the filing organization or a related organization:

**a** Receive a severance payment or change-of-control payment?

**4a**

X

**b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?

**4b**

X

**c** Participate in, or receive payment from, an equity-based compensation arrangement?

**4c**

X

If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.

Only section 501(c)(3), 501(c)(4), and 501(c)(29) organizations must complete lines 5-9.

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

**a** The organization?

**5a**

X

**b** Any related organization?

**5b**

X

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

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

**a** The organization?

**6a**

X

**b** Any related organization?

**6b**

X

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

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

**7**

X

**8** Were any amounts reported on Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III

**8**

X

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

**9**

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

Schedule J (Form 990) 2015

**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 on Schedule J, report compensation from the organization on row (i) and from related organizations. 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):

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E)
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation			
(1) ALAN PAPA PRESIDENT, COO, DIRECTOR	(i)	0.	0.	0.	0.	0.	
	(ii)	383,222.	41,200.	39,047.	5,840.	23,116.	
(2) THOMAS STOVER, MD DIRECTOR	(i)	0.	0.	0.	0.	0.	
	(ii)	695,123.	150,000.	44,474.	7,678.	23,239.	
(3) ANTHONY HAYEK, M.D. DIRECTOR	(i)	0.	0.	0.	0.	0.	
	(ii)	201,928.	0.	1,066.	6,364.	25,776.	
(4) CRAIG M. BABBITT SECRETARY	(i)	0.	0.	0.	0.	0.	
	(ii)	322,928.	35,020.	32,858.	5,967.	26,389.	
(5) DEBORAH GORBACH INTERIM TREASURER BEG. 6/15	(i)	0.	0.	0.	0.	0.	
	(ii)	225,205.	19,780.	11,837.	1,901.	17,637.	
(6) SUE J. MCCARTHY TREASURER THRU 6/15	(i)	0.	0.	0.	0.	0.	
	(ii)	199,770.	41,200.	13,704.	9,790.	8,865.	
(7) DAVE FRIGO ASSISTANT TREASURER	(i)	0.	0.	0.	0.	0.	
	(ii)	197,858.	16,890.	10,961.	4,267.	17,988.	
(8) DANA KOCSIS CHIEF NURSING OFFICER	(i)	143,567.	12,194.	10,176.	1,798.	745.	
	(ii)	0.	0.	0.	0.	0.	
(9) DAVID PETER, MD SR VP MEDICAL OFFICER	(i)	0.	0.	0.	0.	0.	
	(ii)	350,226.	37,600.	38,666.	10,600.	19,877.	
(10) THOMAS WHELAN PRES COMMUNITY/SPECIALTY HOSP	(i)	74,914.	10,975.	12,048.	1,931.	6,883.	
	(ii)	49,942.	7,316.	92,733.	148,412.	4,589.	
	(i)						
	(ii)						
	(i)						
	(ii)						
	(i)						
	(ii)						
	(i)						
	(ii)						
	(i)						
	(ii)						
	(i)						
	(ii)						

**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.

**PART I, LINE 1A:**

FIRST-CLASS TRAVEL IS APPROVED ON AN EXCEPTION BASIS ONLY FOR AN  
APPROPRIATE BUSINESS PURPOSE.

TAX INDEMNIFICATION AND GROSS-UP PAYMENTS - PERSONS ELIGIBLE TO PARTICIPATE  
IN THE REPORTING ORGANIZATION'S NON-QUALIFIED PLAN HAVE A PORTION OF THEIR  
COMPENSATION DESIGNATED AS A CONTRIBUTION TO THAT PLAN. THAT PORTION IS  
GROSSED-UP FOR TAX PURPOSES AND INCLUDED IN THE PROCESS DESCRIBED IN  
SCHEDULE O FOR FORM 990, PART VI, SECTION B, LINE 15.

**PART I, LINE 4B:**

LINE 4B: THE FOLLOWING EMPLOYEES PARTICIPATED IN A NONQUALIFIED TAXABLE  
PLAN WHICH IS NOT FUNDED WITH EMPLOYER CONTRIBUTIONS.

CRAIG BABBITT

DEBORAH GORBACH

SUE J. MCCARTHY

TIM STOVER, M.D.

ALAN PAPA

**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.

DAVID PETER, M.D.

DAVE FRIGO

THOMAS WHELAN

PART I, LINE 4B - THE FOLLOWING INDIVIDUALS PARTICIPATE IN A QUALIFIED

DEFINED BENEFIT PLAN AND THE ANNUAL INCREASE OR DECREASE IN VALUE IS

INCLUDED IN SCHEDULE J, PART II, COLUMN C - RETIREMENT AND OTHER DEFERRED

COMPENSATION:

ALAN PAPA - \$4,760 DECREASE

CRAIG BABBITT - \$4,633 DECREASE

DAVE FRIGO - \$4,564 DECREASE

DEBBIE GORBACH - \$8,202 DECREASE

THOMAS STOVER, MD - \$272 DECREASE

THOMAS WHELAN - \$2,920 DECREASE

**SCHEDULE O**  
**(Form 990 or 990-EZ)**

Department of the Treasury  
Internal Revenue Service

**Supplemental Information to Form 990 or 990-EZ**

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

▶ Attach to Form 990 or 990-EZ.

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

OMB No. 1545-0047

**2015**

Open to Public  
Inspection

Name of the organization

LODI COMMUNITY HOSPITAL

Employer identification number

34-0718390

FORM 990, PART VI, SECTION A, LINE 6:

LODI COMMUNITY HOSPITAL HAS ONE MEMBER, AKRON GENERAL MEDICAL CENTER.

AKRON GENERAL MEDICAL CENTER IS ORGANIZED IN OHIO AS A NON-PROFIT

ORGANIZATION AND IS RECOGNIZED AS EXEMPT FROM FEDERAL INCOME TAX UNDER IRC

501(C)(3). AKRON GENERAL MEDICAL CENTER IS NOT A PRIVATE FOUNDATION.

FORM 990, PART VI, SECTION A, LINE 7A:

LODI COMMUNITY HOSPITAL IS GOVERNED BY THE SAME BOARD AS ITS SOLE MEMBER,

AKRON GENERAL MEDICAL CENTER (AGMC). THE SOLE MEMBER OF AGMC IS AKRON

GENERAL HEALTH SYSTEM. AKRON GENERAL HEALTH SYSTEM HAS THE POWER TO

APPOINT THE MEMBERS OF AKRON GENERAL MEDICAL CENTER'S GOVERNING BODY.

FORM 990, PART VI, SECTION A, LINE 7B:

AKRON GENERAL MEDICAL CENTER IS THE SOLE MEMBER OF LODI COMMUNITY HOSPITAL.

AKRON GENERAL HEALTH SYSTEM (AGHS) IS THE SOLE MEMBER OF AKRON GENERAL

MEDICAL CENTER. AGHS RESERVES THE FOLLOWING POWERS WITH RESPECT TO LCH,

THE POWER: TO ELECT AND REMOVE MEMBERS OF THE BOARD OF DIRECTORS, APPOINT

CHAIR AND VICE CHAIR OF THE BOARD AND APPOINT AND CONFIRM THE PRESIDENT OF

LCH SUBJECT TO CONFIRMATION BY LCH'S BOARD; TO APPROVE ALL VICE PRESIDENTS

OF LCH; TO AMEND LCH'S CODE OF REGULATIONS; TO APPROVE EACH ANNUAL

OPERATING AND CAPITAL BUDGET AND STRATEGIC PLAN OF LCH; TO APPROVE THE

FOLLOWING WHERE THE VALUE EXCEEDS AN AMOUNT PREDETERMINED FOR EACH BY AGHS

- CONTRACTS, INVESTMENTS, DONATIONS OF CORPORATE ASSETS AND DEBT

OBLIGATIONS; TO APPROVE INDEPENDENT AND INTERNAL AUDITORS, AND ALL

ACCOUNTING POLICIES; TO APPROVE ALL PLANS OF MERGER, CONSOLIDATION OR

VOLUNTARY DISSOLUTION OF THE CORPORATION; TO APPROVE THE SALE, LEASE,

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

Schedule O (Form 990 or 990-EZ) (2015)

532211  
09-02-15

Name of the organization

LODI COMMUNITY HOSPITAL

Employer identification number

34-0718390

EXCHANGE, MORTGAGE, PLEDGE OR OTHER DISPOSITION OF MORE THAN 10% IN VALUE

OF GROSS PROPERTY AND ASSETS OF THE CORPORATION IN ANY ONE FISCAL YEAR; TO

APPROVE THE CREATION OF CONTROLLED OR OWNED SUBSIDIARIES OR AFFILIATES BY

THE CORPORATION; TO APPROVE EXECUTIVE COMPENSATION AND BENEFITS; TO APPROVE

ALL NEW WRITTEN POLICIES OF LCH.

FORM 990, PART VI, SECTION B, LINE 11:

THE FORM 990 IS REVIEWED BY EXPERIENCED AND QUALIFIED MEMBERS OF THE

FINANCE DIVISION TAX DEPARTMENT. PRIOR TO FILING, KEY SECTIONS OF THE FORM

ARE REVIEWED WITH EXPERIENCED AND QUALIFIED MEMBERS OF THE LAW DEPARTMENT.

THE ENTIRE RETURN IS ALSO REVIEWED WITH THE CFO, THE AUDIT COMMITTEE

CHAIRPERSON AND THE AUDIT COMMITTEE VICE CHAIRPERSON. UPON CONFIRMATION OF

SUCCESSFUL E-FILED FROM THE IRS, A COPY OF THE FINAL E-FILED RETURN WILL

BE MADE AVAILABLE TO APPROPRIATE MEMBERS OF THE GOVERNING BODY.

FORM 990, PART VI, SECTION B, LINE 12C:

LODI COMMUNITY HOSPITAL IS AN AFFILIATE OF THE CLEVELAND CLINIC FOUNDATION

("CCF"). IT IS SUBJECT TO THAT ORGANIZATION'S CONFLICT OF INTEREST ("COI")

POLICY.

CCF HAS ADOPTED A COI POLICY CONSISTENT WITH THE MODEL IRS COI POLICY. IT

APPLIES TO DIRECTORS, OFFICERS AND TRUSTEES OF CCF AND ALL ITS AFFILIATES,

BOTH EXEMPT AND TAXABLE. UNDER THE BOARD OF DIRECTORS POLICIES AND

PROCEDURES FOR DEALING WITH CONFLICT OF INTEREST ISSUES (THE POLICY), A

DIRECTOR, OFFICER OR TRUSTEE WHO HAS A CONFLICT OF INTEREST WITH RESPECT TO

A PROPOSED CONTRACT, TRANSACTION, OR ARRANGEMENT MUST REFRAIN FROM VOTING

ON ANY MATTER RELATING TO THE CONTRACT, TRANSACTION, OR ARRANGEMENT. IN

ADDITION, THE DIRECTORS, OFFICERS AND TRUSTEES MUST ANNUALLY DISCLOSE ANY



Name of the organization

LODI COMMUNITY HOSPITAL

Employer identification number

34-0718390

INTERESTS AS DEFINED IN THE POLICY THAT MAY BE CONSIDERED A POTENTIAL

CONFLICT OF INTEREST. FAILURE TO TIMELY REPLY IS TO BE ADDRESSED BY THE

COMMITTEE UNDER THE POLICY. THE DIRECTORS, OFFICERS AND TRUSTEES HAVE A

CONTINUING OBLIGATION TO NOTIFY THE CHIEF GOVERNANCE OFFICER AT ANY TIME

DURING THE YEAR IF ANY OF THEIR DISCLOSURES CHANGE OR IF A NEW DISCLOSURE

IS REQUIRED UNDER THE POLICY. THE BOARD OF CONFLICT OF INTEREST COMMITTEE

(THE COMMITTEE) MEETS AT LEAST FOUR TIMES A YEAR AND REVIEWS THE

DISCLOSURES, ANY PROPOSED ARRANGEMENTS THAT MAY INVOLVE A POTENTIAL

CONFLICT OF INTEREST, AND DOCUMENTS ITS CONCLUSIONS. UNDER THE POLICY, THE

INTERESTED PERSONS MAY ATTEND A MEETING AT THE DISCRETION OF THE BOARD OF

DIRECTORS, OR THE COMMITTEE, TO PROVIDE INFORMATION OR ANSWER QUESTIONS,

BUT SUCH PERSONS MAY NOT BE PRESENT DURING FINAL CONSIDERATION OR VOTING ON

THE CONTRACT, TRANSACTION OR ARRANGEMENT.

FORM 990, PART VI, SECTION B, LINE 15:

THE REPORTING ORGANIZATION ITSELF DOES NOT DETERMINE THE COMPENSATION OF

ITS TOP MANAGEMENT OFFICIAL OR ITS KEY EMPLOYEES. THE COMPENSATION OF SUCH

PERSONS IS DETERMINED BY ITS PARENT ORGANIZATION, AKRON GENERAL HEALTH

SYSTEM (AGHS), AN ORGANIZATION EXEMPT FROM FEDERAL INCOME TAX UNDER

INTERNAL REVENUE CODE (IRC) SECTION 501(C)(3). IN ACCORDANCE WITH AGHS'S

EXECUTIVE COMPENSATION POLICY, THE PROCESS FOR DETERMINING THE COMPENSATION

OF THE REPORTING ORGANIZATION'S TOP MANAGEMENT PERSONNEL IS MODELED AFTER

THE REQUIREMENTS FOUND IN INTERNAL REVENUE CODE SECTION 4958 FOR

ESTABLISHING THE PRESUMPTION OF REASONABLE COMPENSATION. THE PROCESS CALLS

FOR RECOMMENDATIONS - DEVELOPED BY AN INDEPENDENT COMPENSATION CONSULTANT,

BASED ON COMPARABLE MARKET DATA FROM PUBLISHED SURVEYS AND THE FORMS 990 OF

COMPARABLE ORGANIZATIONS - THAT ARE WITHIN THE RANGE OF THE TOTAL

COMPENSATION AND BENEFITS OF SIMILARLY SITUATED PERSONS AT SIMILARLY

Name of the organization

LODI COMMUNITY HOSPITAL

Employer identification number

34-0718390

SITUATED ORGANIZATIONS. THESE RECOMMENDATIONS ARE REVIEWED BY THE  
 COMPENSATION COMMITTEE OF AGHS'S BOARD OF DIRECTORS. THE COMPENSATION  
 COMMITTEE IS COMPRISED OF INDEPENDENT PERSONS AND THE DELIBERATIONS ARE  
 DOCUMENTED, CONTEMPORANEOUSLY, IN THE COMMITTEE'S MINUTES. WITH THE  
 EXCEPTION OF AGHS'S CEO, THE COMPENSATION FOR THE REPORTING ORGANIZATION'S  
 TOP MANAGEMENT - AS WELL AS ALL PERSONS LISTED IN PART VII AND SCHEDULE J  
 WHO WERE COMPENSATED BY RELATED ORGANIZATIONS - WAS REVIEWED FOR  
 REASONABLENESS USING THIS PROCESS IN 2014. THE COMPENSATION COMMITTEE AND  
 BOARD LEADERSHIP, REQUESTED THAT EXECUTIVE COMPENSATION REVIEW BE DEFERRED  
 UNTIL 2016, AND THEREFORE, NO ADJUSTMENTS TO COMPENSATION WERE MADE IN  
 2015.

DURING 2014, AGHS'S CEO'S CONTRACT WAS PREPARED FOR RENEWAL USING THE  
 PROCESS DESCRIBED ABOVE. IN JANUARY 2015, THE BOARD APPROVED THE  
 RECOMMENDATION OF THE COMPENSATION COMMITTEE AND EXECUTED A NEW THREE-YEAR  
 AGREEMENT WITH THE CEO.

FORM 990, PART VI, SECTION C, LINE 19:

THE REPORTING ORGANIZATION IS A MEMBER OF THE CLEVELAND CLINIC (CCF). CCF  
 MAKES CERTAIN OF ITS KEY DOCUMENTS AVAILABLE TO THE PUBLIC ON ITS WEBSITE,  
 WWW.CLEVELANDCLINIC.ORG, UNDER THE "ABOUT CLEVELAND CLINIC" SECTION. IN  
 THIS SECTION, THE FINANCIAL STATEMENTS, ANNUAL REPORT, COMMUNITY BENEFIT  
 REPORT, CCF'S CONFLICT OF INTEREST POLICY, AND CORPORATE COMPLIANCE  
 POLICIES ARE AVAILABLE.

FORM 990, PART IX, LINE 11G, OTHER FEES:

PHYSICIAN PROFESSIONAL FEES:

PROGRAM SERVICE EXPENSES

646,343.

Name of the organization

LODI COMMUNITY HOSPITAL

Employer identification number  
34-0718390

MANAGEMENT AND GENERAL EXPENSES	2,500.
---------------------------------	--------

FUNDRAISING EXPENSES	0.
----------------------	----

TOTAL EXPENSES	648,843.
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## CLINICAL PROFESSIONAL FEES:

PROGRAM SERVICE EXPENSES	833,969.
--------------------------	----------

MANAGEMENT AND GENERAL EXPENSES	0.
---------------------------------	----

FUNDRAISING EXPENSES	0.
----------------------	----

TOTAL EXPENSES	833,969.
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## BILLING &amp; COLLECTION FEES:

PROGRAM SERVICE EXPENSES	42,535.
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MANAGEMENT AND GENERAL EXPENSES	31,228.
---------------------------------	---------

FUNDRAISING EXPENSES	0.
----------------------	----

TOTAL EXPENSES	73,763.
----------------	---------

## LICENSES &amp; REGISTRATION:

PROGRAM SERVICE EXPENSES	39,312.
--------------------------	---------

MANAGEMENT AND GENERAL EXPENSES	48,074.
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FUNDRAISING EXPENSES	0.
----------------------	----

TOTAL EXPENSES	87,386.
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## OTHER PURCHASED SERVICES:

PROGRAM SERVICE EXPENSES	29,729.
--------------------------	---------

MANAGEMENT AND GENERAL EXPENSES	126,551.
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FUNDRAISING EXPENSES	0.
----------------------	----

TOTAL EXPENSES	156,280.
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Name of the organization

LODI COMMUNITY HOSPITAL

Employer identification number

34-0718390

## COURIER:

PROGRAM SERVICE EXPENSES	66.
--------------------------	-----

MANAGEMENT AND GENERAL EXPENSES	52,808.
---------------------------------	---------

FUNDRAISING EXPENSES	0.
----------------------	----

TOTAL EXPENSES	52,874.
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## TRANSCRIPTION:

PROGRAM SERVICE EXPENSES	38,248.
--------------------------	---------

MANAGEMENT AND GENERAL EXPENSES	0.
---------------------------------	----

FUNDRAISING EXPENSES	0.
----------------------	----

TOTAL EXPENSES	38,248.
----------------	---------

## RECRUITING:

PROGRAM SERVICE EXPENSES	0.
--------------------------	----

MANAGEMENT AND GENERAL EXPENSES	24,000.
---------------------------------	---------

FUNDRAISING EXPENSES	0.
----------------------	----

TOTAL EXPENSES	24,000.
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## MISCELLANEOUS:

PROGRAM SERVICE EXPENSES	199,183.
--------------------------	----------

MANAGEMENT AND GENERAL EXPENSES	35,944.
---------------------------------	---------

FUNDRAISING EXPENSES	0.
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TOTAL EXPENSES	235,127.
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TOTAL OTHER FEES ON FORM 990, PART IX, LINE 11G, COL A	2,150,490.
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## FORM 990, PART XI, LINE 9, CHANGES IN NET ASSETS:

CHANGE IN INTEREST IN FOUNDATION NET ASSETS	-28,759.
---	----------

GRANT FUNDING FOR CAPITAL	9,817.
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Name of the organization

LODI COMMUNITY HOSPITAL

Employer identification number

34-0718390

TRANSFER TO/FROM AFFILIATES

-2,302,690.

TOTAL TO FORM 990, PART XI, LINE 9

-2,321,632.

FORM 990, PART XII, LINE 2C:

LODI COMMUNITY HOSPITAL IS A SUBSIDIARY OF THE AKRON GENERAL HEALTH  
SYSTEM.

ON NOVEMBER 1, 2015, THE CLEVELAND CLINIC FOUNDATION BECAME THE SOLE

MEMBER OF AKRON GENERAL HEALTH SYSTEM. AKRON GENERAL HEALTH SYSTEM,

AND ITS SUBSIDIARIES, WERE INCLUDED IN THE CLEVELAND CLINIC

FOUNDATION'S AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER

31ST, 2015. CONSEQUENTLY, THE OVERSIGHT PROCESS FOR THE AUDITED

FINANCIAL STATEMENTS WAS CONDUCTED BY THE CLEVELAND CLINIC FOUNDATION.

**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.

► Information about Schedule R (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

Name of the organization

LODI COMMUNITY HOSPITAL

**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

**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 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))
AKRON GENERAL HEALTH SYSTEM - 34-1546466 1 AKRON GENERAL AVENUE AKRON, OH 44307	SUPPORTING ORGANIZATION	OHIO	IRC 501(C)(3)	11C, FI
AKRON GENERAL PARTNERS, INC. - 20-1801493 1 AKRON GENERAL AVENUE AKRON, OH 44307	SUPPORTING ORGANIZATION	OHIO	IRC 501(C)(3)	11A
AKRON GENERAL FOUNDATION - 34-1127047 1 AKRON GENERAL AVENUE AKRON, OH 44307	FUNDRAISING	OHIO	IRC 501(C)(3)	7
AKRON GENERAL MEDICAL CENTER - 34-0714478 1 AKRON GENERAL AVENUE AKRON, OH 44307	HOSPITAL	OHIO	IRC 501(C)(3)	3

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

**Part II** Continuation of Identification of Related Tax-Exempt Organizations[illegible]



[illegible]

**Part IV** Identification of Related Organizations Taxable as a Corporation or Trust Complete if the organization answered "Yes" on Form 990, Part IV, line 1. If the organization answered "No" on Form 990, Part IV, line 1, do not complete this section.

[illegible]

**Part V** Transactions With Related Organizations Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35b, or 36.**Note.** Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule.**1** During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?**a** Receipt of (i) interest, (ii) annuities, (iii) royalties, or (iv) rent from a controlled entity**b** Gift, grant, or capital contribution to related organization(s)**c** Gift, grant, or capital contribution from related organization(s)**d** Loans or loan guarantees to or for related organization(s)**e** Loans or loan guarantees by related organization(s)**f** Dividends from related organization(s)**g** Sale of assets to related organization(s)**h** Purchase of assets from related organization(s)**i** Exchange of assets with related organization(s)**j** Lease of facilities, equipment, or other assets to related organization(s)**k** Lease of facilities, equipment, or other assets from related organization(s)**l** Performance of services or membership or fundraising solicitations for related organization(s)**m** Performance of services or membership or fundraising solicitations by related organization(s)**n** Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)**o** Sharing of paid employees with related organization(s)**p** Reimbursement paid to related organization(s) for expenses**q** Reimbursement paid by related organization(s) for expenses**r** Other transfer of cash or property to related organization(s)**s** Other transfer of cash or property from related organization(s)**2** If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transac

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	Method of c
(1) AKRON GENERAL MEDICAL CENTER	S	91,188.	COST
(2) AKRON GENERAL MEDICAL CENTER	R	326,317.	COST
(3) AKRON GENERAL MEDICAL CENTER	Q	677,911.	COST
(4) PARTNERS PHYSICIAN GROUP	Q	54,729.	COST
(5) AKRON GENERAL PARTNERS INC.	R	163,216.	COST
(6) AKRON GENERAL PARTNERS INC.	Q	177,829.	COST

**Part V** Continuation of Transactions With Related Organizations (Schedule R (Form 990), Part V, line 2)

(a) Name of other organization	(b) Transaction type (a-r)	(c) Amount involved	Me
(7) AKRON GENERAL FOUNDATION	C	85,943.	COST
(8) AKRON GENERAL FOUNDATION	Q	73,464.	COST
(9)			
(10)			
(11)			
(12)			
(13)			
(14)			
(15)			
(16)			
(17)			
(18)			
(19)			
(20)			
(21)			
(22)			
(23)			
(24)			

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

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

[illegible]

Schedule R (Form 990) 2015		BODI	
<b>Part VII</b>	<b>Supplemental Information</b>		

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

[illegible]

CONSOLIDATED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

The Cleveland Clinic Foundation  
d.b.a. Cleveland Clinic Health System  
Years Ended December 31, 2015 and 2014  
With Report of Independent Auditors

Ernst & Young LLP



**Cleveland Clinic Health System**  
**Consolidated Financial Statements**  
**and Supplementary Information**  
**Years Ended December 31, 2015 and 2014**

**Contents**

Report of Independent Auditors.....	1
Consolidated Financial Statements	
Consolidated Balance Sheets .....	2
Consolidated Statements of Operations and Changes in Net Assets .....	4
Consolidated Statements of Cash Flows.....	6
Notes to Consolidated Financial Statements.....	7
Supplementary Information	
Report of Independent Auditors on Supplementary Information .....	61
Consolidating Balance Sheets.....	62
Consolidating Statements of Operations and Changes in Net Assets.....	66
Consolidating Statements of Cash Flows .....	69
Note to Consolidating Financial Statements.....	71





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## Report of Independent Auditors

The Board of Directors  
The Cleveland Clinic Foundation

We have audited the accompanying consolidated financial statements of The Cleveland Clinic Foundation and controlled affiliates, d.b.a. Cleveland Clinic Health System, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Cleveland Clinic Foundation and controlled affiliates, d.b.a. Cleveland Clinic Health System, at December 31, 2015 and 2014, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

*Ernst & Young LLP*

March 31, 2016

# Cleveland Clinic Health System

## Consolidated Balance Sheets (In Thousands)

	December 31	
	2015	2014
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 249,580	\$ 70,322
Patient receivables, net of allowances for uncollectible accounts of \$213,516 in 2015 and \$211,391 in 2014	950,304	819,074
Investments for current use	53,852	144,838
Other current assets	408,139	332,075
Total current assets	1,661,875	1,366,309
Investments:		
Long-term investments	6,184,378	5,950,076
Funds held by trustees	125,723	119,388
Assets held for self-insurance	93,662	106,317
Donor-restricted assets	565,161	474,227
	6,968,924	6,650,008
Property, plant, and equipment, net	4,388,667	3,599,607
Other assets:		
Pledges receivable, net	141,468	161,757
Trusts and interests in foundations	86,741	122,498
Other noncurrent assets	376,938	367,381
	605,147	651,636
Total assets	<u>\$ 13,624,613</u>	<u>\$ 12,267,560</u>

	December 31	
	2015	2014
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 412,559	\$ 335,475
Compensation and amounts withheld from payroll	295,668	238,938
Current portion of long-term debt	95,694	55,778
Variable rate debt classified as current	520,960	386,875
Other current liabilities	467,042	434,815
Total current liabilities	1,791,923	1,451,881
Long-term debt:		
Hospital revenue bonds	2,748,950	2,798,062
Notes payable and capital leases	466,020	175,548
	3,214,970	2,973,610
Other liabilities:		
Professional and general liability insurance reserves	139,617	143,240
Accrued retirement benefits	490,753	452,897
Other noncurrent liabilities	478,352	443,437
	1,108,722	1,039,574
Total liabilities	6,115,615	5,465,065
Net assets:		
Unrestricted	6,627,406	5,998,053
Temporarily restricted	586,276	519,730
Permanently restricted	295,316	284,712
Total net assets	7,508,998	6,802,495
Total liabilities and net assets	<u>\$ 13,624,613</u>	<u>\$ 12,267,560</u>

*See accompanying notes.*

# Cleveland Clinic Health System

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

### Operations

	Year Ended December 31	
	2015	2014
<b>Unrestricted revenues</b>		
Net patient service revenue	\$ 6,712,483	\$ 6,428,938
Provision for uncollectible accounts	(231,304)	(358,821)
Net patient service revenue less provision for uncollectible accounts	6,481,179	6,070,117
Other	675,793	617,262
Total unrestricted revenues	7,156,972	6,687,379
<b>Expenses</b>		
Salaries, wages, and benefits	3,799,214	3,635,964
Supplies	664,846	627,535
Pharmaceuticals	701,236	558,984
Purchased services and other fees	398,378	382,549
Administrative services	175,834	167,587
Facilities	300,652	281,898
Insurance	62,067	66,943
	6,102,227	5,721,460
Operating income before interest, depreciation, and amortization expenses	1,054,745	965,919
Interest	124,141	110,393
Depreciation and amortization	409,453	387,983
Operating income before special charges	521,151	467,543
Special charges – Lakewood Hospital	40,927	—
Operating income	480,224	467,543
<b>Nonoperating gains and losses</b>		
Investment return	(56,328)	316,217
Derivative losses	(25,010)	(79,786)
Gain on remeasurement of Akron General equity investment	38,777	—
Akron General member substitution contribution	242,822	—
Goodwill impairment loss	(63,060)	—
Other, net	793	(352)
Net nonoperating gains	137,994	236,079
Excess of revenues over expenses	618,218	703,622

(continued on next page)

## Changes in Net Assets

	Net Assets			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balances at January 1, 2014	\$ 5,478,927	\$ 461,110	\$ 268,369	\$ 6,208,406
Excess of revenues over expenses	703,622	—	—	703,622
Donated capital and assets released from restrictions for capital purposes	5,894	(5,824)	—	70
Gifts and bequests	—	83,935	12,152	96,087
Transfer of net assets	(708)	(292)	1,000	—
Net investment income	—	18,079	—	18,079
Net assets released from restrictions used for operations included in other unrestricted revenues	—	(36,190)	—	(36,190)
Retirement benefits adjustment	(193,150)	—	—	(193,150)
Change in interests in foundations	—	(1,088)	955	(133)
Change in value of perpetual trusts	—	—	2,236	2,236
Net change in unrealized gains on nontrading investments	3,163	—	—	3,163
Other	305	—	—	305
Increase in net assets	519,126	58,620	16,343	594,089
Balances at December 31, 2014	5,998,053	519,730	284,712	6,802,495
Excess of revenues over expenses	618,218	—	—	618,218
Donated capital and assets released from restrictions for capital purposes	5,806	(5,760)	—	46
Gifts and bequests	—	107,982	24,639	132,621
Transfer of net assets	653	(653)	—	—
Net investment loss	—	(732)	—	(732)
Net assets released from restrictions used for operations included in other unrestricted revenues	—	(44,493)	—	(44,493)
Retirement benefits adjustment	21,747	—	—	21,747
Change in interests in foundations	—	(17,351)	(17,480)	(34,831)
Change in value of perpetual trusts	—	—	(676)	(676)
Net change in unrealized gains on nontrading investments	(4,947)	—	—	(4,947)
Akron General member substitution contribution	—	27,553	4,121	31,674
Other	(12,124)	—	—	(12,124)
Increase in net assets	629,353	66,546	10,604	706,503
Balances at December 31, 2015	<u>\$ 6,627,406</u>	<u>\$ 586,276</u>	<u>\$ 295,316</u>	<u>\$ 7,508,998</u>

See accompanying notes.

# Cleveland Clinic Health System

## Consolidated Statements of Cash Flows (In Thousands)

	Year Ended December 31	
	2015	2014
<b>Operating activities and net nonoperating gains and losses</b>		
Increase in net assets	\$ 706,503	\$ 594,089
Adjustments to reconcile increase in net assets to net cash provided by operating activities and net nonoperating gains and losses:		
Loss on extinguishment of debt	209	-
Retirement benefits adjustment	(21,747)	193,150
Net realized and unrealized losses (gains) on investments	97,816	(296,905)
Depreciation and amortization	418,890	387,983
Provision for uncollectible accounts	231,304	358,821
Gain on change in terms of long-term lease	(6,856)	-
Donated capital	(46)	(70)
Restricted gifts, bequests, investment income, and other	(96,382)	(116,269)
Accreted interest and amortization of bond premiums	(2,552)	(2,533)
Net (gain) loss in value of derivatives	(558)	53,993
Goodwill impairment loss	63,060	-
Gain on remeasurement of Akron General equity investment	(38,777)	-
Akron General member substitution contribution	(274,496)	-
Changes in operating assets and liabilities:		
Patient receivables	(299,939)	(398,219)
Other current assets	(48,770)	(38,214)
Other noncurrent assets	(77,581)	(42,035)
Accounts payable and other current liabilities	35,818	53,878
Other liabilities	(3,495)	(17,516)
Net cash provided by operating activities and net nonoperating gains and losses	682,401	730,153
<b>Financing activities</b>		
Proceeds from long-term borrowings	375,000	400,000
Principal payments on long-term debt	(71,073)	(55,356)
Debt issuance costs	(89)	(5,471)
Change in pledges receivable, trusts, and interests in foundations	63,560	(29,326)
Restricted gifts, bequests, investment income, and other	96,382	116,269
Net cash provided by financing activities	463,780	426,116
<b>Investing activities</b>		
Expenditures for property and equipment	(453,536)	(440,642)
Proceeds from sale of property and equipment	1,170	341
Investment in Akron General	-	(10,000)
Cash acquired through member substitution	15,367	-
Acquisition of business, net of cash acquired	(420,144)	-
Net change in cash equivalents reported in long-term investments	305,575	(409,139)
Purchases of investments	(2,828,674)	(1,822,328)
Sales of investments	2,413,319	1,524,921
Net cash used in investing activities	(966,923)	(1,156,847)
Increase (decrease) in cash and cash equivalents	179,258	(578)
Cash and cash equivalents at beginning of year	70,322	70,900
Cash and cash equivalents at end of year	\$ 249,580	\$ 70,322
<b>Supplemental disclosure of noncash activity</b>		
Assets acquired through notes payable and capital leases	\$ 17,333	\$ 103,418

See accompanying notes.

# Cleveland Clinic Health System

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

### 1. Organization and Consolidation

The Cleveland Clinic Foundation (Foundation) is a nonprofit, tax-exempt, Ohio corporation organized and operated to provide medical and hospital care, medical research, and education. The accompanying consolidated financial statements include the accounts of the Foundation and its controlled affiliates, d.b.a. Cleveland Clinic Health System (System).

The System is the leading provider of healthcare services in northeast Ohio. As of December 31, 2015, the System operates fourteen hospitals with approximately 4,000 staffed beds. Thirteen of the hospitals are operated in the Northeast Ohio area, anchored by the Foundation. The System operates twenty-one outpatient Family Health Centers, ten ambulatory surgery centers, as well as numerous physician offices, which are located throughout a seven-county area of northeast Ohio, and specialized cancer centers in Sandusky and Mansfield, Ohio. In addition, the System operates a hospital and a clinic in Weston, Florida, health and wellness centers in West Palm Beach, Florida and Toronto, Canada, and a specialized neurological clinical center in Las Vegas, Nevada (Keep Memory Alive). Pursuant to agreements, the System also provides management services for Ashtabula County Medical Center, located in Ashtabula, Ohio, with approximately 180 staffed beds, Cleveland Clinic Abu Dhabi, a multispecialty hospital offering critical and acute care services that is part of Mubadala Development Company's network of healthcare facilities located in Abu Dhabi, United Arab Emirates with approximately 364 staffed beds, and in cooperation with Abu Dhabi Health Services Company, the Sheikh Khalifa Medical City, a network of healthcare facilities in Abu Dhabi, United Arab Emirates with approximately 711 staffed beds.

In November 2015, the Foundation became the sole member of Akron General Health System (Akron General), an integrated healthcare delivery system with a 532-bed flagship medical center located in Akron, Ohio. In addition to the flagship medical center, Akron General also includes Lodi Community Hospital, Edwin Shaw Rehabilitation Institute, a rehabilitation hospital that provides inpatient and outpatient services, three health and wellness centers, Visiting Nurse Services and affiliates, a physician group practice and other outpatient locations. The System previously had a 35% special membership interest in Akron General pursuant to an affiliation agreement that was effective in September 2014 that was accounted for under the equity method of accounting.

All significant intercompany balances and transactions have been eliminated in consolidation.



## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### 2. Business Combinations

Effective November 1, 2015, the Foundation became the sole member of Akron General through a non-cash business combination transaction. The business combination was recorded under the acquisition method of accounting. Prior to November 1, 2015, the Foundation was a minority member in Akron General with limited reserve powers pursuant to an affiliation agreement that was effective in September 2014. The affiliation agreement provided for a \$100 million capital investment, comprised of \$10 million cash and \$90 million note payable, in Akron General in exchange for a 35% special membership interest.

The Foundation's investment in Akron General was \$147.8 million and \$103.5 million at October 31, 2015 and December 31, 2014, respectively, which amounts were recorded under the equity method of accounting and included in other noncurrent assets in the consolidated balance sheets. The Foundation recorded \$5.5 million and \$3.5 million in equity earnings in 2015 and 2014, respectively, prior to the business combination transaction. Equity earnings on the Foundation's investment in Akron General are recorded in other unrestricted revenues in the consolidated statements of operations and changes in net assets.

On October 31, 2015, immediately prior to the business combination transaction, the investment in Akron General was remeasured to fair value using a combination of techniques consistent with the income and market approaches. As a result of this remeasurement, the System recorded a \$38.8 million gain on remeasurement of the 35% equity investment, which is reported in nonoperating gains and losses in the consolidated statement of operations and changes in net assets for the year ended December 31, 2015. The Foundation's investment in Akron General of \$147.8 million was derecognized on November 1, 2015 in conjunction with the accounting for the business combination transaction.

The fair value of Akron General's net assets as of November 1, 2015 by major type is as follows (in thousands):

Net working capital	\$ 29,869
Intangible assets	32,280
Property and equipment	330,176
Investments	215,966
Other assets	92,106
Noncurrent liabilities assumed	(278,096)
Subtotal	422,301
Less October 31, 2015 investment in Akron General	(147,805)
Fair value of net assets	<u>\$ 274,496</u>

## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### 2. Business Combinations (continued)

The fair value of net assets of \$274.5 million in the preceding table was recognized in the consolidated statement of operations and changes in net assets for the year ended December 31, 2015 as a nonoperating member substitution contribution of \$242.8 million, contributions of temporarily restricted net assets of \$27.6 million and contributions of permanently restricted net assets of \$4.1 million.

The results of operations for Akron General are included in the consolidated statements of operations and changes in net assets beginning on November 1, 2015. For the two months ended December 31, 2015, Akron General had total unrestricted revenues of \$121.8 million, operating income of \$5.9 million and an excess of revenues over expenses of \$4.1 million. Additionally, for the two months ended December 31, 2015, Akron General recognized an increase in unrestricted net assets of \$1.1 million, including excess of revenues over expenses of \$4.1 million, and a decrease in temporarily and permanently restricted net assets of \$1.0 million.

On October 13, 2015, the Foundation through its subsidiary purchased all of the share capital of 33 Grosvenor Place Limited (Grosvenor Place) for approximately \$424.8 million, including net working capital. Grosvenor Place is a limited liability company existing under Luxembourg law and a private company incorporated under Jersey law that has a long-term leasehold interest in a six-story 198,000 square-foot building in London, England. Grosvenor Place currently leases office space to various tenants. The Foundation has established a plan to convert the building to a healthcare facility upon receiving the necessary approvals from local authorities. The business combination was recorded under the acquisition method of accounting. Purchase price amounts have been assigned to assets acquired and liabilities assumed based on their respective fair values. The excess of the purchase price over the fair value of acquired net assets has been recorded as goodwill.

The fair value of Grosvenor Place's net assets as of October 13, 2015 by major type is as follows (in thousands):

Net working capital	\$ 2,833
Goodwill	63,060
Property	358,875
Fair value of net assets	<u>\$ 424,768</u>

# Cleveland Clinic Health System

## Notes to Consolidated Financial Statements (continued)

### 2. Business Combinations (continued)

The results of operations for Grosvenor Place are included in the consolidated statements of operations and changes in net assets beginning on October 13, 2015. From October 13, 2015 through December 31, 2015, Grosvenor Place had total unrestricted revenues of \$3.9 million, operating income of \$0.1 million and a deficiency of revenues over expenses of \$63.0 million. The operations of Grosvenor Place had no impact on temporarily and permanently restricted net assets.

The following unaudited pro forma financial information presents the combined results of operations and changes in net assets of the System, Akron General and Grosvenor Place for the years ended December 31, 2015 and 2014, as though the business combination transactions had occurred on January 1, 2014. This pro forma financial information is not necessarily indicative of the results of operations and changes in net assets that would have occurred had the System, Akron General and Grosvenor Place constituted a single entity during those periods, nor is it necessarily indicative of future operating results and changes in net assets.

	<b>Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Total unrestricted revenues	\$ 7,734,115	\$ 7,333,965
Total unrestricted expenses	7,242,571	6,851,159
Operating income	491,544	482,806
Nonoperating gains and losses	(80,814)	455,535
Excess of revenues over expenses	410,730	938,341
Increase in unrestricted net assets	426,459	730,145
Increase in temporarily restricted net assets	38,922	86,897
Increase in permanently restricted net assets	6,547	20,457

The pro forma financial information in the table above includes certain adjustments attributable to the Akron General and Grosvenor Place business combination transactions. The nonoperating gains and losses, excess of revenues over expenses and the increase in unrestricted net assets for the year ended December 31, 2015 in the table above excludes the gain on remeasurement, unrestricted member substitution contribution and impairment loss of \$38.8 million, \$242.8 million and \$63.1 million, respectively, that were reflected in the consolidated statement of operations and changes in net assets for the year ended December 31, 2015. The preceding amounts are included in the table above for the year ended December 31, 2014 as if the business

## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### 2. Business Combinations (continued)

combinations occurred on January 1, 2014. In addition, the increases in temporarily restricted net assets and permanently restricted net assets for the year ended December 31, 2015 in the table above exclude the member substitution contributions of \$27.6 million and \$4.1 million, respectively, that were reflected in the consolidated statement of operations and changes in net assets for the year ended December 31, 2015. The preceding amounts are included in the table above for the year ended December 31, 2014 as if the business combinations occurred on January 1, 2014.

#### 3. Accounting Policies

##### Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance, and requires significantly expanded disclosures about revenue recognition. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance is effective for the System as of January 1, 2018. The System is currently evaluating the impact on the consolidated financial statements and the options of adopting using either a full retrospective or a modified approach.

In April 2015, the FASB issued ASU 2015-03, *Imputation of Interest, Simplifying the Presentation of Debt Issuance Costs*. This ASU requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability, consistent with the presentation of a debt discount. This amends current guidance that requires debt issuance costs to be presented as assets on the balance sheet. ASU 2015-03 is effective for the System for reporting periods beginning after December 15, 2015 with early adoption permitted. Upon adoption, the System is required to apply the new guidance retrospectively to all periods presented in the consolidated financial statements. The System has \$23.2 million and \$24.1 million of debt issuance costs at December 31, 2015 and 2014, respectively, which would be reclassified under the new guidance. The System will adopt the provisions of ASU 2015-03 upon the effective date.

## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### 3. Accounting Policies (continued)

In May 2015, the FASB issued ASU 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. This ASU eliminates the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share as a practical expedient. Disclosures about investments in certain entities that calculate net asset value per share are limited under ASU 2015-07 to those investments for which the entity has elected to estimate the fair value using the net asset value practical expedient. The System has commingled equity, fixed-income and commodity investment funds that are valued using net asset value per share as a practical expedient. The guidance is effective for fiscal years beginning after December 15, 2015 and early adoption is permitted. The System early adopted the provisions of ASU 2015-07 for the year ended December 31, 2015 and retrospectively adjusted all periods presented in the consolidated financial statements. As a result of the adoption, commingled investment funds that are valued using net asset value as a practical expedient are no longer reported in the table measuring financial instruments at fair value on a recurring basis in Note 8, *Fair Value Measurements*, and Note 15, *Pensions and Other Postretirement Benefits*. The adoption of ASU 2015-07 had no impact on previously reported excess of revenues over expenses or net assets.

In February 2016, the FASB issued ASU 2016-02, *Leases*. This ASU requires lessees to recognize assets and liabilities on the balance sheet for leases with lease terms greater than twelve months. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. This amends current guidance that requires only capital leases to be recognized on the lessee balance sheet. ASU 2016-02 will also require additional disclosures on the amount, timing and uncertainty of cash flows arising from leases. The guidance is effective for the System for reporting periods beginning after December 15, 2018 with early adoption permitted. The System is currently evaluating the impact that ASU 2016-02 will have on its consolidated financial statements and will adopt the provisions upon the effective date.

#### Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States 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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### 3. Accounting Policies (continued)

##### Net Patient Service Revenue and Patient Receivables

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others, including retroactive adjustments under payment agreements with third-party payors. The System has agreements with third-party payors that generally provide for payments to the System at amounts different from its established rates. For uninsured patients who do not qualify for charity care, the System recognizes revenue based on established rates, subject to certain discounts as determined by the System. An estimated provision for uncollectible accounts is recorded that results in net patient service revenue being reported at the net amount expected to be received. The System has determined, based on an assessment at the consolidated entity level, that patient service revenue is primarily recorded prior to assessing the patient's ability to pay and as such, the entire provision for uncollectible accounts related to patient service revenue is recorded as a deduction from patient service revenue.

The System is paid a prospectively determined rate for the majority of inpatient acute care and outpatient, skilled nursing, and rehabilitation services provided (principally Medicare, Medicaid, and certain insurers). These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicare payments for capital are received on a prospective basis and on a cost reimbursement methodology for Medicaid. Payments are received on a prospective basis for the System's medical education costs, subject to certain limits. The System is paid for cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare Administrative Contractor. Provision for estimated retroactive adjustments, if any, resulting from regulatory matters or other adjustments under payment agreements are estimated in the period the related services are provided. The System recorded an increase in net patient service revenue of \$24.0 million and \$1.4 million in 2015 and 2014, respectively, related to changes in estimates.

In 2014, the Provider Reimbursement Review Board provided a favorable decision to the System regarding the graduate medical education program for Weston Hospital. The decision requires the Centers for Medicare and Medicaid Services (CMS) to reimburse Weston Hospital on its annual cost reports for graduate medical education under new program regulations, which includes all years since the hospital opened in 2001. As a result, the System recorded a change in estimate that resulted in an increase in net patient service revenue of \$3.2 million and \$29.4 million in 2015 and 2014, respectively.



## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### 3. Accounting Policies (continued)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation as well as significant regulatory action, and, in the normal course of business, the System is subject to contractual reviews and audits, including audits initiated by the Medicare Recovery Audit Contractor program. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term. The System believes it is in compliance with applicable laws and regulations governing the Medicare and Medicaid programs and that adequate provisions have been made for any adjustments that may result from final settlements.

As part of integration efforts involving Akron General and through review of contractual relationships between Akron General and an independent physician practice group, the System identified possible violations to the Federal Anti-Kickback Statute and Limitations on Certain Physician Referrals regulation (commonly referred to as the “Stark Law”), which may have resulted in false claims to federal and/or state health care programs and may result in liability under the False Claims Act. Akron General is communicating such possible violations to the appropriate government authorities.

There is a probable liability associated with the matter described above, which may put at risk federal reimbursements related to services provided to patients at Akron General by the practice group, and potential fines and penalties that could be assessed. It is not possible to estimate the amount of the liability at this time and therefore no amount has been recognized in the consolidated financial statements.

Patient receivables are reduced by an allowance for uncollectible accounts. The allowance for uncollectible accounts is based upon management’s assessment of historical and expected net collections considering historical business and economic conditions, trends in healthcare coverage, major payor sources 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. The results of this review are then used to make modifications to the provision for uncollectible accounts to establish an appropriate allowance for uncollectible receivables. After satisfaction of amounts due from insurance, the System follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by the System.

## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### 3. Accounting Policies (continued)

##### Electronic Health Record Incentive Program

CMS implemented provisions of the American Recovery and Reinvestment Act of 2009 that provide annual incentive payments for the meaningful use of certified electronic health record (EHR) technology. CMS has defined meaningful use as meeting certain objectives and clinical quality measures based on current and updated technology capabilities over predetermined reporting periods as established by CMS. The objectives and clinical quality measures are implemented in stages with increasing requirements for participation. The Medicare EHR incentive program provides annual incentive payments to eligible professionals and eligible hospitals, as defined, that are meaningful users of certified EHR technology. The Medicaid EHR incentive program provides annual incentive payments to eligible professionals and hospitals for efforts to adopt, implement, and meaningfully use certified EHR technology in the first year of participation and successfully demonstrating meaningful use of certified EHR technology in subsequent participation years. Incentive payments are subject to retrospective adjustments after the submission of the annual cost reports by the System and audits thereof by the Medicare administrative contractor.

The System utilizes a grant accounting model to recognize EHR incentive revenues. The System records EHR incentive revenue ratably throughout the incentive reporting period when it is reasonably assured that it will meet the meaningful use objectives for the required reporting period and that the grants will be received. Beginning in 2015, CMS updated the EHR incentive reporting period for all hospitals to be based on the calendar year. For the 2015 program year, CMS established the EHR reporting period for eligible professionals as any continuous 90-day period during the calendar year 2015 and for eligible hospitals as any continuous 90-day period between October 1, 2014 and December 31, 2015. Attestations for the 2015 program year were accepted by CMS beginning January 4, 2016 for both eligible professionals and eligible hospitals. The System believes that the hospitals that met meaningful use objectives for the 2014 federal fiscal year, and that are eligible for EHR incentive payments in the 2015 program year, will continue to meet these objectives for the 2015 program year. Therefore, for the year ended December 31, 2015, the System has accrued EHR revenues related to the EHR reporting period in 2015. In 2015, the System recorded EHR incentive revenues of \$7.0 million, comprised of \$5.7 million of Medicare revenues and \$1.3 million of Medicaid revenues. In 2014, the System recorded EHR incentive revenues of \$22.0 million, comprised of \$18.8 million of Medicare revenues and \$3.2 million of Medicaid revenues. EHR incentive revenues are included in other unrestricted revenues in the consolidated statements of operations and changes in net assets.



## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### **3. Accounting Policies (continued)**

##### **Charity Care**

The System provides care to patients who do not have the ability to pay and who qualify for charity care pursuant to established policies of the System. Charity care is defined as services for which patients have the obligation and willingness to pay but do not have the ability to do so. The System does not report charity care as net patient service revenue. The cost of charity care provided in 2015 and 2014 approximated \$65 million and \$101 million, respectively. The System estimated these costs by calculating a ratio of cost to gross charges and then multiplying that ratio by the gross uncompensated charges associated with providing care to charity patients. The decrease in charity care is primarily attributable to the increase in Medicaid patients due to the expansion of Medicaid eligibility in the State of Ohio and the resulting decrease in the number of charity patients.

The System participates in the Hospital Care Assurance Program (HCAP). Ohio created HCAP to financially support those hospitals that service a disproportionate share of low-income patients unable to pay for care. HCAP funds basic, medically necessary hospital services for patients whose family income is at or below the federal poverty level, which includes Medicaid patients and patients without health insurance. The System recorded HCAP revenues of \$9.3 million and \$9.1 million for the years ended December 31, 2015 and 2014, respectively, which are included in net patient service revenue.

##### **International Contract Revenue Recognition**

The System has management agreements with international organizations to provide advisory services for various healthcare ventures. The scope of these services ranges from managing current healthcare operations to managing the construction, training, organizational infrastructure, and operational management of future foreign healthcare entities. The fees are received in advance and recorded as deferred revenue until the services have been provided. The System has recorded deferred revenue related to international management agreements, included in other current liabilities, of \$15.0 million and \$7.5 million at December 31, 2015 and 2014, respectively. Revenue related to international management agreements for 2015 and 2014 was \$26.5 million and \$30.5 million, respectively, and is included in other unrestricted revenues.

## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### **3. Accounting Policies (continued)**

##### **Clinical and Innovation Agreements**

The System has various agreements with national and regional partners to provide advisory services that are designed to improve clinical quality, innovation, patient care, medical education and research at other healthcare organizations and educational institutions. Clinical agreements consist of consulting services that include support, expansion and development of integrated patient care strategies, medical education and research. Services related to innovation agreements include assisting partners in the commercial application of scientific and clinical innovation by creating new companies, mentoring inventors and licensing technology. The System recognizes revenues related to clinical and innovation agreements on a pro rata basis over the term of the agreements. The System recorded revenues related to clinical and innovation agreements of \$31.8 million and \$26.5 million in 2015 and 2014, respectively, which are included in other unrestricted revenues.

##### **Cash and Cash Equivalents**

The System considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. Cash equivalents are recorded at fair value in the consolidated balance sheets and exclude amounts included in long-term investments and investments for current use.

##### **Inventories**

Inventories (primarily supplies and pharmaceuticals) are stated at an average cost or the lower of cost (first-in, first-out method) or market and are recorded in other current assets.

##### **Property, Plant, and Equipment**

Property, plant, and equipment purchased by the System are recorded at cost. Donated property, plant, and equipment are recorded at fair value at the date of donation. Expenditures that substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are expensed as incurred. Depreciation, including amortization of capital leased assets, is computed by the straight-line method using the estimated useful lives of individual assets. Buildings and building components are assigned useful lives ranging from five years to forty years. Equipment is assigned a useful life ranging from three to twenty years. Interest cost incurred on borrowed funds during the period of construction of capital assets and interest

## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### **3. Accounting Policies (continued)**

income on unexpended project funds are capitalized as a component of the cost of acquiring those assets. The System records costs and legal obligations associated with long-lived asset retirements. Assets acquired through capital lease arrangements are excluded from the consolidated statements of cash flows.

#### **Impairment of Long-Lived Assets**

The System evaluates the recoverability of long-lived assets and the related estimated remaining lives when indicators of impairment are present. For purposes of impairment analysis, assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. The System records an impairment charge or changes the useful life if events or changes in circumstances indicate that the carrying amount may not be recoverable or the useful life has changed.

#### **Investments and Investment Income**

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value in the consolidated balance sheets. Investments, excluding alternative investments, are primarily classified as trading. Investment transactions are recorded on a settlement date basis. Realized gains and losses are determined using the average cost method.

Commingled investment funds are valued using, as a practical expedient, the net asset value as provided by the respective investment companies and partnerships. There are no significant redemption restrictions on the commingled investment funds.

Investments in alternative investments, which include hedge funds, private equity/venture funds and real estate funds, are primarily limited partnerships that invest in marketable securities, privately held securities, real estate, and derivative products and are reported using the equity method of accounting based on net asset value information provided by the respective partnership or third-party fund administrators. Investments held by the partnerships consist of marketable securities as well as securities that do not have readily determinable values. The values of the securities held by the limited partnerships that do not have readily determinable values are determined by the general partner and are based on historical cost, appraisals, or other valuation estimates that require varying degrees of judgment. There is inherent uncertainty in such valuations, and the estimated fair values may differ from the values

## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### 3. Accounting Policies (continued)

that would have been used had a ready market for the securities existed. Generally, the equity method investment balance of the System's holdings in alternative investments reflects net contributions to the partnerships and the System's share of realized and unrealized investment income and expenses. The investments may individually expose the System to securities lending, short sales, and trading in futures and forward contract options and other derivative products. The System's risk is limited to its carrying value. The financial statements of the limited partnerships are audited annually.

Alternative investments can be divested only at specified times in accordance with terms of the partnership agreements. Hedge fund redemptions typically contain restrictions that allow for a portion of the withdrawal proceeds to be held back from distribution while the underlying investments are liquidated. These redemptions are subject to lock-up provisions that are generally imposed upon initial investment in the fund. Private equity/venture funds and real estate funds are generally closed-end funds and have significant redemption restrictions that prohibit redemptions during the fund's life.

Investment return, including equity method income on alternative investments, is reported as nonoperating gains and losses, except for earnings on funds held by bond trustees and interest and dividends earned on assets held for self-insurance, which are included in other unrestricted revenues. Donor-restricted investment return on temporarily and permanently restricted investments is included in temporarily restricted net assets.

Certain of the System's assets and liabilities are exposed to various risks, such as interest rate, market, and credit risks.

#### Fair Value Measurements

Fair value measurements are defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Authoritative guidance provides an option to elect fair value as an alternative measurement for selected financial assets and liabilities not previously recorded at fair value. The System did not elect fair value accounting for any assets or liabilities that are not currently required to be measured at fair value.

## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### 3. Accounting Policies (continued)

The framework for measuring fair value is comprised of a three-level hierarchy based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

#### Goodwill and Other Intangibles

Goodwill has resulted from business combinations, primarily international business and physician practice acquisitions, and is based on the purchase price in excess of the fair values of assets acquired and liabilities assumed at the acquisition date. Annually, or when indicators of impairment exist, the System evaluates goodwill for impairment to determine whether there are events or circumstances that indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The System considers assets to be impaired and writes them down to fair value if the expected undiscounted cash flows are less than the carrying amounts.

Intangible assets other than goodwill are recorded at fair value in the period of acquisition. Intangible assets with finite lives, which consist primarily of patient medical records, non-compete agreements and leasehold interests, are amortized over their estimated useful lives, ranging from 1 to 8 years, with a weighted-average amortization period of approximately 3 years.

## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### 3. Accounting Policies (continued)

##### Derivatives and Hedging Activities

The System's derivative financial instruments consist of interest rate swaps (Note 13), which are recognized as assets or liabilities in the consolidated balance sheets at fair value.

The System accounts for changes in the fair value of derivative instruments depending on whether they are designated and qualified as part of a hedging relationship and further, on the type of hedging relationship. The System has not designated any derivative instruments as hedges. Accordingly, the changes in fair value of derivative instruments and the related cash payments are recorded in derivative losses in the consolidated statements of operations and changes in net assets.

##### Bond Financing Costs

Bond financing costs are amortized over the period the obligation is outstanding using the straight-line method, which approximates the interest method.

##### Contributions

Unconditional donor pledges to give cash, marketable securities, and other assets are reported at fair value at the date the pledge is made to the extent estimated to be collectible by the System. Conditional donor promises to give and indications of intentions to give are not recognized until the condition is satisfied. Pledges received with donor restrictions that limit the use of the donated assets are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are transferred to unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as other unrestricted revenues if the purpose relates to operations or reported as a change in unrestricted net assets if the purpose relates to capital.

No amounts have been reflected in the consolidated financial statements for donated services. The System pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the System with various programs.



## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### 3. Accounting Policies (continued)

##### Grants

Grant revenue is recognized in the period it is earned based on when the applicable project expenses are incurred and project milestones are achieved. Grant payments received in advance of related project expenses are deferred until the expenditure has been incurred and recorded as deferred revenue and included in other current liabilities. The System recorded research grant revenue, included in other unrestricted revenues, of \$176.5 million and \$179.8 million in 2015 and 2014, respectively.

##### Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are used to differentiate resources, the use of which is restricted by donors or grantors to a specific time period or purpose, from resources on which no restrictions have been placed or that arise from the general operations of the System. Temporarily restricted gifts and bequests are recorded as an addition to temporarily restricted net assets in the period received. Permanently restricted net assets consist of amounts held in perpetuity or for terms designated by donors, including the fair value of several perpetual trusts for which the System is an income beneficiary, or the beneficial interest in the fair value of underlying trust assets. Earnings on permanently restricted net assets are recorded as investment income in temporarily restricted net assets and subsequently used in accordance with the donor's designation. Temporarily and permanently restricted net assets are primarily restricted for research, education, and strategic capital projects.

In 2015, the System transferred \$0.2 million from unrestricted net assets to temporarily restricted net assets to maintain donor restricted endowment funds at the level required by donor stipulations or law. In 2014, the System returned \$0.3 million from temporarily restricted net assets to unrestricted net assets that had been transferred in prior years for the purpose of maintaining donor-restricted endowment funds at the level required by donor stipulations or law.

##### Excess of Revenues Over Expenses

The consolidated statements of operations and changes in net assets include excess of revenues over expenses. Changes in unrestricted net assets, which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments classified as nontrading, retirement benefits adjustments, contributions of long-lived assets (including assets acquired using grants or contributions that by donor restriction were to be used for the purpose of acquiring such assets), and transfers of net assets to maintain donor-restricted endowment funds at the level required by donor stipulations or law.

## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### 4. Net Patient Service Revenue and Patient Receivables

Net patient service revenue before the provision for uncollectible accounts by major payor source for the years ended December 31, 2015 and 2014, are as follows (in thousands):

	2015		2014	
Medicare	\$ 2,012,743	30%	\$ 1,885,973	29%
Medicaid	420,960	6	260,724	4
Managed care and commercial	3,983,065	60	3,943,338	62
Self-pay	295,715	4	338,903	5
	<u>\$ 6,712,483</u>	<u>100%</u>	<u>\$ 6,428,938</u>	<u>100%</u>

The System has experienced an increase in Medicaid revenue and a decrease in self-pay revenue resulting from expansion of Medicaid eligibility in the State of Ohio, which has increased enrollment in the Medicaid program and decreased the number of self-pay patients. The System records an estimated provision for uncollectible accounts in the year of service for patient receivables associated with self-pay patients, including patients with deductible and copayment balances for which third-party coverage provides for a portion of the services provided. The System's allowance for doubtful accounts was 18% and 21% of accounts receivable at December 31, 2015 and 2014, respectively. Write-offs on self-pay accounts receivable decreased \$125.9 million in 2015 compared to 2014. The System does not maintain a material allowance for uncollectible accounts for third-party payors.

The System's concentration of credit risk relating to patient receivables is limited due to the diversity of patients and payors. Patient receivables consist of amounts due from government programs, commercial insurance companies, other group insurance programs, and private pay patients. Patient receivables due from Medicare, Medicaid, and one commercial payor account for approximately 25%, 6%, and 24% at December 31, 2015, and 22%, 7%, and 23% at December 31, 2014, respectively, of the System's total patient receivables. Revenues from the Medicare and Medicaid programs and one commercial payor account for approximately 30%, 6%, and 17% for 2015, and 29%, 4%, and 17% for 2014, respectively, of the System's net patient service revenue. Excluding these payors, no one payor represents more than 10% of the System's patient receivables or net patient service revenue.



# Cleveland Clinic Health System

## Notes to Consolidated Financial Statements (continued)

### 5. Cash, Cash Equivalents, and Investments

The composition of cash, cash equivalents, and investments at December 31, 2015 and 2014, is as follows (in thousands):

	2015	2014
Cash and cash equivalents	\$ 562,406	\$ 661,610
Fixed income securities:		
U.S. treasuries	810,036	629,321
U.S. government agencies	22,158	20,416
U.S. corporate	147,703	172,947
U.S. government agencies asset-backed securities	18,519	21,582
Corporate asset-backed securities	7,295	8,802
Foreign	40,774	47,115
Fixed income mutual funds	172,996	53,235
Commingled fixed income funds	690,372	779,183
Common and preferred stocks:		
U.S.	418,135	611,748
Foreign	252,376	237,609
Equity mutual funds	262,774	238,320
Commingled equity funds	1,453,528	1,165,477
Commingled commodity funds	117,100	—
Alternative investments:		
Hedge funds	1,350,427	1,275,549
Private equity/venture funds	541,009	434,798
Real estate	404,748	357,456
Pending purchases of investments	—	150,000
Total cash, cash equivalents, and investments	<u>\$ 7,272,356</u>	<u>\$ 6,865,168</u>

Pending purchases of investments of \$150 million at December 31, 2014, were invested as \$50 million in commingled equity funds and \$100 million in hedge funds on January 1, 2015.

## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### 5. Cash, Cash Equivalents, and Investments (continued)

Investments are primarily maintained in a master trust fund administered using a bank as trustee. The management of the majority of the System's investments is conducted by numerous external investment management organizations that are monitored by management and an external third-party advisor. Of these investment managers, 20 managers focus on equity investments, 13 managers focus on fixed income investments, and 106 managers focus on alternative investments. The alternative investments have separate administrators and custodian arrangements. Alternative investments also include three holdings in which the System invests directly.

Total investment (loss) return is comprised of the following for the years ended December 31, 2015 and 2014 (in thousands):

	2015	2014
Other unrestricted revenues:		
Interest income and dividends	\$ 2,123	\$ 1,425
Nonoperating (losses) gains, net:		
Interest income and dividends	49,851	52,357
Net realized gains on sales of investments	156,710	150,550
Net change in unrealized (losses) gains on investments	(314,771)	24,850
Equity method income on alternative investments	69,600	104,540
Investment management fees	(17,718)	(16,080)
	<u>(56,328)</u>	<u>316,217</u>
Other changes in net assets:		
Net change in unrealized (losses) gains on nontrading investments	(4,947)	3,163
Investment (loss) income on restricted investments	(732)	18,079
Total investment (loss) return	<u>\$ (59,884)</u>	<u>\$ 338,884</u>

# Cleveland Clinic Health System

## Notes to Consolidated Financial Statements (continued)

### 6. Other Current Assets and Liabilities and Other Noncurrent Assets and Liabilities

Other current and noncurrent assets at December 31, 2015 and 2014, consist of the following (in thousands):

	2015	2014
Current:		
Inventories	\$ 125,536	\$ 110,873
Estimated amounts due from third-party payors	90,045	67,409
Prepaid expenses	54,211	35,531
Pledges receivable current ( <i>see Note 10</i> )	37,703	43,698
Research receivables	35,099	27,868
Other	65,545	46,696
Total other current assets	<u>\$ 408,139</u>	<u>\$ 332,075</u>
Noncurrent:		
Deferred compensation plan assets	\$ 136,012	\$ 140,239
Goodwill and other intangible assets	90,407	40,954
Investments in affiliates	33,868	132,755
Unamortized debt issuance costs	23,187	24,078
Note receivable	13,535	—
Other	79,929	29,355
Total other noncurrent assets	<u>\$ 376,938</u>	<u>\$ 367,381</u>

# Cleveland Clinic Health System

## Notes to Consolidated Financial Statements (continued)

### 6. Other Current Assets and Liabilities and Other Noncurrent Assets and Liabilities (continued)

Other current and noncurrent liabilities at December 31, 2015 and 2014 consist of the following (in thousands):

	2015	2014
Current:		
Research deferred revenue	\$ 73,639	\$ 67,186
Interest payable	61,314	56,534
Current portion of professional and general liability insurance reserves (see Note 14)	52,223	46,828
Estimated amounts due to third-party payors	48,639	66,522
State assessment liabilities	40,869	35,847
International contracts and other deferred revenue	40,432	31,174
Employee benefit related liabilities	38,452	37,700
Other	111,474	93,024
Total other current liabilities	<u>\$ 467,042</u>	<u>\$ 434,815</u>
Noncurrent:		
Employee benefit related liabilities	\$ 190,962	\$ 183,749
Interest rate swap liability (see Note 13)	159,333	152,395
Pledge liabilities	33,518	1,033
Estimated amounts due to third-party payors	16,284	16,677
Gift annuity liabilities	10,480	10,811
Accrued income tax liabilities (see Note 16)	4,062	9,664
Other	63,713	69,108
Total other noncurrent liabilities	<u>\$ 478,352</u>	<u>\$ 443,437</u>

## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### 7. Goodwill and Other Intangible Assets

In 2015, the System recorded goodwill of \$79.2 million related to the acquisitions of Grosvenor Place and various physician practices. In 2014, the System recorded goodwill of \$18.5 million related to various physician practice acquisitions. Subsequent to the acquisition of Grosvenor Place, the System established a plan to change the use of the facility. As a result of the expected changes in the business, the System determined that the fair value of the reporting unit was below the carrying amount. The fair value of the reporting unit was determined using techniques consistent with the market approach. The System recorded a goodwill impairment loss of \$63.1 million in the consolidated statement of operations and changes in net assets for the year ended December 31, 2015. There was no goodwill impairment for the year ended December 31, 2014. Goodwill is recorded in other noncurrent assets in the consolidated balance sheets.

The changes in the carrying amount of goodwill for the years ended December 31, 2015 and 2014 are as follows (in thousands):

	<b>Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Balance, beginning of year	\$ 38,319	\$ 19,838
Goodwill acquired	79,152	18,481
Goodwill impairment loss	(63,060)	—
Balance, end of year	<u>\$ 54,411</u>	<u>\$ 38,319</u>

In 2015, the System acquired other intangible assets of \$34.7 million, comprised of \$32.3 million related to the member substitution of Akron General and \$2.4 million related to physician practice acquisitions. In 2014, the System acquired other intangible assets of \$2.8 million related to physician practice acquisitions. Other intangible assets are recorded in other noncurrent assets in the consolidated balance sheets.

# Cleveland Clinic Health System

## Notes to Consolidated Financial Statements (continued)

### 7. Goodwill and Other Intangible Assets (continued)

Other intangible assets at December 31, 2015 and 2014 consist of the following (in thousands):

	2015		2014	
	Historical Cost	Accumulated Amortization	Historical Cost	Accumulated Amortization
Trade name	\$ 31,700	\$ –	\$ –	\$ –
Finite-lived intangible assets	6,261	1,965	3,289	654
Total	\$ 37,961	\$ 1,965	\$ 3,289	\$ 654

Amortization related to finite-lived intangible assets was \$1.3 million and \$0.4 million in 2015 and 2014, respectively, and is included in depreciation and amortization in the consolidated statements of operations and changes in net assets. Future amortization is as follows (in thousands): 2016 – \$2,010; 2017 – \$1,688; 2018 – \$495; 2019 – \$78; and 2020 – \$25.

### 8. Fair Value Measurements

The carrying values of accounts receivable and accounts payable are reasonable estimates of fair value due to the short-term nature of these financial instruments. Investments, other than alternative investments, are recorded at their fair value. Other current and noncurrent assets and liabilities have carrying values that approximate fair value.

The fair value of the System's pledges receivable is based on discounted cash flow analysis using treasury yield curve interest rates consistent with the maturities of the pledges receivable and adjusted for consideration of the donor's credit. The fair value of pledges receivable was \$185.4 million and \$213.3 million (see carrying value at Note 10) at December 31, 2015 and 2014, respectively. Pledges receivable would be classified as Level 3 in the fair value hierarchy.

The fair value of the System's long-term debt is estimated by discounted cash flow analyses using current borrowing rates for similar types of borrowing arrangements and adjusted for the System's credit. Inputs, which include reported/comparable trades, broker/dealer quotes, bids and offerings, are obtained from various sources, including market participants, dealers, brokers and various news media/market information. The fair value of long-term debt was \$3.5 billion and \$3.3 billion (see carrying value at Note 12) at December 31, 2015 and 2014, respectively. Long-term debt would be classified as Level 2 in the fair value hierarchy.

# Cleveland Clinic Health System

## Notes to Consolidated Financial Statements (continued)

### 8. Fair Value Measurements (continued)

The following tables present the financial instruments measured at fair value on a recurring basis as of December 31, 2015 and 2014, based on the valuation hierarchy (in thousands):

December 31, 2015	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and investments:				
Cash and cash equivalents	\$ 562,350	\$ 56	\$ —	\$ 562,406
Fixed income securities:				
U.S. treasuries	810,036	—	—	810,036
U.S. government agencies	—	22,158	—	22,158
U.S. corporate	—	147,703	—	147,703
U.S. government agencies asset-backed securities	—	18,519	—	18,519
Corporate asset-backed securities	—	7,295	—	7,295
Foreign	—	40,774	—	40,774
Fixed income mutual funds	172,996	—	—	172,996
Common and preferred stocks:				
U.S.	416,316	1,819	—	418,135
Foreign	251,046	1,330	—	252,376
Equity mutual funds	262,774	—	—	262,774
Total cash and investments	2,475,518	239,654	—	2,715,172
Perpetual and charitable trusts	—	65,305	—	65,305
Total assets at fair value	\$ 2,475,518	\$ 304,959	\$ —	\$ 2,780,477
<b>Liabilities</b>				
Interest rate swaps	\$ —	\$ 159,333	\$ —	\$ 159,333
Total liabilities at fair value	\$ —	\$ 159,333	\$ —	\$ 159,333

# Cleveland Clinic Health System

## Notes to Consolidated Financial Statements (continued)

### 8. Fair Value Measurements (continued)

December 31, 2014	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and investments:				
Cash and cash equivalents	\$ 661,598	\$ 12	\$ —	\$ 661,610
Fixed income securities:				
U.S. treasuries	629,321	—	—	629,321
U.S. government agencies	—	20,416	—	20,416
U.S. corporate	—	172,947	—	172,947
U.S. government agencies asset-backed securities	—	21,582	—	21,582
Corporate asset-backed securities	—	8,802	—	8,802
Foreign	—	47,115	—	47,115
Fixed income mutual funds	53,235	—	—	53,235
Common and preferred stocks:				
U.S.	609,133	2,615	—	611,748
Foreign	235,907	1,702	—	237,609
Equity mutual funds	238,320	—	—	238,320
Total cash and investments	2,427,514	275,191	—	2,702,705
Perpetual and charitable trusts	—	66,231	—	66,231
Total assets at fair value	\$ 2,427,514	\$ 341,422	\$ —	\$ 2,768,936
<b>Liabilities</b>				
Interest rate swaps	\$ —	\$ 152,395	\$ —	\$ 152,395
Total liabilities at fair value	\$ —	\$ 152,395	\$ —	\$ 152,395



## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### 8. Fair Value Measurements (continued)

Financial instruments at December 31, 2015 and 2014 are reflected in the consolidated balance sheets as follows (in thousands):

	2015	2014
Cash, cash equivalents, and investments measured at fair value	\$ 2,715,172	\$ 2,702,705
Commingled funds measured at net asset value	2,261,000	1,944,660
Alternative investments accounted for under the equity method	2,296,184	2,067,803
Pending purchases of investments	–	150,000
Total cash, cash equivalents, and investments	<u>\$ 7,272,356</u>	<u>\$ 6,865,168</u>
Perpetual and charitable trusts measured at fair value	\$ 65,305	\$ 66,231
Interests in foundations	21,436	56,267
Trusts and interests in foundations	<u>\$ 86,741</u>	<u>\$ 122,498</u>

Interest rate swaps (Note 13) are reported in other noncurrent liabilities in the consolidated balance sheets.

The following is a description of the System's valuation methodologies for assets and liabilities measured at fair value. Fair value for Level 1 is based upon quoted market prices. Fair value for Level 2 is determined as follows:

Investments classified as Level 2 are primarily determined using techniques that are consistent with the market approach. Valuations are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs, which include broker/dealer quotes, reported/comparable trades, and benchmark yields, are obtained from various sources, including market participants, dealers, and brokers.

## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### 8. Fair Value Measurements (continued)

The fair value of perpetual and charitable trusts in which the System receives periodic payments from the trust is determined based on the present value of expected cash flows to be received from the trust using discount rates ranging from 1.9% to 5.0%, which are based on Treasury yield curve interest rates or the assumed yield of the trust assets. The fair value of charitable trusts in which the System is a remainder beneficiary is based on the System's beneficial interest in the investments held in the trust, which are measured at fair value.

The fair value of interest rate swaps is determined based on the present value of expected future cash flows using discount rates appropriate with the risks involved. The valuations include a credit spread adjustment to market interest rate curves to appropriately reflect nonperformance risk. The credit spread adjustment is derived from other comparably rated entities' bonds recently priced in the market. The System manages credit risk based on the net portfolio exposure with each counterparty.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the System 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 estimate of fair value at the reporting date.

#### 9. Property, Plant, and Equipment

Property, plant, and equipment at December 31, 2015 and 2014 consist of the following (in thousands):

	2015	2014
Land and improvements	\$ 382,832	\$ 355,503
Buildings	5,075,427	4,428,136
Leasehold improvements	30,254	29,360
Equipment	1,541,883	1,409,358
Computer hardware and software	760,757	740,051
Construction-in-progress	468,380	261,979
Leased facilities and equipment	144,794	92,883
	<u>8,404,327</u>	<u>7,317,270</u>
Accumulated depreciation and amortization	(4,015,660)	(3,717,663)
	<u>\$ 4,388,667</u>	<u>\$ 3,599,607</u>

## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### 9. Property, Plant, and Equipment (continued)

Included in the preceding table is unamortized computer software of \$81.1 million and \$83.4 million at December 31, 2015 and 2014, respectively. Amortization of computer software totaled \$32.1 million and \$26.3 million in 2015 and 2014, respectively. Amortization of computer software for the five years subsequent to December 31, 2015, is as follows (in millions): 2016 – \$29.0; 2017 – \$20.4; 2018 – \$12.1; 2019 – \$7.4; and 2020 – \$4.6.

Accumulated amortization of leased facilities and equipment was \$40.2 million and \$28.7 million at December 31, 2015 and 2014, respectively.

#### 10. Pledges Receivable

Outstanding pledges receivable from various corporations, foundations, and individuals at December 31, 2015 and 2014, are as follows (in thousands):

	2015	2014
Pledges due:		
In less than one year	\$ 58,082	\$ 62,699
In one to five years	83,460	103,391
In more than five years	99,958	103,946
	<u>241,500</u>	<u>270,036</u>
Allowance for uncollectible pledges and discounting	(62,329)	(64,581)
Current portion (net of allowance for uncollectible pledges of \$20.4 million in 2015 and \$19.0 million in 2014)	(37,703)	(43,698)
	<u>\$ 141,468</u>	<u>\$ 161,757</u>

## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### 11. Notes Payable and Capital Leases

Notes payable and capital leases at December 31, 2015 and 2014 consist of the following (in thousands):

	2015	2014
Installments and mortgage notes with interest rates up to 6.0%	\$ 390,099	\$ 106,908
Capital leases for facilities and equipment	108,085	70,144
City of Lakewood lease	2,715	10,134
	<u>500,899</u>	<u>187,186</u>
Less current portion	(34,879)	(11,638)
Total notes payable and capital leases	<u>\$ 466,020</u>	<u>\$ 175,548</u>

In 2014, the Foundation executed a \$90.0 million promissory note in connection with the investment in Akron General. Payments on the promissory note were to be made to Akron General in accordance with the affiliation agreement. The promissory note was excluded from the consolidated statement of cash flows. In November 2015, the Foundation became the sole member of Akron General and has included Akron General's balance sheet in the System's consolidated balance sheet at December 31, 2015. Therefore, the promissory note has been eliminated in the accompanying consolidated balance sheet at December 31, 2015.

In 2015, the System executed a \$375.0 million term loan agreement with a financial institution. The proceeds of the term loan were used to finance the System's international business strategy. The term loan matures in 2018 and bears interest at a variable rate based on the London Interbank Offered Rate (LIBOR) plus an applicable spread. The interest rate on the term loan ranged from 0.69% to 0.73% in 2015 (average rate 0.72%).

Maturities of the installment and mortgage notes for the five years subsequent to December 31, 2015, are as follows (in thousands): 2016 – \$8,869; 2017 – \$4,788; 2018 – \$376,416; 2019 – \$26; and 2020 – \$0.

Future minimum capital lease payments, including total interest of \$28.2 million, are as follows (in thousands): 2016 – \$30,318; 2017 – \$16,675; 2018 – \$14,695; 2019 – \$14,540; 2020 – \$10,721; and thereafter – \$49,305. Assets acquired through capital lease arrangements are included in property, plant, and equipment.

## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### **11. Notes Payable and Capital Leases (continued)**

The City of Lakewood, Ohio (the City) leases real and personal property to Lakewood Hospital Association (LHA) for the purpose of enabling the operation of certain healthcare services at Lakewood Hospital. In connection with executing an Amended Lease with the City, LHA had agreed to make additional payments to the City. In 2015, the Amended Lease was further amended to shorten the lease term and to reduce the total payments due under the lease. The payments under the current lease as amended range in annual amounts up to \$1.2 million through 2018, or until certain provisions in the lease are satisfied. The net present value of the additional payments discounted at an interest rate of 6% is \$2.7 million and \$10.1 million at December 31, 2015 and 2014, respectively. The System recorded a \$6.9 million gain in special charges (Note 20) related to the change in lease terms for the year ended December 31, 2015. LHA has approximately \$50 million of net assets, included in the System's unrestricted net assets at December 31, 2015, available for use under the terms of the current lease but unavailable to other members of the System.

# Cleveland Clinic Health System

## Notes to Consolidated Financial Statements (continued)

### 12. Bonds

Bonds at December 31, 2015 and 2014 consist of the following (in thousands):

	Interest Rate(s)	Final Maturity	Amount Outstanding at December 31	
			2015	2014
Series 2014	4.86%	2114	\$ 400,000	\$ 400,000
Series 2014A, Akron	Variable rate	2031	70,925	—
Series 2014B, Akron	Variable rate	2031	20,000	—
Series 2013A	3.62% to 4.04%	2042	81,225	89,380
Series 2013B	Variable rate	2039	201,160	201,160
Series 2013, Keep Memory Alive	Variable rate	2037	65,030	66,850
Series 2012A	0.97% to 4.07%	2039	469,485	469,485
Series 2012, Akron	3.80% to 5.00%	2031	39,835	—
Series 2012 taxable, Akron	Variable rate	2019	17,370	—
Series 2011A	2.04% to 4.83%	2032	181,180	190,085
Series 2011B	2.94%	2031	31,250	33,270
Series 2011C	2.73% to 4.72%	2032	170,995	170,995
Series 2009A	5.58%	2039	305,400	305,400
Series 2009B	3.49% to 5.58%	2039	380,455	395,165
Series 2008A	4.09% to 5.55%	2043	419,690	429,500
Series 2008B	Variable rate	2043	369,250	369,250
Series 2003C	Variable rate	2035	41,905	41,905
Series 2002	Variable rate	2032	9,940	10,225
			<u>3,275,095</u>	<u>3,172,670</u>
Net unamortized premium			55,630	56,407
Current portion			(60,815)	(44,140)
Long-term variable rate debt classified as current			(520,960)	(386,875)
			<u>\$ 2,748,950</u>	<u>\$ 2,798,062</u>

The majority of the System's outstanding revenue bonds are limited obligations of various issuing authorities payable solely by the System pursuant to loan agreements between the borrowing entities and the issuing authorities. Under various financing agreements, the System must meet certain operating and financial performance covenants. The Series 2014 bonds and the Keep Memory Alive Series 2013 bonds are issued directly by the Foundation and Keep Memory Alive, respectively.

## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### 12. Bonds (continued)

In September 2014, the System issued \$400.0 million of Taxable Bonds (the Series 2014 Bonds). The System used the proceeds of the Series 2014 Bonds for authorized corporate purposes, which included payment of capital expenditures, current operating expenses and costs related to the issuance of the Series 2014 Bonds. The Series 2014 Bonds are century bonds with a single bullet principal maturity date in 2114. The System capitalized \$5.0 million of bond financing costs in connection with the issuance of the Series 2014 Bonds.

In November 2014, pursuant to certain agreements between the System and the State of Ohio (State) acting by and through the Ohio Higher Education Facility Commission, the System established the Cleveland Clinic Health System Obligated Group Commercial Paper Program, which provides for the issuance of Taxable Hospital Revenue Commercial Paper Notes (the Series 2014A CP Notes) for the benefit of the System. The Series 2014A CP Notes may be issued from time to time in a maximum outstanding face amount of \$100.0 million. There were no amounts outstanding on the Series 2014A CP Notes at December 31, 2015 and 2014. Proceeds from the sale of the Series 2014A CP Notes will be used to pay or reimburse costs of acquiring, constructing, reconstructing, renovating, equipping, furnishing and improving healthcare facilities of certain System entities in the State of Ohio. The System capitalized \$0.5 million of bond financing costs in connection with the establishment of the Cleveland Clinic Health System Obligated Group Commercial Paper Program.

Certain of the System's current outstanding bonds bear interest at a variable rate. During 2015 and 2014, the rates for the System's variable rate bonds ranged from 0.01% to 1.59% (average rate 0.11%) and 0.01% to 0.15% (average rate 0.08%), respectively.

Certain variable rate revenue bonds are secured by irrevocable direct pay letters of credit and standby bond purchase agreements totaling \$379.7 million at December 31, 2015. Bonds are classified as current in the consolidated balance sheets if they are supported by lines of credit or standby bond purchase agreements that expire within one year, require repayment of a remarketing draw within one year or contain a subjective clause that, if declared by the lender, could cause immediate repayment of the bonds.

The System provides self-liquidity on the Series 2003C Bonds and certain sub-series of the Series 2008B Bonds. These bonds are classified as current liabilities in the consolidated balance sheets. In November 2014, certain sub-series of the 2008B Bonds totaling \$99.3 million were substituted with a liquidity facility providing support through a standby bond purchase agreement that qualifies for long-term classification of the bonds. Previously, the bonds were supported by the System's self-liquidity program.

## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### 12. Bonds (continued)

During the term of agreements with the issuing authorities, the System is required to make specified deposits with trustees to fund principal and interest payments when due. Also, unexpended bond proceeds are held by the trustee and released to the System for approved requisition requests for capital projects. Unexpended bond proceeds representing a reserve fund related to the Series 2012 Akron Bonds were \$4.0 million at December 31, 2015. There were no unexpended bond proceeds at December 31, 2014. The current portion of the funds held by trustees, which consists of deposits with the trustees to fund current principal and interest payments, were \$1.6 million and \$98.0 million at December 31, 2015 and 2014, respectively, and is included in investments for current use.

The System is subject to certain restrictive covenants, including provisions relating to certain debt ratios, days cash on hand, and other matters. The System was in compliance with these covenants at December 31, 2015 and 2014.

Combined current aggregate scheduled maturities, assuming the remarketing of the variable rate demand bonds, for the five years subsequent to December 31, 2015, are as follows (in thousands): 2016 – \$60,815; 2017 – \$65,600; 2018 – \$68,030; 2019 – \$71,445; and 2020 – \$73,875.

Total interest paid approximated \$122.1 million and \$108.4 million in 2015 and 2014, respectively. Capitalized interest cost approximated \$2.8 million and \$2.9 million in 2015 and 2014, respectively.



# Cleveland Clinic Health System

## Notes to Consolidated Financial Statements (continued)

### 13. Interest Rate Swaps

The System's objective with respect to interest rate risk is to manage the risk of rising interest rates on the System's variable rate debt and certain variable rate operating lease payments. Consistent with its interest rate risk management objective, the System entered into various interest rate swap agreements with a total outstanding notional amount of \$653.1 million and \$612.6 million at December 31, 2015 and 2014, respectively. During the term of these transactions, the System pays interest at a fixed rate and receives interest at a variable rate based on the London Interbank Offered Rate (LIBOR) or the Securities Industry and Financial Markets Association Index (SIFMA). The swap agreements are not designated as hedging instruments. Net interest paid or received under the swap agreements is included in derivative losses in the consolidated statements of operations and changes in net assets.

The following table summarizes the System's interest rate swap agreements (in thousands):

Swap Type	Expiration Date	System Pays	System Receives	Notional Amount at December 31	
				2015	2014
Fixed	2016	5.28%	100% of SIFMA	\$ 4,150	\$ 8,080
Fixed	2021	3.21%	68% of LIBOR	34,770	36,240
Fixed	2024	3.42%	68% of LIBOR	28,300	28,800
Fixed	2027	3.56%	68% of LIBOR	132,212	135,939
Fixed	2028	5.12%	100% of LIBOR	39,815	40,785
Fixed	2028	3.51%	68% of LIBOR	30,755	31,495
Fixed	2030	5.07%	100% of LIBOR	62,500	62,500
Fixed	2030	5.06%	100% of LIBOR	62,500	62,500
Fixed	2031	3.04%	68% of LIBOR	53,900	—
Fixed	2032	4.32%	79% of LIBOR	2,438	2,509
Fixed	2032	4.33%	70% of LIBOR	4,874	5,017
Fixed	2032	3.78%	70% of LIBOR	2,438	2,509
Fixed	2036	4.90%	100% of LIBOR	50,000	50,000
Fixed	2036	4.90%	100% of LIBOR	79,375	79,375
Fixed	2037	4.62%	100% of SIFMA	65,030	66,850
				<u>\$ 653,057</u>	<u>\$ 612,599</u>

# Cleveland Clinic Health System

## Notes to Consolidated Financial Statements (continued)

### 13. Interest Rate Swaps (continued)

The following table summarizes the location and fair value for the System's interest rate swap agreements (in thousands):

	Derivatives Liability			
	December 31, 2015		December 31, 2014	
	Balance Sheet		Balance Sheet	
	Location	Fair Value	Location	Fair Value
<b>Derivatives not designated as hedging instruments</b>				
Interest rate swap agreements	Other noncurrent liabilities	\$ 159,333	Other noncurrent liabilities	\$ 152,395

The following table summarizes the location and amounts of derivative losses on the System's interest rate swap agreements (in thousands):

	Location of Loss Recognized	Year Ended December 31	
		2015	2014
<b>Derivatives not designated as hedging instruments</b>			
Interest rate swap agreements	Derivative losses	\$ (25,010)	\$ (79,786)

The System has used various derivative contracts in connection with certain prior obligations and investments. Although minimum credit ratings are required for counterparties, this does not eliminate the risk that a counterparty may fail to honor its obligations. Derivative contracts are subject to periodic "mark-to-market" valuations. A derivative contract may, at any time, have a positive or negative value to the System. In the event that the negative value reaches certain thresholds established in the derivative contracts, the System is required to post collateral, which could adversely affect its liquidity. At December 31, 2015 and 2014, the System posted \$94.1 million and \$88.2 million, respectively, of collateral with counterparties that is included in funds held by trustees in the consolidated balance sheets. In addition, if the System were to choose to terminate a derivative contract or if a derivative contract were terminated pursuant to an event of default or a termination event as described in the derivative contract, the System could be required to pay a termination payment to the counterparty.

## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### **14. Professional and General Liability Insurance**

The System manages its professional and general liability insurance program through a captive insurance arrangement, except for Akron General which is self-insured for professional and general liability claims.

In the ordinary course of business, professional and general liability claims have been asserted against the System by various claimants. These claims are in various stages of processing or, in certain instances, are in litigation. In addition, there are known incidents, and there also may be unknown incidents, which may result in the assertion of additional claims. The System has accrued its best estimate of both asserted and unasserted claims based on actuarially determined amounts. These estimates are subject to the effects of trends in loss severity and frequency, and ultimate settlement of professional and general liability claims may vary significantly from the estimated amounts.

The System's professional and general liability insurance reserves of \$191.8 million and \$190.1 million at December 31, 2015 and 2014, respectively, are recorded as current and noncurrent liabilities and include discounted estimates of the ultimate costs for both asserted claims and unasserted claims. Asserted claims for the System's reserves, excluding Akron General, were discounted at 1.50% and 1.25% at December 31, 2015 and 2014, respectively. Asserted claims for Akron General's reserves were discounted at 1.75% at December 31, 2015. Unasserted claims were discounted at 2.00% and 1.75% at December 31, 2015 and 2014, respectively. Through the captive insurance subsidiary and an irrevocable trust at Akron General, the System has set aside investments of \$145.9 million (\$52.2 million included in investments for current use) and \$153.1 million (\$46.8 million included in investments for current use) at December 31, 2015 and 2014, respectively, of which \$36.6 million and \$36.1 million at December 31, 2015 and 2014, respectively, are restricted in accordance with reinsurance trust agreements related to coverage of the Florida operations and other reinsurance programs provided by the captive insurance subsidiary and \$7.6 million at December 31, 2015 is restricted in a separate irrevocable trust established for the payment of self-insured professional liability claims of Akron General.

# Cleveland Clinic Health System

## Notes to Consolidated Financial Statements (continued)

### 14. Professional and General Liability Insurance (continued)

Activity in the professional and general liability insurance reserves is summarized as follows (in thousands):

	<u>2015</u>	<u>2014</u>
Balance at beginning of year	\$ 190,068	\$ 180,482
Incurred related to:		
Current period	56,965	57,476
Prior period	(4,145)	(29)
Total incurred	<u>52,820</u>	<u>57,447</u>
Paid related to:		
Current period	2,167	1,666
Prior period	64,502	45,526
Total paid	<u>66,669</u>	<u>47,192</u>
	(13,849)	10,255
Decrease in unasserted claims	(2,174)	(236)
Decrease in reinsurance recoverable	(105)	(433)
Akron General member substitution	17,900	—
Balance at end of year	<u>\$ 191,840</u>	<u>\$ 190,068</u>

The foregoing reconciliation shows \$4.1 million and \$29 thousand of favorable development in 2015 and 2014, respectively, due to changes in the actuarial estimates as a result of lower claim activity, closed claims, and settlement amounts lower than expected due to risk management initiatives and the impact of a series of tort reforms passed by the Ohio General Assembly beginning in 2003. The System utilizes a combination of actual and industry statistics to estimate loss and loss adjustment expense reserves.

## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### 15. Pensions and Other Postretirement Benefits

The System has four defined benefit pension plans, including two plans assumed by the System from the Akron General member substitution. The CCHS Retirement Plan covers substantially all employees of the System, except those employed by Akron General. The CCHS Retirement Plan ceased benefit accruals as of December 31, 2009 for substantially all employees, with benefit accruals for remaining employees ceasing at various intervals through December 31, 2012. Akron General has a defined benefit plan covering substantially all of its employees that were hired before 2004 who meet certain eligibility requirements. In 2009, Akron General ceased benefit accruals for substantially all nonunion employees. Benefits for union employees ceased at various intervals through May 16, 2013, except in certain circumstances. The benefits for the System's defined benefit pension plans are provided based on age, years of service, and compensation. The System's policy for its defined benefit pension plans is to fund at least the minimum amounts required by the Employee Retirement Income Security Act. The System also maintains two nonqualified defined benefit supplemental retirement plans, which cover certain of its employees.

In 2014, the System amended the CCHS Retirement Plan to allow deferred vested participants to commence benefits prior to age 55, effective January 1, 2015. As a result of this amendment, the System recorded a credit of \$11.4 million for the year ended December 31, 2014, which is included in retirement benefits adjustment in the accompanying consolidated statement of operations and changes in net assets.

In 2014, approximately 3,600 deferred vested participants in the CCHS Retirement Plan elected to receive a one-time enhanced distribution from the CCHS Retirement Plan. Elections for eligible participants expired in 2014 and all of the distributions occurred prior to the end of 2014. As a result of this transaction, along with additional lump-sum payments made in 2014 according to plan terms, the System recorded a settlement charge of \$14.0 million for the year ended December 31, 2014, which is recorded in salaries, wages, and benefits in the accompanying consolidated statement of operations and changes in net assets. Total settlement payments for the System were \$140.3 million for the year ended December 31, 2014. There were no settlement charges for the year ended December 31, 2015.

## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### 15. Pensions and Other Postretirement Benefits (continued)

The System sponsors two noncontributory, defined contribution plans, and three contributory, defined contribution plans, including two contributory defined contribution plans assumed by the System from the Akron General member substitution. The Cleveland Clinic Investment Pension Plan (IPP) is a noncontributory, defined contribution plan, which covers substantially all of the System's employees, except those employed by Akron General. The System's contribution for the IPP is based upon a percentage of employee compensation and years of service. The System sponsors an additional noncontributory, defined contribution plan, which covers certain of its employees. The System's contribution to the plan is based upon a percentage of employee compensation, as defined, determined according to age. The System also sponsors three contributory, defined contribution plans, including two plans at Akron General, which cover substantially all employees. Any System contribution to the applicable contributory plan is determined based on employee contributions.

The System provides healthcare benefits upon retirement for substantially all of its employees who meet certain minimum age and years of service provisions at retirement. The System's healthcare plans generally provide for cost sharing, in the form of retiree contributions, deductibles, and coinsurance. The System's policy is to fund the annual cost of healthcare benefits from the general assets of the System. The estimated cost of these postretirement benefits is actuarially determined and accrued over the employees' service periods.

In 2014, the mortality tables used to calculate the benefit obligation for the System's defined benefit pension plans and postretirement health benefit plan were updated to separate mortality rates for non-annuitants (based on RP-2014 "Employees" table unadjusted, with generational projection) and annuitants (based on RP-2014 "Healthy Annuitants" table unadjusted, with generational projection). In 2015, the System also updated the generational mortality projections scale from Scale MP-2014 to Scale MP-2015. The System believes that the updated mortality rates are the best estimate of future experience.

The System expects to make contributions of \$10.3 million to the defined benefit pension plans in 2016. Pension benefit payments over the next ten years are estimated as follows: 2016 – \$96.9 million; 2017 – \$101.3 million; 2018 – \$107.8 million; 2019 – \$111.1 million; 2020 – \$113.7 million; and in the aggregate for the five years thereafter – \$575.9 million.

## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### 15. Pensions and Other Postretirement Benefits (continued)

The System expects to make contributions of \$4.9 million to other postretirement benefit plans in 2016. Other postretirement benefit payments over the next ten years, net of the average annual Medicare Part D subsidy of approximately \$3.0 million, are estimated as follows: 2016 – \$4.9 million; 2017 – \$5.1 million; 2018 – \$5.1 million; 2019 – \$5.0 million; 2020 – \$4.9 million; and in the aggregate for the five years thereafter – \$20.9 million.

No plan assets are expected to be returned to the employer during 2016.

The System is required to recognize the funded status, which is the difference between the fair value of plan assets and the projected benefit obligations, of its pension and other postretirement benefit plans in the consolidated balance sheets, with a corresponding adjustment to unrestricted net assets. Amounts recorded in unrestricted net assets consist of actuarial gains and losses and prior service credits and costs. Actuarial gains and losses recorded in unrestricted net assets outside of the corridor, which is 10% of the greater of the projected benefit obligation or the fair value of the plan assets, will be recognized as a component of net periodic benefit cost immediately in the current period. Prior service credits and costs will be amortized over future periods, pursuant to the System's accounting policy.

Unrecognized prior service credits and costs are amortized on a straight-line basis over the estimated life of the plan participants. In 2016, the System is expected to amortize \$2.2 million of unrecognized prior service credits in net periodic benefit costs.

Included in unrestricted net assets at December 31, 2015 and 2014 are the following amounts that have not yet been recognized in net periodic benefit cost (in thousands):

	<b>Defined Benefit Pension Plans</b>		<b>Other Postretirement Benefits</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Unrecognized actuarial losses (gains)	\$ 146,336	\$ 155,566	\$ (7,815)	\$ 7,730
Unrecognized prior service credit	(14,444)	(16,125)	(5,128)	(6,475)
<b>Total</b>	<b>\$ 131,892</b>	<b>\$ 139,441</b>	<b>\$ (12,943)</b>	<b>\$ 1,255</b>

Unrecognized actuarial losses (gains) included in unrestricted net assets represent amounts within the corridor that do not require recognition in net periodic benefit cost for each respective year.

# Cleveland Clinic Health System

## Notes to Consolidated Financial Statements (continued)

### 15. Pensions and Other Postretirement Benefits (continued)

Changes in plan assets and benefit obligations recognized in unrestricted net assets during 2015 and 2014 are as follows (in thousands):

	Defined Benefit Pension Plans		Other Postretirement Benefits	
	2015	2014	2015	2014
Current year actuarial (loss) gain	\$ (16,382)	\$ (226,589)	\$ 15,545	\$ (6,394)
Recognition of actuarial loss in excess of corridor	25,612	17,489	—	—
Recognition of actuarial loss for settlement charge	—	14,022	—	—
Current year prior service credit	—	11,380	—	—
Amortization of prior service credit	(1,681)	(659)	(1,347)	(2,399)
Total	<u>\$ 7,549</u>	<u>\$ (184,357)</u>	<u>\$ 14,198</u>	<u>\$ (8,793)</u>



# Cleveland Clinic Health System

## Notes to Consolidated Financial Statements (continued)

### 15. Pensions and Other Postretirement Benefits (continued)

The following table sets forth the funded status of the System's pensions and other postretirement benefit plans and the amounts recognized in the System's December 31, 2015 and 2014 consolidated balance sheets (in thousands):

	Defined Benefit Pension Plans		Other Postretirement Benefits	
	2015	2014	2015	2014
Change in projected benefit obligation:				
Projected benefit obligation at beginning of year	\$ 1,556,304	\$ 1,468,578	\$ 126,091	\$ 118,782
Service cost	2,463	2,324	261	1,032
Interest cost	65,703	71,870	5,430	6,129
Actuarial (gain) loss	(76,458)	192,301	(15,546)	6,394
Participant contributions	—	—	9,162	7,760
Plan amendments and benefit changes	—	(11,380)	—	—
Settlement payments	—	(140,285)	—	—
Benefits paid	(86,934)	(27,104)	(20,322)	(15,146)
Federal subsidy	—	—	1,212	1,140
Member substitution	188,053	—	5,021	—
Projected benefit obligation at end of year	1,649,131	1,556,304	111,309	126,091
Change in plan assets:				
Fair value of plan assets at beginning of year	1,213,402	1,309,251	—	—
Actual return on plan assets	(8,861)	66,432	—	—
Participant contributions	—	—	9,162	7,760
System contributions	6,019	5,108	11,160	7,386
Settlement payments	—	(140,285)	—	—
Benefits paid	(86,934)	(27,104)	(20,322)	(15,146)
Member substitution	131,805	—	—	—
Fair value of plan assets at end of year	1,255,431	1,213,402	—	—
Accrued retirement benefits	\$ (393,700)	\$ (342,902)	\$ (111,309)	\$ (126,091)
Current liabilities	\$ (9,382)	\$ (7,832)	\$ (4,874)	\$ (8,264)
Noncurrent liabilities	(384,318)	(335,070)	(106,435)	(117,827)
Net liability recognized in consolidated balance sheets	\$ (393,700)	\$ (342,902)	\$ (111,309)	\$ (126,091)

The accumulated benefit obligation for all defined benefit pension plans was \$1.6 billion and \$1.5 billion at December 31, 2015 and 2014, respectively.

# Cleveland Clinic Health System

## Notes to Consolidated Financial Statements (continued)

### 15. Pensions and Other Postretirement Benefits (continued)

The components of net periodic benefit cost are as follows (in thousands):

	Defined Benefit Pension Plans		Other Postretirement Benefits	
	2015	2014	2015	2014
Components of net periodic benefit cost:				
Service cost	\$ 2,463	\$ 2,324	\$ 261	\$ 1,032
Interest cost	65,703	71,870	5,430	6,129
Expected return on plan assets	(83,979)	(100,720)	—	—
Recognition of actuarial loss in excess of corridor	25,612	17,489	—	—
Amortization of unrecognized prior service credit	(1,681)	(659)	(1,347)	(2,399)
Settlement charge	—	14,022	—	—
Net periodic benefit cost	8,118	4,326	4,344	4,762
Defined contribution plans	188,247	187,580	—	—
Total included in operations	\$ 196,365	\$ 191,906	\$ 4,344	\$ 4,762

Weighted-average assumptions used to determine pension and postretirement benefit obligations and net periodic benefit cost (income) are as follows:

	Defined Benefit Pension Plans		Other Postretirement Benefits	
	2015	2014	2015	2014
Weighted-average assumptions:				
Discount rates:				
Used for benefit obligations	4.74%	4.23%	4.85%	4.41%
Used for net periodic benefit cost (income)	4.30%	5.07%	4.43%	5.29%
Expected rate of return on plan assets	7.06%	8.00%	—	—
Rate of compensation increase:				
Used for benefit obligations	2.25%	2.50%	—	—
Used for net periodic benefit cost (income)	2.37%	3.00%	—	—

# Cleveland Clinic Health System

## Notes to Consolidated Financial Statements (continued)

### 15. Pensions and Other Postretirement Benefits (continued)

The System uses a direct cost approach to estimate its postretirement benefit obligation for healthcare services provided by the System (internally provided services). Healthcare services provided by non-System entities (externally provided services) are based on the System's historical cost experience.

The annual assumed healthcare cost trend rates for the next year and the assumed trend thereafter is as follows:

	2015	2014
Internally provided services:		
Initial rate	5.75%	6.00%
Ultimate rate	4.50%	4.50%
Year ultimate reached	2021	2021
Externally provided services:		
Initial rate	6.75%	7.00%
Ultimate rate	5.50%	5.50%
Year ultimate reached	2021	2021

A one-percentage-point increase or decrease in the healthcare cost trend rate would have increased or decreased the December 31, 2015 service and interest costs in total by \$2.9 million and \$1.8 million, respectively, and the December 31, 2014 service and interest costs in total by \$2.4 million and \$1.7 million, respectively.

The System's weighted-average asset allocation of pension plan assets at December 31, 2015 and 2014, by asset category, are as follows:

Asset category	Percentage of Plan Assets		
	December 31 2015	December 31 2014	Target Allocation
Interest-bearing cash	4.4%	2.8%	0%–10%
Fixed income securities	48.4	47.9	40%–80%
Common and preferred stocks	27.6	29.9	17%–37%
Alternative investments	19.6	19.4	3%–23%
Total	100.0%	100.0%	

## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### **15. Pensions and Other Postretirement Benefits (continued)**

The System's investment strategy for its pension assets balances the liquidity needs of the pension plans with the long-term return goals necessary to satisfy future pension obligations. The target allocation ranges of the investment pool to various asset classes are designed to diversify the portfolio in a way that achieves an efficient trade-off between long-term return and risk while providing adequate liquidity to meet near-term expenses and obligations.

The System's weighted-average pension portfolio return assumption of 7.06% and 8.00% in 2015 and 2014, respectively, is based on the targeted assumed rate of return through its asset mix at the beginning of each year, which is designed to mitigate short-term return volatility and achieve an efficient trade-off between return and risk. Expected returns and risk for each asset class are formed using a global capital asset pricing model framework in which the expected return is the compensation earned from taking risk. Forward-looking adjustments are made to expected return, volatility, and correlation estimates as well. Additionally, constraints such as permissible asset classes, portfolio guidelines, and liquidity considerations are included in the model.

In 2014, the System updated its investment strategy and modified the target allocations of pension plan assets in the CCHS Retirement Plan based on the current funded status of the plan. Coincident with this update, the System reduced the asset allocation for common and preferred stocks with a corresponding increase in fixed income securities. The updated investment strategy was implemented because of the funded status of the pension plan and the anticipation that such changes in investment strategy will result in lower volatility of future changes in funded status. Once the new investment strategy is fully implemented, it is anticipated that the duration of the investment assets will match the liabilities of the pension plan over time. Additional revisions in asset allocations and expected rate of return on plan assets may occur based on future changes in the funded status of the pension plans.

# Cleveland Clinic Health System

## Notes to Consolidated Financial Statements (continued)

### 15. Pensions and Other Postretirement Benefits (continued)

The following tables present the financial instruments in the System's defined benefit pension plans measured at fair value on a recurring basis as of December 31, 2015 and 2014, based on the valuation hierarchy (in thousands):

<b>December 31, 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Cash and investments:				
Cash and cash equivalents	\$ 56,113	\$ 9	\$ –	\$ 56,122
Fixed income securities:				
U.S. treasuries	308,329	–	–	308,329
U.S. government agencies	–	5,230	–	5,230
U.S. corporate	–	74,798	–	74,798
Foreign	–	10,909	–	10,909
Fixed income mutual funds	64,599	–	–	64,599
Common and preferred stocks:				
U.S.	61,930	382	–	62,312
Foreign	24,915	640	–	25,555
Equity mutual funds	36,133	–	–	36,133
<b>Total assets at fair value</b>	<b>\$ 552,019</b>	<b>\$ 91,968</b>	<b>\$ –</b>	<b>\$ 643,987</b>

# Cleveland Clinic Health System

## Notes to Consolidated Financial Statements (continued)

### 15. Pensions and Other Postretirement Benefits (continued)

December 31, 2014	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and investments:				
Cash and cash equivalents	\$ 33,685	\$ 6	\$ —	\$ 33,691
Fixed income securities:				
U.S. treasuries	293,543	—	—	293,543
U.S. government agencies	—	6,065	—	6,065
U.S. corporate	—	53,201	—	53,201
Foreign	—	11,893	—	11,893
Fixed income mutual funds	49,477	—	—	49,477
Common and preferred stocks:				
U.S.	120,825	652	—	121,477
Foreign	24,070	424	—	24,494
Equity mutual funds	19,030	—	—	19,030
Total assets at fair value	\$ 540,630	\$ 72,241	\$ —	\$ 612,871

Total plan assets in the System's defined benefit pension plans at December 31, 2015 and 2014 are comprised of the following (in thousands):

	2015	2014
Plan assets measured at fair value	\$ 643,987	\$ 612,871
Commingled fixed-income funds measured at net asset value	143,018	167,000
Commingled equity funds measured at net asset value	222,351	198,205
Alternative investments measured at net asset value	246,075	235,326
Total fair value of plan assets at end of year	\$ 1,255,431	\$ 1,213,402

Fair value methodologies for Level 1 and Level 2 are consistent with the inputs described in Note 8.

## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### **15. Pensions and Other Postretirement Benefits (continued)**

Fixed income securities include debt obligations of the U.S. government and various agencies, U.S. corporations, and other fixed income instruments such as mortgage-backed and asset-backed securities. The composition of these securities represents an expected return and risk profile that is commensurate with broadly defined fixed income indexes such as the Barclays Capital U.S. Aggregate Index. Additionally, investments include mutual funds and commingled fixed-income funds that may also invest in opportunistic as well as non-U.S. and high-yield debt instruments. Commingled fixed-income funds are valued using net asset value as a practical expedient.

Common and preferred stocks include investments of publicly traded common stocks of both U.S. and international corporations, the majority of which represent actively traded and liquid securities that are traded on many of the world's major exchanges and include large-, mid-, and small-capitalization securities. The composition of these securities represents an expected return and risk profile that is commensurate with broadly defined equity indexes such as the Russell 3000 Index and the Morgan Stanley Capital International (MSCI) All Country World ex-U.S. Index. Investments also include equity mutual funds and commingled equity funds whose underlying assets may include publicly traded equity securities. Commingled equity funds are valued using net asset value as a practical expedient.

## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### 15. Pensions and Other Postretirement Benefits (continued)

Alternative investments include hedge funds and private equity funds that are valued using net asset value as a practical expedient. Hedge funds are meant to provide returns between those expected from stocks and fixed income investments with commensurate levels of risk and lower correlation relative to traditional investments. Included in this category are investments that are well diversified across various strategies and may consist of absolute return funds, long/short funds, and other opportunistic/multi-strategy funds. The underlying investments in such funds may include publicly traded and privately held equity and debt instruments issued by U.S. and international corporations as well as various derivatives based on these securities. Hedge fund redemptions typically contain restrictions that allow for a portion of the withdrawal proceeds to be held back from distribution while the underlying investments are liquidated. Private equity investments make up a smaller portion of the alternative investments and generally consist of limited partnerships formed to invest in equity and debt investments in operating companies that are not publicly traded. Investment strategies in this category may include buyouts, distressed debt, and venture capital. Private equity funds are closed-end funds and have significant redemption restrictions that prohibit redemptions during the fund's life.

#### 16. Income Taxes

The Foundation and most of its controlled affiliates are tax-exempt organizations as described in Section 501(c)(3) of the Internal Revenue Code. These organizations are subject to income tax on any income from unrelated business activities. The System also owns or controls certain taxable affiliates.

The System files income tax returns in the U.S. federal jurisdiction and in various state and foreign jurisdictions. With few exceptions, the System is no longer subject to U.S. federal, state, and local or non-U.S. income tax examinations by tax authorities for years before 2012.

At December 31, 2015 and 2014, the liability for uncertainty in income taxes was \$4.1 million and \$9.7 million, respectively. The System does not expect a significant increase or decrease in unrecognized tax benefits within the next 12 months. The System recognizes interest and penalties accrued related to the liability for unrecognized tax benefits in the consolidated statements of operations and changes in net assets.

At December 31, 2015 and 2014, the System has net operating losses available for federal income tax purposes of \$121.5 million and \$114.3 million, respectively. These losses expire in varying amounts from 2018 through 2034. A valuation allowance has been recorded for the full amount of the deferred tax asset related to the net operating loss carryforwards due to the uncertainty regarding their use.



## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### 17. Commitments and Contingent Liabilities

The System leases various equipment and facilities under operating lease arrangements. Total rental expense in 2015 and 2014 was \$63.0 million and \$64.9 million, respectively. Minimum operating lease payments over the next five years are as follows (in millions): 2016 – \$49.2; 2017 – \$42.0; 2018 – \$35.9; 2019 – \$19.9; and 2020 – \$15.9.

Included in the System's operating lease payments are the following off-balance-sheet financing agreements:

In 2003, the System entered into an operating lease agreement for the purpose of leasing a genetics and stem cell research building (Stem Cell Building Lease). Under the terms of the Stem Cell Building Lease, the System began to lease the facility upon the issuance of the certificate of occupancy in December 2004 and is required to lease the facility for 29 years. At December 31, 2015, total remaining minimum operating lease payments were \$28.3 million.

In 2006, the System entered into an operating lease agreement for the purpose of leasing a parking garage and service center building (Service Center Lease). Under the terms of the Service Center Lease, the System began to lease the facility upon issuance of a certificate of occupancy in October 2008 and is required to lease the facility for 21 years with an option (by the System) to extend the lease an additional five years. At December 31, 2015, total remaining minimum operating lease payments were \$79.4 million.

In 2007, the System entered into two operating lease agreements to lease an office complex comprised of four office buildings and a day care center facility, totaling approximately 707,000 square feet. The System is required to lease the facilities for 22 years with an option (by the System) to extend the leases an additional five years. At December 31, 2015, total remaining minimum operating lease payments were \$41.1 million.

At December 31, 2015, the System has commitments for construction and other related capital contracts of \$424 million and letters of credit of \$0.5 million. Guarantees of mortgage loans made by banks to certain staff members are \$14.9 million at December 31, 2015. In addition, the System has remaining commitments to invest approximately \$755 million in alternative and direct investments at December 31, 2015. The largest commitment at December 31, 2015, to any one alternative strategy manager is \$41.2 million. These investments are expected to occur over the next three to five years. No amounts have been recorded in the consolidated balance sheets for these commitments and guarantees.

## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### 17. Commitments and Contingent Liabilities (continued)

Pledge liabilities to various foundations and other entities at December 31, 2015 are as follows (in thousands): 2016 – \$1,492; 2017 – \$292; 2018 – \$14,892; 2019 – \$500; 2020 – \$4,800; and thereafter - \$18,800. The unamortized discount on pledge liabilities at December 31, 2015 was \$5.8 million. Pledge liabilities are recorded in other current liabilities and other noncurrent liabilities in the consolidated balance sheets.

#### 18. Endowment

The System's endowment consists of approximately 271 individual donor-restricted funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on donor-imposed restrictions.

#### Interpretation of Relevant Law

In 2009, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) was enacted to update and replace Ohio's previous law, the Uniform Management of Institutional Funds Act. The System has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the System classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the System in a manner consistent with the standard for expenditure prescribed by UPMIFA. In accordance with UPMIFA, the System considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the System and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the System.
7. The investment policies of the System.

## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### **18. Endowment (continued)**

##### **Funds With Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the System to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were \$0.7 million and \$0.5 million as of December 31, 2015 and 2014, respectively.

##### **Return Objectives and Risk Parameters**

The System has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, the endowment assets are invested in a highly diversified portfolio of U.S. and non-U.S. publicly traded equities, alternative investments, and fixed income securities structured to achieve an optimal balance between return and risk. The System expects its endowment funds, over time, to provide an average rate of return of approximately 7.5% annually. Actual returns in any given year may vary from this amount.

##### **Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the System relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The System targets a diversified asset allocation to achieve its long-term return objective within prudent risk constraints.

##### **Spending Policy and How the Investment Objectives Relate to Spending Policy**

The System has a policy of appropriating for distribution each year up to 5% of its endowment fund's average fair value over the prior three years through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the System considered the long-term expected return on its endowment. Accordingly, over the long term, the System expects the current spending policy to allow its endowment to grow at an average of 2.5% annually. This is consistent with the System's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

# Cleveland Clinic Health System

## Notes to Consolidated Financial Statements (continued)

### 18. Endowment (continued)

#### Changes in Endowment Net Assets (in thousands)

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2014	\$ 39,869	\$ 220,510	\$ 260,379
Investment return	2,088	—	2,088
Net appreciation	13,735	—	13,735
Contributions	—	11,533	11,533
Appropriation of endowment assets for expenditure	(8,126)	—	(8,126)
Endowment net assets, December 31, 2014	47,566	232,043	279,609
Investment return	1,287	—	1,287
Net depreciation	(2,281)	—	(2,281)
Contributions	—	25,049	25,049
Appropriation of endowment assets for expenditure	(7,785)	—	(7,785)
Akron General member substitution	—	3,218	3,218
Endowment net assets, December 31, 2015	\$ 38,787	\$ 260,310	\$ 299,097

### 19. Functional Expenses

The System provides healthcare services and education and performs research. Expenses related to these functions were as follows (in thousands):

	2015	2014
Healthcare services	\$ 5,337,903	\$ 4,917,538
Research	210,779	215,006
Medical education	290,506	279,365
General and administrative	755,065	733,709
Non-healthcare services	82,495	74,218
	<u>\$ 6,676,748</u>	<u>\$ 6,219,836</u>

## Cleveland Clinic Health System

### Notes to Consolidated Financial Statements (continued)

#### **20. Special Charges**

The System incurred and recorded \$40.9 million of special charges in 2015 related to Lakewood Hospital pursuant to an agreement between the City of Lakewood, Lakewood Hospital Association (LHA) and the Foundation that outlines the transition of healthcare services in the City of Lakewood. The agreement was approved by Lakewood City Council in December 2015. Under the terms of the agreement, the Foundation and LHA will make contributions over the next eighteen years for the creation of a new health and wellness community foundation to be used for the benefit of the Lakewood community and its citizens. In addition, the Foundation will construct, own and operate an approximately 62,000-square-foot family health center expected to open in 2018 that will be located adjacent to the current site of the hospital. LHA ceased inpatient operations at the hospital in February 2016, while the current emergency department and several outpatient services at the hospital will continue until the opening of the new family health center and emergency department. The cessation of inpatient services at the hospital is not considered a discontinued operation since the System provides inpatient hospital services at the Foundation and its subsidiary hospitals in the Northeast Ohio area. Special charges in 2015 include \$33.7 million of pledge liabilities in connection with the agreement, \$13.3 million of accelerated depreciation and other property, plant and equipment costs, \$0.8 million in employee retention costs, offset by a \$6.9 million gain related to changes in the terms of the lease between the City of Lakewood and LHA.

#### **21. Subsequent Events**

The System evaluated events and transactions occurring subsequent to December 31, 2015 through March 31, 2016, the date the consolidated financial statements were issued. During this period, there were no subsequent events requiring recognition in the consolidated financial statements. In addition, there were no nonrecognized subsequent events requiring disclosure, except that in January 2016, the System entered into a line of credit with a financial institution totaling \$60.0 million. The System drew the full amount on the line of credit and also issued \$100.0 million of Series 2014A CP Notes. A portion of the proceeds from the draw on the line of credit and the issuance of the Series 2014A CP Notes were used to defease the Series 2012 Akron Bonds and redeem the Series 2012 taxable Akron Bonds, the Series 2014A Akron Bonds and the Series 2014B Akron Bonds. The balance of the proceeds will be used to finance certain capital expenditures of the System.

## Supplementary Information



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## Report of Independent Auditors on Supplementary Information

The Board of Directors  
The Cleveland Clinic Foundation

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

*Ernst & Young LLP*

March 31, 2016

# Cleveland Clinic Health System

## Consolidating Balance Sheet

December 31, 2015

(In Thousands)

	Obligated Group	Non-Obligated Group	Consolidating Adjustments and Eliminations	Consolidated
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 176,869	\$ 72,711	\$ —	\$ 249,580
Patient receivables, net	879,420	94,544	(23,660)	950,304
Due from affiliates	916	40	(956)	—
Investments for current use	—	53,852	—	53,852
Other current assets	343,901	66,682	(2,444)	408,139
Total current assets	1,401,106	287,829	(27,060)	1,661,875
Investments:				
Long-term investments	5,813,363	371,015	—	6,184,378
Funds held by trustees	116,046	9,677	—	125,723
Assets held for self-insurance	—	93,662	—	93,662
Donor-restricted assets	520,474	44,687	—	565,161
	6,449,883	519,041	—	6,968,924
Property, plant, and equipment, net	3,384,312	1,004,355	—	4,388,667
Other assets:				
Pledges receivable, net	140,137	1,331	—	141,468
Trusts and interests in foundations	77,416	9,325	—	86,741
Other noncurrent assets	348,474	81,515	(53,051)	376,938
	566,027	92,171	(53,051)	605,147
<b>Total assets</b>	<b>\$ 11,801,328</b>	<b>\$ 1,903,396</b>	<b>\$ (80,111)</b>	<b>\$ 13,624,613</b>



	Obligated Group	Non-Obligated Group	Consolidating Adjustments and Eliminations	Consolidated
<b>Liabilities and net assets</b>				
Current liabilities:				
Accounts payable	\$ 345,228	\$ 69,508	\$ (2,177)	\$ 412,559
Compensation and amounts withheld from payroll	253,615	42,053	—	295,668
Current portion of long-term debt	84,392	11,302	—	95,694
Variable rate debt classified as current	371,825	149,135	—	520,960
Due to affiliates	27	929	(956)	—
Other current liabilities	379,854	111,115	(23,927)	467,042
Total current liabilities	1,434,941	384,042	(27,060)	1,791,923
Long-term debt:				
Hospital revenue bonds	2,690,730	58,220	—	2,748,950
Notes payable and capital leases	95,327	420,296	(49,603)	466,020
	2,786,057	478,516	(49,603)	3,214,970
Other liabilities:				
Professional and general liability insurance reserves	52,587	87,030	—	139,617
Accrued retirement benefits	426,180	64,573	—	490,753
Other noncurrent liabilities	425,155	53,197	—	478,352
	903,922	204,800	—	1,108,722
Total liabilities	5,124,920	1,067,358	(76,663)	6,115,615
Net assets:				
Unrestricted	5,851,045	779,809	(3,448)	6,627,406
Temporarily restricted	548,408	37,868	—	586,276
Permanently restricted	276,955	18,361	—	295,316
Total net assets	6,676,408	836,038	(3,448)	7,508,998
Total liabilities and net assets	\$ 11,801,328	\$ 1,903,396	\$ (80,111)	\$ 13,624,613

See accompanying note.

# Cleveland Clinic Health System

## Consolidating Balance Sheet

December 31, 2014

(In Thousands)

	Obligated Group	Non-Obligated Group	Consolidating Adjustments and Eliminations	Consolidated
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 2,952	\$ 67,370	\$ —	\$ 70,322
Patient receivables, net	807,085	36,257	(24,268)	819,074
Due from affiliates	1,466	119	(1,585)	—
Investments for current use	98,010	46,828	—	144,838
Other current assets	305,379	27,794	(1,098)	332,075
<b>Total current assets</b>	<b>1,214,892</b>	<b>178,368</b>	<b>(26,951)</b>	<b>1,366,309</b>
<b>Investments:</b>				
Long-term investments	5,739,503	210,573	—	5,950,076
Funds held by trustees	119,388	—	—	119,388
Assets held for self-insurance	—	106,317	—	106,317
Donor-restricted assets	459,401	14,826	—	474,227
	<b>6,318,292</b>	<b>331,716</b>	<b>—</b>	<b>6,650,008</b>
<b>Property, plant, and equipment, net</b>	<b>3,329,725</b>	<b>269,882</b>	<b>—</b>	<b>3,599,607</b>
<b>Other assets:</b>				
Pledges receivable, net	160,774	983	—	161,757
Trusts and interests in foundations	80,971	41,527	—	122,498
Other noncurrent assets	378,275	3,242	(14,136)	367,381
	<b>620,020</b>	<b>45,752</b>	<b>(14,136)</b>	<b>651,636</b>
<b>Total assets</b>	<b>\$ 11,482,929</b>	<b>\$ 825,718</b>	<b>\$ (41,087)</b>	<b>\$ 12,267,560</b>

	Obligated Group	Non-Obligated Group	Consolidating Adjustments and Eliminations	Consolidated
<b>Liabilities and net assets</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 307,962	\$ 28,611	\$ (1,098)	\$ 335,475
Compensation and amounts withheld from payroll	233,438	5,500	—	238,938
Current portion of long-term debt	50,763	5,015	—	55,778
Variable rate debt classified as current	321,845	65,030	—	386,875
Due to affiliates	22	1,563	(1,585)	—
Other current liabilities	387,019	72,064	(24,268)	434,815
<b>Total current liabilities</b>	<b>1,301,049</b>	<b>177,783</b>	<b>(26,951)</b>	<b>1,451,881</b>
<b>Long-term debt:</b>				
Hospital revenue bonds	2,798,062	—	—	2,798,062
Notes payable and capital leases	165,875	20,361	(10,688)	175,548
	2,963,937	20,361	(10,688)	2,973,610
<b>Other liabilities:</b>				
Professional and general liability insurance reserves	54,760	88,480	—	143,240
Accrued retirement benefits	452,897	—	—	452,897
Other noncurrent liabilities	436,676	6,761	—	443,437
	944,333	95,241	—	1,039,574
<b>Total liabilities</b>	<b>5,209,319</b>	<b>293,385</b>	<b>(37,639)</b>	<b>5,465,065</b>
<b>Net assets:</b>				
Unrestricted	5,533,572	467,929	(3,448)	5,998,053
Temporarily restricted	486,218	33,512	—	519,730
Permanently restricted	253,820	30,892	—	284,712
<b>Total net assets</b>	<b>6,273,610</b>	<b>532,333</b>	<b>(3,448)</b>	<b>6,802,495</b>
<b>Total liabilities and net assets</b>	<b>\$ 11,482,929</b>	<b>\$ 825,718</b>	<b>\$ (41,087)</b>	<b>\$ 12,267,560</b>

*See accompanying note.*

# Cleveland Clinic Health System

## Consolidating Statements of Operations and Changes in Net Assets

Year Ended December 31, 2015

(In Thousands)

### Operations

	Obligated Group	Non-Obligated Group	Consolidating Adjustments and Eliminations	Consolidated
<b>Unrestricted revenues</b>				
Net patient service revenue	\$ 6,557,092	\$ 350,239	\$ (194,848)	\$ 6,712,483
Provision for uncollectible accounts	(216,960)	(14,344)	—	(231,304)
Net patient service revenue less provision for uncollectible accounts	6,340,132	335,895	(194,848)	6,481,179
Other	572,069	238,172	(134,448)	675,793
Total unrestricted revenues	6,912,201	574,067	(329,296)	7,156,972
<b>Expenses</b>				
Salaries, wages, and benefits	3,753,065	276,086	(229,937)	3,799,214
Supplies	611,439	54,397	(990)	664,846
Pharmaceuticals	677,496	23,740	—	701,236
Purchased services and other fees	370,608	40,078	(12,308)	398,378
Administrative services	127,155	74,694	(26,015)	175,834
Facilities	271,167	35,174	(5,689)	300,652
Insurance	59,798	56,626	(54,357)	62,067
	5,870,728	560,795	(329,296)	6,102,227
Operating income before interest, depreciation, and amortization expenses	1,041,473	13,272	—	1,054,745
Interest	120,318	3,823	—	124,141
Depreciation and amortization	380,440	29,013	—	409,453
Operating income (loss) before special charges	540,715	(19,564)	—	521,151
Special charges	8,701	32,226	—	40,927
Operating income (loss)	532,014	(51,790)	—	480,224
<b>Nonoperating gains and losses</b>				
Investment return	(48,924)	(7,404)	—	(56,328)
Derivative losses	(22,325)	(2,685)	—	(25,010)
Gain on remeasurement of Akron General equity investment	38,777	—	—	38,777
Acron General member substitution	—	242,822	—	242,822
Goodwill impairment loss	—	(63,060)	—	(63,060)
Other, net	477	316	—	793
Net nonoperating (losses) gains	(31,995)	169,989	—	137,994
Excess of revenues over expenses	500,019	118,199	—	618,218

# Cleveland Clinic Health System

## Consolidating Statements of Operations and Changes in Net Assets

Year Ended December 31, 2014  
(In Thousands)

### Operations

	Obligated Group	Non-Obligated Group	Consolidating Adjustments and Eliminations	Consolidated
<b>Unrestricted revenues</b>				
Net patient service revenue	\$ 6,386,203	\$ 253,946	\$ (211,211)	\$ 6,428,938
Provision for uncollectible accounts	(345,882)	(12,939)	—	(358,821)
Net patient service revenue less provision for uncollectible accounts	6,040,321	241,007	(211,211)	6,070,117
Other	527,332	218,873	(128,943)	617,262
Total unrestricted revenues	6,567,653	459,880	(340,154)	6,687,379
<b>Expenses</b>				
Salaries, wages, and benefits	3,672,795	206,685	(243,516)	3,635,964
Supplies	584,864	43,841	(1,170)	627,535
Pharmaceuticals	543,631	15,353	—	558,984
Purchased services and other fees	362,653	32,442	(12,546)	382,549
Administrative services	128,196	64,716	(25,325)	167,587
Facilities	259,680	28,212	(5,994)	281,898
Insurance	58,419	60,127	(51,603)	66,943
	5,610,238	451,376	(340,154)	5,721,460
Operating income before interest, depreciation, and amortization expenses	957,415	8,504	—	965,919
Interest	108,334	2,059	—	110,393
Depreciation and amortization	367,102	20,881	—	387,983
Operating income (loss)	481,979	(14,436)	—	467,543
<b>Nonoperating gains and losses</b>				
Investment return	300,537	15,680	—	316,217
Derivative losses	(76,694)	(3,092)	—	(79,786)
Other, net	(300)	(52)	—	(352)
Net nonoperating gains	223,543	12,536	—	236,079
Excess (deficiency) of revenues over expenses	705,522	(1,900)	—	703,622

# Cleveland Clinic Health System

## Consolidating Statements of Operations and Changes in Net Assets (continued)

(In Thousands)

	Obligated Group	Non-Obligated Group	Consolidating Adjustments and Eliminations	Consolidated
Total net assets at January 1, 2014	\$ 5,681,819	\$ 530,035	\$ (3,448)	\$ 6,208,406
Excess (deficiency) of revenues over expenses	705,522	(1,900)	—	703,622
Donated capital, excluding assets released from restrictions for capital purposes of \$5,824	70	—	—	70
Restricted gifts and bequests	93,139	2,948	—	96,087
Restricted net investment income	16,991	1,088	—	18,079
Net assets released from restrictions used for operations included in other unrestricted revenues	(32,416)	(3,774)	—	(36,190)
Retirement benefits adjustment	(193,150)	—	—	(193,150)
Transfers (to) from affiliates	(1,378)	1,378	—	—
Change in restricted net assets related to interest in foundations	(1,667)	1,534	—	(133)
Change in restricted net assets related to value of perpetual trusts	1,711	525	—	2,236
Net change in unrealized gains on nontrading investments	3,163	—	—	3,163
Other	(194)	499	—	305
Increase in total net assets	591,791	2,298	—	594,089
Total net assets at December 31, 2014	6,273,610	532,333	(3,448)	6,802,495
Excess of revenues over expenses	500,019	118,199	—	618,218
Donated capital, excluding assets released from restrictions for capital purposes of \$5,760	46	—	—	46
Restricted gifts and bequests	132,253	368	—	132,621
Restricted net investment (loss) income	(972)	240	—	(732)
Net assets released from restrictions used for operations included in other unrestricted revenues	(38,438)	(6,055)	—	(44,493)
Retirement benefits adjustment	25,546	(3,799)	—	21,747
Transfers (to) from affiliates	(207,971)	207,971	—	—
Change in restricted net assets related to interest in foundations	(1,478)	(33,353)	—	(34,831)
Change in restricted net assets related to value of perpetual trusts	(480)	(196)	—	(676)
Net change in unrealized losses on nontrading investments	(4,947)	—	—	(4,947)
Akron General member substitution contribution of restricted net assets	—	31,674	—	31,674
Other	(780)	(11,344)	—	(12,124)
Increase in total net assets	402,798	303,705	—	706,503
Total net assets at December 31, 2015	\$ 6,676,408	\$ 836,038	\$ (3,448)	\$ 7,508,998

See accompanying note.

**Cleveland Clinic Health System**  
**Consolidating Statement of Cash Flows**

Year Ended December 31, 2015

(In Thousands)

	Obligated Group	Non-Obligated Group	Consolidating Adjustments and Eliminations	Consolidated
<b>Operating activities and net nonoperating gains and losses</b>				
Increase in total net assets	\$ 402,798	\$ 303,705	\$	\$ 706,503
Adjustments to reconcile increase in total net assets to net cash provided by operating activities and net nonoperating gains and losses:				
Loss on extinguishment of debt	209	—	—	209
Retirement benefits adjustment	(25,546)	3,799	—	(21,747)
Net realized and unrealized losses on investments	87,709	10,107	—	97,816
Depreciation and amortization	380,440	38,450	—	418,890
Provision for uncollectible accounts	216,960	14,344	—	231,304
Gain on change in terms of long-term lease	—	(6,856)	—	(6,856)
Donated capital	(46)	—	—	(46)
Restricted gifts, bequests, investment income, and other	(129,323)	32,941	—	(96,382)
Transfers to (from) affiliates	207,971	(207,971)	—	—
Accreted interest and amortization of bond premiums	(2,533)	(19)	—	(2,552)
Net loss (gain) in value of derivatives	57	(615)	—	(558)
Goodwill impairment loss	—	63,060	—	63,060
Gain on remeasurement of Akron General equity investment	(38,777)	—	—	(38,777)
Akron General member substitution contribution	—	(274,496)	—	(274,496)
Changes in operating assets and liabilities:				
Patient receivables	(289,295)	(10,036)	(608)	(299,939)
Other current assets	(37,760)	5,091	(16,101)	(48,770)
Other noncurrent assets	(81,420)	27,953	(24,114)	(77,581)
Accounts payable and other current liabilities	15,025	20,902	(109)	35,818
Other liabilities	(14,922)	11,427	—	(3,495)
<b>Net cash provided by operating activities and net nonoperating gains and losses</b>	<b>691,547</b>	<b>31,786</b>	<b>(40,932)</b>	<b>682,401</b>
<b>Financing activities</b>				
Proceeds from long-term borrowings	—	378,777	(3,777)	375,000
Principal payments on long-term debt	(109,280)	(6,502)	44,709	(71,073)
Debt issuance costs	—	(89)	—	(89)
Change in pledges receivables, trusts and interests in foundations	23,980	39,580	—	63,560
Restricted gifts, bequests, investment income, and other	129,323	(32,941)	—	96,382
<b>Net cash provided by financing activities</b>	<b>44,023</b>	<b>378,825</b>	<b>40,932</b>	<b>463,780</b>
<b>Investing activities</b>				
Expenditures for property and equipment	(380,380)	(73,156)	—	(453,536)
Proceeds from sale of property and equipment	183	987	—	1,170
Cash acquired through member substitution	—	15,367	—	15,367
Acquisition of business, net of cash acquired	—	(420,144)	—	(420,144)
Net change in cash equivalents reported in long-term investments	327,466	(21,891)	—	305,575
Purchases of investments	(2,534,242)	(294,432)	—	(2,828,674)
Sales of investments	2,085,486	327,833	—	2,413,319
Transfers (to) from affiliates	(60,166)	60,166	—	—
<b>Net cash used in investing activities</b>	<b>(561,653)</b>	<b>(405,270)</b>	<b>—</b>	<b>(966,923)</b>
<b>Increase in cash and cash equivalents</b>	<b>173,917</b>	<b>5,341</b>	<b>—</b>	<b>179,258</b>
Cash and cash equivalents at beginning of year	2,952	67,370	—	70,322
<b>Cash and cash equivalents at end of year</b>	<b>\$ 176,869</b>	<b>\$ 72,711</b>	<b>\$ —</b>	<b>\$ 249,580</b>

See accompanying note

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**Cleveland Clinic Health System**  
**Consolidating Statement of Cash Flows**

Year Ended December 31, 2014  
(In Thousands)

	Obligated Group	Non-Obligated Group	Consolidating Adjustments and Eliminations	Consolidated
<b>Operating activities and net nonoperating gains and losses</b>				
Increase in total net assets	\$ 591,791	\$ 2,298	\$ —	\$ 594,089
Adjustments to reconcile increase in total net assets to net cash provided by operating activities and net nonoperating gains and losses:				
Retirement benefits adjustment	193,150	—	—	193,150
Net realized and unrealized gains on investments	(283,175)	(13,730)	—	(296,905)
Depreciation and amortization	367,102	20,881	—	387,983
Provision for uncollectible accounts	345,882	12,939	—	358,821
Donated capital	(70)	—	—	(70)
Restricted gifts, bequests, investment income, and other	(110,174)	(6,095)	—	(116,269)
Transfers to (from) affiliates	1,378	(1,378)	—	—
Accreted interest and amortization of bond premiums	(2,533)	—	—	(2,533)
Net loss in value of derivatives	53,993	—	—	53,993
Changes in operating assets and liabilities:				
Patient receivables	(385,225)	(16,471)	3,477	(398,219)
Other current assets	(38,113)	794	(895)	(38,214)
Other noncurrent assets	(46,929)	132	4,762	(42,035)
Accounts payable and other current liabilities	56,979	(519)	(2,582)	53,878
Other liabilities	(28,277)	10,761	—	(17,516)
<b>Net cash provided by operating activities and net nonoperating gains and losses</b>	<b>715,779</b>	<b>9,612</b>	<b>4,762</b>	<b>730,153</b>
<b>Financing activities</b>				
Proceeds from long-term borrowings	400,000	4,762	(4,762)	400,000
Principal payments on long-term debt	(50,405)	(4,951)	—	(55,356)
Debt issuance costs	(5,471)	—	—	(5,471)
Change in pledges receivables, trusts and interests in foundations	(27,664)	(1,662)	—	(29,326)
Restricted gifts, bequests, investment income, and other	110,174	6,095	—	116,269
<b>Net cash provided by financing activities</b>	<b>426,634</b>	<b>4,244</b>	<b>(4,762)</b>	<b>426,116</b>
<b>Investing activities</b>				
Expenditures for property and equipment	(423,459)	(17,183)	—	(440,642)
Proceeds from sale of property and equipment	341	—	—	341
Investment in Akron General	(10,000)	—	—	(10,000)
Net change in cash equivalents reported in long-term investments	(424,814)	15,675	—	(409,139)
Purchases of investments	(1,709,536)	(112,792)	—	(1,822,328)
Sales of investments	1,429,385	95,536	—	1,524,921
Transfers (to) from affiliates	(1,378)	1,378	—	—
<b>Net cash used in investing activities</b>	<b>(1,139,461)</b>	<b>(17,386)</b>	<b>—</b>	<b>(1,156,847)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>2,952</b>	<b>(3,530)</b>	<b>—</b>	<b>(578)</b>
Cash and cash equivalents at beginning of year	—	70,900	—	70,900
<b>Cash and cash equivalents at end of year</b>	<b>\$ 2,952</b>	<b>\$ 67,370</b>	<b>\$ —</b>	<b>\$ 70,322</b>

See accompanying note



# Cleveland Clinic Health System

## Note to Consolidating Financial Statements

December 31, 2015 and 2014

### **1. Presentation of Consolidating Financial Statements**

The accompanying financial statement information presents consolidating financial statement information for the Obligated Group (as defined herein) and certain controlled affiliates of The Cleveland Clinic Foundation (collectively referred to as the Non-Obligated Group), which have no liability under the Master Trust Indenture (Indenture), amended and restated as of April 1, 2003 (as supplemented, the Indenture), between the Foundation and The Huntington National Bank, as successor Master Trustee. The Foundation, Cleveland Clinic Health System – East Region, Fairview Hospital, Lutheran Hospital, Marymount Hospital, Inc., Medina Hospital, Cleveland Clinic Florida (a nonprofit corporation) and Cleveland Clinic Florida Health System Nonprofit Corporation are the sole members of the Obligated Group under the Indenture.

With respect to the Obligated Group, certain properties and interests are considered to be Excluded Property under the Indenture. In addition, the provisions of the Indenture provide that additional property may be categorized as Excluded Property upon satisfaction of various financial tests. As such, these properties and interests are not subject to the restrictions contained in the Indenture and, under the Indenture, are not subject to the restriction on liens and other encumbrances that may be placed on property of the Obligated Group. Furthermore, the revenues derived from the Excluded Property are not subject to the restrictions contained in the Indenture until they are received and commingled with other revenues of the Obligated Group. The accompanying financial statement information is presented by legal entity and no adjustment has been made for the Excluded Property.

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