Our Mission

The Sisters of Mercy Services Corporation supports the endeavors of the Sisters of Mercy in the Regional Community of North Carolina to bring excellent health care and other needed services that support our values to all those in our community who seek them.

The Sisters of Mercy in Western North Carolina

1900: 18-bed tuberculosis sanitarium opens in Asheville.
1924: St. Joseph’s Sanitarium expands to 95 beds on Biltmore Avenue.
1938: Sanitarium is converted to a general hospital.
1958: Madonna Wing opens, increasing capacity.
1979: Mountain Health Services is incorporated.
1985: Sisters of Mercy Services Corporation acquires first Urgent Care facility.
1998: St. Joseph’s Hospital is sold to Memorial Mission Medical Center.
   Mission St. Joseph’s Health System is formed.
2000: Sisters of Mercy celebrate 100 years of service in Western North Carolina.
2002: First affordable house is built and sold.
2005: 445 Biltmore Center, St. Joseph’s Convent and surrounding acreage are sold.
2006: New convent is opened. Second affordable house is built and sold.

Looking ahead to 2007...

Sisters of Mercy Services intends to incorporate these same priorities into our operations.

“In the coming year, nonprofits across the country will focus on strengthening the sector and helping communities understand the roles they play in improving our quality of life. The three priorities from the Nonprofit Congress are:
1. Organizational effectiveness—doing it right and doing it well
2. Advocacy and grassroots community activities—staying true to the mission
3. Public awareness and support of the sector.”

Excerpts, Ann Von Brock, North Carolina Delegate to the Nonprofit Congress and Board President of the North Carolina Center for Nonprofits
Sisters of Mercy Services Corporation Board of Directors

Chair
Jeffrey A. Gould, CPA
Gould, Killian CPA group

Vice Chair
W. Louis Bissette, Jr.
President of McGuire, Wood & Bissette

Secretary
Ernie Peterson
Vice President of Sisters of Mercy Services Corporation

Treasurer
Robert A. Phillips
Retired, Volvo Construction Equipment

Sister Mary Michel Boulus
Sisters of Mercy of North Carolina

Sister Pauline M. Clifford
Vice President of Sisters of Mercy of North Carolina

Tim Johnston
President and CEO of Sisters of Mercy Services Corporation
Ex-Officio Member of SOMSC Board

Vinson A. Parsons
Retired CFO, Akzoa, Inc.

Sister Mary Jerome Spradley
President of Sisters of Mercy of North Carolina Foundation

Samuel M. Stickney
Senior Vice President of Insurance Service of Asheville, Inc.

Michael J. Willett
President of the Western Region Branch Bank & Trust Co.

Commitment

2006 was a year of restructuring and change for Sisters of Mercy Services. Such times can be challenging for any organization, but they also frequently present opportunities—a time for fresh approaches to the issues that confront us, a time for innovative enterprises with new partners, a time for talented leadership to step up and help move us forward, a time for all of us to reconnect with who we really are as an organization and our deepest intentions for our community.

We have chosen to focus our resources and service delivery in Asheville, Buncombe County and immediate surrounding areas. We have upgraded our technology so that we are more effective and efficient. We are exploring partnerships in innovative projects with other providers. We have called forth new leaders who are committed to true servant leadership. Most importantly, we have in place an exceptional staff that is dedicated to the core values of the Sisters of Mercy as they serve the people of our region.

I invite you to join with us in living these values—at work, at home and in our community—during the coming year.

Tim Johnston, President and CEO

SACREDNESS OF LIFE
HUMAN DIGNITY
MERCY
JUSTICE
SERVICE
EXCELLENCE
SOMS Service Area Redefined
As 2006 began, Sisters of Mercy Services was providing services across the state of North Carolina. In the course of the year, a strategic decision was made to refocus our efforts on the needs of the people of Asheville, Buncombe County and Western North Carolina. The map below indicates the counties in our service area.

Finance Department Innovations Bring Greater Effectiveness
Over the past year, the Finance Department has made significant advances, including assuming overall responsibility for payroll and all business office functions. In addition, an automated time, attendance and payroll system was implemented, and major improvements were made in our ability to gather and report financial information. We foresee continued advances in our financial reporting and service delivery in the year ahead through the implementation of digital dashboards and financial software upgrades.

Pat Jackson is SOMSC Vice President and CFO.

Sisters of Mercy Services 2006 Financial Statement

**REVENUES** $17,916,741
- Urgent Care Patient Revenue $5,987,200 (34%)
- Thrift Store / Other $626,992 (3%)
- Investment Income $562,111 (3%)
- Mountain Health Services $238,105 (1%)
- Disposal of Property / Equipment $1,838,912 (10%)
- Addictions Recovery Revenue $8,663,421 (49%)

**EXPENSES** $17,205,541*
- Bad Debt $1,170,780 (7%)
- Depreciation / Amortization $174,282 (1%)
- Construction Costs $156,808 (1%)
- Interest $85,417 (0.5%)
- Medical Supplies $1,008,008 (6%)
- Other Facility Costs $2,722,730 (16%)
- Other Operating Costs $108,210 (0.5%)
- Compensation & Benefits $11,779,306 (68%)

*Sisters of Mercy Services Corp. provided in excess of $3 million in free and under-compensated care in 2006.
Tradition of Mercy Continues at Former Convent

With a vision of serving those in need, three Sisters of Mercy arrived in Asheville in 1900 and opened a tuberculosis sanatorium on French Broad Avenue. To expand their services, they acquired land on Biltmore Avenue in 1909 and built the four-story wing of St. Joseph's Sanitarium, with the Sisters' convent on the fourth floor. This proximity to the patients in the hospital allowed the Sisters to readily carry out their duties, for in those days the Sisters served as administrators, nurses, technicians, aides and chaplains.

In 1952, Loretta Hall, located adjacent to St. Joseph's Hospital, was opened and used primarily as a residence for the Sisters, with classrooms and other meeting rooms on the lower floor. Then, in 1975, the Sisters moved up the hill into St. Joseph's Convent with space for up to fourteen Sisters and there they remained for the next three decades. Gradually, however, the Sisters' numbers declined, and their traditional duties at St. Joseph's Hospital also diminished.

In December 2005, the property on Biltmore Avenue, including the Convent, was sold. In 2006, the three Sisters who remain in Asheville moved to a smaller house in north Asheville, which has now become Sisters of Mercy Convent. Though there was some wistfulness about this move, there is solace in knowing that the convent building will be used by Helpmate, Buncombe County's primary provider of crisis services to victims of domestic violence and their children. The works of Mercy will continue in that special place through this wonderful organization.
SACREDNESS OF LIFE

calls us to understand that we are all created in the image and likeness of God, and thus to cherish the life of every man, woman and child.

ARP/Phoenix

Significant changes in our operations and a transition to new leadership made 2006 a year of evolution for ARP/Phoenix. In the course of the year, we made a strategic decision, changing the focus of our efforts from providing our services statewide to a concentration of our endeavors in our home community of Asheville, Buncombe County and Western North Carolina.

We will continue to work in partnership with local management entities, federal agencies and other organizations to offer our comprehensive array of substance abuse assessment, treatment and prevention services to our neighbors in this region.

Mary Benson House

For over 12 years, Mary Benson House has provided a safe and healing haven for addicted women as well as a program to ensure the healthy birth of their babies. The eight healthy births during the last year are but one indication of this program's effectiveness. Mary Benson House features a family-centered approach to healing for women and their children living there.

- Classes on parenting and other practical life skills
- Group therapy with a focus on dealing with past trauma
- Individual therapy sessions that are client-driven
- Self-care groups addressing gender specific self-care issues
- 12-step meetings supporting the recovery of residents and graduates

Strategic Planning

During 2006, we took significant strides towards excellence through our strategic planning process. Major milestones included:

- Strategic plan developed and approved by Board of Directors
- Medical and behavioral health ministries refocused on local community
- Steering Committee for McAuley Foundation established
- Master facilities plan created

EXCELLENCE

calls us to share our God-given gifts and talents and give our very best in service to others.

Quality Improvement Program

The Quality Improvement Program monitors and enhances the quality of our services and is critical to our success. The Program's efforts have been rewarded by receiving some of the lowest malpractice rates in the industry. Objectives for the coming year include:

- Electronic medical records system implementation
- A redesign of the physician compensation system
- Better meeting the needs of a growing minority patient population in providing culturally competent care
- Continuing to meet the standards of the Commission on Accreditation of Rehabilitation Facilities (CARF) at ARP/Phoenix, including:
  - providing assurance that programs and services meet consumer-focused, best-practice standards of performance
  - focusing on assisting each consumer in achieving his or her chosen goals and outcomes
SERVICE  calls us to respond to the needs of the people of our community in the most compassionate, effective and timely manner possible.

Staff Work Behind the Scenes

Many in our community are familiar with the staff at Sisters of Mercy Urgent Care and the program counselors at our ARP/Phoenix locations. However, much of the work of Sisters of Mercy Services Corporation goes on out of public view.

At Sisters of Mercy Services Corporate Offices on Biltmore Avenue, Vice President Pat Jackson's Financial Services team works hand in hand with the Business Services staff to assure that all financial matters of the organization are handled professionally, including managing payroll for the staff and physicians who serve our organization.

Also at the Corporate Offices is Alan Rhodamer, Executive Director of Human Resources. During the past year, Alan's group was responsible for:

• Supporting the Financial Services team in the implementation of an electronic time and attendance/payroll system
• Launching a Staff Health and Wellness Program through Crescent PPO
• Initiating corporate-wide needs assessment for Human Resources restructuring

These behind-the-scenes staff members play an essential role in supporting their co-workers in the successful delivery of our services to the people of our community.

HUMAN DIGNITY  calls us to treat all human beings with the respect and consideration they are due and with which we ourselves would wish to be treated.

During the past fiscal year, our staff provided care to 52,121 patients at our three Buncombe County Urgent Care facilities. In addition, we provided $3.3 million in uncompensated and undercompensated care to those who needed help in paying for treatment of their injury or illness.

Health Designs

Through Health Designs, our occupational health division, we also provided onsite health care at the workplace. During the past fiscal year, 14,964 patients were served at their place of employment by our medical staff, saving both employee and employer lost time. We also helped employers detect potential health problems with our broad array of physical exams, screenings and assessments.
calls us to be kind, compassionate and caring—to each other and to those we serve—above and beyond what might be normally expected in our duties.

**Compassionate Care Program**

We want everyone in our community to have access to the medical care they need when they need it. However, we understand that some patients may not have health insurance or enough money to pay for the treatment they receive at Sisters of Mercy Urgent Care.

To serve those who find themselves in this situation, we have established the Compassionate Care Program. Patients who qualify and apply for the Compassionate Care Program receive assistance in paying for the cost of their office visit in part or in full. Our Business Office willingly assists patients in determining their eligibility for this program in a manner that safeguards the privacy and maintains the dignity of all concerned.

**McAuley Foundation**

Evolving from St. Joseph’s Hospital Foundation in 1999, the McAuley Foundation continues the Sisters of Mercy’s 100-year tradition of service to the people of Western North Carolina by supporting the Sisters of Mercy’s Asheville-based ministries.

During 2006, the McAuley Foundation Steering Committee, led by Chairperson Sam Stickney, was formed to guide the activities of the organization. Current members of the Steering Committee are listed on the last page of this annual report.

The McAuley Foundation is a 501(c)3 organization and relies on contributions and investments as its major source of income. Recent Foundation efforts have included funding digital imaging for Urgent Care and facility development.

**Mountain Health Services**

Mountain Health Services provides real estate and general contracting services for Sisters of Mercy Services. During 2006, Mountain Health Services accomplished these priorities:

- Located and acquired a new convent for the Sisters of Mercy in North Asheville
- Constructed a 1,140 square foot energy efficient home and sold the home to a single mother
- Assisted ARP/Phoenix with the acquisition of office space and provided relocation assistance
- Served as a team member for the Asheville Health Complex
- Completed general contracting projects, including renovations for:
  - Mission Hospitals Wound Therapy Center, 445 Biltmore Center, Asheville
  - Mission Hospitals Staff Health & Wellness, 50 Doctors Drive, Asheville
  - YMCA of Western North Carolina, 53 Asheland Avenue, Asheville
  - Mountain Neurological Center, 7 Vanderbilt Park Drive, Asheville
  - Haywood Road LLC, Asheville
  - McDowell Radiation Center, Marion

**Second Affordable House Becomes a Home**

On August 10, 2006, a single mother of two became the owner of the second affordable house built by Mountain Health Contracting Services. “I really appreciated the welcome to our new home by Sister Maria Goretti and all the others,” said new owner Kristine Delaney. The home’s energy-efficient construction has cut the family’s energy bills in half, she happily reports.