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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 black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047
2010
Open to Public Inspection

A For the 2010 calendar year, or tax year beginning 07-01-2010 and ending 06-30-2011

B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization LORETTO HOSPITAL		D Employer identification number 36-2200248
	Doing Business As		E Telephone number (773) 626-4300
	Number and street (or P O box if mail is not delivered to street address) 645 S CENTRAL AVE	Room/suite	
	City or town, state or country, and ZIP + 4 CHICAGO, IL 60644		

F Name and address of principal officer STEVE DRUCKER 645 S CENTRAL AVE CHICAGO, IL 60644	H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) H(c) Group exemption number ▶
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I Tax-exempt status 501(c)(3) 501(c) () (Insert no) 4947(a)(1) or 527

J Website: ▶ WWW LORETTOHOSPITAL ORG

K Form of organization Corporation Trust Association Other ▶ **L Year of formation** 1939 **M State of legal domicile** IL

Part I Summary

1 Briefly describe the organization's mission or most significant activities
 LORETTO HOSPITAL IS A NOT-FOR-PROFIT COMMUNITY BASED ORGANIZATION, WHICH PARTNERS WITH ITS PHYSICIANS, EMPLOYEES AND THE COMMUNITIES IT SERVES, TO PROVIDE QUALITY PATIENT CENTERED CARE AND PROMOTE WELLNESS AND EDUCATION

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	6
4 Number of independent voting members of the governing body (Part VI, line 1b)	4	4
5 Total number of individuals employed in calendar year 2010 (Part V, line 2a)	5	536
6 Total number of volunteers (estimate if necessary)	6	14
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	27,787

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	8,201,977	17,546,251
9	Program service revenue (Part VIII, line 2g)	91,830,525	50,671,107
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,488,020	0
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	-687,941	643,004
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	100,832,581	68,860,362

13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	32,347,657	34,541,308
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–24f)	62,897,692	32,046,327
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	95,245,349	66,587,635
19	Revenue less expenses Subtract line 18 from line 12	5,587,232	2,272,727

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	46,441,719	50,512,046
21	Total liabilities (Part X, line 26)	15,064,012	16,773,056
22	Net assets or fund balances Subtract line 21 from line 20	31,377,707	33,738,990

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	2012-01-04
	ANNE LINDSEY CONTROLLER Type or print name and title	Date

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	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

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III Yes No

1 Briefly describe the organization's mission

LORETTO HOSPITAL IS A NOT-FOR-PROFIT COMMUNITY BASED ORGANIZATION, WHICH PARTNERS WITH ITS PHYSICIANS, EMPLOYEES AND THE COMMUNITIES IT SERVES, TO PROVIDE QUALITY PATIENT CENTERED CARE AND PROMOTES WELLNESS AND EDUCATION

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 exempt purpose achievements for each of the organization's three largest program services by expenses. Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts 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 \$ 62,704,416 including grants of \$) (Revenue \$ 68,860,362)

LORETTO HOSPITAL IS A COMMUNITY BASED HEALTHCARE ORGANIZATION PROVIDING QUALITY PATIENT CARE AND SERVICES

4b (Code) (Expenses \$ including grants of \$) (Revenue \$)

4c (Code) (Expenses \$ including grants of \$) (Revenue \$)

4d Other program services (Describe in Schedule O)
(Expenses \$ 0 including grants of \$ 0) (Revenue \$ 0)

4e Total program service expenses \$ 62,704,416

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)? <i>If "Yes," complete Schedule A.</i>	Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)?		No
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I.</i>		No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II.</i>		No
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III.</i>		No
6 Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I.</i>		No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? <i>If "Yes," complete Schedule D, Part II.</i>		No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i>		No
9 Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV.</i>		No
10 Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i>		No
11 If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i>	Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII.</i>		No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII.</i>	Yes	
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX.</i>		No
e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i>	Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X.</i>		No
12a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i>	Yes	
b Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i>	Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>		No
14a Did the organization maintain an office, employees, or agents outside of the United States?		No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, and program service activities outside the United States? <i>If "Yes," complete Schedule F, Parts I and IV.</i>		No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S? <i>If "Yes," complete Schedule F, Parts II and IV.</i>		No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S? <i>If "Yes," complete Schedule F, Parts III and IV.</i>		No
17 Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I (see instructions).</i>		No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II.</i>		No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>		No
20a Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i>	Yes	
b If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	Yes	

Part IV Checklist of Required Schedules *(continued)*

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response to any question in this Part V []

Table with columns for question ID, question text, and Yes/No response boxes. Includes questions 1a-1b, 2a-2b, 3a-3b, 4a-4b, 5a-5c, 6a-6b, 7a-7h, 8, 9a-9b, 10a-10b, 11a-11b, 12a-12b, 13a-13c, and 14a-14b.

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

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

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed <input checked="" type="checkbox"/> IL
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you make these available. Check all that apply. <input checked="" type="checkbox"/> Own website <input checked="" type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request
19	Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization <input checked="" type="checkbox"/> STEVE DRUCKER 645 S CENTRAL AVE CHICAGO, IL 60644 (773) 854-5000

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

Check if Schedule O contains a response to any question 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, and **current** key employees 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 (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(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) RUBY ISOM HUMAN RESOURCE DIRECTOR	40	X					108,782	0	1,360	
(2) JAMES CHANDLER PHARMACY DIRECTOR	40 00	X					110,557	0	0	
(3) DENISE SEAMAN PATIENT FINANCIAL SVC DIRECTOR	40 00	X					121,665	0	608	
(4) EDWARD HOGAN BOARD MEMBER	0		X				0	0	0	
(5) JAMES MONTGOMERY BOARD MEMBER	0		X				0	0	0	
(6) KIMBERLY LIGHTFORD BOARD MEMBER	0		X				0	0	0	
(7) MICHELLE COLLINS BOARD MEMBER	0		X				0	0	0	
(8) STEVE DRUCKER BOARD MEMBER/CEO	40		X	X			307,600	0	2,307	
(9) DEENADAYAL GADDAM BOARD MEMBER/PHYSICIAN	40		X				298,805	0	4,205	
(10) JOHN VALLES CFO	40 00			X			221,200	0	1,659	
(11) LEE M KOTNOUR COO	40			X			225,200	0	1,688	
(12) PAULA CROSSEN COMPLIANCE OFFICER	40			X			120,992	0	908	
(13) ROSE GEARY AVP BEHAVIORIAL HEALTH	40 00			X			123,023	0	893	
(14) KATHLEEN DONOHUE AVP PROFESSIONAL SERVICES	40 00			X			127,234	0	1,272	
(15) JOHN PAPPONE AVP SUPPORT SERVICES	40 00			X			106,279	0	0	
(16) CAMILLE LILLY VP EXTERNAL AFFAIRS	40 00			X			122,829	0	1,609	

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(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			
(17) BELA NAND PHYSICIAN	40					X		367,657	0	3,899
(18) CLARITA CAPULONG NURSE	52					X		158,936	0	2,372
(19) HARI PAUDEL PHYSICIAN	40					X		152,450	0	0
(20) MILLICENT NARTEY NURSE	52					X		151,416	0	2,262
(21) MELODIA CHUA NURSE	50					X		157,766	0	1,966
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								2,982,391	0	27,008

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 in reportable compensation from the organization **21**

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

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization

(A) Name and business address	(B) Description of services	(C) Compensation
CHICAGO IMAGING LTD 1421 LAKE ROAD LAKE FOREST, IL 60045	IMAGING	206,250
HOGAN MARREN LTD 180 NORTH WACKER DRIVE STE 600 CHICAGO, IL 60606	LAW FIRM	298,924
HORIZON EMERGENY PHYSICIAN GROUP 2000 SPRING ROAD SUITE 200 OAK BROOK, IL 60523	EMERGENCY PHYSICIANS	1,020,804
METRO ANESTHESIA 195 N HARBOR DRIVE 3302 CHICAGO, IL 60601	ANESTHESIOLOGIST	289,250
RENAISSANCE HOSPITAL MANAGEMENT 1101 WEST LAKE ST SUITE 300 OAK PARK, IL 60102	MANAGEMENT COMPANY	1,617,379

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization **8**

Part VIII Statement of Revenue

		(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a Federated campaigns 1a	0				
	b Membership dues 1b	0				
	c Fundraising events 1c	0				
	d Related organizations 1d	0				
	e Government grants (contributions) 1e	9,344,275				
	f All other contributions, gifts, grants, and similar amounts not included above 1f	8,201,976				
	g Noncash contributions included in lines 1a-1f \$	0				
	h Total. Add lines 1a-1f ▼		17,546,251			
	Program Service Revenue	2a PATIENT REVENUE	622000	100,832,076	100,832,076	0
b CONTRACTUAL ALLOWANCE		622000	-50,160,969	50,160,969	0	0
c _____						
d _____						
e _____						
f All other program service revenue			0	0	0	0
g Total. Add lines 2a-2f ▼			50,671,107			
Other Revenue		3 Investment income (including dividends, interest and other similar amounts) ▼		0	0	0
	4 Income from investment of tax-exempt bond proceeds ▼		0	0	0	0
	5 Royalties ▼		0	0	0	0
	6a Gross Rents	(i) Real	0	0		
		(ii) Personal	0	0		
		b Less rental expenses	0	0		
		c Rental income or (loss)	0	0		
	d Net rental income or (loss) ▼		0	0	0	0
	7a Gross amount from sales of assets other than inventory	(i) Securities	0	0		
		(ii) Other	0	0		
		b Less cost or other basis and sales expenses	0	0		
		c Gain or (loss)	0	0		
	d Net gain or (loss) ▼		0	0	0	0
	8a Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 a		0			
		b Less direct expenses b	0			
c Net income or (loss) from fundraising events ▼			0	0	0	0
9a Gross income from gaming activities See Part IV, line 19 a		0				
	b Less direct expenses b	0				
	c Net income or (loss) from gaming activities ▼		0	0	0	0
10a Gross sales of inventory, less returns and allowances a		0				
	b Less cost of goods sold b	0				
	c Net income or (loss) from sales of inventory ▼		0	0	0	0
Miscellaneous Revenue		Business Code				
11a CAFETERIA	722210	155,370	155,370	0	0	
b INVESTMENTS	900001	1,563,299	1,563,299	0	0	
c RENTAL INCOME	523000	27,787	27,787	0	0	
d All other revenue		-1,103,452	-1,103,452	0	0	
e Total. Add lines 11a-11d ▼		643,004				
12 Total revenue. See Instructions ▼		68,860,362	51,314,111	0	0	

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) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the U S See Part IV, line 21	0	0		
2	Grants and other assistance to individuals in the U S See Part IV, line 22	0	0		
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16	0	0		
4	Benefits paid to or for members	0	0		
5	Compensation of current officers, directors, trustees, and key employees	1,607,823	1,607,823	0	0
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0	0		0
7	Other salaries and wages	29,172,745	27,714,108	1,458,637	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	110,787	105,248	5,539	
9	Other employee benefits	1,460,617	1,387,586	73,031	
10	Payroll taxes	2,189,336	2,079,869	109,467	
a	Fees for services (non-employees)				
	Management	4,442,702	4,220,567	222,135	
b	Legal	661,046	0	661,046	
c	Accounting	205,110	0	205,110	
d	Lobbying				
e	Professional fundraising services See Part IV, line 17				
f	Investment management fees				
g	Other				
12	Advertising and promotion				
13	Office expenses	3,186,981	3,027,632	159,349	
14	Information technology	214,781	214,781	0	
15	Royalties				
16	Occupancy	1,180,578	1,180,578	0	
17	Travel				
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings				
20	Interest	306		306	
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	3,125,489	2,969,215	156,274	
23	Insurance	2,382,833	2,382,833		
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	PHYSICIANS FEES	2,352,562	2,234,934	117,628	0
b	PHARMACEUTICALS	1,979,199	1,880,239	98,960	0
c	PROVISIONS FOR UNCOLLECTIBLE ACCOUNTS	2,263,796	2,150,606	113,190	0
d	MISCELLANEOUS	10,050,944	9,548,397	502,547	
e					
f	All other expenses				
25	Total functional expenses. Add lines 1 through 24f	66,587,635	62,704,416	3,883,219	0
26	Joint costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

		(A)		(B)
		Beginning of year		End of year
Assets	1 Cash—non-interest-bearing	371,673	1	1,484,195
	2 Savings and temporary cash investments	0	2	0
	3 Pledges and grants receivable, net	0	3	0
	4 Accounts receivable, net	4,761,439	4	4,154,066
	5 Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L	0	5	0
	6 Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Schedule L	0	6	0
	7 Notes and loans receivable, net	0	7	0
	8 Inventories for sale or use	396,372	8	438,019
	9 Prepaid expenses and deferred charges	1,618,992	9	414,766
	10a Land, buildings, and equipment cost or other basis. Complete Part VI of Schedule D	55,622,813		
	b Less accumulated depreciation	35,317,143	19,753,167	10c 20,305,670
	11 Investments—publicly traded securities	0	11	
	12 Investments—other securities. See Part IV, line 11	0	12	
	13 Investments—program-related. See Part IV, line 11	19,540,076	13	23,715,330
	14 Intangible assets	0	14	
	15 Other assets. See Part IV, line 11	0	15	
16 Total assets. Add lines 1 through 15 (must equal line 34)	46,441,719	16	50,512,046	
Liabilities	17 Accounts payable and accrued expenses	6,379,497	17	7,776,854
	18 Grants payable	0	18	0
	19 Deferred revenue	0	19	0
	20 Tax-exempt bond liabilities	0	20	0
	21 Escrow or custodial account liability. Complete Part IV of Schedule D	0	21	0
	22 Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L	0	22	0
	23 Secured mortgages and notes payable to unrelated third parties	0	23	0
	24 Unsecured notes and loans payable to unrelated third parties	0	24	0
	25 Other liabilities. Complete Part X of Schedule D	8,684,515	25	8,996,202
	26 Total liabilities. Add lines 17 through 25	15,064,012	26	16,773,056
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets	30,931,870	27	33,232,345
	28 Temporarily restricted net assets	445,837	28	506,645
	29 Permanently restricted net assets	0	29	0
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.			
	30 Capital stock or trust principal, or current funds		30	
	31 Paid-in or capital surplus, or land, building or equipment fund		31	
	32 Retained earnings, endowment, accumulated income, or other funds		32	
33 Total net assets or fund balances	31,377,707	33	33,738,990	
34 Total liabilities and net assets/fund balances	46,441,719	34	50,512,046	

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	68,860,362
2	Total expenses (must equal Part IX, column (A), line 25)	2	66,587,635
3	Revenue less expenses Subtract line 2 from line 1	3	2,272,727
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	31,377,707
5	Other changes in net assets or fund balances (explain in Schedule O)	5	88,556
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	33,738,990

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question 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?	Yes	
b	Were the organization's financial statements audited by an independent accountant?	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued 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 separated basis		
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		No
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		

SCHEDULE A
(Form 990 or 990EZ)

Public Charity Status and Public Support

OMB No 1545-0047

2010

Open to Public Inspection

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

Department of the Treasury
Internal Revenue Service

Name of the organization
LORETTO HOSPITAL

Employer identification number

36-2200248

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

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

- 1 A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i)**.
- 2 A school described in **section 170(b)(1)(A)(ii)**. (Attach Schedule E)
- 3 A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii)**.
- 4 A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii)**. Enter the hospital's name, city, and state
- 5 An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv)**. (Complete Part II)
- 6 A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v)**.
- 7 An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 8 A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 9 An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2)**. (Complete Part III)
- 10 An organization organized and operated exclusively to test for public safety See **section 509(a)(4)**.
- 11 An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3)**. Check the box that describes the type of supporting organization and complete lines 11e through 11h
 - a Type I
 - b Type II
 - c Type III - Functionally integrated
 - d Type III - Other

- e By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
- f If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box
- g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?
 - (i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?
 - (ii) a family member of a person described in (i) above?
 - (iii) a 35% controlled entity of a person described in (i) or (ii) above?

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

h Provide the following information about the supported organization(s)

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

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

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public Support. Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (See instructions)					12	

13 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** **Section C. Computation of Public Support Percentage**

14 Public Support Percentage for 2010 (line 6 column (f) divided by line 11 column (f))	14	
15 Public Support Percentage for 2009 Schedule A, Part II, line 14	15	

16a 33 1/3% support test—2010. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization **b 33 1/3% support test—2009.** If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization **17a 10%-facts-and-circumstances test—2010.** If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization **b 10%-facts-and-circumstances test—2009.** If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization **18 Private Foundation** If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions

Part 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) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(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) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support (Add lines 9, 10c, 11 and 12)						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here 						

Section C. Computation of Public Support Percentage

15 Public Support Percentage for 2010 (line 8 column (f) divided by line 13 column (f))	15	
16 Public support percentage from 2009 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2010 (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from 2009 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2010. 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—2009. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here . The organization qualifies as a publicly supported organization 		
20 Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions 		

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

Facts And Circumstances Test

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SCHEDULE D (Form 990)

OMB No 1545-0047

Supplemental Financial Statements

2010

Open to Public Inspection

Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12. Attach to Form 990. See separate instructions.

Department of the Treasury Internal Revenue Service

Name of the organization LORETTO HOSPITAL

Employer identification number 36-2200248

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

Table with 2 columns: (a) Donor advised funds, (b) Funds and other accounts. Rows 1-4: Total number at end of year, Aggregate contributions to (during year), Aggregate grants from (during year), Aggregate value at end of year.

- 5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?
6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit?

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

- 1 Purpose(s) of conservation easements held by the organization (check all that apply): Preservation of land for public use, Protection of natural habitat, Preservation of open space, Preservation of an historically important land area, Preservation of a certified historic structure.

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

- a Total number of conservation easements
b Total acreage restricted by conservation easements
c Number of conservation easements on a certified historic structure included in (a)
d Number of conservation easements included in (c) acquired after 8/17/06

Table with 2 columns: Held at the End of the Year. Rows 2a, 2b, 2c, 2d.

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

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

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

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

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

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

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

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

1a If the organization elected, as permitted under SFAS 116, 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 XIV, the text of the footnote to its financial statements that describes these items

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

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

(ii) Assets included in Form 990, Part X \$

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

a Revenues included in Form 990, Part VIII, line 1 \$

b Assets included in Form 990, Part X \$

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

3 Using the organization's 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 XIV

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? Yes No

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

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? Yes No

b If "Yes," explain the arrangement in Part XIV and complete the following table

	Amount
1c	
1d	
1e	
1f	

2a Did the organization include an amount on Form 990, Part X, line 21? Yes No

b If "Yes," explain the arrangement in Part XIV

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

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance					
b Contributions					
c Investment earnings or losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

2 Provide the estimated percentage of the year end balance held as

- a** Board designated or quasi-endowment
- b** Permanent endowment
- c** Term endowment

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

	Yes	No
(i) unrelated organizations	3a(i)	
(ii) related organizations	3a(ii)	
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b	

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

Part VI Investments—Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land	0	429,028		429,028
b Buildings	0	21,767,537	19,208,007	2,559,530
c Leasehold improvements	0	197,413	0	197,413
d Equipment	0	19,724,508	13,068,066	6,656,442
e Other	0	13,504,327	3,041,070	10,463,257
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).)				20,305,670

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	68,860,362
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	66,587,635
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	2,272,727
4	Net unrealized gains (losses) on investments	4	0
5	Donated services and use of facilities	5	0
6	Investment expenses	6	0
7	Prior period adjustments	7	0
8	Other (Describe in Part XIV)	8	0
9	Total adjustments (net) Add lines 4 - 8	9	0
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	2,272,727

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements	1	68,860,362
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	0
b	Donated services and use of facilities	2b	0
c	Recoveries of prior year grants	2c	0
d	Other (Describe in Part XIV)	2d	0
e	Add lines 2a through 2d	2e	0
3	Subtract line 2e from line 1	3	68,860,362
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	0
b	Other (Describe in Part XIV)	4b	0
c	Add lines 4a and 4b	4c	0
5	Total Revenue Add lines 3 and 4c . (This should equal Form 990, Part I, line 12)	5	68,860,362

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements	1	66,587,635
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
a	Donated services and use of facilities	2a	0
b	Prior year adjustments	2b	0
c	Other losses	2c	0
d	Other (Describe in Part XIV)	2d	0
e	Add lines 2a through 2d	2e	0
3	Subtract line 2e from line 1	3	66,587,635
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	0
b	Other (Describe in Part XIV)	4b	0
c	Add lines 4a and 4b	4c	0
5	Total expenses Add lines 3 and 4c . (This should equal Form 990, Part I, line 18)	5	66,587,635

Part XIV Supplemental Information

Complete this part to 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, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b Also complete this part to provide any additional information

Identifier	Return Reference	Explanation
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SCHEDULE H (Form 990)

Department of the Treasury Internal Revenue Service

Hospitals

Complete if the organization answered "Yes" to Form 990, Part IV, question 20. Attach to Form 990. See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization LORETTO HOSPITAL

Employer identification number

36-2200248

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. 1b If "Yes," is it a written policy? 2 If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year. 3 Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year. 3a Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing free care to low income individuals? 3b Does the organization use FPG to determine eligibility for providing discounted care to low income individuals? 4 Did the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for 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? 5b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? 5c 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 Does the organization prepare a community benefit report during the tax year? 6b 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

Table with 7 columns: (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. Rows include Financial Assistance and Means-Tested Government Programs (a-d) and Other Benefits (e-k).

Part II Community Building Activities during the tax year, and describe in Part VI how its community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

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

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1 Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1	Yes	
2 Enter the amount of the organization's bad debt expense (at cost)	2	2,263,796	
3 Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	3	1,131,898	
4 Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit			

Section B. Medicare

5 Enter total revenue received from Medicare (including DSH and IME)	5	21,392,005
6 Enter Medicare allowable costs of care relating to payments on line 5	6	21,392,005
7 Subtract line 6 from line 5. This is the surplus or (shortfall)	7	0
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		

Section C. Collection Practices

9a Does the organization have a written debt collection policy?	9a	Yes
b If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI	9b	Yes

Part IV Management Companies and Joint Ventures

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1 Renaissance Hospital Management	Healthcare Management	0 %	19 %	0 %
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V Facility Information

Section A. Hospital Facilities

(list in order of size, measured by total revenue per facility, from largest to smallest)

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

Name and address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	Loretto Hospital 645 S Central Ave Chicago, IL 60642	X	X		X			X		

Part V Facility Information *(continued)*

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

(list in order of size, measured by total revenue per facility, from largest to smallest)

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

Name and address

Type of Facility (Describe)

1

1

2

3

4

5

6

7

8

9

10

Part VI Supplemental Information

Complete this part to provide the following information

- 1 **Required descriptions.** Provide the description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments 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

Identifier	ReturnReference	Explanation
SchH_P01_S00_L07	Schedule H, Part I, Line 7	The costing methodology used is the Cost-to-Charge Ratio

Identifier	ReturnReference	Explanation
SchH_P01_S00_L072f	Schedule H, Part I, Line 7, Column f	The bad debt expense that is included in Part IX, line 25 is \$2,263,796

Identifier	ReturnReference	Explanation
SchH_P03_S0A_L04	Schedule H, Part III, Section A, Line 4	Bad debt expense is the result of patients having the ability to pay, but choosing not to pay. The costign methodology used to determine bad debt expense is cost to charge ratio.

Identifier	ReturnReference	Explanation
SchH_P03_S0B_L08	Schedule H, Part III, Section B, Line 8	The source for the Medicare allowable cost is from the Provider Statistical & Reimbursement Report (PSR)

Identifier	ReturnReference	Explanation
SchH_P03_S0C_L09b	Schedule H, Part III, Section C, Line 9b	It is the policy of Loretto to provide charity care to patients whose financial status makes it impossible or impractical to pay for medical services. All patients requesting treatment will be given written notification of Loretto Hospital's financial assistance program. This notification is given to the patient or representative during the registration process when the notice of privacy practices is explained.

Identifier	ReturnReference	Explanation
SchH_P05_S0B_L19	Schedule H, Part V, Section B, Line 19	The hospital facility used the Medicaid rate for those services

Identifier	ReturnReference	Explanation
SchH_P06_S00_L02	Schedule H, Part VI, Line 2	<p>The health care needs of the community is assessed by PHI's We may use your PHI to provide, coordinate or manage your in-patient, out-patient, or post-hospital care We may disclose your PHI to doctors, nurses, hospitals and other healthcare facilities who become involved in your care In the course of your treatment here, your PHI may be disclosed to indirect healthcare providers such as our independent contractor radiologists and pathologists Similarly, we may refer you to another healthcare provider and as part of the referral process share your PHI with that provider An example of this would be if your were being treated for a broken leg, and the physician needed to know if you had diabetes, because diabetes may slow the healing proecess So the physician treatingg your leg may refer you to another physician who specializes in treating diabetic patients and in doing so, will share your PHI with that physician Additionally, if you have diabetes, the physician will share your PHI with a dietitian so we can arrange for appropriate meals for you</p>

Identifier	ReturnReference	Explanation
SchH_P06_S00_L03	Schedule H, Part VI, Line 3	All patient requesting treatment will be given notification of Loretto Hospital's financial assistance program The notification is given to the patient or representative during the registration process when the notice of privacy is explained The patient or representative will e asked to sign acknowledging receipt of a copy of notice of privacy practices and notification of Loretto Hospital's financial assistance program

Identifier	ReturnReference	Explanation
SchH_P06_S00_L04	Schedule H, Part VI, Line 4	Austin community is located on the West Side of Chicago, Illinois, and it is the largest (by population) of the city's 77 officially defined community areas (neighborhoods), followed by Lake View. Its eastern boundary is Cicero Avenue. Its northernmost border is the Milwaukee District/West Line. Its southernmost border is at Roosevelt Road from Cicero Avenue west to Austin Boulevard. The northernmost portion, north of North Avenue, extends west to Harlem Avenue, abutting Elmwood Park. Other suburbs bordering Austin are Cicero and Oak Park. Also nearby is Berwyn. The demographics of the Austin area is 90% African-American community.

Identifier	ReturnReference	Explanation
SchH_P06_S00_L07	Schedule H, Part VI, Line 7	Illinois

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2010

Open to Public Inspection

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

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.

▶ Attach to Form 990. ▶ See separate instructions.

Department of the Treasury
Internal Revenue Service

Name of the organization
LORETTO HOSPITAL

Employer identification number

36-2200248

Part I Questions Regarding Compensation

	Yes	No								
<p>1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items</p> <table border="0"> <tr> <td><input type="checkbox"/> First-class or charter travel</td> <td><input type="checkbox"/> Housing allowance or residence for personal use</td> </tr> <tr> <td><input type="checkbox"/> Travel for companions</td> <td><input type="checkbox"/> Payments for business use of personal residence</td> </tr> <tr> <td><input type="checkbox"/> Tax idemnification and gross-up payments</td> <td><input checked="" type="checkbox"/> Health or social club dues or initiation fees</td> </tr> <tr> <td><input type="checkbox"/> Discretionary spending account</td> <td><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</td> </tr> </table>	<input type="checkbox"/> First-class or charter travel	<input type="checkbox"/> Housing allowance or residence for personal use	<input type="checkbox"/> Travel for companions	<input type="checkbox"/> Payments for business use of personal residence	<input type="checkbox"/> Tax idemnification and gross-up payments	<input checked="" type="checkbox"/> Health or social club dues or initiation fees	<input type="checkbox"/> Discretionary spending account	<input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)		
<input type="checkbox"/> First-class or charter travel	<input type="checkbox"/> Housing allowance or residence for personal use									
<input type="checkbox"/> Travel for companions	<input type="checkbox"/> Payments for business use of personal residence									
<input type="checkbox"/> Tax idemnification and gross-up payments	<input checked="" type="checkbox"/> Health or social club dues or initiation fees									
<input type="checkbox"/> Discretionary spending account	<input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)									
<p>b If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain</p>	Yes									
<p>2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?</p>	Yes									
<p>3 Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply</p> <table border="0"> <tr> <td><input type="checkbox"/> Compensation committee</td> <td><input type="checkbox"/> Written employment contract</td> </tr> <tr> <td><input type="checkbox"/> Independent compensation consultant</td> <td><input type="checkbox"/> Compensation survey or study</td> </tr> <tr> <td><input type="checkbox"/> Form 990 of other organizations</td> <td><input checked="" type="checkbox"/> Approval by the board or compensation committee</td> </tr> </table>	<input type="checkbox"/> Compensation committee	<input type="checkbox"/> Written employment contract	<input type="checkbox"/> Independent compensation consultant	<input type="checkbox"/> Compensation survey or study	<input type="checkbox"/> Form 990 of other organizations	<input checked="" type="checkbox"/> Approval by the board or compensation committee				
<input type="checkbox"/> Compensation committee	<input type="checkbox"/> Written employment contract									
<input type="checkbox"/> Independent compensation consultant	<input type="checkbox"/> Compensation survey or study									
<input type="checkbox"/> Form 990 of other organizations	<input checked="" type="checkbox"/> Approval by the board or compensation committee									
<p>4 During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization</p>										
<p>a Receive a severance payment or change-of-control payment from the organization or a related organization?</p>		No								
<p>b Participate in, or receive payment from, a supplemental nonqualified retirement plan?</p>		No								
<p>c Participate in, or receive payment from, an equity-based compensation arrangement? If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III</p>		No								
<p>Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.</p>										
<p>5 For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of</p>										
<p>a The organization?</p>		No								
<p>b Any related organization? If "Yes," to line 5a or 5b, describe in Part III</p>		No								
<p>6 For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of</p>										
<p>a The organization?</p>		No								
<p>b Any related organization? If "Yes," to line 6a or 6b, describe in Part III</p>		No								
<p>7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III</p>		No								
<p>8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III</p>		No								
<p>9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?</p>										

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

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

Note. The sum of columns (B)(i)-(iii) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) STEVE DRUCKER	(i)	307,600	0	2,307	0	0	309,907	307,275
	(ii)	0	0	0	0	0	0	0
(2) JOHN VALLES	(i)	221,200	0	1,659	0	0	222,859	221,518
	(ii)	0	0	0	0	0	0	0
(3) LEE M KOTNOUR	(i)	225,200	0	1,688	0	0	226,888	225,578
	(ii)	0	0	0	0	0	0	0
(4) DEENADAYAL GADDAM	(i)	298,805	0	4,205	0	0	303,010	254,428
	(ii)	0	0	0	0	0	0	0
(5) BELA NAND	(i)	367,657	0	3,899	0	0	371,556	409,813
	(ii)	0	0	0	0	0	0	0
(6) CLARITA CAPULONG	(i)	158,936	0	2,372	0	0	161,308	153,839
	(ii)	0	0	0	0	0	0	0
(7) HARI PAUDEL	(i)	152,450	0	0	0	0	152,450	0
	(ii)	0	0	0	0	0	0	0
(8) MILLICENT NARTEY	(i)	151,416	0	2,262	0	0	153,678	171,981
	(ii)	0	0	0	0	0	0	0
(9) MELODIA CHUA	(i)	157,766	0	1,966	0	0	159,732	155,899
	(ii)	0	0	0	0	0	0	0
(10)								
(11)								
(12)								
(13)								
(14)								
(15)								
(16)								

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
SchJ_P01_S00_L01a	Schedule J, Part I, Line 1a	Determined by the Management firm. Reviewed and approved/disapproved by the board.
SchJ_P01_S00_L03	Schedule J, Part I, Line 3	DETERMINED BY THE MANAGEMENT FIRM. REVIEWED AND APPROVED/DISAPPROVED BY THE BOARD.

SCHEDULE O
(Form 990 or 990-EZ)

Supplemental Information to Form 990 or 990-EZ

2010

Open to Public Inspection

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

Department of the Treasury
Internal Revenue Service

Name of the organization
LORETTO HOSPITAL

Employer identification number

36-2200248

Identifier	Return Reference	Explanation
F990_P03_S00_L00d	Form 990, Part III (Cont 4)	LORETTO HOSPITAL IS A COMMUNITY BASED HEALTHCARE ORGANIZATION PROVIDING QUALITY PATIENT CARE AND SERVICES

Identifier	Return Reference	Explanation
F990_P06_S0A_L03	Form 990, Part VI, Section A, Line 3	Renaissance Hospital Management, Inc

Identifier	Return Reference	Explanation
F990_P06_S0A_L09	Form 990, Part VI, Section A, Line 9	Edward Hogan, 321 North Clark Street, Suite 1301, Chicago, IL 60654 / Michelle Collins, Shore Bank, 3401 S King Drive, Chicago, IL 60612 / Kimberly Lightford, 4th District, 10001 S Roosevelt Road, Suite 202, Westchester, IL 60154 / Jim Montgomery, Sr, Cochran, Cherry, Givens, Smith & Montgomery Law Office, 1 North LaSalle, Suite 2450, Chicago, IL 60602 / Dr Amjad Khan, 7435 W Madison Street, Forest Park, IL 60181

Identifier	Return Reference	Explanation
F990_P06_S0B_L11a	Form 990, Part VI, Section B, Line 11a	A draft of the 990 is initially presented to the board of trustees for subsequent review by its finance sub-committee. The final version of form 990 is then presented to the board for approval prior to filing.

Identifier	Return Reference	Explanation
F990_P06_S0B_L12c	Form 990, Part VI, Section B, Line 12c	The compliance policy is presented at the new orientation. Also it is reviewed and discussed at department head meetings. The Compliance Officer routinely audits the compliance policy.

Identifier	Return Reference	Explanation
F990_P06_S0B_L15	Form 990, Part VI, Section B, Line 15	The CEO and Executive Management compensation is presented and reviewed by the management company. Recommendations and findings are presented for review and approval by the compensation committee of the board of trustees prior to presentation for approval by the board.

Identifier	Return Reference	Explanation
F990_P06_S0C_L19	Form 990, Part VI, Section C, Line 19	The financial statements are made available via website, public new sletter, and upon request

Identifier	Return Reference	Explanation
F990_P11_S00_L05	Form 990, Part XI, Line 5	Changes in net assets are contributions for specific purpose and investment income

**SCHEDULE R
(Form 990)**

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2010

Open to Public Inspection

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

Department of the Treasury
Internal Revenue Service

Name of the organization
LORETTO HOSPITAL

Employer identification number

36-2200248

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" on Form 990, Part IV, line 33.)

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) Loretto Hospital Foundation 645 S Central Ave Chicago, IL 60642 36-2200248	Fundraising	IL	501(c)3		N/A		No

Part III Identification of Related Organizations Taxable as a Partnership (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

Part IV Identification of Related Organizations Taxable as a Corporation or Trust (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership

Part V Transactions With Related Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35, 35A, or 36.)

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

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 **(iv)** rent from a controlled entity
- b** Gift, grant, or capital contribution to other organization(s)
- c** Gift, grant, or capital contribution from other organization(s)
- d** Loans or loan guarantees to or for other organization(s)
- e** Loans or loan guarantees by other organization(s)

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

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

- o** Reimbursement paid to other organization for expenses
- p** Reimbursement paid by other organization for expenses

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

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

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) Loretto Hospital Foundation	n	25,000	The amount of time that is involved working with the hospital and the foundation
(2)			
(3)			
(4)			
(5)			
(6)			

Part VII **Supplemental Information**

Complete this part to provide additional information for responses to questions on Schedule R (see instructions)

Identifier	Return Reference	Explanation
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LORETTO HOSPITAL

Consolidated Financial Statements

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)



KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report

The Board of Trustees
Loretto Hospital:

We have audited the accompanying consolidated balance sheets of Loretto Hospital (the Hospital) as of June 30, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Loretto Hospital as of June 30, 2011 and 2010, and the results of its operations, changes in net assets, and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

December 15, 2011

LORETTO HOSPITAL
Consolidated Balance Sheets
June 30, 2011 and 2010

Assets	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and cash equivalents	\$ 1,484,195	371,673
Patient accounts receivable, less allowance for uncollectible accounts of approximately \$1,127,000 and \$1,808,000 in 2011 and 2010, respectively	4,154,066	4,761,439
Supplies, prepaid expenses, and other	<u>852,785</u>	<u>2,015,364</u>
Total current assets	6,491,046	7,148,476
Assets whose use is limited or restricted	23,208,685	19,094,238
Land, building, and equipment, net	20,305,670	19,753,167
Interest in net assets of the Foundation	<u>506,645</u>	<u>445,837</u>
Total assets	<u>\$ 50,512,046</u>	<u>46,441,718</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 3,698,012	2,902,126
Accrued expenses and other liabilities	4,078,842	3,477,370
Estimated settlements due to third-party payors	501,225	962,644
Current portion of self-insurance reserve	<u>1,198,258</u>	<u>1,138,274</u>
Total current liabilities	9,476,337	8,480,414
Self-insurance reserve, less current portion	4,896,227	4,223,470
Asset retirement obligation	<u>2,400,492</u>	<u>2,360,127</u>
Total liabilities	<u>16,773,056</u>	<u>15,064,011</u>
Net assets:		
Unrestricted	33,232,345	30,931,870
Temporarily restricted	<u>506,645</u>	<u>445,837</u>
Total net assets	<u>33,738,990</u>	<u>31,377,707</u>
Total liabilities and net assets	<u>\$ 50,512,046</u>	<u>46,441,718</u>

See accompanying notes to consolidated financial statements.

LORETTO HOSPITAL
Consolidated Statements of Operations
Years ended June 30, 2011 and 2010

	2011	2010
Revenues:		
Net patient service revenue	\$ 68,217,359	67,437,834
Other revenue	643,003	800,080
Total revenues	68,860,362	68,237,914
Expenses:		
Salaries and wages	34,541,308	32,347,657
Physician fees	2,352,562	2,455,569
Supplies	5,166,180	4,789,944
Purchased services	5,832,582	5,050,971
Provision for uncollectible accounts	2,263,796	3,668,826
Insurance	2,382,833	1,463,606
Depreciation and amortization	3,125,489	2,590,468
Interest	306	5,678
Medicaid tax assessment	6,279,735	6,279,735
Other	4,642,844	3,998,228
Total expenses	66,587,635	62,650,682
Revenues in excess of expenses	2,272,727	5,587,232
Other changes in unrestricted net assets:		
Net assets released from restrictions used for purchase of buildings and equipment	27,748	1,158,771
Change in unrestricted net assets	\$ 2,300,475	6,746,003

See accompanying notes to consolidated financial statements.

LORETTO HOSPITAL

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Unrestricted net assets:		
Revenues in excess of expenses	\$ 2,272,727	5,587,232
Other changes in unrestricted net assets:		
Net assets released from restrictions used for purchase of buildings and equipment	<u>27,748</u>	<u>1,158,771</u>
Increase in unrestricted net assets	<u>2,300,475</u>	<u>6,746,003</u>
Temporarily restricted net assets:		
Contributions for a specific purpose	83,038	1,448,728
Investment income	5,518	1,529
Net assets released from restriction used for purchase of buildings and equipment	<u>(27,748)</u>	<u>(1,158,771)</u>
Increase in temporarily restricted net assets	<u>60,808</u>	<u>291,486</u>
Change in net assets	2,361,283	7,037,489
Net assets at beginning of year	<u>31,377,707</u>	<u>24,340,218</u>
Net assets at end of year	<u>\$ 33,738,990</u>	<u>31,377,707</u>

See accompanying notes to consolidated financial statements.

LORETTO HOSPITAL
Consolidated Statements of Cash Flows
Years ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Change in net assets	\$ 2,361,283	7,037,489
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for uncollectible accounts	2,263,796	3,668,826
Depreciation and amortization	3,125,489	2,590,468
Change in net unrealized gains and losses on trading securities	(691,290)	(473,182)
Realized gains and losses on investments, net	63,416	(38,421)
Changes in assets and liabilities:		
Patient accounts receivable	(1,656,423)	(4,081,880)
Supplies, prepaid expenses, and other	1,162,579	(1,249,257)
Accounts payable	795,886	(118,127)
Accrued expenses and other liabilities and self-insurance reserve	1,374,578	(1,334,388)
Estimated settlements due to third-party payors	(461,419)	923,970
Net cash provided by operating activities	8,337,895	6,925,498
Cash flows from investing activities:		
Purchases of assets limited or restricted as to use	(13,049,417)	(4,655,792)
Proceeds from sale or maturities of assets limited or restricted as to use	9,562,844	1,204,689
Change in deferred reinsurance premium ceded and other assets whose use is limited	—	526,301
Change in interest in net assets of the Foundation	(60,808)	(291,486)
Purchases of property, plant, and equipment	(3,677,992)	(3,814,014)
Net cash used in investing activities	(7,225,373)	(7,030,302)
Cash flows from financing activity:		
Principal payments on long-term debt	—	(41,753)
Net change in cash and cash equivalents	1,112,522	(146,557)
Cash and cash equivalents at beginning of year	371,673	518,230
Cash and cash equivalents at end of year	\$ 1,484,195	371,673
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 306	5,678

See accompanying notes to consolidated financial statements.

LORETTO HOSPITAL
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

(1) Organization and Basis of Presentation

Loretto Hospital (the Hospital) is an Illinois not-for-profit corporation, which provides inpatient and outpatient services to local area residents. In May 1994, the Hospital formed Westside Insurance Company (Westside), a wholly owned captive insurance company held in the Cayman Islands, which is consolidated with the Hospital for financial reporting purposes. Significant intercompany balances and transactions have been eliminated in consolidation. Westside was formed to meet the funding requirements of the self-insured retention on the Hospital's professional liability coverage. The Hospital is managed pursuant to the terms of a management agreement as described in note 2(g).

The Hospital is also related to the Loretto Hospital Foundation, Inc. (the Foundation), an entity whose purpose is to solicit and administer philanthropic funds. The Hospital records the net assets of the Foundation as a component of interest in net assets of the Foundation in the accompanying consolidated balance sheets and the interest and contributions and related investment income as components of temporarily restricted net assets until such time the Foundation transfers the funds to the Hospital.

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(b) Supplies

Supplies are stated at the lower of cost or market value, as determined by specific identification, and consist of various pharmaceutical, medical, and food service items.

(c) Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted include: all assets in Westside and assets set aside by the board of trustees (the Board) for future capital improvements, over which the Board retains control and may, at its discretion, subsequently use for other purposes.

(d) Investments

Investments are measured at fair value on the consolidated balance sheet.

Cash and cash equivalents include money market funds and investment in highly liquid debt instruments with a maturity of three months or less when purchased, excluding assets whose use is limited or restricted.

Investment income or loss (including realized gains and losses on investments, changes in unrealized gains and losses on trading securities, interest, and dividends) is included in the revenues in excess of expenses unless the income or loss is restricted by donor or by law. Unrestricted investment income

LORETTO HOSPITAL

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

is reported as other revenue. Unrealized gains and losses of temporarily restricted investments are recorded directly to temporarily restricted net assets.

(e) Land, Building, and Equipment

Land, building, and equipment are recorded at cost and are depreciated over their estimated useful lives using the straight-line method for all assets acquired prior to fiscal year 1983, and an accelerated method for all assets acquired thereafter.

Long-lived assets (including property and equipment) are periodically assessed for recoverability based on the occurrence of a significant adverse event or change in the environment in which the Hospital operates or if the expected future cash flows (undiscounted and without interest) would become less than the carrying amount of the asset. An impairment loss would be recorded in the period such determination is made based on the fair value of the related entity. No impairments were recorded for the years ended June 30, 2011 and 2010.

(f) Estimated Self-Insured Costs

The provision for estimated self-insured medical malpractice and employee healthcare claims includes estimates of the ultimate costs, for both reported claims and claims incurred but not reported as of the respective consolidated balance sheet dates. Management believes the estimated self-insured medical malpractice and employee healthcare liabilities at June 30 are adequate to cover the ultimate liabilities; however, such estimates may be more or less than the amounts ultimately paid when claims are recorded.

(g) Management Fees

The Hospital has an agreement with a management company through December 31, 2014, whereby the management company manages the operations of the Hospital providing strategic planning, marketing, administrative, and financial management. The agreement provides for an annual management fee, which was approximately \$1,787,000 and \$1,770,000 for the years ended June 30, 2011 and 2010, respectively, and is included in purchased services in the accompanying consolidated statements of operations.

(h) Revenues in Excess of Expenses

The consolidated statements of operations include revenues in excess of expenses. For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenues and expenses. Changes in unrestricted net assets that are excluded from revenues in excess of expenses, consistent with industry practice, include contributions of property, plant, and equipment (including assets acquired using contributions, which by donor restrictions, were to be used for the purpose of acquiring such assets).

(i) Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specific time period or purpose and principally represent amounts restricted for the purpose of acquiring and renovating long-lived assets or for specific operating purposes. The Hospital's

LORETTO HOSPITAL

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

temporarily restricted net assets outstanding at June 30, 2011 and 2010 comprise the net assets of the Foundation.

(j) *Income Taxes*

The Hospital and the Foundation are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Accounting Standards Codification (ASC) Subtopic 740-10, *Income Taxes*, addresses the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under ASC Subtopic 740-10, the Hospital must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. ASC Subtopic 740-10 also provides guidance on derecognition, classification, interest and penalties on income taxes, and accounting in interim periods and requires increased disclosures. As of June 30, 2011 and 2010, the Hospital does not have a liability for unrecognized tax benefits.

(k) *Gifts, Bequests, and Grants*

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as net asset released from restriction.

ASC Topic 958, *Not-for-Profit Entities*, requires that a specified beneficiary recognize its rights to assets held by a recipient organization as an asset unless the donor has explicitly granted the recipient organization variance power, that is, the unilateral power to redirect the use of the assets. Those rights are either an interest in the net assets of the recipient organization, a beneficial interest, or a receivable. Because the Foundation was structured to operate exclusively for the benefit of the Hospital and since variance power from the donors does not exist, the Hospital is required to record the net assets of the Foundation. As of June 30, 2011 and 2010, the Hospital has recorded \$506,645 and \$445,837, respectively, as its interest in the net assets of the Foundation.

(l) *Fair Value of Financial Instruments*

On July 1, 2008, the Hospital adopted the provisions of ASC Topic 820, *Fair Value Measurements and Disclosures*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market

LORETTO HOSPITAL

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

participants at the measurement date. ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

This pronouncement did not require any new fair value measurements and its adoption did not affect the results of operation or financial position of the Hospital. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation technique used to measure fair value (note 6).

Beginning in fiscal year 2010, ASC Subtopic 820-10-65-6 allows the use of a practical expedient in determining fair value. During 2011, Westside elected to use a practical expedient for determination of the fair value of its fixed income and equity mutual funds. Westside can redeem its shares in these funds at the NAV per share as reported by the fund. Accordingly, Westside has recorded these fixed income and equity mutual funds within Level 2 in the fair value hierarchy during the year ended June 30, 2011 as nonexchange traded funds. Investment managers consider subscription and redemption rights, including any restrictions on the disposition of the interest in its determination of fair value.

Effective July 1, 2008, the Hospital adopted the Fair Value Option provisions of the Subsections of ASC Subtopic 825-10, *Financial Instruments – Overall*. ASC Subtopic 825-10 gives the Hospital the irrevocable option to report most financial assets and financial liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings. The Hospital's management did not elect to measure any additional eligible financial assets or financial liabilities at fair value and as a result, adoption of ASC Subtopic 825-10 did not have an effect on the results of operations or financial position of the Hospital.

(m) Other

The Hospital incurs expenses for the provision of healthcare services and related general and administrative activities.

Certain 2010 amounts have been reclassified to conform to the 2011 consolidated financial statement presentation including a reclassification of realized gains on investments, net in the Statement of Cash Flows that decreases operating activities and increased investing activities by \$38,421.

Other significant accounting policies are set forth in the accompanying consolidated financial statements and in the following notes.

(3) Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

LORETTO HOSPITAL

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors is as follows:

(a) Medicare

The Hospital is paid for inpatient acute care services rendered to Medicare program beneficiaries at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services and certain outpatient services related to Medicare beneficiaries are paid based upon either a cost reimbursement method, prospectively determined rates, established fee screens, or a combination thereof. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. Certain outpatient services performed by the Hospital are reimbursed at a prospectively determined rate per service based upon their ambulatory payment classification. The prospectively determined rates are not subject to retroactive adjustment. The Hospital's classification of patients under the Medicare prospective payment system and the appropriateness of patient admissions are subject to validation reviews.

The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2008.

(b) Medicaid

The Hospital is paid at prospectively determined rates for each Medicaid inpatient discharge. The prospectively determined rates are not subject to retroactive adjustments. Outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon fee schedules or per visit rates. Medicaid payment methodologies and rates for services are subject to change based on the amount of funding available to the State of Illinois Medicaid Program, and any such changes could have a significant effect on the Hospital's revenues.

The State of Illinois (the State) enacted an assessment program to assist in the financing of its Medicaid program through June 30, 2013. Pursuant to this program, hospitals within the State are required to remit payment to the State Medicaid program under an assessment formula approved by the Centers for Medicare and Medicaid Services (CMS). The Hospital has included its related assessments of \$6,279,735 as Medicaid tax assessment expense in the accompanying 2011 and 2010 consolidated statements of operations. The assessment program also provides hospitals within the State with additional Medicaid reimbursement based on funding formulas also approved by CMS. The Hospital has included its additional 2011 and 2010 related reimbursement of \$14,481,708 in 2011 and 2010 within net patient service revenues in the accompanying consolidated statements of operations. In 2011, the State accelerated the program's payment schedule, which required fiscal year 2011 payments through June 30, 2011 to be paid by October 2010. Additionally, a one-time economic stimulus payment was received by the hospital from CMS totaling \$1,741,822 in 2011.

The Hospital also qualified for the Safety Net Adjustment Payments program (SNAP) to provide additional funding to providers based on funding formulas approved by the State for State fiscal years ended June 30, 2011 and 2010. The Hospital has included its related prorated SNAP

LORETTO HOSPITAL

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

reimbursement of \$747,570 in 2011 and 2010, within net patient service revenue in the accompanying 2011 and 2010 consolidated statements of operations. Additionally, the Hospital qualified for the Outpatient Assistance Adjustment program to provide additional funding to providers based on funding formulas approved by the State for State fiscal years ended June 30, 2011 and 2010. The Hospital has included its related prorated Outpatient Assistance Adjustment reimbursement of \$3,792,700 in 2011 and 2010, respectively, within net patient service revenues in the accompanying consolidated statements of operations. Additionally, the Hospital qualified for the Critical Hospital Adjustment Payments program (CHAP) to provide additional funding to providers based on funding formulas approved by the State for State fiscal years ended June 30, 2011 and 2010. The Hospital has included its related prorated CHAP reimbursement of \$3,062,180 in 2011 and 2010, respectively, within net patient service revenues in the accompanying consolidated statements of operations

(c) **Blue Cross**

Inpatient services rendered to Blue Cross subscribers are reimbursed at a tentative reimbursement rate and final reimbursement for these services is determined after the submission of an annual cost report, which is reviewed by Blue Cross. The Blue Cross cost reports have been reviewed by Blue Cross through June 30, 2010.

(d) **Other**

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

For the years ended June 30, 2011 and 2010, the consolidated statements of operations included favorable adjustments to revenues of \$403,726 and \$1,312,061, respectively, related to retroactive settlements and changes in prior year estimates for third-party settlements.

(4) **Charity Care**

The Hospital's policy is to treat patients in immediate need of medical services without regard to their ability to pay for such services. Because amounts determined to qualify as charity care are not pursued for collection, they are not reported as net patient service revenue. The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy as well as the estimated cost of services and supplies.

During the years ended June 30, 2011 and 2010, the following levels of charity care were provided at cost:

	<u>2011</u>	<u>2010</u>
Charity care costs	\$ 4,336,668	4,188,993

LORETTO HOSPITAL

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(5) Investments

A summary of the composition of the Hospital's consolidated investment portfolio at June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Assets whose use is limited or restricted:		
Assets held by captive insurance company:		
Cash and cash equivalents	\$ 639,421	522,033
Mutual funds	12,227,090	11,085,801
Deferred reinsurance premium ceded	192,000	192,000
Other	<u>5,544</u>	<u>5,544</u>
Total assets held by captive insurance company	13,064,055	11,805,378
Board designated for capital acquisitions:		
Cash and cash equivalents	<u>10,144,630</u>	<u>7,288,860</u>
Total assets whose use is limited or restricted	<u>\$ 23,208,685</u>	<u>19,094,238</u>

The composition of investment return (loss) on the Hospital's consolidated investment portfolio for the years ended June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Interest and dividend income	\$ 12,359	13,890
Change in net unrealized gains and losses on trading securities	691,290	473,182
Net realized (losses) gains on sale of investments	<u>(63,416)</u>	<u>38,421</u>
	<u>\$ 640,233</u>	<u>525,493</u>

Investment gains are included in the accompanying consolidated financial statements for the years ended June 30, 2011 and 2010 as follows:

	<u>2011</u>	<u>2010</u>
Other revenue – investment gains	\$ 638,704	523,964
Temporarily restricted net assets:		
Investment income	<u>1,529</u>	<u>1,529</u>
	<u>\$ 640,233</u>	<u>525,493</u>

LORETTO HOSPITAL

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(6) Fair Value Measurement

(a) Fair Value of Financial Instruments

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

- The carrying amount reported in the consolidated balance sheets for the following approximates fair value because of the short maturities of these instruments. cash and cash equivalents, supplies, prepaid expenses and other, accounts receivable, deferred reinsurance premiums ceded, other assets whose use is limited, accounts payable, and accrued expenses and other liabilities.
- Assets whose use is limited or restricted are estimated based on prices provided by its investment managers and its custodian bank. Fair value for cash and cash equivalents is measured using quoted market prices at the reporting date multiplied by the quantity held.
- Fixed income and equity mutual funds held by Westside are nonexchange traded funds. The estimated fair value of the fixed income and equity mutual funds is based on the net asset value (NAV) per share as calculated by each respective Investment Manager.

(b) Fair Value Hierarchy

The Hospital adopted ASC Topic 820 on July 1, 2008 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Hospital has the ability to access at the measurement date.
- Level 2 inputs are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 inputs are unobservable inputs for the asset or liability.

LORETTO HOSPITAL

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

The following table presents the Hospital's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2010:

	Total fair value	Fair value measurements at June 30, 2011 using		
		Level 1	Level 2	Level 3
Financial assets:				
Cash and cash equivalents	\$ 1,484,195	1,484,195	—	—
Assets whose use is limited or restricted, excluding deferred reinsurance premium ceded of \$192,000 and other of \$5,544:				
Cash and cash equivalents	10,784,051	10,784,051	—	—
Fixed income funds	7,342,337	—	7,342,337	—
Equity funds	4,884,753	—	4,884,753	—
Total	\$ 23,011,141	10,784,051	12,227,090	—

The following table presents the Hospital's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2010:

	Total fair value	Fair value measurements at June 30, 2010 using		
		Level 1	Level 2	Level 3
Financial assets:				
Cash and cash equivalents	\$ 371,673	371,673	—	—
Assets whose use is limited or restricted, excluding deferred reinsurance premium ceded of \$192,000 and other of \$5,544:				
Cash and cash equivalents	7,810,893	7,810,893	—	—
Fixed income funds	7,363,622	—	7,363,622	—
Equity funds	3,722,179	—	3,722,179	—
Total	\$ 18,896,694	7,810,893	11,085,801	—

LORETTO HOSPITAL

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(7) Long-Term Debt

On August 28, 2003, the Hospital received a loan from the Energy Assistance Loan Program through the City of Chicago totaling \$500,000 for the purchase and installation of certain energy efficiency measures at the Hospital. The loan was paid in full in 2011.

(8) Employee Pension Plan

The Hospital maintains a defined contribution plan covering substantially all full-time employees of the Hospital. Participants may contribute a percentage of their salary up to the IRS limits. The Hospital may contribute a specified part of employer deferrals into participant plan records. Hospital employer matching cost recognized in the consolidated financial statements pursuant to the terms of the Plan totaled approximately \$118,900 and \$123,700 for the years ended June 30, 2011 and 2010, respectively, and is reflected as employee benefits expense in the accompanying consolidated statements of operations. The Plan is funded on a current basis.

(9) Self-Insured Risks

(a) Professional and General Liability

The Hospital is self-insured for general public liability and professional liability claims up to certain specified deductible limits, as specified in commercial insurance policies, arising from incidents occurring after July 17, 1985. The Hospital's reported self-insurance reserve represents the estimated liability for asserted and unasserted professional malpractice and patient general liability claims as of each consolidated balance sheet date, which has been discounted at 3.5% as of June 30, 2011 and 4.0% as of June 30, 2010.

(b) Healthcare

The Hospital also has a program of self-insurance for employee health coverage. In January 2010, the Hospital began prepaying at the beginning of each month for estimated health claims, which are offset by actual claims occurring during the month. Prepaid health claims of approximately \$105,000 and \$125,000 at June 30, 2011 and 2010, respectively, are included with supplies, prepaid expenses, and other in the accompanying consolidated balance sheets. Provisions for self-insured employee healthcare claims amounted to approximately \$1,452,469 and \$1,589,000 for the years ended June 30, 2011 and 2010, respectively, and are included with salaries and wages in the accompanying consolidated statements of operations.

The Hospital maintains various levels of excess and stop-loss commercial insurance coverage as part of its employee health self-insurance program. There are no assurances that the Hospital will be able to renew existing policies or procure coverage on similar terms in the future.

LORETTO HOSPITAL

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(10) Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of who are local residents and are generally insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of June 30, 2011 and 2010 was as follows:

	2011	2010
Medicare	45%	41%
Medicaid	33	32
Blue Cross	2	2
Managed care	7	7
Commercial	5	3
Patients	5	11
Other	3	4
	100%	100%

(11) Land, Building, and Equipment

Land, building, and equipment at June 30, 2011 and 2010 are stated at cost, less accumulated depreciation and amortization, as follows:

	2011	2010
Land	\$ 429,028	429,028
Building and improvements	34,320,292	34,149,053
Equipment	18,553,283	17,473,603
Construction in progress	2,320,213	—
	55,622,816	52,051,684
Accumulated depreciation and amortization	(35,317,146)	(32,298,517)
	\$ 20,305,670	19,753,167

Construction in progress at June 30, 2011 relates primarily to costs of renovation on the emergency room department at the Hospital and will be funded by Hospital operations, grants, and board-designated funds. There were no significant contractual commitments as of June 30, 2011. Interest cost is capitalized as a component cost of significant capital projects to the extent that such interest expense exceeds interest income earned on any project-specific borrowed funds. During 2011 and 2010, the Hospital did not capitalize any interest cost.

(12) Asbestos Removal Costs

According to ASC Topic 410, *Asset Retirement and Environmental Obligations*, the Hospital is required to recognize a liability when a legal obligation exists to perform an asset retirement obligation (ARO) in which the timing or method of settlement is conditional on a future event that may or may not be under the control of the entity.

LORETTO HOSPITAL

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

ASC Topic 410 requires ARO liability be recorded at its net present value with recognition of a related long-lived asset in a corresponding amount. The ARO liability is accreted through periodic charges to depreciation expense.

The Hospital is legally liable to remove asbestos from existing buildings prior to future remodeling or demolishing of the existing hospital buildings. The estimated asbestos removal cost at June 30, 2011 and 2010 is \$2,400,492 and \$2,360,127, respectively.

(13) Commitments and Contingencies

(a) *Regulatory Investigations*

The healthcare industry is subject to extensive federal, state, and local regulation relating to licensure, conduct of operations, ownership of facilities, physician relationships, addition of facilities and services, and reimbursement rates for services. The laws, rules, and regulations governing the healthcare industry are complex and evolving, with limited regulatory or judicial interpretation for guidance in certain areas. The U.S. Department of Justice and other federal agencies routinely conduct regulatory investigations and compliance audits. The Hospital is subject to these regulatory efforts. Management is currently unaware of any regulatory matters that will result in a material adverse effect on the Hospital's financial position or results from operations.

(b) *Litigation*

The Hospital is involved in litigation arising in the ordinary course of business. Although the outcome of these lawsuits cannot be determined with certainty, in consultation with legal counsel, management is of the opinion that the ultimate disposition of such matters will not have a material adverse effect on the Hospital's financial condition or results of operations.

(c) *Medicare and Medicaid Reimbursement*

The Hospital participates as a provider under the Medicare program. Federal legislation routinely includes provisions to change Medicare reimbursement mechanisms and reimbursement levels. Recently enacted healthcare reform legislation as well as future Medicare legislation may have an adverse effect on the Hospital's net patient service revenues.

In 2010 and 2011, the Hospital received notice from the Medicare program requiring that they provide Medicare with documentation for claims to carry out the Recovery Audit Contracting (RAC) program. The Hospital is responding to the requests. Future review of the claims through the RAC program may have an adverse effect on the Hospital's net patient service revenues.

(d) *Risks and Uncertainties*

Westside invests in various investment securities. Investment securities are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated 2011 balance sheet.

LORETTO HOSPITAL

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(e) Tax Exemption for Sales Tax and Property Tax

The System is exempt from sales tax and property tax based on its not-for-profit status. In 2011, the State of Illinois has challenged this status with many healthcare providers in the State and at least 3 providers have had their property tax exemption revoked on all or part of their campuses. Management is actively monitoring these issues to assess the impact on the Hospital. As of June 30, 2011, no related accruals have been made in the accompanying consolidated financial statements.

(f) Subsequent Events

In connection with the preparation of the consolidated financial statements and in accordance with the recently issued ASC Topic 855, *Subsequent Events*, the Hospital evaluated subsequent events after the balance sheet date of June 30, 2011 through December 15, 2011, which was the date the financial statements were available to be issued.