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Form 990   Department of the Treasury Internal Revenue Service	<b>Return of Organization Exempt From Income Tax</b>  <b>Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)</b>  The organization may have to use a copy of this return to satisfy state reporting requirements	OMB No 1545-0047  <b>2010</b>  <b>Open to Public Inspection</b>
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<b>A For the 2010 calendar year, or tax year beginning 07-01-2010 and ending 06-30-2011</b>		
<b>B</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	<b>C</b> Name of organization GENESIS HEALTH SYSTEM  Doing Business As  Number and street (or P O box if mail is not delivered to street address) Room/suite 801 ILLINI DRIVE  City or town, state or country, and ZIP + 4 SILVIS, IL 61282	<b>D Employer identification number</b>  36-3616314  <b>E Telephone number</b>  (563) 421-6508  <b>G</b> Gross receipts \$ 93,625,822
	<b>F</b> Name and address of principal officer MARK G ROGERS 801 ILLINI DRIVE SILVIS, IL 61282	<b>H(a)</b> Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  <b>H(b)</b> Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) <b>H(c)</b> Group exemption number ▶
	<b>I</b> Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) ◀ (Insert no ) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527	
	<b>J Website:</b> ▶ GENESISHEALTH.COM	
	<b>K</b> Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶	
<b>L</b> Year of formation 1988		
<b>M</b> State of legal domicile IL		

Part I	Summary
Activities & Governance	<b>1</b> Briefly describe the organization's mission or most significant activities GENESIS HEALTH SYSTEM EXISTS TO PROVIDE COMPASSIONATE, QUALITY HEALTH SERVICES TO ALL THOSE IN NEED
	<b>2</b> Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets
	<b>3</b> Number of voting members of the governing body (Part VI, line 1a) . . . . .
	<b>4</b> Number of independent voting members of the governing body (Part VI, line 1b) . . . . .
	<b>5</b> Total number of individuals employed in calendar year 2010 (Part V, line 2a) . . . . .
Revenue	<b>6</b> Total number of volunteers (estimate if necessary) . . . . .
	<b>7a</b> Total unrelated business revenue from Part VIII, column (C), line 12 . . . . .
	<b>b</b> Net unrelated business taxable income from Form 990-T, line 34 . . . . .
Expenses	<b>8</b> Contributions and grants (Part VIII, line 1h) . . . . .
	<b>9</b> Program service revenue (Part VIII, line 2g) . . . . .
	<b>10</b> Investment income (Part VIII, column (A), lines 3, 4, and 7d ) . . . . .
	<b>11</b> Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)
	<b>12</b> Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) . . . . .
	<b>13</b> Grants and similar amounts paid (Part IX, column (A), lines 1–3 ) . . . . .
	<b>14</b> Benefits paid to or for members (Part IX, column (A), line 4) . . . . .
	<b>15</b> Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)
Net Assets or Fund Balances	<b>16a</b> Professional fundraising fees (Part IX, column (A), line 11e) . . . . .
	<b>b</b> Total fundraising expenses (Part IX, column (D), line 25) ▶ <sup>0</sup>
	<b>17</b> Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f) . . . . .
	<b>18</b> Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)
	<b>19</b> Revenue less expenses Subtract line 18 from line 12 . . . . .
	<b>20</b> Total assets (Part X, line 16) . . . . .
	<b>21</b> Total liabilities (Part X, line 26) . . . . .
	<b>22</b> Net assets or fund balances Subtract line 21 from line 20 . . . . .

<b>Part II</b>	<b>Signature Block</b>
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.	

<b>Sign Here</b>		*****	2012-03-28
		Signature of officer	Date
<b>Paid Preparer Use Only</b>		MARK G ROGERS VICE PRESIDENT, FINANCE/CFO	
		Type or print name and title	
	Print/Type preparer's name JOHN J ROMANO	Preparer's signature JOHN J ROMANO	Date
	Firm's name ▶ MCGLADREY & PULLEN LLP		
	Firm's EIN ▶		
	Firm's address ▶ 201 N HARRISON STREET SUITE 300		
	DAVENPORT, IA 528011999		
	Phone no ▶ (563) 888-4000		
May the IRS discuss this return with the preparer shown above? (see instructions) . . . . . <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			

Part III

Statement of Program Service Accomplishments

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

1

Briefly describe the organization’s mission

GENESIS HEALTH SYSTEM EXISTS TO PROVIDE COMPASSIONATE, QUALITY HEALTH SERVICES TO ALL THOSE IN NEED

2

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

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?

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 \$ 65,996,442 including grants of \$ 358,481 ) (Revenue \$ 83,454,539 )

ILLINI HOSPITAL-HEALTH CARE DELIVERY AND MANAGEMENT, GENERAL/OTHER ILLINI HOSPITAL, A NOT-FOR-PROFIT ORGANIZATION, IS LICENSED AS A 149-BED ACUTE CARE HOSPITAL AND PROVIDES RELATED HEALTHCARE INPATIENT, EMERGENCY, AND OUTPATIENT ANCILLARY SERVICES (15,903 PATIENT DAYS, 101,408 OUTPATIENT VISITS)

4b

(Code ) (Expenses \$ 7,120,281 including grants of \$ ) (Revenue \$ 8,231,871 )

ILLINI HOSPITAL NURSING HOME HEALTH CARE FOR A 75-BED LICENSED NURSING FACILITY AND REHABILITATIVE AND PERSONAL CARE FOR A 45-BED FACILITY (38,359 PATIENT DAYS) WITH ASSISTED LIVING SERVICES CONSISTING OF 76 APARTMENTS AND 2 GUESTROOMS FOR THE ELDERLY (579 RESIDENT MONTHS)

4c

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

4d

Other program services (Describe in Schedule O )


















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

4e

Total program service expenses \$ 73,116,723

Part IV

Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I 	3	No
4 <b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III	5	
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? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10 Yes	
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI. 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII. 	11b	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII. 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX. 	11d	No
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X. 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X. 	11f Yes	
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII 	12a	No
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional 	12b Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, and program service activities outside the United States? If "Yes," complete Schedule F, Parts I and IV	14b	No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S ? If "Yes," complete Schedule F, Parts II and IV	15	No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S ? If "Yes," complete Schedule F, Parts III and IV	16	No
17 Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)	17	No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18	No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19	No
20a Did the organization operate one or more hospitals? If "Yes," complete Schedule H	20a Yes	
b If "Yes" to line 20a, did the organization attach its audited financial statement to this return? <b>Note.</b> Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b 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	Yes	
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	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> 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	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . . .	29	Yes	
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	Yes	
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> . . . . .			
36	<b>Section 501(c)(3) organizations.</b> 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? <b>Note.</b> 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

☐

			Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a67		
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements filed for the calendar year ending with or within the year covered by this return.	2a929		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?  Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b		
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes	
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a		No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.			
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b		
7	Organizations that may receive deductible contributions under section 170(c).			
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d		
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h		
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8		
9	Sponsoring organizations maintaining donor advised funds.			
a	Did the organization make any taxable distributions under section 4966?	9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b		
10	Section 501(c)(7) organizations. Enter			
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a		
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b		
11	Section 501(c)(12) organizations. Enter			
a	Gross income from members or shareholders.	11a		
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b		
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b		
13	Section 501(c)(29) qualified nonprofit health insurance issuers.			
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.	13a		
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b		
c	Enter the amount of reserves on hand.	13c		
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a		No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b		

Part VI

**Governance, Management, and Disclosure** For each "Yes" response to lines 2 through 7b below, and for a "No" response to 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
<b>1a</b>	Enter the number of voting members of the governing body at the end of the tax year . . . . .	<b>1a</b> 17		
<b>b</b>	Enter the number of voting members included in line 1a, above, who are independent . . . . .	<b>1b</b> 10		
<b>2</b>	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? . . . . .	<b>2</b>		No
<b>3</b>	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? . . . . .	<b>3</b>		No
<b>4</b>	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? . . . . .	<b>4</b>		No
<b>5</b>	Did the organization become aware during the year of a significant diversion of the organization's assets? . . . . .	<b>5</b>		No
<b>6</b>	Does the organization have members or stockholders? . . . . .	<b>6</b>		No
<b>7a</b>	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body? . . . . .	<b>7a</b>		No
<b>b</b>	Are any decisions of the governing body subject to approval by members, stockholders, or other persons? . . . . .	<b>7b</b>		No
<b>8</b>	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following . . . . .			
<b>a</b>	The governing body? . . . . .	<b>8a</b>	Yes	
<b>b</b>	Each committee with authority to act on behalf of the governing body? . . . . .	<b>8b</b>	Yes	
<b>9</b>	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 . . . . .	<b>9</b>		No

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)			Yes	No
<b>10a</b>	Does the organization have local chapters, branches, or affiliates? . . . . .	<b>10a</b>	Yes	
<b>b</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? . . . . .	<b>10b</b>	Yes	
<b>11a</b>	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form? . . . . .	<b>11a</b>	Yes	
<b>b</b>	Describe in Schedule O the process, if any, used by the organization to review this Form 990 . . . . .			
<b>12a</b>	Does the organization have a written conflict of interest policy? <i>If "No," go to line 13</i> . . . . .	<b>12a</b>	Yes	
<b>b</b>	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts? . . . . .	<b>12b</b>	Yes	
<b>c</b>	Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done . . . . .	<b>12c</b>	Yes	
<b>13</b>	Does the organization have a written whistleblower policy? . . . . .	<b>13</b>	Yes	
<b>14</b>	Does the organization have a written document retention and destruction policy? . . . . .	<b>14</b>	Yes	
<b>15</b>	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? . . . . .			
<b>a</b>	The organization's CEO, Executive Director, or top management official . . . . .	<b>15a</b>	Yes	
<b>b</b>	Other officers or key employees of the organization . . . . . If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions )	<b>15b</b>	Yes	
<b>16a</b>	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? . . . . .	<b>16a</b>	Yes	
<b>b</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? . . . . .	<b>16b</b>	Yes	

Section C. Disclosure	
<b>17</b>	List the States with which a copy of this Form 990 is required to be filed <b>IL</b>
<b>18</b>	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 type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request
<b>19</b>	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.
<b>20</b>	State the name, physical address, and telephone number of the person who possesses the books and records of the organization <b>MARK G ROGERS 1227 EAST RUSHOLME STREET DAVENPORT, IA 52803 (563) 421-6508</b>

Check if Schedule O contains a response to any question in this Part VII . . . . . ☐

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

Form **990** (2010)



## Part VII

(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			
See Additional Data Table										
<b>1b Sub-Total</b>										
<b>c Total from continuation sheets to Part VII, Section A</b>										
<b>d Total (add lines 1b and 1c)</b>								271,576	5,387,058	1,380,107

**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 ▶28

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

## **Section B. Independent Contractors**

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

(A) Name and business address	(B) Description of services	(C) Compensation
EMERGENCY CARE AND HEALTH ORGANIZATION 555 WEST COURT STREET STE 410 KANKAKEE, IL 60901	CONTRACTED MEDICAL STAFF	2,682,203
COGENT HEALTHCARE INC PO BOX 974451 DALLAS, TX 75397	CONTRACTED MEDICAL STAFF	767,095
CHG MEDICAL STAFFING INC PO BOX 972670 DALLAS, TX 75397	CONTRACTED MEDICAL STAFF	744,601
QUEST DIAGNOSTICS PO BOX 740709 ATLANTA, GA 30374	LAB DIAGNOSTICS	429,122
CASSLING 13808 F STREET OMAHA, NE 68137	OUTSIDE MAINTENANCE CONTRACTS	357,375
<b>2</b> Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization ▶15		

Part VIII

Statement of Revenue

			(A)	(B)	(C)	(D)
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections  512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . . . . 1a				
	b	Membership dues . . . . . 1b				
	c	Fundraising events . . . . . 1c				
	d	Related organizations . . . . . 1d	417,512			
	e	Government grants (contributions) 1e	37,604			
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	26,168			
	g	Noncash contributions included in lines 1a-1f \$	31,651			
	h	Total. Add lines 1a-1f . . . . . ▶	481,284			
	Program Service Revenue	2a	Business Code			
		PROFESSIONAL SERVICES 900099	161,808,615	161,808,615		
b		NURSING SERVICES 900099	26,624,986	26,624,986		
c		I/P ANCILLARY SERVICES 621500	22,344,052	22,107,609	236,443	
d		RESIDENT REVENUE 623000	989,704	989,704		
e		CONTRACTS W/AFFILIATES 900099	28,882	28,882		
f		All other program service revenue	-122,211,961	122,211,961		
g		Total. Add lines 2a-2f . . . . . ▶	89,584,278			
Other Revenue		3	Investment income (including dividends, interest and other similar amounts) . . . . . ▶	419,062		
	4	Income from investment of tax-exempt bond proceeds . . ▶				
	5	Royalties . . . . . ▶				
	6a	Gross Rents (i) Real (ii) Personal				
	b	Less rental expenses 633,687 589,399				
	c	Rental income or (loss) 44,288				
	d	Net rental income or (loss) . . . . . ▶	44,288			44,288
	7a	Gross amount from sales of assets other than inventory (i) Securities (ii) Other 23,500				
	b	Less cost or other basis and sales expenses 10,323				
	c	Gain or (loss) 13,177				
	d	Net gain or (loss) . . . . . ▶	13,177			13,177
	8a	Gross income from fundraising events (not including \$ of contributions reported on line 1c) See Part IV, line 18 a				
	b	Less direct expenses b				
	c	Net income or (loss) from fundraising events . . ▶				
	9a	Gross income from gaming activities See Part IV, line 19 a				
	b	Less direct expenses b				
	c	Net income or (loss) from gaming activities . . ▶				
	10a	Gross sales of inventory, less returns and allowances a	146,086			
	b	Less cost of goods sold b	85,633			
	c	Net income or (loss) from sales of inventory . . ▶	60,453			60,453
	Miscellaneous Revenue Business Code					
11a	AMBULANCE 621910	975,228	975,228			
b	OTHER SERVICES 900099	751,308	751,308			
c	NON OPERATING IH, INV 900099	385,570	385,570			
d	All other revenue . . . . .	225,819	225,819			
e	Total. Add lines 11a-11d . . . . . ▶	2,337,925				
12	Total revenue. See Instructions . . . . . ▶	92,940,467	91,685,760	236,443	536,980	

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	358,481	358,481		
2	Grants and other assistance to individuals in the U S See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees . . . . .	372,422		372,422	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . . . . .				
7	Other salaries and wages	27,916,643	27,791,245	125,398	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . .	1,249,483	1,249,483		
9	Other employee benefits . . . . .	3,240,275	3,239,661	614	
10	Payroll taxes . . . . .	2,049,290	2,025,149	24,141	
a	Fees for services (non-employees) Management . . . . .	5,712,028	5,560,598	151,430	
b	Legal . . . . .				
c	Accounting . . . . .				
d	Lobbying . . . . .	27,855		27,855	
e	Professional fundraising services See Part IV, line 17 . . . . .				
f	Investment management fees . . . . .	29,523	489	29,034	
g	Other . . . . .	2,167,888	1,950,116	217,772	
12	Advertising and promotion . . . . .	18,466	13,081	5,385	
13	Office expenses . . . . .	8,421,088	8,365,160	55,928	
14	Information technology . . . . .	3,483,743		3,483,743	
15	Royalties . . . . .				
16	Occupancy . . . . .	3,511,730	3,467,976	43,754	
17	Travel . . . . .	206,173	190,993	15,180	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .				
19	Conferences, conventions, and meetings . . . . .	55,236	47,017	8,219	
20	Interest . . . . .	445,255	445,255		
21	Payments to affiliates . . . . .				
22	Depreciation, depletion, and amortization . . . . .	3,850,479	3,850,479		
23	Insurance . . . . .	1,032,607	1,032,607		
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	CORPORATE OVERHEAD ALLO	6,951,626		6,951,626	
b	PATIENT CHARGEABLE SUPP	6,058,360	6,058,360		
c	PROVISION FOR BAD DEBT	6,006,164	6,006,164		
d	MISCELLANEOUS EXPENSE	3,495,134	1,464,409	2,030,725	
e					
f	All other expenses				
25	Total functional expenses. Add lines 1 through 24f	86,659,949	73,116,723	13,543,226	0
26	Joint costs. Check here <input checked="" 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 . . . . .			37,587	1	4,620
	2	Savings and temporary cash investments . . . . .			10,816,085	2	18,659,621
	3	Pledges and grants receivable, net . . . . .				3	
	4	Accounts receivable, net . . . . .			17,232,281	4	15,899,596
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L . . . . .				5	
	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 . . . . .				6	
	7	Notes and loans receivable, net . . . . .				7	
	8	Inventories for sale or use . . . . .			2,089,969	8	2,261,478
	9	Prepaid expenses and deferred charges . . . . .			673,203	9	388,788
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D . . . . .	10a	98,002,938	36,461,493	10c	35,809,581
	b	Less: accumulated depreciation . . . . .	10b	62,193,357			
	11	Investments—publicly traded securities . . . . .			663,166	11	663,832
	12	Investments—other securities. See Part IV, line 11 . . . . .			2,135,990	12	1,962,113
	13	Investments—program-related. See Part IV, line 11 . . . . .				13	
	14	Intangible assets . . . . .				14	
	15	Other assets. See Part IV, line 11 . . . . .			118,745	15	196,412
16	Total assets. Add lines 1 through 15 (must equal line 34) . . . . .			70,228,519	16	75,846,041	
Liabilities	17	Accounts payable and accrued expenses . . . . .			5,379,927	17	5,297,435
	18	Grants payable . . . . .				18	
	19	Deferred revenue . . . . .				19	
	20	Tax-exempt bond liabilities . . . . .				20	
	21	Escrow or custodial account liability. Complete Part IV of Schedule D . . . . .				21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L . . . . .				22	
	23	Secured mortgages and notes payable to unrelated third parties . . . . .			8,821,879	23	8,477,977
	24	Unsecured notes and loans payable to unrelated third parties . . . . .				24	
	25	Other liabilities. Complete Part X of Schedule D . . . . .			5,262,409	25	5,378,856
	26	Total liabilities. Add lines 17 through 25 . . . . .			19,464,215	26	19,154,268
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 . . . . .			50,019,999	27	56,288,451
	28	Temporarily restricted net assets . . . . .			711,000	28	359,030
	29	Permanently restricted net assets . . . . .			33,305	29	44,292
	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 . . . . .			50,764,304	33	56,691,773
	34	Total liabilities and net assets/fund balances . . . . .			70,228,519	34	75,846,041

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	92,940,467
2	Total expenses (must equal Part IX, column (A), line 25)	2	86,659,949
3	Revenue less expenses Subtract line 2 from line 1	3	6,280,518
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	50,764,304
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-353,049
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	56,691,773

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?		No
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)

Department of the Treasury  
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2010

Open to Public  
Inspection

Name of the organization GENESIS HEALTH SYSTEM	Employer identification number 36-3616314
---------------------------------------------------	----------------------------------------------

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?
- h

☐

Provide the following information about the supported organization(s)

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

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of 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 IIIPart 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 section501(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

Additional Data

Software ID:

Software Version:

EIN: 36-3616314

Name: GENESIS HEALTH SYSTEM

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(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			
STEVEN C BAHLS DIRECTOR	4 00	X						0	0	0
MARK D BAWDEN CHAIRMAN	4 00	X		X				0	0	0
JAMES A BULL MD PAST DIRECTOR	40 00	X						0	191,694	23,426
GREGORY J BUSH TREASURER	4 00	X		X				0	0	0
EDMUND P COYNE JR MD DIRECTOR	4 00	X						0	0	0
DOUGLAS P CROPPER PRESIDENT/CEO GHS	44 00	X		X				0	739,313	291,003
THOMAS A GILDEHAUS DIRECTOR	4 00	X		X				0	0	0
ROGER J HILL SECRETARY	4 00	X		X				0	0	0
MARK C KILMER DIRECTOR	4 00	X						0	0	0
JAMES A KOEHLER DIRECTOR	4 00	X						0	0	0
GEORGE KONTOS MD DIRECTOR	40 00	X						0	538,454	26,179
CHARLENE E MAASKE DIRECTOR	4 00	X						0	0	0
EDWIN V MOTTO MD DIRECTOR	4 00	X						0	0	0
EDWARD J ROGALSKI PHD PAST CHAIRMAN	10 00	X		X				0	0	0
G CHRISTOPHER WAHLIG VICE CHAIRMAN	4 00	X		X				0	0	0
C DANA WATERMAN III DIRECTOR	4 00	X						0	0	0
CAROL A WATSON PHD RN CENP FAAN DIRECTOR	4 00	X						0	0	0
DALE D ZUDE DIRECTOR	4 00	X						0	0	0
MARK G ROGERS V P FINANCE/CFO	40 00			X				0	326,941	123,452
ROBERT W FRIEDEN V P INFORMATION SERVICES	40 00				X			0	442,228	31,866
FLORENCE L SPYROW PRESIDENT, GMC ILLINI	40 00				X			271,576	53,665	109,367
FRANK R CLAUDY MD V P MEDICAL STAFF AFFAIRS	40 00					X		0	412,778	43,707
KENNETH CROKEN V P CORPORATE COMMUNICATI	40 00					X		0	323,163	66,340
JAMES A LEHMAN MD V P QUALITY	40 00					X		0	417,206	80,277
JULIE MANAS PRESIDENT, GMC DAVENPORT	40 00					X		0	375,185	137,154

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors										
(A) Name and Title	(B) Average hours per week	(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			
ROBERT C TRAVIS V P STRATEGIC DEVELOPMENT	40 00					X		0	384,837	50,545
CHARLES E BRUHN PRESIDENT, GMC ILLINI	40 00						X	0	291,042	27,046
HEIDI S KAHLY-MCMAHON V P HUMAN RESOURCES	40 00						X	0	194,797	78,577
ROBERT NELSON MD V P CLINICAL SERVICES	40 00						X	0	297,906	57,082
JUDITH PRANGER V P PATIENT SERVICES	40 00						X	0	224,436	138,891
MIKE SHARP V P SUPPORT SERVICES	40 00						X	0	173,413	95,195

SCHEDULE C  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527  
▶ **Complete if the organization is described below.**  
▶ **Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.**

OMB No 1545-0047

2010

Open to Public Inspection

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

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

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

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

**If the organization answered “Yes,” to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, Part V, line 35a (Proxy Tax), then**

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

Name of the organization GENESIS HEALTH SYSTEM	Employer identification number 36-3616314
---------------------------------------------------	----------------------------------------------

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

1

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

2

Political expenditures

▶ \$ \_\_\_\_\_

3

Volunteer hours

\_\_\_\_\_

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

1

Enter the amount of any excise tax incurred by the organization under section 4955

▶ \$ \_\_\_\_\_

2

Enter the amount of any excise tax incurred by organization managers under section 4955

▶ \$ \_\_\_\_\_

3

If the organization incurred a section 4955 tax, did it file Form 4720 for this year?

☐ Yes ☐ No

4a

Was a correction made?

☐ Yes ☐ No

b

If "Yes," describe in Part IV

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

1

Enter the amount directly expended by the filing organization for section 527 exempt function activities

▶ \$ \_\_\_\_\_

2

Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities

▶ \$ \_\_\_\_\_

3

Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b

▶ \$ \_\_\_\_\_

4

Did the filing organization file **Form 1120-POL** for this year?

☐ Yes ☐ No

5

Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization’s funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV

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

Part II-A

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

A

Check

☐

if the filing organization belongs to an affiliated group

B

Check

☐

if the filing organization checked box A and "limited control" provisions apply

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

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

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

		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
	a Volunteers?		No	
	b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	Yes		
	c Media advertisements?		No	
	d Mailings to members, legislators, or the public?	Yes		
	e Publications, or published or broadcast statements?		No	
	f Grants to other organizations for lobbying purposes?		No	
	g Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
	i Other activities? If "Yes," describe in Part IV	Yes		
j Total lines 1c through 1i				27,855
				27,855
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, and Part II-B, line 1i. Also, complete this part for any additional information.

Identifier	Return Reference	Explanation
EXPLANATION OF OTHER LOBBYING ACTIVITIES	PART II-B, LINE 1I	LOBBYING EXPENDITURES RELATED TO MEMBERSHIP DUES INCLUDED, 32% OF MEMBERSHIP DUES TO THE ILLINOIS HOSPITAL ASSOCIATION, OR \$22,191, AND 24% OF MEMBERSHIP DUES TO THE AMERICAN HOSPITAL ASSOCIATION, OR \$5,664
PART IV, SUPPLEMENTAL INFORMATION		PART II-B, LINE 1(D), MAILINGS TO MEMBERS, LEGISLATORS, OR THE PUBLIC. EXECUTIVES OF GENESIS HEALTH SYSTEM - ILLINOIS ARE ENCOURAGED TO PARTICIPATE IN THE ILLINOIS HOSPITAL ASSOCIATION'S "IHA ACTION ALERTS." THE EXECUTIVES PARTICIPATE BY RESPONDING TO E-MAIL ALERTS, WHICH ALLOWS THEM TO VOICE THEIR OPINIONS TO THEIR STATE REPRESENTATIVES ON HEALTHCARE RELATED MATTERS THROUGH AN E-MAIL FORMAT. THERE IS NO DIRECT COST TO GENESIS HEALTH SYSTEM - ILLINOIS REGARDING THIS ACTIVITY.

SCHEDULE D  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2010

Open to Public  
Inspection

Name of the organization  
GENESIS HEALTH SYSTEM

Employer identification number  
36-3616314

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

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

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

1

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

☐ Preservation of land for public use (e g , recreation or pleasure)

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

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

	Held at the End of the Year
2a	Total number of conservation easements
2b	Total acreage restricted by conservation easements
2c	Number of conservation easements on a certified historic structure included in (a)
2d	Number of conservation easements included in (c) acquired after 8/17/06

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?

☐ Yes ☐ No

6

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

7

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

8

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

☐ Yes ☐ No

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

▶ \$ \_\_\_\_\_

For Privacy Act and Paperwork Reduction Act Notice, see the Intructions for Form 990

Cat No 52283D

Schedule D (Form 990) 2010

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

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part 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 . . . . .	5,040,857	5,010,740	5,224,450		
b Contributions . . . . .	16,615	28,352	30,636		
c Investment earnings or losses . . . . .	465,988	297,861	-243,446		
d Grants or scholarships . . . . .		296,096	900		
e Other expenditures for facilities and programs . . . . .					
f Administrative expenses . . . . .	3,616				
g End of year balance . . . . .	5,519,844	5,040,857	5,010,740		

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶ 67 000 %

b

Permanent endowment ▶ 33 000 %

c

Term endowment ▶

3a

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

(i) unrelated organizations . . . . .

3a(i)

Yes

No

(ii) related organizations . . . . .

3a(ii)

Yes

b

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

3b

Yes

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 . . . . .		494,992		494,992
b Buildings . . . . .		53,880,354	28,625,785	25,254,569
c Leasehold improvements . . . . .		16,771	8,058	8,713
d Equipment . . . . .		40,719,072	32,056,929	8,662,143
e Other . . . . .		2,891,749	1,502,585	1,389,164
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) . . . . . ▶				35,809,581

Schedule D (Form 990) 2010





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

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	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments . . . . .	2a	
b	Donated services and use of facilities . . . . .	2b	
c	Recoveries of prior year grants . . . . .	2c	
d	Other (Describe in Part XIV) . . . . .	2d	
e	Add lines 2a through 2d . . . . .	2e	
3	Subtract line 2e from line 1 . . . . .	3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1		
a	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	4a	
b	Other (Describe in Part XIV) . . . . .	4b	
c	Add lines 4a and 4b . . . . .	4c	
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12 ) . . . . .	5	

Part XIII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

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

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
DESCRIPTION OF INTENDED USE OF ENDOWMENT FUNDS	PART V, LINE 4	GENESIS HEALTH SERVICES FOUNDATION AND ILLINI HOSPITAL FOUNDATION, BOTH RELATED ORGANIZATIONS, HOLD THE ENDOWMENT FUNDS. THE INTENDED USE OF THE FOUNDATIONS' ENDOWMENT FUNDS IS AS FOLLOWS: SCHOLARSHIPS FOR EDUCATION IN THE MEDICAL FIELD, CHARITY CARE FOR THE INDIGENT AND VNA, HOSPICE HOUSE, DIABETES CARE, EMPLOYEE ASSISTANCE, AND PEDIATRIC HOSPICE.
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	GHS IOWA, GHS ILLINOIS, THE GENESIS HEALTH SERVICES FOUNDATION, THE ILLINI HOSPITAL FOUNDATION AND THE GENESIS HEALTH SYSTEM WORKERS' COMPENSATION PLAN AND TRUST ALL FILE A FORM 990 (RETURN OF ORGANIZATION EXEMPT FROM INCOME TAX) ANNUALLY. WHEN THESE RETURNS ARE FILED, IT IS HIGHLY CERTAIN THAT SOME POSITIONS TAKEN WOULD BE SUSTAINED UPON EXAMINATION BY THE TAXING AUTHORITIES, WHILE OTHERS ARE SUBJECT TO UNCERTAINTY ABOUT THE MERITS OF THE POSITION TAKEN OR THE AMOUNT OF THE POSITION THAT WOULD ULTIMATELY BE SUSTAINED. EXAMPLES OF TAX POSITIONS COMMON TO HEALTH SYSTEMS INCLUDE SUCH MATTERS AS THE FOLLOWING: THE TAX-EXEMPT STATUS OF EACH ENTITY, THE NATURE, CHARACTERIZATION AND TAXABILITY OF JOINT VENTURE INCOME AND VARIOUS POSITIONS RELATIVE TO POTENTIAL SOURCES OF UNRELATED BUSINESS TAXABLE INCOME. UNRELATED BUSINESS TAXABLE INCOME IS REPORTED ON FORM 990T, AS APPROPRIATE. THE BENEFIT OF A TAX POSITION IS RECOGNIZED IN THE CONSOLIDATED FINANCIAL STATEMENTS IN THE PERIOD DURING WHICH, BASED ON ALL AVAILABLE EVIDENCE, MANAGEMENT BELIEVES THAT IT IS MORE LIKELY THAN NOT THAT THE POSITION WILL BE SUSTAINED UPON EXAMINATION, INCLUDING THE RESOLUTION OF APPEALS OR LITIGATION PROCESSES, IF ANY. TAX POSITIONS ARE NOT OFFSET OR AGGREGATED WITH OTHER POSITIONS. TAX POSITIONS THAT MEET THE "MORE LIKELY THAN NOT" RECOGNITION THRESHOLD ARE MEASURED AS THE LARGEST AMOUNT OF TAX BENEFIT THAT IS MORE THAN 50% LIKELY TO BE REALIZED ON SETTLEMENT WITH THE APPLICABLE TAXING AUTHORITY. THE PORTION OF THE BENEFITS ASSOCIATED WITH TAX POSITIONS TAKEN THAT EXCEEDS THE AMOUNT MEASURED AS DESCRIBED ABOVE IS REFLECTED AS A LIABILITY FOR UNCERTAIN TAX BENEFITS IN THE ACCOMPANYING CONSOLIDATED BALANCE SHEETS ALONG WITH ANY ASSOCIATED INTEREST AND PENALTIES THAT WOULD BE PAYABLE TO THE TAXING AUTHORITIES UPON EXAMINATION. FORMS 990 AND 990T FILED BY GHS IOWA, GHS ILLINOIS, THE GENESIS HEALTH SERVICES FOUNDATION, THE ILLINI HOSPITAL FOUNDATION AND THE GENESIS HEALTH SYSTEM WORKERS' COMPENSATION PLAN AND TRUST ARE SUBJECT TO EXAMINATION BY THE INTERNAL REVENUE SERVICE (IRS) UP TO THREE YEARS FROM THE EXTENDED DUE DATE OF EACH RETURN. FORMS 990 AND 990T FILED BY GHS IOWA, GHS ILLINOIS, THE GENESIS HEALTH SERVICES FOUNDATION, THE ILLINI HOSPITAL FOUNDATION AND THE GENESIS HEALTH SYSTEM WORKERS' COMPENSATION PLAN AND TRUST ARE NO LONGER SUBJECT TO EXAMINATION FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND PRIOR. GENVENTURES, INC. IS A TAXABLE ORGANIZATION AND CURRENTLY FILES INCOME TAX RETURNS IN THE U.S. FEDERAL JURISDICTION AND VARIOUS STATE JURISDICTIONS. GENVENTURES, INC. IS NO LONGER SUBJECT TO INCOME TAX EXAMINATIONS FOR YEARS JUNE 30, 2006 AND PRIOR. AS OF JUNE 30, 2011 AND 2010, THE TOTAL AMOUNT OF UNCERTAIN TAX POSITIONS HAVE REDUCED INCOME TAX EXPENSE AND HAVE INCREASED EXCESS OF REVENUE OVER EXPENSES BY \$45,000 AND \$40,000, RESPECTIVELY. INTEREST EXPENSE ASSOCIATED WITH UNCERTAIN TAX POSITIONS FROM THE YEARS ENDED JUNE 30, 2011 AND 2010 IS APPROXIMATELY NONE AND \$7,000, RESPECTIVELY. NO AMOUNT HAS BEEN ACCRUED FOR PENALTIES DURING THE YEARS ENDED JUNE 30, 2011 AND 2010, NONE AND \$265,000, RESPECTIVELY. IN FEDERAL AND STATE INCOME TAXES WERE PAID FOR UNCERTAIN TAX POSITIONS EXISTING AS OF JUNE 30, 2009 AND 2008, AS AMENDED OR PAST DUE INCOME TAX RETURNS WERE FILED.



**1**

2 Enter total number of recipient organizations listed above that are recognized as charities by the foreign country, recognized as tax-exempt by the IRS, or for which the grantee or counsel has provided a section 501(c)(3) equivalency letter . . . . . ▶ \_\_\_\_\_

3 Enter total number of other organizations or entities . . . . . ▶ \_\_\_\_\_

## Part III

[illegible]

**Part IV Foreign Forms**

- 1

Was the organization a U S transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926 (see instructions for Form 926)*

☐

Yes

☒

No
- 2

Did the organization have an interest in a foreign trust during the tax year? *If "Yes," the organization may be required to file Form 3520 and/or Form 3520-A. (see instructions for Forms 3520 and 3520-A)*

☐

Yes

☒

No
- 3

Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons with respect to Certain Foreign Corporations. (see instructions for Form 5471)*

☐

Yes

☒

No
- 4

Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see instructions for Form 8621)*

☐

Yes

☒

No
- 5

Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons with respect to Certain Foreign Partnerships. (see instructions for Form 8865)*

☐

Yes

☒

No
- 6

Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see instructions for Form 5713).*

☐

Yes

☒

No

**Additional Data**

**Software ID:**  
**Software Version:**  
**EIN:** 36-3616314  
**Name:** GENESIS HEALTH SYSTEM

**Part V** **Supplemental Information**  
Complete this part to provide the information (see instructions) required in Part I, line 2, and any additional information.

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**  
GENESIS HEALTH SYSTEM

**Employer identification number**  
36-3616314

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a . . . . .	Yes	
b	If "Yes," is it a written policy? . . . . .	Yes	
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  <input checked="" type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Applied uniformly to most hospitals <input type="checkbox"/> Generally tailored to individual hospitals		
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  <b>a</b> Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care  <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input checked="" type="checkbox"/> 200% <input type="checkbox"/> Other _____ %  <b>b</b> Does the organization use FPG to determine eligibility for providing <i>discounted</i> care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care . . . . .  <input checked="" type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %  <b>c</b> If 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 Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care  <b>4</b> 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"? . . . . .	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? . . . . .	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? . . . . .		No
6a	Does the organization prepare a community benefit report during the tax year? . . . . .	Yes	
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	Yes	

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			2,493,594	0	2,493,594	3 090 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			13,773,139	11,263,110	2,510,029	3 110 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)			0	0		
d Total Financial Assistance and Means-Tested Government Programs . . . . .			16,266,733	11,263,110	5,003,623	6 200 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			14,217	0	14,217	0 020 %
f Health professions education (from Worksheet 5)			2,756	0	2,756	0 %
g Subsidized health services (from Worksheet 6)			134,330	61,346	72,984	0 090 %
h Research (from Worksheet 7)			0	0		
i Cash and in-kind contributions to community groups (from Worksheet 8)			62,701	0	62,701	0 080 %
j Total Other Benefits . . . . .			214,004	61,346	152,658	0 190 %
k Total. Add lines 7d and 7j . . . . .			16,480,737	11,324,456	5,156,281	6 390 %



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		0	0		
2	Economic development		0	0		
3	Community support		14	0	14	0 %
4	Environmental improvements		0	0		
5	Leadership development and training for community members		0	0		
6	Coalition building		0	0		
7	Community health improvement advocacy		0	0		
8	Workforce development		13,980	0	13,980	0 020 %
9	Other					
10	Total		13,994		13,994	0 020 %

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	2,203,114
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	89,089
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	29,443,803
6	Enter Medicare allowable costs of care relating to payments on line 5 . . . . .	6	33,740,952
7	Subtract line 6 from line 5. This is the surplus or (shortfall) . . . . .	7	-4,297,149
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 1 LARSON CENTER PARTNERSHIP LLC	PROPERTY MANAGEMENT	75 600 %	0 %	22 730 %
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

## Section A. Hospital Facilities

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

1	GENESIS MEDICAL CENTER - ILLINI 801 ILLINI DRIVE SILVIS, IL 61282
---	-------------------------------------------------------------------------

Other (Describe)

[illegible]

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? 6

Name and address		Type of Facility (Describe)
1	ILLINI RESTORATIVE CARE 1455 ILLINI DRIVE SILVIS,IL 61282	L-T INTERMEDIATE, NSG, & SHELTERED CARE
2	ILLINI RESTORATIVE CARE 1455 ILLINI DRIVE SILVIS,IL 61282	L-T INTERMEDIATE, NSG, & SHELTERED CARE
3	ILLINI RESTORATIVE CARE 1455 ILLINI DRIVE SILVIS,IL 61282	L-T INTERMEDIATE, NSG, & SHELTERED CARE
4	ILLINI RESTORATIVE CARE 1455 ILLINI DRIVE SILVIS,IL 61282	L-T INTERMEDIATE, NSG, & SHELTERED CARE
5	ILLINI RESTORATIVE CARE 1455 ILLINI DRIVE SILVIS,IL 61282	L-T INTERMEDIATE, NSG, & SHELTERED CARE
6	ILLINI RESTORATIVE CARE 1455 ILLINI DRIVE SILVIS,IL 61282	L-T INTERMEDIATE, NSG, & SHELTERED CARE
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
		PART I, LINE 3C NOT APPLICABLE

Identifier	ReturnReference	Explanation
		PART I, LINE 6A NOT APPLICABLE

Identifier	ReturnReference	Explanation
		PART I, LINE 7 GENESIS HEALTH SYSTEM UTILIZED WORKSHEET 2 TO CALCULATE ITS COST-TO-CHARGE RATIO THE CALCULATED COST-TO-CHARGE RATIO WAS USED TO CALCULATE THE COST OF CHARITY CARE AND UNREIMBURSED MEDICAID THE COST OF SUBSIDIZED HEALTH SERVICES WAS OBTAINED FROM GENESIS HEALTH SYSTEM'S COST ACCOUNTING SYSTEM (I E , DECISION SUPPORT SYSTEM) THAT CALCULATES THE PER UNIT REIMBURSEMENT AND COST FOR EACH TYPE OF SERVICE AND SUPPLY THAT THE NON-MEDICARE AND NON-MEDICAID PATIENTS CONSUMED IN THE DEPARTMENTS REPORTED COSTS OF THE "OTHER BENEFITS" (EXCLUDING SUBSIDIZED HEALTH SERVICES) REPORTED IN 7E -7I WERE COMPILED THROUGHOUT THE YEAR IN THE COMMUNITY BENEFIT DATABASE (I E , CBISA) THAT GENESIS HEALTH SYSTEM UTILIZES

Identifier	ReturnReference	Explanation
		PART I, LINE 7G NO COSTS ASSOCIATED WITH A PHYSICIAN CLINIC WERE REPORTED IN SUBSIDIZED HEALTH SERVICES

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) \$6,006,164 OF BAD DEBT EXPENSE IS SUBTRACTED FOR PURPOSES OF COMPUTING THE PERCENTAGE IN PART I, LINE 7K, COLUMN F THE ORGANIZATION'S TOTAL COMMUNITY BENEFIT EXPENSE AS A PERCENTAGE OF TOTAL EXPENSES, LESS BAD DEBT, IS 20 43%, AND THE PERCENTAGE INCREASES TO 62 27% IF MEDICARE ALLOWABLE COSTS ARE INCLUDED IN TOTAL COMMUNITY BENEFIT EXPENSE



Identifier	ReturnReference	Explanation
		PART II COMMUNITY SUPPORT GENESIS HEALTH SYSTEM CONDUCTS DISASTER AND DECONTAMINATION DRILLS THROUGHOUT THE YEAR WORKFORCE DEVELOPMENT GENESIS HEALTH SYSTEM AND UNITED TOWNSHIP HIGH SCHOOL CO-OPERATE A PROGRAM THAT TEACHES LIFE AND JOB SKILLS TO THE MENTALLY DISABLED

Identifier	ReturnReference	Explanation
		<p>PART III, LINE 4 THE TEXT FROM THE FOOTNOTE TO GENESIS HEALTH SYSTEM'S FINANCIAL STATEMENT IS AS FOLLOWS PATIENT RECEIVABLES DUE DIRECTLY FROM THE PATIENTS ARE CARRIED AT THE ORIGINAL CHARGE FOR THE SERVICE PROVIDED LESS AMOUNTS COVERED BY THIRD-PARTY PAYERS AND LESS AN ESTIMATED ALLOWANCE FOR DOUBTFUL RECEIVABLES BASED ON A REVIEW OF ALL OUTSTANDING AMOUNTS ON A MONTHLY BASIS MANAGEMENT DETERMINES THE ALLOWANCE FOR DOUBTFUL ACCOUNTS BY IDENTIFYING TROUBLED ACCOUNTS, BY HISTORICAL EXPERIENCE APPLIED TO AN AGING OF ACCOUNTS, AND BY CONSIDERING THE PATIENT'S FINANCIAL HISTORY, CREDIT HISTORY AND CURRENT ECONOMIC CONDITIONS RECEIVABLES ARE WRITTEN OFF AS BAD DEBTS WHEN DEEMED UNCOLLECTIBLE RECOVERIES OF RECEIVABLES PREVIOUSLY WRITTEN OFF ARE RECORDED AS A REDUCTION OF BAD DEBT EXPENSE WHEN RECEIVED THE RATIONALE AND COSTING METHODOLOGY USED TO CALCULATE BAD DEBT EXPENSE AT COST (LINE 2) CONSISTED OF MULTIPLYING THE TOTAL BAD DEBT EXPENSE PER THE INCOME STATEMENT BY THE RATIO OF PATIENT CARE COST TO CHARGES TO ARRIVE AT ESTIMATED COST OF BAD DEBT PAYMENTS RECEIVED AFTER AN ACCOUNT HAD BEEN WRITTEN OFF TO BAD DEBT WERE CREDITED TO A BAD DEBT RECOVERY ACCOUNT DISCOUNTS ON PATIENT ACCOUNTS PROVIDED BY THIRD-PARTY PAYERS WERE WRITTEN OFF TO A CONTRACTUAL ALLOWANCE ACCOUNT SHARED BUSINESS SERVICES USES A SEPARATE TRANSACTION CODE TO IDENTIFY ACCOUNTS WRITTEN OFF TO BAD DEBT THAT HAVE NO FINANCIAL DOCUMENTATION AND MAY HAVE QUALIFIED FOR CHARITY CARE HAD PAPERWORK BEEN SUBMITTED THE ESTIMATED AMOUNT OF GENESIS HEALTH SYSTEM'S BAD DEBT EXPENSE ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER THE ORGANIZATION'S CHARITY CARE POLICY (LINE 3) WAS CALCULATED BY TAKING THE TOTAL OF THESE ACCOUNTS AND MULTIPLYING THEM BY THE RATIO OF PATIENT CARE COST TO CHARGES NO BAD DEBT AMOUNTS WERE INCLUDED IN COMMUNITY BENEFIT</p>

Identifier	ReturnReference	Explanation
		<p>PART III, LINE 8 THE COSTING METHODOLOGY USED TO DETERMINE THE AMOUNT REPORTED ON PART III, LINE 6, FOR THE HOSPITALS AND THE HOME HEALTH DIVISION, WAS COMPUTED USING THE GROSS PATIENT REVENUE BY PAYER MIX AND CONVERTED TO COST USING THE COST TO CHARGE RATIO FROM PART I, WORKSHEET 2 THE PAYMENT RATE WAS CALCULATED BY DIVIDING THE MEDICARE PAYMENTS BY MEDICARE CHARGES USING A 12-MONTH ZERO BALANCE REPORT THE SHORTFALL IS THE DIFFERENCE BETWEEN THE PAYMENTS AND THE COSTS GENESIS CLINICAL SERVICES AND GENESIS FAMILY MEDICAL CENTER WERE CALCULATED USING A PAYER ANALYSIS REPORT, CONVERTING CHARGES TO COST USING THE COST TO CHARGE RATIO FROM PART I, WORKSHEET 2 AND SUBTRACTING THE PAYMENTS TO OBTAIN THE SHORTFALL NO MEDICARE SHORTFALLS WERE INCLUDED IN COMMUNITY BENEFIT THE MEDICARE SHORTFALL REPRESENTS THE DIFFERENCE BETWEEN THE TOTAL REVENUE RECEIVED FROM MEDICARE BASED ON MEDICARE REIMBURSEMENT RATES AND THE COSTS INCURRED BY GENESIS HEALTH SYSTEM IN PROVIDING HEALTHCARE SERVICES TO THE ELDERLY IN 2009, THE PERCENT OF PERSONS 65 YEARS AND OVER WAS 16 0% IN ROCK COUNTY, ILLINOIS AND 12 7% IN SCOTT COUNTY, IOWA IN ACCORDANCE WITH GENESIS HEALTH SYSTEM'S MISSION STATEMENT, "TO PROVIDE COMPASSIONATE, QUALITY HEALTH SERVICES TO ALL THOSE IN NEED," THE ELDERLY WERE SERVED DESPITE THE MEDICARE LOSS OF \$4,297,149 GENESIS HEALTH SYSTEM HAS A CLEAR MISSION TO SERVE ALL THOSE IN NEED AND TO IMPROVE THE HEALTH OF THE COMMUNITY INCLUDING THE ELDERLY FURTHERMORE, THERE ARE NO FOR-PROFIT HOSPITALS IN THE COMMUNITY, AND THEREFORE GENESIS HEALTH SYSTEM IS ONE OF TWO TAX-EXEMPT HEALTHCARE ORGANIZATIONS IN THE COMMUNITY WHO PROVIDE ACCESS TO HEALTHCARE FOR MEDICARE PATIENTS ACCORDINGLY, IT IS GENESIS HEALTH SYSTEM'S POSITION FOR THE REASONS STATED ABOVE THAT THE MEDICARE SHORTFALL OF \$4,297,149 REPRESENTS A COMMUNITY BENEFIT PURSUANT TO THE INSTRUCTIONS TO THE FORM 990, SCHEDULE H, THE MEDICARE SHORTFALL IS NOT INCLUDED IN PART I, LINE 7 IF THE MEDICARE SHORTFALL WAS INCLUDED IN PART I, LINE 7, THEN PART I, LINE 7K, COLUMN F WOULD BE 11 72%</p>

Identifier	ReturnReference	Explanation
		PART III, LINE 9B EVERY EFFORT IS MADE TO DETERMINE A PATIENT'S ELIGIBILITY FOR FINANCIAL ASSISTANCE IF ELIGIBLE, PAYMENT PLANS ARE MADE AVAILABLE BASED ON THEIR RESOURCES AND INCOME ALL BALANCES OWING AFTER FINANCIAL ASSISTANCE ALLOWANCES HAVE BEEN TAKEN ARE PAYABLE IN MONTHLY PAYMENTS IN ACCORDANCE WITH THE ORGANIZATION'S FINANCIAL ASSISTANCE POLICY

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 GENESIS HEALTH SYSTEM UTILIZES THE COMMUNITY HEALTH ASSESSMENTS CREATED BY THE QUAD CITY HEALTH INITIATIVE (QCHI) AND THE COMMUNITY VITALITY TASK FORCE OF UNITED WAY QCHI WAS FORMED BY GENESIS HEALTH SYSTEM, WHICH IS HEADQUARTERED IN SCOTT COUNTY, IOWA, AND TRINITY REGIONAL HEALTH SYSTEM, WHICH IS HEADQUARTERED IN ROCK ISLAND COUNTY, ILLINOIS QCHI IS NOW A COMMUNITY PARTNERSHIP OF OVER 100 ORGANIZATIONS CONSISTING OF 500 ACTIVE INDIVIDUALS PURSUING INITIATIVES TO CREATE A HEALTHIER COMMUNITY, SERVING AS A CATALYST FOR IMPROVING THE HEALTH AND OVERALL QUALITY OF LIFE WITHIN THE QUAD CITIES A COMMUNITY HEALTH ASSESSMENT WAS CONDUCTED BY QCHI IN 2003, AND THEN RE-ASSESSED IN 2007 IN 2010, THE COMMUNITY VITALITY TASK FORCE OF UNITED WAY PRODUCED A SNAPSHOT OF COMMUNITY INDICATORS, INCLUDING INFORMATION ON THE HEALTH STATUS OF THE COMMUNITIES THAT GENESIS HEALTH SYSTEM SERVES

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 INFORMATION ON THE AVAILABILITY OF FINANCIAL ASSISTANCE IS POSTED IN VISIBLE LOCATIONS IN THE ADMISSION DEPARTMENTS OF THE HOSPITALS IN ADDITION, THE HOSPITAL REGISTRATION STAFF MAKE AVAILABLE INFORMATIVE BROCHURES FOR PATIENTS IN THE EMERGENCY ROOM REGISTRATION AREA EXPLAINING THEIR ELIGIBILITY FOR ASSISTANCE GENESIS HEALTH SYSTEM PROVIDES PATIENT FINANCIAL COUNSELORS ON EACH HOSPITAL CAMPUS TO DISCUSS OPTIONS WITH THE PATIENTS SHARED BUSINESS SERVICES PREPARES AND PROVIDES A LETTER TO EACH PATIENT, EXPLAINING THEIR CURRENT BALANCE AND ADVISING THEM OF THEIR OPTIONS A PHONE NUMBER IS PROVIDED WITH THE LETTER ENCOURAGING THE PATIENT TO CALL IF NEEDED IN ADDITION, THE GENESIS HEALTH SYSTEM WEBSITE ALSO LISTS THE OPTIONS FOR PAYMENT, AND ON A MONTHLY BASIS A POWER POINT PRESENTATION IS GIVEN TO INCOMING CANCER PATIENTS INFORMING THEM OF THEIR PAYMENT OPTIONS THE OUTPATIENT PHYSICIAN CLINICS AND THE HOME HEALTH DIVISION MAKE AVAILABLE THEIR FINANCIAL POLICY BROCHURES ALONG WITH DIRECTING PATIENTS TO GOVERNMENT PROGRAMS SUCH AS SCHIP

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 4 GENESIS HEALTH SYSTEM'S MISSION IS "TO PROVIDE COMPASSIONATE, QUALITY HEALTH SERVICES TO ALL THOSE IN NEED " GENESIS LIVES ITS MISSION EACH AND EVERY DAY BY SERVING A 10-COUNTY REGION OF EASTERN IOWA AND WESTERN ILLINOIS, INCLUDING BOTH URBAN AND RURAL AREAS THE REGION SERVED BY GENESIS HEALTH SYSTEM HAS A POPULATION OF 378,163 THE MEDIAN AGE OF THE POPULATION IN 2009 WAS 38 9 IN ROCK ISLAND COUNTY, ILLINOIS AND 36 7 IN SCOTT COUNTY, IOWA THE PERCENT OF PERSONS 65 YEARS AND OVER WAS 16 5% IN ROCK ISLAND COUNTY, ILLINOIS AND 12 7% IN SCOTT COUNTY, IOWA THE PERCENT OF FAMILIES LIVING IN POVERTY IN 2009 WAS 5 8% IN ROCK ISLAND COUNTY, ILLINOIS AND 9 8% IN SCOTT COUNTY, IOWA THE HOMELESS POPULATION IN GENESIS HEALTH SYSTEM'S SERVICE AREA WAS 1,510 IN JANUARY 2010 THE AVERAGE UNEMPLOYMENT RATE IN 2009 WAS 9 2% FOR ROCK ISLAND COUNTY, ILLINOIS AND 6 6% IN SCOTT COUNTY, IOWA THE PERCENTAGE OF PEOPLE AGES 18-64 WHO DID NOT HAVE ANY HEALTH INSURANCE IN 2009 WAS 12 0% IN ROCK ISLAND COUNTY, ILLINOIS AND 8 2% IN SCOTT COUNTY, IOWA THE PERCENTAGE OF ADULTS WHO CURRENTLY SMOKED IN 2009 WAS 20 0% IN ROCK ISLAND COUNTY, ILLINOIS AND 17 0% IN SCOTT COUNTY, IOWA THE PERCENTAGE OF ADULTS WHO WERE OBESE IN 2009 WAS 27 7% IN ROCK ISLAND COUNTY, ILLINOIS AND 21 9% IN SCOTT COUNTY, IOWA</p>

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 GENESIS HEALTH SYSTEM'S BOARD OF DIRECTORS IS A DIVERSE REPRESENTATION OF PERSONS WHO RESIDE IN THE PRIMARY SERVICE AREA THAT GENESIS HEALTH SYSTEM SERVES A MAJORITY OF THEM ARE NEITHER EMPLOYEES OR CONTRACTORS OF THE ORGANIZATION, NOR FAMILY MEMBERS THEREOF GENESIS HEALTH SYSTEM EXTENDS MEDICAL STAFF PRIVILEGES TO ALL QUALIFIED PHYSICIANS IN ITS COMMUNITIES GENESIS HEALTH SYSTEM HAS ENDEAVORED TO IMPROVE ACCESS TO HEALTH CARE FOR THE COMMUNITIES IT SERVES BY PARTICIPATING IN APPROPRIATE JOINT VENTURES THAT OFFER NEEDED HEALTH CARE SERVICES TO UNDER-SERVED AREAS SURPLUS FUNDS RESULTING FROM EFFICIENT OPERATIONS AND COST-CONTAINMENT MEASURES ARE RE-INVESTED IN THE HEALTHCARE OPERATIONS OF GENESIS HEALTH SYSTEM TO IMPROVE THE HEALTHCARE SERVICES THAT GENESIS PROVIDES ADVANCES IN MEDICAL EQUIPMENT AND TECHNOLOGY, STAFF EDUCATION, AND NEW MEDICAL SERVICES ARE EXAMPLES OF OPERATIONAL INVESTMENTS THAT ULTIMATELY IMPROVE THE HEALTH OF THE COMMUNITIES THAT GENESIS SERVES



Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 7 GENESIS HEALTH SYSTEM (TAX ID #42-1418847), AN IOWA NONPROFIT CORPORATION , AND GENESIS HEALTH SYSTEM (TAX ID #36-3616314), AN ILLINOIS NOT-FOR-PROFIT CORPORATION, HAVE IDENTICAL GOVERNING BOARDS, MANAGEMENT AND BYLAWS AND CAN ACT JOINTLY GENESIS HEALTH SYSTEM (TAX ID #42-1418847) IS ALSO THE SOLE MEMBER OF GENESIS HEALTH SERVICES FOUNDATION AND GENESIS HEALTH SYSTEM WORKERS' COMPENSATION PLAN AND TRUST, THE SOLE STOCKHOLDER OF GE NVENTURES, INC , A MEMBER OF MISERICORDIA ASSURANCE COMPANY, LTD AND A PARTNER IN DAVENPO RT SRS LEASING, LLC GENESIS HEALTH SYSTEM (TAX ID #36-3616314) IS THE SOLE MEMBER OF ILLI NI HOSPITAL FOUNDATION AND A PARTNER IN THE LARSON CENTER PARTNERSHIP GENESIS HEALTH SYSTE M (TAX ID #36-3616314) OPERATES THE FOLLOWING BUSINESS UNITS TO PROMOTE THE HEALTH OF THE COMMUNITIES IT SERVES GENESIS MEDICAL CENTER - ILLINI (GMC - ILLINI) IS LICENSED AS A 149-BED ACUTE CARE HOSPITAL WHICH PROVIDES SERVICES FROM ITS FACILITY IN SILVIS, ILLINOIS ILL INI HOSPITAL NURSING HOME (INH) OPERATES ILLINI RESTORATIVE CARE CENTER AND CROSSTOWN SQUA RE ILLINI RESTORATIVE CARE CENTER OPERATES A 75-BED LICENSED NURSING FACILITY WHICH PROVI DES SKILLED AND INTERMEDIATE HEALTH CARE AND RELATED SERVICES TO PATIENTS TWENTY-TWO OF I LLINI RESTORATIVE CARE CENTER'S BEDS ARE DESIGNATED AS HOSPITAL-BASED MEDICARE CERTIFIED B EDS ILLINI RESTORATIVE CARE'S SHELTERED CARE UNIT IS A 45-BED FACILITY WHICH PROVIDES REH ABILITATIVE AND PERSONAL CARE IN A FAMILY-ORIENTED SETTING CROSSTOWN SQUARE IS AN INDEPEN DENT LIVING FACILITY CONTAINING 76 RENTABLE APARTMENTS AND TWO GUESTROOMS THAT OFFERS SERV ICES DESIGNED TO MEET THE NEEDS OF OUR SENIOR ADULTS GENESIS HEALTH SYSTEM (TAX ID #36-361 6314) HAS A CONTROLLING OWNERSHIP INTEREST OR MEMBERSHIP IN THE FOLLOWING ORGANIZATIONS I LLINI HOSPITAL FOUNDATION (ILLINI FOUNDATION) SUPPORTS GENESIS MEDICAL CENTER - ILLINI BY PROVIDING FINANCIAL AND FUNDRAISING ASSISTANCE THE MISSION OF THE ILLINI FOUNDATION IS TO ASSIST GMC - ILLINI IN PROVIDING QUALITY, COMPASSIONATE CARE FOR ALL THOSE IN NEED BY RAI SING, MANAGING AND GRANTING CHARITABLE FUNDS THE LARSON CENTER PARTNERSHIP (LCP) IS A FOR -PROFIT REAL ESTATE PARTNERSHIP WHICH OWNS A MEDICAL OFFICE BUILDING ADJACENT TO GMC- ILLI NI AND LEASES SPACE FOR CLINICS, LABORATORY, PHARMACY AND OFFICES TO GMC - ILLINI AND OTHE R THIRD-PARTY ORGANIZATIONS GHS ILLINOIS IS A GENERAL PARTNER AND OWNS APPROXIMATELY 75 6 % OF LCP GENESIS HEALTH SYSTEM (TAX ID #42-1418847) OPERATES THE FOLLOWING BUSINESS UNITS TO PROMOTE THE HEALTH OF THE COMMUNITIES IT SERVES GENESIS HEALTH SYSTEM PROVIDES ADMINIST RATIVE, MANAGEMENT, INFORMATION TECHNOLOGY AND OTHER SUPPORT SERVICES TO ITS AFFILIATES GE NESIS CLINICAL SERVICES GENESIS HEALTH SYSTEM OWNS AND OPERATES PHYSICIAN MEDICAL PRACTIC ES, CONVENIENT CARE PRACTICES, OPERATES AN OCCUPATIONAL MEDICINE CLINIC AND PROVIDES BEHAV IORAL HEALTH SERVICES TO THE RESIDENTS OF EASTERN IOWA AND WESTERN ILLINOIS GENESIS MEDIC AL CENTER - DAVENPORT (GMC- DAVENPORT) IS LICENSED AS A 502-BED ACUTE CARE HOSPITAL WHICH PROVIDES SERVICES FROM TWO HOSPITAL FACILITIES LOCATED IN DAVENPORT, IOWA GENESIS FAMILY MEDICAL CENTER (GFMC) IS A FAMILY PRACTICE RESIDENCY TRAINING PROGRAM THAT OPERATES CLINIC S IN DAVENPORT AND BLUE GRASS, IOWA TO PROVIDE A CLINICAL SETTING FOR THE RESIDENTS TO TRE AT PATIENTS GENESIS MEDICAL CENTER - DEWITT (GMC - DEWITT) IS CERTIFIED AS A CRITICAL ACCE SS HOSPITAL, WHICH HAS 13-ACUTE CARE AND SWING BEDS, AND HAS A 77-BED LONG-TERM CARE FACIL ITY, WHICH PROVIDES SERVICES FROM ITS FACILITY IN DEWITT, IOWA GENESIS ILLINOIS PROPERTIE S (GIP) OWNS LAND LOCATED IN MOLINE, ILLINOIS GENESIS VISITING NURSE ASSOCIATION AND HOSP ICE (VNA) PROVIDES HOME HEALTH CARE, COMMUNITY NURSING SERVICES AND HOSPICE SERVICES TO PA TIENTS IN EASTERN IOWA AND WESTERN ILLINOIS GENESIS HEALTH SYSTEM (TAX ID #42-1418847) HAS A CONTROLLING OWNERSHIP INTEREST OR MEMBERSHIP IN THE FOLLOWING ORGANIZATIONS GENESIS HE ALTH SERVICES FOUNDATION (GENESIS FOUNDATION) IS AN ORGANIZATION WHOSE MISSION IS TO DEVEL OP, MANAGE AND GRANT CHARITABLE SUPPORT TO MEET THE HEALTH-RELATED NEEDS OF THE COMMUNITIE S SERVED BY GENESIS HEALTH SYSTEM GENVENTURES, INC (GENVENTURES) IS A WHOLLY-OWNED FOR-PR OFIT CORPORATION WHICH OPERATES THE FOLLOWING DIVISIONS, PRIMARILY IN THE QUAD CITIES GEN ESIS AT HOME, CONTINUING CARE SELLS AND LEASES HOME MEDICAL EQUIPMENT, PROVIDES INTRAVENOU S THERAPY SERVICES, INCLUDING SALES OF RELATED SOLUTIONS AND SUPPLIES TO PATIENTS, AND PRO VIDES RETAIL PHARMACEUTICAL AND OVER THE COUNTER PRODUCTS TO PATIENTS AND EMPLOYEES OF THE SYSTEM GENPROPERTIES OWNS, LEASES AND/OR MANAGES OFFICE SPACE IN THIRTEEN MEDICAL OFFICE BUILDINGS LOCATED IN DAVENPORT, ELDRIDGE, LECLAIRE, MUSCATINE AND BETTENDORF, IOWA CRESCE NT LAUNDRY PROVIDES COMMERCIAL LAUNDRY SERVICES TO HEALTH CARE FACILITIES IN EASTERN IOWA AND NORTH-CENTRAL ILLINOIS GENESIS HEALTH SYSTEM WORKERS' COMPENSATION PLAN AND TRUST (WO RKERS' COMPENSATION TRUST) PROVIDES A FUND WHICH C</p>

Identifier	ReturnReference	Explanation
		AN BE USED TO PAY WORKERS' COMPENSATION CLAIMS AND COSTS FOR THE BENEFIT OF GENESIS HEALTH SYSTEM MISERICORDIA ASSURANCE COMPANY, LTD (MISERICORDIA) IS A WHOLLY OWNED CAYMAN BASE D CAPTIVE INSURANCE COMPANY WHICH UNDERWRITES THE GENERAL AND PROFESSIONAL LIABILITY RISKS OF GENESIS HEALTH SYSTEM AND AFFILIATES DAVENPORT SRS LEASING, LLC (SRS) IS A LIMITED LIA BILITY COMPANY, WHICH WAS FORMED IN 2008, WHICH LEASES MEDICAL EQUIPMENT GENESIS HEALTH S YSTEM IS A GENERAL PARTNER AND OWNED 93 75% OF SRS AS OF JUNE 30, 2011

Identifier	ReturnReference	Explanation
REPORTS FILED WITH STATES	PART VI, LINE 7	IL

Schedule I  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Grants and Other Assistance to Organizations,  
Governments and Individuals in the United States

Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22.  
▶ Attach to Form 990

OMB No 1545-0047

2010

Open to Public  
Inspection

Name of the organization  
GENESIS HEALTH SYSTEM

Employer identification number  
36-3616314

Part I

General Information on Grants and Assistance

- 1

Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . .

☒ Yes ☐ No
- 2

Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II

Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than \$5,000. Check this box if no one recipient received more than \$5,000. Part II can be duplicated if additional space is needed. . . . . ▶ ☐

1 (a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) BIRDIES FOR CHARITY 15623 COALTOWN ROAD EAST MOLINE,IL 61244	93-1332421	501(C)(3)	5,000				GENERAL SUPPORT TO BE DISTRIBUTED TO LOCAL NON-PROFITS
(2) ILLINI HOSPITAL FOUNDATION 801 ILLINI DRIVE SILVIS,IL 61282	36-6208583	501(C)(3)	5,000				UNRESTRICTED DONATIONS BY THE MEDICAL STAFF TO SUPPORT THE MISSION OF ILLINI HOSPITAL FOUNDATION
(3) GENESIS HEALTH SYSTEM WORKERS' COMPENSATION PLAN & TRUST 1227 EAST RUSHOLME STREET DAVENPORT,IA 52803	39-1905171	501(C)(3)	311,101				CLAIM PAYMENTS
(4) VILLAGE OF CORDOVA 306 MAIN STREET CORDOVA,IL 61244	32-2718781	VILLAGE OF CORDOVA	23,905				DONATION RESTRICTED TO PURCHASE EXERCISE EQUIPMENT FOR CITY PARK
(5) GENESIS HEALTH SYSTEM - IOWA 1227 EAST RUSHOLME STREET DAVENPORT,IA 52803	42-1418847	501(C)(3)	9,555				PAYROLL DEDUCTIONS BY MEDICAL STAFF, DIRECTED TOWARDS MEDICAL EDUCATION PURPOSES AND THE PERLMUTTER LIBRARY AT THE GMC, ILLINOIS CAMPUS

2

Enter total number of section 501(c)(3) and government organizations . . . . .

5

3

Enter total number of other organizations . . . . .

0

**Part III**

**Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 22.  
Use Schedule I-1 (Form 990) if additional space is needed.

(a)Type of grant or assistance	(b)Number of recipients	(c)Amount of cash grant	(d)Amount of non-cash assistance	(e)Method of valuation (book, FMV, appraisal, other)	(f)Description of non-cash assistance

**Part IV**

**Supplemental Information.** Complete this part to provide the information required in Part I, line 2, and any other additional information.

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 THE GENESIS HEALTH SYSTEM - ILLINOIS STAFF REQUIRES RECEIPTS AND OTHER DOCUMENTATION PRIOR TO RELEASING FUNDS FOR PROJECTS AND SERVICES WITHIN THE SCOPE OF THE ORGANIZATION'S MISSION PROPER AUTHORIZATION OF GRANT REQUESTS IS ALSO REQUIRED STAFF FOLLOWS THE ORGANIZATION'S FUNDING ADMINISTRATIVE POLICY TO ENSURE THAT GRANTS ARE BEING APPROVED AND UTILIZED CORRECTLY

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.

Name of the organization GENESIS HEALTH SYSTEM	Employer identification number 36-3616314
---------------------------------------------------	----------------------------------------------

Part I

Questions Regarding Compensation

	Yes	No
1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items		
<input type="checkbox"/> First-class or charter travel		
<input checked="" type="checkbox"/> Travel for companions		
<input checked="" type="checkbox"/> Tax idemnification and gross-up payments		
<input type="checkbox"/> Discretionary spending account		
<input type="checkbox"/> Housing allowance or residence for personal use		
<input type="checkbox"/> Payments for business use of personal residence		
<input type="checkbox"/> Health or social club dues or initiation fees		
<input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)		
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	1b Yes	
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?	2 Yes	
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		
<input type="checkbox"/> Compensation committee		
<input type="checkbox"/> Independent compensation consultant		
<input type="checkbox"/> Form 990 of other organizations		
<input type="checkbox"/> Written employment contract		
<input type="checkbox"/> Compensation survey or study		
<input type="checkbox"/> Approval by the board or compensation committee		
4 During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization		
a Receive a severance payment or change-of-control payment from the organization or a related organization?	4a Yes	
b Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b Yes	
c Participate in, or receive payment from, an equity-based compensation arrangement?	4c	No
If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III		
Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.		
5 For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of		
a The organization?	5a	No
b Any related organization?	5b	No
If "Yes," to line 5a or 5b, describe in Part III		
6 For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of		
a The organization?	6a	No
b Any related organization?	6b	No
If "Yes," to line 6a or 6b, describe in Part III		
7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7	No
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	8	No
9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	9	

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

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

**Note.** The sum of columns (B)(i)-(iii) 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) JAMES A BULL MD	(i)	0	0	0	0	0	0	0
	(ii)	152,602	0	39,092	11,544	11,882	215,120	0
(2) DOUGLAS P CROPPER	(i)	0	0	0	0	0	0	0
	(ii)	567,498	137,967	33,848	269,566	21,437	1,030,316	0
(3) GEORGE KONTOS MD	(i)	0	0	0	0	0	0	0
	(ii)	497,978	0	40,476	10,127	16,052	564,633	0
(4) MARK G ROGERS	(i)	0	0	0	0	0	0	0
	(ii)	232,637	56,242	38,062	111,580	11,872	450,393	0
(5) ROBERT W FRIEDEN	(i)	0	0	0	0	0	0	0
	(ii)	223,268	43,193	175,767	13,869	17,997	474,094	0
(6) FLORENCE L SPYROW	(i)	212,029	41,177	18,370	89,607	1,714	362,897	0
	(ii)	41,898	8,137	3,630	17,707	339	71,711	0
(7) FRANK R CLAUDY MD	(i)	0	0	0	0	0	0	0
	(ii)	255,051	36,695	121,032	27,584	16,123	456,485	0
(8) KENNETH CROKEN	(i)	0	0	0	0	0	0	0
	(ii)	189,996	40,982	92,185	49,562	16,778	389,503	26,922
(9) JAMES A LEHMAN MD	(i)	0	0	0	0	0	0	0
	(ii)	248,591	48,979	119,636	67,178	13,099	497,483	0
(10) JULIE MANAS	(i)	0	0	0	0	0	0	0
	(ii)	310,431	63,590	1,164	120,713	16,441	512,339	0
(11) ROBERT C TRAVIS	(i)	0	0	0	0	0	0	0
	(ii)	217,260	38,707	128,870	36,416	14,129	435,382	0
(12) CHARLES E BRUHN	(i)	0	0	0	0	0	0	0
	(ii)	0	0	291,042	13,121	13,925	318,088	0
(13) HEIDI S KAHLY-MCMAHON	(i)	0	0	0	0	0	0	0
	(ii)	157,172	27,892	9,733	60,087	18,490	273,374	0
(14) ROBERT NELSON MD	(i)	0	0	0	0	0	0	0
	(ii)	171,852	37,837	88,217	43,643	13,439	354,988	24,727
(15) JUDITH PRANGER	(i)	0	0	0	0	0	0	0
	(ii)	172,000	28,501	23,935	127,582	11,309	363,327	0
(16) MIKE SHARP	(i)	0	0	0	0	0	0	0
	(ii)	128,152	31,335	13,926	81,588	13,607	268,608	0

Part IIISupplemental 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
	PART I, LINE 1A	GENESIS HEALTH SYSTEM PROVIDES THE FOLLOWING TO INDIVIDUALS REPORTED IN PART VII, SECTION A, LINE 1A: TRAVEL FOR COMPANIONS. THIS BENEFIT IS OFFERED TO ALL EMPLOYEES. THE ORGANIZATION REQUIRES REIMBURSEMENT OF THESE EXPENSES DIRECTLY TO THE ORGANIZATION. GROSS-UP PAYMENTS: THIS BENEFIT IS OFFERED TO QUALIFYING EXECUTIVES WHO HAD CONTRIBUTIONS MADE ON THEIR BEHALF IN THE SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN. CONTRIBUTIONS TO THE PLAN ARE INCLUDED WITH REPORTABLE COMPENSATION FOR INDIVIDUALS WITH VESTED CONTRIBUTIONS.
	PART I, LINES 4A-B	GENESIS HEALTH SYSTEM'S EXECUTIVE EMPLOYMENT AGREEMENT PROVIDES SEPARATION PAY IN THE EVENT AN EXECUTIVE IS TERMINATED WITHOUT CAUSE. MR. CHARLES E. BRUHN WAS AN EXECUTIVE WITH GENESIS HEALTH SYSTEM WHO WAS TERMINATED WITHOUT CAUSE AND RECEIVED SEPARATION PAY IN ACCORDANCE WITH THE TERMS OF HIS EMPLOYMENT AGREEMENT. IN 2010, MR. CHARLES E. BRUHN RECEIVED \$245,171, PAID BY GENESIS HEALTH SYSTEM-IOWA, A RELATED ORGANIZATION, AND IS INCLUDED IN REPORTABLE COMPENSATION ON THE FORM 990, PART VII AND SCHEDULE J, PART II. THE FOLLOWING INDIVIDUALS PARTICIPATED IN A SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN IN 2010 SPONSORED BY GENESIS HEALTH SYSTEM - IOWA, A RELATED ORGANIZATION: ROBERT C. TRAVIS - \$90,931, JAMES A. LEHMAN, M.D. - \$75,022, AND FRANK CLAUDY, M.D. - \$95,100. THE DOLLAR AMOUNT REPRESENTS THE CURRENT YEAR CONTRIBUTION MADE BY GENESIS HEALTH SYSTEM - IOWA ON BEHALF OF THE INDIVIDUALS TO THE PLAN IN 2010 AND THE GROSS-UP PAYMENT TO COVER TAX. THIS INFORMATION IS INCLUDED IN REPORTABLE COMPENSATION ON THE FORM 990, PART VII AND SCHEDULE J, PART II. THE FOLLOWING INDIVIDUALS PARTICIPATED IN A SUPPLEMENTAL EXECUTIVE RETIREMENT SAVING BENEFIT PLAN IN 2010 SPONSORED BY GENESIS HEALTH SYSTEM - IOWA, A RELATED ORGANIZATION: KENNETH CROKEN - \$62,595, ROBERT W. FRIEDEN - \$94,525, AND ROBERT NELSON, M.D. - \$57,924. THE DOLLAR AMOUNT REPRESENTS THE CURRENT YEAR CONTRIBUTION MADE BY GENESIS HEALTH SYSTEM - IOWA ON BEHALF OF THE INDIVIDUALS TO THE PLAN IN 2010. THIS INFORMATION IS INCLUDED IN REPORTABLE COMPENSATION ON THE FORM 990, PART VII AND SCHEDULE J, PART II. THE FOLLOWING INDIVIDUALS ALSO PARTICIPATED IN A SUPPLEMENTAL EXECUTIVE RETIREMENT SAVINGS BENEFIT PLAN IN 2010 SPONSORED BY GENESIS HEALTH SYSTEM - IOWA, A RELATED ORGANIZATION: KENNETH CROKEN - \$33,082, DOUGLAS P. CROPPER - \$260,072, HEIDI KAHLY-MCMAHON - \$50,557, JULIE MANAS - \$113,363, ROBERT NELSON, M.D. - \$30,408, JUDITH PRANGER - \$61,119, MARK G. ROGERS - \$98,412, MIKE SHARP - \$44,191, AND FLORENCE L. SPYROW - \$97,572. THE DOLLAR AMOUNT REPRESENTS THE CURRENT YEAR CONTRIBUTION MADE BY GENESIS HEALTH SYSTEM - IOWA ON BEHALF OF THE INDIVIDUALS TO THE PLAN IN 2010. THIS INFORMATION IS INCLUDED IN DEFERRED COMPENSATION ON THE FORM 990, PART VII AND SCHEDULE J, PART II.
SUPPLEMENTAL INFORMATION	PART III	PART I, LINE 3: GENESIS HEALTH SYSTEM - ILLINOIS RELIES ON GENESIS HEALTH SYSTEM - IOWA TO DETERMINE THE COMPENSATION OF THE ORGANIZATION'S TOP MANAGEMENT OFFICIALS, OFFICERS, DIRECTORS, AND KEY EMPLOYEES. GENESIS HEALTH SYSTEM - IOWA UTILIZES A COMPENSATION COMMITTEE, AN INDEPENDENT COMPENSATION CONSULTANT, A WRITTEN EMPLOYMENT CONTRACT, A COMPENSATION SURVEY OR STUDY, AND APPROVAL BY THE COMPENSATION COMMITTEE TO DETERMINE SUCH COMPENSATION. PART II, COLUMN F: THE FOLLOWING INDIVIDUALS ALSO PARTICIPATED IN A SUPPLEMENTAL EXECUTIVE RETIREMENT SAVINGS BENEFIT PLAN IN 2009 AND 2010 SPONSORED BY GENESIS HEALTH SYSTEM - IOWA: WILLIAM LANGLEY, M.D. - \$79,283 AND ROBERT NELSON, M.D. - \$24,727. THE DOLLAR AMOUNT REPRESENTS THE PRIOR YEAR CONTRIBUTION MADE BY GENESIS HEALTH SYSTEM - IOWA ON BEHALF OF THE INDIVIDUALS TO THE PLAN IN 2009. THIS INFORMATION WAS INCLUDED IN DEFERRED COMPENSATION ON THE PRIOR YEAR FORM 990, PART VII AND SCHEDULE J, PART II. THESE INDIVIDUALS REACHED A SPECIFIED LEVEL OF VESTING IN 2010, SO THE DOLLAR AMOUNT IS NOW INCLUDED IN REPORTABLE COMPENSATION ON THE CURRENT YEAR FORM 990, PART VII AND SCHEDULE J, PART II. THE DOLLAR AMOUNT IS ALSO LISTED AS COMPENSATION REPORTED IN PRIOR FORM 990 ON THE CURRENT YEAR FORM 990, SCHEDULE J, PART II.



**Software ID:**  
**Software Version:**  
**EIN:** 36-3616314  
**Name:** GENESIS HEALTH SYSTEM

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
JAMES A BULL MD	(i)	0	0	0	0	0	0	0
	(ii)	152,602	0	39,092	11,544	11,882	215,120	0
DOUGLAS P CROPPER	(i)	0	0	0	0	0	0	0
	(ii)	567,498	137,967	33,848	269,566	21,437	1,030,316	0
GEORGE KONTOS MD	(i)	0	0	0	0	0	0	0
	(ii)	497,978	0	40,476	10,127	16,052	564,633	0
MARK G ROGERS	(i)	0	0	0	0	0	0	0
	(ii)	232,637	56,242	38,062	111,580	11,872	450,393	0
ROBERT W FRIEDEN	(i)	0	0	0	0	0	0	0
	(ii)	223,268	43,193	175,767	13,869	17,997	474,094	0
FLORENCE L SPYROW	(i)	212,029	41,177	18,370	89,607	1,714	362,897	0
	(ii)	41,898	8,137	3,630	17,707	339	71,711	0
FRANK R CLAUDY MD	(i)	0	0	0	0	0	0	0
	(ii)	255,051	36,695	121,032	27,584	16,123	456,485	0
KENNETH CROKEN	(i)	0	0	0	0	0	0	0
	(ii)	189,996	40,982	92,185	49,562	16,778	389,503	26,922
JAMES A LEHMAN MD	(i)	0	0	0	0	0	0	0
	(ii)	248,591	48,979	119,636	67,178	13,099	497,483	0
JULIE MANAS	(i)	0	0	0	0	0	0	0
	(ii)	310,431	63,590	1,164	120,713	16,441	512,339	0
ROBERT C TRAVIS	(i)	0	0	0	0	0	0	0
	(ii)	217,260	38,707	128,870	36,416	14,129	435,382	0
CHARLES E BRUHN	(i)	0	0	0	0	0	0	0
	(ii)	0	0	291,042	13,121	13,925	318,088	0
HEIDI S KAHLY-MCMAHON	(i)	0	0	0	0	0	0	0
	(ii)	157,172	27,892	9,733	60,087	18,490	273,374	0
ROBERT NELSON MD	(i)	0	0	0	0	0	0	0
	(ii)	171,852	37,837	88,217	43,643	13,439	354,988	24,727
JUDITH PRANGER	(i)	0	0	0	0	0	0	0
	(ii)	172,000	28,501	23,935	127,582	11,309	363,327	0
MIKE SHARP	(i)	0	0	0	0	0	0	0
	(ii)	128,152	31,335	13,926	81,588	13,607	268,608	0

Schedule L  
(Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization  
GENESIS HEALTH SYSTEM

Employer identification number  
36-3616314

Part I

Excess Benefit Transactions (section 501(c)(3) and section 501 (c)(4) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

1	(a) Name of disqualified person	(b) Description of transaction	(c) Corrected?	
			Yes	No

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 . . . . . ▶ \$

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

Part II

Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

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

Part III

Grants or Assistance Benefitting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b)Relationship between interested person and the organization	(c)Amount of grant or type of assistance

**Part IV Business Transactions Involving Interested Persons.**

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) WELLMARK HEALTH PLAN OF IOWA INC	SEE BELOW IN PART V	3,222,164	GENESIS HEALTH SYSTEM (GHS) OBTAINS EMPLOYEE HEALTH INSURANCE COVERAGE AND ISSUES REFUNDS FOR OVERPAYMENTS TO WELLMARK HEALTH PLAN OF IOWA, INC		No
(2) WELLMARK HEALTH PLAN OF IOWA INC	SEE BELOW IN PART V	1,574,902	GHS HAS A PROVIDER SERVICE AGREEMENT FOR PATIENT MEDICAL SERVICES WITH WELLMARK HEALTH PLAN OF IOWA, INC		No
(3) GENVENTURES INC	SEE BELOW IN PART V	310,180	GHS PAID GENVENTURES, INC FOR LAUNDRY SERVICES		No
(4) GENVENTURES INC	SEE BELOW IN PART V	13,351	GENVENTURES, INC PAID GHS FOR FACILITY MAINTENANCE AND MEDICAL SUPPLIES		No

**Part V Supplemental Information**

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

Identifier	Return Reference	Explanation
FORM 990, SCHEDULE L, PART IV, COLUMN B	DESCRIPTION OF RELATIONSHIP - WELLMARK HEALTH PLAN OF IOWA, INC	DOUGLAS P CROPPER IS THE BOARD PRESIDENT/CEO OF GHS AND A DIRECTOR ON THE BOARD OF WELLMARK HEALTH PLAN OF IOWA, INC
FORM 990, SCHEDULE L, PART IV, COLUMN B	DESCRIPTION OF RELATIONSHIP - GENVENTURES, INC	MARK G ROGERS AND ROGER A HILL ARE OFFICERS, FLORENCE L SPYROW IS A KEY EMPLOYEE, JAMES A KOEHLER IS A DIRECTOR, AND MIKE SHARP IS A FORMER KEY EMPLOYEE OF GHS AND ARE REPORTED ON THE FORM 990, PART VII DURING THE TAX YEAR, MARK G ROGERS, ROGER A HILL, JAMES A KOEHLER, AND MIKE SHARP WERE OFFICERS OF GENVENTURES, INC , AND FLORENCE L SPYROW WAS A DIRECTOR OF GENVENTURES, INC

SCHEDULE M  
(Form 990)

NonCash Contributions

OMB No 1545-0047

2010

Open to Public Inspection

►Complete if the organization answered "Yes" on Form 990, Part IV, lines 29 or 30.  
► Attach to Form 990.

Name of the organization  
GENESIS HEALTH SYSTEM

Employer identification number  
36-3616314

Part I

Types of Property

	(a) Check if applicable	(b) Number of Contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining oncash contribution amounts
1 Art—Works of art . . . .				
2 Art—Historical treasures				
3 Art—Fractional interests				
4 Books and publications				
5 Clothing and household goods . . . . .				
6 Cars and other vehicles .				
7 Boats and planes . . . .				
8 Intellectual property . .				
9 Securities—Publicly traded				
10 Securities—Closely held stock . . . . .				
11 Securities—Partnership, LLC, or trust interests .				
12 Securities—Miscellaneous				
13 Qualified conservation contribution—Historic structures . . . . .				
14 Qualified conservation contribution—Other . .				
15 Real estate—Residential .				
16 Real estate—Commercial				
17 Real estate—Other . .				
18 Collectibles . . . . .				
19 Food inventory . . . . .				
20 Drugs and medical supplies				
21 Taxidermy . . . . .				
22 Historical artifacts . .				
23 Scientific specimens . .				
24 Archeological artifacts .				
EXERCISE				
25 Other ► ( BIKE )	X	1	3,640	COST
TV, CAR				
26 Other ► ( SEAT )	X	2	1,205	COST
UHF				
27 Other ► ( RADIOS )	X	4	26,168	COST
MISC				
28 Other ► ( SUPPLIES )	X	1,025	638	COST

29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement . . . . .

29

30a During the year, did the organization receive by contribution any property reported in Part I, lines 1-28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period? . . . . .

30a

Yes

No

31 Does the organization have a gift acceptance policy that requires the review of any non-standard contributions? . . . . .

31

Yes

No

32a Does the organization hire or use third parties or related organizations to solicit, process, or sell non-cash contributions? . . . . .

32a

Yes

No

33 If the organization did not report revenues in column (c) for a type of property for which column (a) is checked, describe in Part II

**Part II**

**Supplemental Information.** Complete this part to provide the information required by Part I, lines 30b, 32b, and 33. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
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**SCHEDULE O**  
**(Form 990 or 990-EZ)**

Department of the Treasury  
Internal Revenue Service

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

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

OMB No 1545-0047

**2010**

**Open to Public  
Inspection**

**Name of the organization**  
GENESIS HEALTH SYSTEM

**Employer identification number**

36-3616314

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11		INTERNAL MANAGEMENT REVIEW IS COMPLETED OF THE COMPILED INFORMATION PRIOR TO PREPARATION AND REVIEW BY MCGLADREY & PULLEN, LLP. FOLLOWING MCGLADREY & PULLEN, LLP'S PREPARATION AND REVIEW OF THE FORM 990, IT IS REVIEWED WITH THE ORGANIZATION'S PRESIDENT/CEO, VICE PRESIDENT, FINANCE/CFO, VICE PRESIDENT, LEGAL AFFAIRS, AND VICE PRESIDENT, HUMAN RESOURCES. THE FORM 990 IS THEN REVIEWED AT A JOINT MEETING OF THE ORGANIZATION'S FINANCE COMMITTEE AND AUDIT & COMPLIANCE COMMITTEE. PRIOR TO SUBMITTING THE FORM 990 TO THE IRS, IT IS E-MAILED TO THE ORGANIZATION'S BOARD OF DIRECTORS ONE WEEK IN ADVANCE OF A SCHEDULED MEETING. AT THE BOARD OF DIRECTORS MEETING, INTERNAL MANAGEMENT REVIEWS THE FORM 990 WITH THE BOARD OF DIRECTORS. SUGGESTED CHANGES FROM ALL OF THESE REVIEWS ARE CONSIDERED FOR INCLUSION IN THE FINAL FORM 990 SUBMITTED TO THE IRS.

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	ANY COVERED PERSON, DEFINED AS ANY DIRECTOR, OFFICER, OR MEMBER OF A BOARD OR BOARD COMMITTEE OF GENESIS HEALTH SYSTEM (GHS) OR AN AFFILIATE, SHOULD DISCLOSE AN INTEREST OR POTENTIAL INTEREST AS SOON AS THEY BECOME AWARE OF A POTENTIAL TRANSACTION THAT WILL BE CONSIDERED BY MANAGEMENT, THE BOARD, OR A COMMITTEE OF THE BOARD COVERED PERSONS ARE REQUIRED ANNUALLY TO DISCLOSE ANY POSSIBLE PERSONAL, FAMILY, OR BUSINESS RELATIONSHIPS THAT REASONABLY COULD GIVE RISE TO AN INTEREST OR CONFLICT INVOLVING GHS, OR AN AFFILIATE, OR WITH RESPECT TO DESIGNATED FACILITIES AND ACTIVITIES, AND ACKNOWLEDGE BY HIS OR HER SIGNATURE THAT HE OR SHE IS FAMILIAR WITH AND IS IN COMPLIANCE WITH THE LETTER AND SPIRIT OF THIS POLICY ANY COVERED PERSON FOUND TO HAVE A CONFLICT OF INTEREST MAY MAKE A PRESENTATION AT THE BOARD OR COMMITTEE MEETING TO PRESENT INFORMATION AND ADDRESS ANY QUESTIONS RAISED BY OTHER DIRECTORS OR COMMITTEE MEMBERS SAID PERSON SHALL NOT BE ALLOWED TO ACTIVELY AND AGGRESSIVELY ADVOCATE IN HIS OR HER OWN BEHALF NOR SHALL SUCH PERSON ADVOCATE HIS OR HER POSITION INFORMALLY THROUGH PRIVATE CONTACT, COMMUNICATION AND DISCUSSION WITH ANOTHER DIRECTOR AFTER SUCH PRESENTATION, THE PERSON SHALL LEAVE THE MEETING DURING THE DISCUSSION OF, AND THE VOTE ON, THE APPLICABLE TRANSACTION OR ARRANGEMENT

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	<p>EACH EXECUTIVE POSITION IS EVALUATED USING A FORMAL EVALUATION PLAN THAT IS ESTABLISHED BY AN OUTSIDE CONSULTANT. AT THE PRESENT TIME, THE CONSULTANT USES A POINT SYSTEM FOR JOB EVALUATION. THE POINT VALUES ARE BASED ON "KNOW HOW", "PROBLEM SOLVING", "ACCOUNTABILITY", AND OTHER JOB ATTRIBUTES SPECIFIC TO THE POSITION. ONCE THE POINT VALUE IS SET FOR A POSITION, MARKET COMPARISONS FOR JOBS WITH THE SAME ORGANIZATIONAL IMPACT CAN BE COMPARED FOR SALARY PURPOSES AND ESTABLISH PAY RANGES. THE DESIGN OF THE PAY RANGES FOR EXECUTIVES IS BASED ON MARKET DATA. THE MIDPOINT OF EACH PAY RANGE IS ESTABLISHED AT THE 50TH PERCENTILE OF THE MARKET COMPARISONS. A MINIMUM GUIDELINE IS ESTABLISHED AT THE 25TH PERCENTILE, AND A MAXIMUM GUIDELINE IS SET AT THE 75TH PERCENTILE. SPECIFIC PAY RATES FOR EXECUTIVES ARE SUBJECT TO CEO AND COMPENSATION COMMITTEE AND THE GHS BOARD OF DIRECTORS APPROVAL. PAY RANGES ARE REVIEWED EACH YEAR TO DETERMINE THE NEED FOR REVISION. WHEN MARKET CONDITIONS SUGGEST AN ADJUSTMENT TO PAY RANGES, DATA WILL BE PRESENTED TO THE COMPENSATION COMMITTEE FOR ITS REVIEW. THE SPECIFIC PAY RANGES ARE SUBJECT TO CEO, COMPENSATION COMMITTEE, AND GENESIS HEALTH SYSTEM (GHS) BOARD OF DIRECTOR APPROVAL. THE PRESIDENT AND CEO HAS THE AUTHORITY AND RESPONSIBILITY TO ESTABLISH AND ADJUST, WITHIN THE RANGE APPROVED BY THE COMPENSATION COMMITTEE AND THE GHS BOARD OF DIRECTORS, THE BASE COMPENSATION OF EACH EXECUTIVE EMPLOYED BY GHS, AT APPROPRIATE TIMES. THE GHS BOARD OF DIRECTORS SHALL ESTABLISH AND ADJUST, WITHIN THE RANGE APPROVED BY THE COMPENSATION COMMITTEE, THE BASE COMPENSATION FOR THE CEO OF GHS, AT APPROPRIATE TIMES. THE LAST TIME THIS PROCESS WAS FORMALLY UNDERTAKEN WAS AUGUST 2010. HOWEVER, INTERNAL REEVALUATIONS ARE PERFORMED ANNUALLY TO ENSURE CONSISTENCY WITH INDUSTRY STATISTICS.</p>



Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION'S GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY , AND FINANCIAL STATEMENTS ARE NOT MADE AVAILABLE TO THE PUBLIC

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED LOSSES ON INVESTMENTS -6,583 CHANGE IN NET ASSETS OF THE FOUNDATION -340,983 NON-CASH CONTRIBUTIONS NOT RECORDED ON BOOKS -5,483 TOTAL TO FORM 990, PART XI, LINE 5 -353,049

Identifier	Return Reference	Explanation
	FORM 990, PART XII, LINE 2C	THE OVERSIGHT AND SELECTION PROCESS HAS NOT CHANGED FROM THE PRIOR TAX YEAR

Identifier	Return Reference	Explanation
	FORM 990, PART VII, LINE 1A	GENESIS HEALTH SYSTEM, EIN 42-1418847, AND GENESIS HEALTH SYSTEM, EIN 36-3616314 HAVE IDENTICAL GOVERNING BOARDS AND AN IDENTICAL EXECUTIVE MANAGEMENT TEAM. THE HOURS REPORTED ON FORM 990, PART VII, SECTION A, COLUMN (B) REPRESENTS THE NUMBER OF HOURS THESE INDIVIDUALS DEVOTE TO BOTH ORGANIZATIONS. FURTHERMORE, THE AMOUNTS REPORTED AS REPORTABLE COMPENSATION FOR THE OFFICERS, KEY EMPLOYEES, AND HIGHLY COMPENSATED EMPLOYEES, UNLESS OTHERWISE NOTED ELSEWHERE IN PART VII, ARE FOR SERVICES RENDERED ON BEHALF OF BOTH ORGANIZATIONS. IT WOULD BE ADMINISTRATIVELY IMPRACTICABLE FOR MEMBERS OF THE GOVERNING BOARD AND THE EXECUTIVE TEAM TO BREAKOUT THEIR HOURS DEVOTED AS WELL AS THEIR REPORTABLE COMPENSATION BETWEEN EACH ORGANIZATION. ALL REPORTABLE COMPENSATION, UNLESS OTHERWISE NOTED IN PART VII, IS PAID BY GENESIS HEALTH SYSTEM, EIN 42-1418847.

SCHEDULE R  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ 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.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization  
GENESIS HEALTH SYSTEM

Employer identification number  
36-3616314

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) GENESIS HEALTH SYSTEM - IOWA  1227 EAST RUSHOLME STREET  DAVENPORT, IA 52803 42-1418847	HEALTHCARE	IA	501(C)(3)	3	N/A		No
(2) GENESIS HEALTH SERVICES FOUNDATION  1227 EAST RUSHOLME STREET  DAVENPORT, IA 52803 42-1421670	CHARITY	IA	501(C)(3)	7	GENESIS HEALTH SYSTEM 42-1418847		No
(3) ILLINI HOSPITAL FOUNDATION  801 ILLINI DRIVE  SILVIS, IL 61282 36-6208583	CHARITY	IL	501(C)(3)	11/TYPE1	N/A	Yes	
(4) GENESIS HEALTH SYSTEM WORKERS' COMPENSATION PLAN & TRUST  1227 EAST RUSHOLME STREET  DAVENPORT, IA 52803 39-1905171	EMPLOYEE/BENEFIT/TRUST	IA	501(C)(3)	11/TYPE1	GENESIS HEALTH SYSTEM 42-1418847		No
(5) DAVENPORT HOSPITAL AMBULANCE CORP  1204 EAST HIGH STREET  DAVENPORT, IA 52803 42-1186903	AMBULANCE TRANSFERS	IA	501(C)(3)	11/TYPE1	GENESIS HEALTH SYSTEM 42-1418847		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	
(1) GENGASTRO LLC  2222 53RD AVENUE BETTENDORF, IA52722 56-2315623	AMBULATORY SURGERY CENTER	IA	GENESIS HEALTH SYSTEM 42-1418847	RELATED	2,486,106	127,832		No			No	66 670 %
(2) SPRING PARK SURGERY CENTER LLC  3319 SPRING STREET STE 202A DAVENPORT, IA52807 42-1483989	OUTPATIENT SURGICAL CENTER	IA	GENESIS HEALTH SYSTEM 42-1418847	RELATED	1,039,794	2,759,909		No			No	50 000 %
(3) LARSON CENTER PARTNERSHIP LLC  801 ILLINI DRIVE SILVIS, IL61282 36-3738454	PROPERTY MANAGEMENT	IL	N/A	RELATED	428,333	2,147,247		No		Yes		75 600 %
(4) DAVENPORT SRS LEASING LLC  1227 EAST RUSHOLME STREET DAVENPORT, IA52803 26-1655144	LEASING	IA	GENESIS HEALTH SYSTEM 42-1418847	RELATED	-1,104,424	5,120,059		No			No	93 750 %
(5) GENORTHO LLC  2300 53RD AVENUE BETTENDORF, IA52722 20-3406994	ORTHOPAEDIC SURGERY CENTER	IA	GENESIS HEALTH SYSTEM 42-1418847	RELATED	714,654	412,825		No			No	50 000 %

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
(1) GENVENTURES INC 1227 EAST RUSHOLME STREET DAVENPORT, IA52803 42-1269171	SUPPORT SERVICES/PROPERTY MANAGEMENT	IA	N/A	C	-566,166	44,932,581	100 000 %
(2) GENESIS HEART INSTITUTE 1236 EAST RUSHOLME STREET DAVENPORT, IA52803 42-1504979	HEALTHCARE MANAGEMENT	IA	N/A	C			100 000 %
(3) MISERICORDIA ASSURANCE COMPANY LTD PO BOX 1051 GRAND CAYMAN CJ 98-0457943	OTHER FINANCIAL VEHICLE	CJ	N/A	C		26,783,849	100 000 %
(4) MOB 1 OWNERS' ASSOCIATION 1227 EAST RUSHOLME STREET DAVENPORT, IA52803 27-0865075	PROPERTY MANAGEMENT	IA	GENVENTURES INC	C			82 200 %

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)

1a

No

1b

Yes

1c

Yes

1d

No

1e

No

1f

No

1g

No

1h

No

1i

Yes

1j

Yes

1k

No

1l

Yes

1m

No

1n

No

1o

Yes

1p

Yes

1q

Yes

1r

Yes

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) See Additional Data Table			
(2)			
(3)			
(4)			
(5)			
(6)			

Schedule R (Form 990) 2010

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

[illegible]



**Part VII**   **Supplemental Information**

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

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

Software ID:

Software Version:

EIN: 36-3616314

Name: GENESIS HEALTH SYSTEM

Form 990, Schedule R, Part V - Transactions With Related Organizations

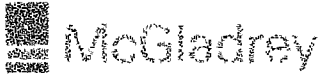
(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved (\$)	(d) Method of determining amount involved
(1) GENESIS HEALTH SYSTEM WORKERS' COMPENSATION PLAN & TRUST	B	311,101	
(2) GENESIS HEALTH SYSTEM - IOWA	I	229,423	
(3) GENESIS HEALTH SYSTEM WORKERS' COMPENSATION PLAN & TRUST	L	128,744	
(4) LARSON CENTER PARTNERSHIP LLC	J	340,455	
(5) GENESIS HEALTH SYSTEM - IOWA	O	78,990,263	
(6) MISERICORDIA ASSURANCE COMPANY LTD	O	293,712	
(7) GENESIS HEALTH SYSTEM - IOWA	P	8,234,387	
(8) ILLINI HOSPITAL FOUNDATION	C	417,512	
(9) GENVENTURES INC	Q	302,715	
(10) LARSON CENTER PARTNERSHIP LLC	O	505,325	
(11) GENESIS HEALTH SYSTEM - IOWA	Q	6,919,398	
(12) LARSON CENTER PARTNERSHIP LLC	R	113,437	
(13) ILLINI HOSPITAL FOUNDATION	R	393,083	
(14) DAVENPORT HOSPITAL AMBULANCE CORPORATION	L	175,363	
(15) LARSON CENTER PARTNERSHIP LLC	K	59,065	

# **Genesis Health System and Related Organizations**

Consolidated Financial Report  
June 30, 2011

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## Independent Auditor's Report

To the Audit and Compliance Committee  
Genesis Health System  
Davenport, Iowa

We have audited the accompanying consolidated balance sheets of Genesis Health System and related organizations (System) 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 financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Misericordia Assurance Company, Ltd., a consolidated subsidiary, which statements reflect total assets and revenue constituting approximately 4% and 1%, respectively, of the related consolidated totals in 2011 and 2010. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Misericordia Assurance Company, Ltd., is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Genesis Health System and related organizations as of June 30, 2011 and 2010, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, effective July 1, 2010 the System adopted the new accounting provisions relating to consolidation of noncontrolling interests in the consolidated financial statements. The adoption of this guidance resulted in a retroactive restatement on the consolidated financial statements.

*McGladrey & Pullen, LLP*

Davenport, Iowa  
October 25, 2011

**Genesis Health System  
and Related Organizations**

**Consolidated Balance Sheets  
June 30, 2011 and 2010**

<b>Assets</b>	<b>2011</b>	<b>2010</b>
Current Assets		
Cash and cash equivalents	\$ 76,241,207	\$ 58,099,247
Short-term investments	1,323,897	1,355,211
Receivables		
Patients, net	79,121,728	81,302,404
Other, including assets limited as to use	14,414,865	12,575,013
Inventories, supplies and materials	13,709,309	12,553,702
Prepaid expenses and deposits	5,766,598	4,551,157
<b>Total current assets</b>	<b>190,577,604</b>	<b>170,436,734</b>
Investments	<b>54,388,983</b>	52,821,697
Assets Limited as to Use		
Internally designated	157,778,420	136,440,158
Under bond indenture, funds held by trustee	5,899,175	13,855,860
Interest in net assets of Foundation	737,849	654,132
Donor restricted	17,278,889	17,204,300
	<b>181,694,333</b>	<b>168,154,450</b>
Property and Equipment, net	<b>248,326,560</b>	255,657,359
Other Assets		
Bond issuance costs, net	775,920	750,334
Goodwill	30,730,877	820,444
Other	1,456,314	1,536,851
	<b>32,963,111</b>	<b>3,107,629</b>
	<b>\$ 707,950,591</b>	<b>\$ 650,177,869</b>

See Notes to Consolidated Financial Statements

<b>Liabilities and Net Assets</b>	<b>2011</b>	<b>2010</b>
Current Liabilities		
Current maturities of long-term debt	\$ 8,245,803	\$ 7,688,885
Accounts payable	17,530,976	18,512,293
Accrued salaries and wages	14,943,124	13,643,144
Accrued paid leave	16,646,147	15,907,419
Due to third-party payors	5,471,502	2,782,867
Unpaid losses and loss adjustment expenses	15,364,020	13,902,001
Other accrued expenses	5,646,273	5,970,263
<b>Total current liabilities</b>	<b>83,847,845</b>	<b>78,406,872</b>
Long-Term Debt, less current maturities	96,477,661	104,482,761
Unpaid Losses and Loss Adjustment Expenses, Retirement Benefits and Other Long-Term Liabilities	32,837,656	54,837,630
Commitments and Contingent Liabilities (Notes 8 and 11)		
<b>Total liabilities</b>	<b>213,163,162</b>	<b>237,727,263</b>
Net Assets		
Unrestricted	465,923,057	394,143,518
Noncontrolling interests - unrestricted	10,847,634	448,656
Temporarily restricted	16,112,867	16,206,874
Permanently restricted	1,903,871	1,651,558
	<b>494,787,429</b>	<b>412,450,606</b>
	<b>\$ 707,950,591</b>	<b>\$ 650,177,869</b>

**Genesis Health System  
and Related Organizations**

**Consolidated Statements of Operations  
Years Ended June 30, 2011 and 2010**

	2011	2010
Change in unrestricted net assets		
Unrestricted revenue		
Net patient service revenue	\$ 515,041,430	\$ 524,122,709
Other service revenue, net of cost of revenue		
2011 \$12,031,987, 2010 \$11,150,387	11,583,867	13,027,106
Medical office building rental revenue	1,471,455	1,400,144
Other revenue	14,050,197	19,490,378
<b>Total revenue</b>	<b>542,146,949</b>	<b>558,040,337</b>
Expenses		
Salaries and wages	223,166,468	214,759,377
Employee benefits	54,366,072	52,546,749
Contracted professionals and services	40,843,532	43,521,383
Supplies	86,171,666	88,407,998
Other expenses	61,469,867	64,798,613
Provision for bad debts	27,792,024	35,782,769
Interest	5,303,384	7,176,171
Depreciation and amortization	36,178,677	36,861,277
<b>Total expenses</b>	<b>535,291,690</b>	<b>543,854,337</b>
<b>Operating income</b>	<b>6,855,259</b>	<b>14,186,000</b>
Nonoperating gains and losses		
Interest and dividend income and realized gains on sales of investments	7,780,802	11,208,910
Current year change in unrealized gains on trading securities	19,008,724	13,658,929
Other nonoperating income	588,871	306,405
Loss on extinguishment of debt	-	(1,514,471)
Excess of fair value over equity acquired for GenGastro, LLC	24,765,464	-
<b>Nonoperating gains</b>	<b>52,143,861</b>	<b>23,659,773</b>
<b>Excess of revenue over expenses</b>	<b>58,999,120</b>	<b>37,845,773</b>
Less excess of revenue (over) under expenses attributable to noncontrolling interests	(10,649,020)	12,530
<b>Excess of revenue over expenses attributable to Genesis Health System</b>	<b>48,350,100</b>	<b>37,858,303</b>
Net assets released from restrictions, for capital expenditures	2,511,419	-
Change in unrecognized funded status of retirement plan	20,918,020	(13,457,401)
<b>Increase in unrestricted net assets</b>	<b>\$ 71,779,539</b>	<b>\$ 24,400,902</b>

See Notes to Consolidated Financial Statements



**Genesis Health System  
and Related Organizations**

**Consolidated Statements of Changes in Net Assets  
Years Ended June 30, 2011 and 2010**

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Noncontrolling Interests - Unrestricted Net Assets	Total Net Assets
Net assets, June 30, 2009	\$ 369,742,616	\$ 14,663,847	\$ 1,854,555	\$ 1,200,484	\$ 387,461,502
Excess of revenue over (under) expenses	37,858,303	-	-	(12,530)	37,845,773
Change in unrecognized funded status of retirement plan	(13,457,401)	-	-	-	(13,457,401)
Contributions, investment income (losses) and other	-	2,440,407	(202,997)	-	2,237,410
Net assets released from restrictions, for operating activities	-	(958,547)	-	-	(958,547)
Change in interest in net assets of Foundation	-	61,167	-	-	61,167
Distributions to noncontrolling interests	-	-	-	(739,298)	(739,298)
<b>Change in net assets</b>	<b>24,400,902</b>	<b>1,543,027</b>	<b>(202,997)</b>	<b>(751,828)</b>	<b>24,989,104</b>
Net assets, June 30, 2010	394,143,518	16,206,874	1,651,558	448,656	412,450,606
Excess of revenue over expenses	48,350,100	-	-	10,649,020	58,999,120
Change in unrecognized funded status of retirement plan	20,918,020	-	-	-	20,918,020
Contributions, investment income and other	-	3,816,401	252,313	-	4,068,714
Net assets released from restrictions, for operating activities	-	(1,482,706)	-	-	(1,482,706)
Net assets released from restrictions, for capital expenditures	2,511,419	(2,511,419)	-	-	-
Change in interest in net assets of Foundation	-	83,717	-	-	83,717
Consolidate GenGastro, LLC	-	-	-	493,268	493,268
Distributions to noncontrolling interests	-	-	-	(743,310)	(743,310)
<b>Change in net assets</b>	<b>71,779,539</b>	<b>(94,007)</b>	<b>252,313</b>	<b>10,398,978</b>	<b>82,336,823</b>
<b>Net assets, June 30, 2011</b>	<b>\$ 465,923,057</b>	<b>\$ 16,112,867</b>	<b>\$ 1,903,871</b>	<b>\$ 10,847,634</b>	<b>\$ 494,787,429</b>

See Notes to Consolidated Financial Statements

**Genesis Health System  
and Related Organizations**

**Consolidated Statements of Cash Flows  
Years Ended June 30, 2011 and 2010**

	2011	2010
Cash Flows from Operating Activities		
Change in net assets	\$ 82,336,823	\$ 24,989,104
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	35,991,783	36,501,853
Amortization	186,894	359,424
Excess of fair value over equity in GenGastro, LLC	(24,765,464)	-
Change in interest in net assets of Foundation	(83,717)	(61,167)
Loss on disposal of equipment	339,240	232,684
Earnings in (excess) deficit of distributions of associated companies	(73,162)	367,558
Loss on extinguishment of debt	-	1,514,471
Restricted contributions	(1,067,663)	(1,233,772)
Realized and unrealized (gains) on investments	(24,769,135)	(20,612,772)
Net changes in assets and liabilities		
(Increase) decrease in patient and other receivables	1,020,188	(5,442,060)
(Increase) in inventories, supplies and materials	(1,155,607)	(1,151,448)
(Increase) in prepaid expenses and deposits	(1,215,441)	(239,493)
(Increase) in funded status of retirement plan	(23,018,130)	(27,723)
Increase (decrease) in accounts payable	(1,079,268)	5,417,949
Increase in accrued expenses, due to third-party payors, retirement benefits and other	6,883,528	4,373,034
<b>Net cash provided by operating activities</b>	<b>49,530,869</b>	<b>44,987,642</b>
Cash Flows from Investing Activities		
Purchase of property and equipment	(28,684,459)	(31,850,931)
Proceeds from sale of equipment	92,389	1,055,726
Purchase of investments	(44,568,055)	(56,008,829)
Purchase of additional investment from noncontrolling interests	(5,855,614)	-
Proceeds from sale of investments	54,632,560	46,958,567
Consolidate noncontrolling interests in GenGastro, LLC	(493,268)	-
(Increase) in other assets	(148,784)	(256,064)
<b>Net cash (used in) investing activities</b>	<b>(25,025,231)</b>	<b>(40,101,531)</b>
Cash Flows from Financing Activities		
Principal payments on long-term debt, including capital lease obligations	(7,431,341)	(107,294,012)
Proceeds from long-term borrowings	-	94,794,486
Restricted contributions	1,067,663	1,233,772
Payments of bond issuance costs	-	(641,318)
<b>Net cash (used in) financing activities</b>	<b>\$ (6,363,678)</b>	<b>\$ (11,907,072)</b>

(Continued)

**Genesis Health System  
and Related Organizations**

**Consolidated Statements of Cash Flows (Continued)  
Years Ended June 30, 2011 and 2010**

	2011	2010
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 18,141,960</b>	<b>\$ (7,020,961)</b>
Cash and cash equivalents		
Beginning	58,099,247	65,120,208
Ending	<u>\$ 76,241,207</u>	<u>\$ 58,099,247</u>
Supplemental Disclosure of Cash Flow Information, cash payments for interest	<b>\$ 5,305,504</b>	<b>\$ 7,180,392</b>
Supplemental Disclosures of Noncash Investing Activities, Acquisition of GenGastro, LLC		
Patient receivables acquired	<b>\$ 679,364</b>	
Property and equipment acquired	<b>408,154</b>	
Accounts payable acquired	<b>(97,951)</b>	
Consolidate GenGastro, LLC	<b>(493,268)</b>	
Goodwill	<b>(29,910,433)</b>	
Noncontrolling interests	<b>9,796,670</b>	
Excess of fair value over equity acquired	<b>24,765,464</b>	
<b>Cash payment</b>	<b><u>\$ 5,148,000</u></b>	

See Notes to Consolidated Financial Statements

## Genesis Health System and Related Organizations

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Business and Significant Accounting Policies

##### Nature of business:

Genesis Health System – Iowa (GHS Iowa), an Iowa nonprofit corporation, and Genesis Health System – Illinois (GHS Illinois), an Illinois not-for-profit corporation, have identical governing boards, management and bylaws and can act jointly. GHS Iowa and GHS Illinois collectively represent the Obligated Group on certain of the System's long-term debt.

GHS Iowa is also the sole member of Genesis Health Services Foundation and Genesis Health System Workers' Compensation Plan and Trust, the sole stockholder of GenVentures, Inc., a member of Misericordia Assurance Company, Ltd. and a partner in GenGastro, LLC and Davenport SRS Leasing, LLC. GHS Illinois is the sole member of Illini Hospital Foundation and a partner in The Larson Center Partnership.

GHS Iowa and GHS Illinois (collectively GHS) operate the following business units:

**Genesis Health System** provides administrative, management, information technology and other support services to its affiliates.

**Genesis Clinical Services:** GHS owns and operates physician medical practices, convenient care practices, operates an occupational medicine clinic and provides behavioral health services to the residents of eastern Iowa and western Illinois.

**Genesis Medical Center – Davenport (GMC – Davenport)** is licensed as a 502-bed acute care hospital which provides services from two hospital facilities located in Davenport, Iowa.

**Genesis Family Medical Center (GFMC)** is a family practice residency training program that operates clinics in Davenport and Blue Grass, Iowa to provide a clinical setting for the residents to treat patients.

**Genesis Medical Center – DeWitt (GMC – DeWitt)** is certified as a critical access hospital, which has 13-acute care and swing beds, and has a 77-bed long-term care facility, which provides services from its facility in DeWitt, Iowa.

**Genesis Illinois Properties (GIP)** owns land located in Moline, Illinois.

**Genesis Visiting Nurse Association and Hospice (VNA)** provides home health care, community nursing services and hospice services to patients in eastern Iowa and western Illinois.

**Genesis Medical Center – Illini (GMC – Illini)** is licensed as a 149-bed acute care hospital which provides services from its facility in Silvis, Illinois.

**Genesis Health System  
and Related Organizations**

**Notes to Consolidated Financial Statements**

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**Note 1. Nature of Business and Significant Accounting Policies (Continued)**

**Illini Hospital Nursing Home (INH)** operates Illini Restorative Care Center and Crosstown Square. Illini Restorative Care Center operates a 75-bed licensed nursing facility which provides skilled and intermediate health care and related services to patients. Twenty-two of Illini Restorative Care Center's beds are designated as hospital-based Medicare certified beds. Illini Restorative Care's Sheltered Care unit is a 45-bed facility which provides rehabilitative and personal care in a family-oriented setting. Crosstown Square is an independent living facility containing 76 rentable apartments and two guest rooms that offers services designed to meet the needs of senior adults.

GHS Iowa and GHS Illinois have a controlling ownership interest or membership in the following organizations:

**Genesis Health Services Foundation (Genesis Foundation)** is an organization whose mission is to develop, manage and grant charitable support to meet the health-related needs of the communities served by Genesis Health System.

**Illini Hospital Foundation (Illini Foundation)** supports GMC – Illini by providing financial and fundraising assistance. The mission of the Illini Foundation is to assist GMC – Illini in providing quality, compassionate care for all those in need by raising, managing and granting charitable funds.

The Genesis Foundation and Illini Foundation are collectively referred to as the Foundations.

**The Larson Center Partnership (LCP)** is a for-profit real estate partnership which owns a medical office building adjacent to GMC – Illini and leases space for clinics, laboratory, pharmacy and offices to GMC – Illini and other third-party organizations. GHS Illinois is a general partner and owns approximately 75.6% of LCP.

**GenVentures, Inc. (GenVentures)** is a wholly-owned for-profit corporation which operates the following divisions, primarily in the Quad Cities:

**Genesis at Home, Continuing Care** sells and leases home medical equipment, provides intravenous therapy services, including sales of related solutions and supplies to patients, and provides retail pharmaceutical and over the counter products to patients and employees of the System.

**GenProperties** owns, leases and/or manages office space in thirteen medical office buildings located in Davenport, Eldridge, LeClaire, Muscatine and Bettendorf, Iowa.

**Crescent Laundry** provides commercial laundry services to health care facilities in eastern Iowa and in north-central Illinois.

**Genesis Health System Workers' Compensation Plan and Trust (Workers' Compensation Trust)** provides a fund which can be used to pay workers' compensation claims and costs for the benefit of Genesis Health System.

**Misericordia Assurance Company, Ltd. (Misericordia)** is a wholly-owned Cayman based captive insurance company which underwrites the general and professional liability risks of Genesis Health System and affiliates.

**Genesis Health System  
and Related Organizations**

**Notes to Consolidated Financial Statements**

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**Note 1. Nature of Business and Significant Accounting Policies (Continued)**

**GenGastro, LLC (d/b/a the Center for Digestive Health)** is a limited liability company, which was formed in 2003, a single-specialty gastroenterology ambulatory surgery center located in Bettendorf, Iowa. Genesis Health System is a general partner and owned 50% of GenGastro as of June 30, 2010. In December 2010, Genesis Health System acquired an additional 16.67% interest in GenGastro and maintains a 66.67% ownership interest as of June 30, 2011. Upon obtaining a controlling interest, the System consolidated the accounts of GenGastro, LLC in its consolidated financial statements in January 2011.

**Davenport SRS Leasing, LLC (SRS)** is a limited liability company, which was formed in 2008, which leases medical equipment. Genesis Health System is a general partner and owned 55% of SRS as of June 30, 2009. On September 30, 2009, Genesis Health System acquired an additional 38.75% interest in SRS to obtain a 93.75% ownership interest as of June 30, 2011 and 2010.

GHS and its related organizations are collectively referred to as the System.

**Significant accounting policies:**

**Principles of consolidation** The accompanying consolidated financial statements include the accounts of Genesis Health System and related organizations. All significant intercompany balances and transactions have been eliminated upon consolidation.

**Accounting estimates** The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in the estimates and assumptions in the near term would be material to the financial statements.

**Cash and cash equivalents** Cash and cash equivalents include unrestricted cash and temporary cash investments not limited as to use. The cash equivalents have a maturity of three months or less at date of issuance. Certain temporary cash investments internally designated as long-term investments are excluded from cash and cash equivalents.

**Patient receivables** The collection of receivables from third-party payors and patients is the System's primary source of cash for operations and is critical to its operating performance. The primary collection risks relate to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but patient responsibility amounts for deductibles and copayments remain outstanding. Patient receivables, where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third-party payors.

**Genesis Health System  
and Related Organizations**

**Notes to Consolidated Financial Statements**

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**Note 1. Nature of Business and Significant Accounting Policies (Continued)**

Patient receivables due directly from the patients are carried at the original charge for the service provided less amounts covered by third-party payors and less an estimated allowance for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Receivables due from medical office building tenants and from commercial laundry customers are carried at the original invoice amount less an estimate made for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts, by historical experience applied to an aging of accounts, and by considering the patient's financial history, credit history and current economic conditions. The System does not charge interest on receivables. Receivables are written off as bad debts when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received.

Receivables or payables related to estimated settlements on various payor contracts, primarily Medicare, are reported as amounts due from or to third-party payors. Significant changes in payor mix, business office operations, economic conditions or trends in federal and state governmental health care coverage could affect the System's collection of accounts receivable, cash flows and results of operations.

Inventories, supplies and materials Inventories, supplies and materials are valued at the lower of cost (first-in, first-out method) or market.

Assets limited as to use Assets limited as to use include assets internally designated by the System's Board of Directors for future capital improvements and other purposes, over which the Board retains control and may at their discretion subsequently use for other purposes, assets held by trustees under bond indenture agreements, interest in the net assets of the DeWitt Community Hospital Foundation and donor restricted assets.

Donor restricted assets limited as to use as of June 30, 2011 and 2010 include approximately \$100,000 and \$134,000, respectively, of pledges receivable for unconditional promises which are restricted by the donors to be used for capital projects. All of the pledges receivable are expected to be collected within the next year and are included in other receivables as a current asset on the accompanying consolidated balance sheets. The pledges are recorded net of an estimated allowance for uncollectible receivables of approximately \$8,000 and \$13,000 as of June 30, 2011 and 2010, respectively.

Investments Short-term investments consist of certificates of deposit which are stated at cost which approximates fair value. Investments in equity securities, including assets limited as to use, with readily determinable fair values and all investments in debt securities are measured at fair value on the consolidated balance sheets based on quoted market prices. Investments also include alternative investments which are carried at fair value, which is estimated at the most recent valuations provided by external investment managers. Management has reviewed and evaluated the values provided by the managers and agrees with the valuation methods and assumptions used to determine their values.

Investment income includes dividends, interest and other investment income and realized gains and losses on investments. Changes in unrealized gains and losses on investments classified as trading securities are included in excess of revenue over expenses.

**Genesis Health System  
and Related Organizations**

**Notes to Consolidated Financial Statements**

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**Note 1. Nature of Business and Significant Accounting Policies (Continued)**

Investment income earned on Misericordia's investments, which are restricted for the payment of general and professional liabilities, is included in other operating revenue. Investment income included as other operating revenue was \$1,424,505 and \$2,664,678 for the years ended June 30, 2011 and 2010, respectively.

The System classifies substantially all of its investments in debt and equity securities as trading. This classification as trading requires the System to recognize unrealized gains and losses on substantially all of its unrestricted and internally designated investments in debt and equity securities as a component of nonoperating income and expense in the consolidated statements of operations and changes in net assets.

Investments in associated companies are accounted for by the equity method of accounting under which the System's share of the net income (loss) of the associated companies that provide patient related services are recognized as operating income (loss) and the share of net income (loss) of the associated companies that do not provide patient related services are recognized as nonoperating income (loss) in the consolidated statements of operations and changes in net assets and added to (deducted from) the investment account. Dividends and distributions received from the associated companies are treated as a reduction of the investment account. The System has investments in companies that provide lithotripsy, ultrasound services, endoscopy procedures, specialized and orthopedic care, ambulatory surgery procedures, occupational and physical therapy rehabilitation services, a medical office building partnership, an equipment leasing company, mobile clinical and medical services, health insurance plans and in the Genesis Heart Institute. Subsequent to year-end, the System entered into a transaction to increase its ownership interest in the company that provides ambulatory surgery procedures.

As of June 30, 2009, the System held a 5% interest in Wellmark Health Plan of Iowa, which was recorded at its cost. The System sold its 5% interest to Wellmark Health Plan of Iowa during the year ended June 30, 2010 and recognized a gain of approximately \$5,400,000 which is included in investment income on the accompanying statement of operations for the year ended June 30, 2010.

Property and equipment Property and equipment is carried at cost or, if donated, at fair market value at date of donation. Depreciation is computed by the straight-line method over the assets' estimated useful lives. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Amortization expense on assets acquired under capital leases is included with depreciation expense on owned assets.

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

Bond issuance costs Bond issuance costs are being amortized over the term the bonds are outstanding.

Goodwill Goodwill is being tested for impairment annually. Management performed assessments for impairment as of June 30, 2011 and 2010 and determined no goodwill impairment exists.



**Genesis Health System  
and Related Organizations**

**Notes to Consolidated Financial Statements**

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**Note 1. Nature of Business and Significant Accounting Policies (Continued)**

Unpaid losses and loss adjustment expenses Misericordia Assurance Company Ltd and the Workers' Compensation Trust have liabilities for unpaid losses and loss adjustment expenses which are determined using case basis evaluations and statistical analyses and represent estimates of the ultimate net cost of all reported and unreported losses which are unpaid at year-end. Management concurs with the independent actuary on the determination of the estimated ultimate net costs for losses and loss adjustment expenses.

All estimates of unpaid losses and loss adjustment expenses are reviewed at least annually, and any adjustments determined to be necessary are reflected in current operations. Since these liabilities are based on estimates, the ultimate settlement of losses and related expense may vary from the amounts included in the consolidated financial statements. Misericordia records its estimated liability for unpaid losses and loss adjustment expenses at an undiscounted actuarially determined amount. The Workers' Compensation Trust records its estimated liability for unpaid losses and loss adjustment expenses at a discounted actuarially determined amount, discounted using a 3% yield for the years ended June 30, 2011 and 2010.

Although it is not possible to measure the degree of variability inherent in such estimates, management believes that the liabilities for unpaid losses and loss adjustment expenses are adequate. No representation is made, however, that the ultimate liabilities may not be in excess of the amounts provided. Also, the Trust's participants are obligated by the terms of the Trust agreement to contribute retrospective payments to the Trust, if deemed necessary, in order to support claims and costs in excess of the amounts provided.

Misericordia and the Workers' Compensation Trust record their estimated liabilities gross of any amounts recoverable under their own reinsurance, which amounts, if any, are recorded separately in the balance sheet. In the event that the reinsurers are unable to meet their obligations under the reinsurance agreements, they would be liable to pay all losses under the reinsurance assumed but would only receive reimbursement to the extent that the reinsurers can meet their obligations.

Premiums written and ceded Premiums written and ceded are recognized in income pro-rata over the term of the policies and the unearned and unexpensed portions at the consolidated balance sheet dates are transferred to unearned premiums or deferred reinsurance premiums ceded, respectively.

Reinsurance premiums ceded are similarly recognized on a pro-rata basis over the terms of the policy issued and the unearned portion, if any, deferred and transferred to deferred reinsurance premiums ceded in the consolidated balance sheet.

The policies insured by Misericordia are subject to a retrospective rating plan, under which retrospective premiums are recomputed annually based on incurred loss. Retrospective premium adjustments are included in income in the period in which they are determined.

Consistent with this policy, all available income of Misericordia is transferred to the provision for outstanding losses and retrospective premium adjustments. Accordingly, Misericordia's statements of income reflect a break-even position in income.

**Genesis Health System  
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**Notes to Consolidated Financial Statements**

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**Note 1. Nature of Business and Significant Accounting Policies (Continued)**

Temporarily and permanently restricted net assets The System is required to report information regarding its financial position and operations according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The three classes are based on the presence or absence of donor-imposed restrictions. Temporarily restricted net assets include net assets restricted by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. Donor restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

Noncontrolling interests The Hospital has a 66.67% interest in GenGastro, LLC, a 75.60% interest in The Larson Center Partnership and a 93.75% interest in Davenport SRS Leasing, LLC, while other members own a noncontrolling interest of the companies. A pro rata share of the income or losses and net assets, in the form of members' equity, applicable to this interest has been recognized in the System's consolidated financial statements.

Fair value of financial instruments Financial instruments are described as cash or contractual obligations or rights to pay or to receive cash. The fair value for certain financial instruments approximates the carrying value because of the short-term maturity of these instruments which include cash and cash equivalents, short-term investments, receivables, accounts payable, accrued liabilities, due to third-party payors and other current liabilities. The System's investments and assets limited as to use are carried at fair value on the consolidated balance sheets. Based on borrowing rates currently available to the System with similar terms and maturities, the fair value of the long-term debt excluding capital leases and unamortized bond premium approximates \$99,136,000 and \$97,351,000 as of June 30, 2011 and 2010, respectively.

Fair value measurements The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements, which applies to all assets and liabilities that are measured and reported on a fair value basis. See Note 6 for additional information.

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 with third-party payors are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Other service revenue, net of cost of revenue The consolidated statements of operations include other service revenue, net of cost of revenue which primarily consists of the leasing of medical equipment, home medical equipment and office buildings through GenVentures, Inc. and Davenport SRS Leasing, LLC.

Operating income The consolidated statements of operations include operating income. Changes in unrestricted net assets, which are excluded from operating income include investment income, contribution income and other income which management views as outside of normal activity.

**Genesis Health System  
and Related Organizations**

**Notes to Consolidated Financial Statements**

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**Note 1. Nature of Business and Significant Accounting Policies (Continued)**

Excess of revenue over expenses The consolidated statements of operations and changes in net assets include excess of revenue over expenses. Changes in unrestricted net assets which are excluded from excess of revenue over expenses, consistent with industry practice, include the change in unrealized gains and losses on investments classified as other-than-trading, permanent transfers of assets for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets), and change in unrecognized funded status of the retirement plan.

New accounting guidance The System adopted certain provisions of FASB Accounting Standards Update (ASU) 2010-06, *Fair Value Measurements and Disclosures* (Topic 820) *Improving Disclosures about Fair Value Measurements*, effective for the System for the year ended June 30, 2011. The remaining provisions are effective for the year ending June 30, 2012. The adoption improves the disclosures and increases the transparency in financial reporting of fair values in the footnotes of the System's financial statements.

The System adopted accounting standards on *Not-for-Profit Entities: Mergers and Acquisitions* (formerly SFAS No. 164). This standard determines whether a combination is a merger or an acquisition, applies the carryover method in accounting for a merger, applies the acquisition method in accounting for an acquisition, including determining which of the combining entities is the acquirer, and determines what information to disclose to enable users of financial statements to evaluate the nature and financial effects of a merger or an acquisition. This standard also amends an accounting standard on *Goodwill and Other Intangible Assets* (formerly SFAS No. 142), to make it fully applicable to not-for-profit entities. This amendment requires that goodwill of the System, if any, cease to be amortized, but must be tested for impairment at the "reporting unit" level, a new concept for not-for-profit entities. The standard also established accounting and reporting standards for a noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This guidance clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity and may be reported as net assets in the consolidated financial statements, rather than as a liability in the mezzanine section between liabilities and net assets. The adoption of this guidance resulted in a retroactive restatement which increased net assets and decreased liabilities on the consolidated balance sheets as of June 30, 2010 and 2009 by \$448,656 and \$1,200,484, respectively, and modified the presentation of the consolidated statements of operations to include amounts attributable to Genesis Health System and the noncontrolling interests.

Charity care The System provides care to patients who meet certain criteria under charity care policies without charge or at amounts less than its established rates. Because the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Also see Note 3.

Reclassifications Certain items on the consolidated financial statements as of and for the year ended June 30, 2010 have been reclassified to be consistent with classifications adopted during the year. The reclassifications had no impact on total assets or total net assets with the exception of the adoption of the accounting standards on *Not-for-Profit Entities: Mergers and Acquisitions* as discussed above.

Subsequent events The System has evaluated subsequent events through October 25, 2011, the date on which the consolidated financial statements were issued.

**Genesis Health System  
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**Notes to Consolidated Financial Statements**

**Note 2. Net Patient Service Revenue**

Health care providers within the System have agreements with third-party payors that provide for payments at amounts different from its established rates. These third-party payors include the Medicare and Medicaid programs, Wellmark/Blue Cross, other health maintenance organizations, and various commercial insurance and preferred provider organizations.

Third-party payor rates differ by payor and include established charges, contracted rates less than established charges, retroactively determined cost-based rates and prospectively determined rates per discharge, per procedure, or per diem.

A summary of net patient service revenue for the years ended June 30, 2011 and 2010 is as follows:

	2011	2010
Gross patient service revenue	\$ 1,177,273,400	\$ 1,185,229,388
Less discounts, allowances and estimated contractual adjustments under third-party reimbursement programs	662,202,982	661,106,679
	<u>\$ 515,070,418</u>	<u>\$ 524,122,709</u>

Estimated contractual adjustments for the years ended June 30, 2011 and 2010 includes the effect of a change in the estimate of the amount due to third-party payors. The effect of this change in estimate is a decrease in estimated contractual adjustments of approximately \$4,071,000 and \$3,526,000 for the years ended June 30, 2011 and 2010, respectively, and is related to the recognition of disproportionate share reimbursement and retroactive adjustments based on final settlements of cost reports.

In December 2008, the Federal Centers for Medicare and Medicaid Services (CMS) approved the State of Illinois Medicaid Hospital Assessment Program. Under the Program, which is retroactive to July 1, 2008, a hospital receives additional Medicaid reimbursement from the State and pays a related assessment. Total reimbursement revenue recognized by the System related to this Program for each of the years ended June 30, 2011 and 2010 amounted to approximately \$5,814,000 which is recorded as a reduction of estimated contractual adjustments. Total assessments incurred by the System related to this Program for each of the years ended June 30, 2011 and 2010 amounted to approximately \$1,846,000 which is included in other operating expenses. The Program is effective through June 2014.

In 2011, CMS approved the State of Iowa's Hospital Provider Tax Program. Under the Program, which is retroactive to July 1, 2010, a hospital is required to pay a quarterly provider tax assessment. The tax assessments collected by the State are used to fund a health care access improvement fund and are used to obtain federal matching funds, all of which must be distributed to Iowa hospitals to help bring Medicaid reimbursement closer to the cost of providing care. The allocation of these funds to specific health care providers is based primarily on the amount of care provided to Medicaid recipients. The Plan increases inpatient DRG reimbursement rates and also implements several supplemental inpatient and outpatient methodologies. The Program is effective through June 2013.

The System's additional reimbursement for the year ended June 30, 2011 has been recorded in the accompanying consolidated financial statements. Total reimbursement revenue recognized by the System related to this Program amounted to approximately \$3,465,000 for the year ended June 30, 2011, which is recorded as a reduction of contractual adjustments. Total assessments incurred by the System related to this Program amounted to approximately \$2,491,000 for the year ended June 30, 2011, which is included in other operating expenses.

**Genesis Health System  
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**Notes to Consolidated Financial Statements**

**Note 3. Charity Care and Community Service**

The System 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 and the estimated cost of those services and supplies. The amount of charges foregone, based on established rates during the years ended June 30, 2011 and 2010 was approximately \$31,816,000 and \$21,198,000, respectively. These charges foregone represent approximately 79% and 65% of the System's operating income before charity care adjustments for the years ended June 30, 2011 and 2010, respectively.

Although not accounted for as charity care, the System considers the contractual adjustment expense related to the Medicaid services as additional charity care. Contractual adjustments related to Medicaid services performed were approximately \$89,317,000 and \$93,605,000 for the years ended June 30, 2011 and 2010, respectively.

In addition to its charity policy, the System provided community benefits, including, but not limited to, the following:

- Operation of full-time emergency rooms providing emergency medical services to all patients accessing the System, regardless of race, creed, sex, national origin, handicap, age or ability to pay
- Operation of a community based hospice program along with the only residential hospice house in the Quad Cities
- Maintenance of provider agreements with the Medicare and Medicaid programs
- Health screenings, promotions, education and prevention programs offered free or at low cost to its communities
- A medical education program which provides for the education of Family Practice residents at GFMC, as well as support to nursing programs
- Volunteer services provided by the System's staff to the communities, including major community events and fund raising activities
- Not-for-profit community funding, including those community groups' activities that are consistent with Genesis' mission
- Subsidized services to other charitable organizations providing health related services

Genesis Health System and the Foundations, as part of their missions, grant charitable support to meet the health related needs of the communities served by the System.

**Note 4. Receivables**

Patient receivables as of June 30, 2011 and 2010 consist of the following:

	2011	2010
Patient receivables before allowances	\$ 150,843,416	\$ 157,464,354
Less:		
Estimated third-party contractual allowances	57,347,065	59,283,446
Allowance for doubtful accounts and charity care	14,374,623	16,878,504
	<u>\$ 79,121,728</u>	<u>\$ 81,302,404</u>

**Genesis Health System  
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**Notes to Consolidated Financial Statements**

**Note 5. Composition of Long-Term Investments and Assets Limited as to Use**

Long-term investments and assets limited as to use that are internally designated and donor restricted consist of the following as of June 30, 2011 and 2010

	2011	2010
Cash, primarily money market funds	\$ 1,879,842	\$ 614,035
Certificates of deposit	8,500,254	12,343,444
Common stocks	67,975,262	20,818,396
Fixed income mutual funds	57,348,154	56,174,212
Equity mutual funds	40,474,950	65,151,028
Equity collective investment funds	43,199,585	41,760,355
Investment in associated companies	9,527,473	9,059,217
Pledges receivable	100,238	133,975
Other	540,772	545,468
<b>Total</b>	<b>\$ 229,546,530</b>	<b>\$ 206,600,130</b>

Long-term investments and assets limited as to use that are internally designated and donor restricted are included in the accompanying consolidated balance sheets under the following captions as of June 30, 2011 and 2010

	2011	2010
Other receivables, current portion	\$ 100,238	\$ 133,975
Investments	54,388,983	52,821,697
Assets limited as to use		
Internally designated	157,778,420	136,440,158
Donor restricted	17,278,889	17,204,300
	<b>\$ 229,546,530</b>	<b>\$ 206,600,130</b>

Assets limited as to use under bond indenture, funds held by trustee, consist of money market funds of \$5,899,175 and \$13,855,860 as of June 30, 2011 and 2010, respectively. These assets, including related investment income, are restricted to be maintained as debt service reserve funds and for capital projects and, therefore, are unavailable for the System's general use.

The investments of the System are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

**Genesis Health System  
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**Notes to Consolidated Financial Statements**

**Note 5. Composition of Long-Term Investments and Assets Limited as to Use (Continued)**

The return on investments, including assets limited as to use, is reported in the consolidated statements of operations and changes in net assets as follows

	2011	2010
Unrestricted		
Interest and dividend income	\$ 3,847,388	\$ 6,045,598
Equity in net income of associated companies	3,070,992	4,576,865
Net realized gains on investments	3,022,169	299,168
Other operating revenue	1,424,505	2,664,678
Realized gain on sale of Wellmark Health Plan of Iowa investment	-	5,445,600
Change in net unrealized gains and losses on investments	19,008,724	13,658,929
	<u>30,373,778</u>	<u>32,690,838</u>
Temporarily restricted		
Interest and dividend income	219,612	197,823
Net realized gains (losses) on investments	836,944	(639,820)
Change in net unrealized gains and losses on investments	1,755,964	1,782,091
	<u>2,812,520</u>	<u>1,340,094</u>
Permanently restricted		
Interest and dividend income	3,412	3,781
Net realized gains (losses) on investments	11,796	(12,034)
Change in net unrealized gains and losses on investments	133,538	78,838
	<u>148,746</u>	<u>70,585</u>
	<u>\$ 33,335,044</u>	<u>\$ 34,101,517</u>

**Note 6. Investments and Fair Value Measurements**

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification 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 participants and requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, this guidance establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

**Genesis Health System  
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**Notes to Consolidated Financial Statements**

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**Note 6. Investments and Fair Value Measurements (Continued)**

The fair value hierarchy is as follows

- |         |                                                                                                                                                                                                                                                           |
|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Level 1 | Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date                                                                                                     |
| Level 2 | Significant other 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 |
| Level 3 | Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability                                                                               |

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below

Investments in common stocks and mutual funds traded on a national securities exchange are valued at the last reported sales price on the day of valuation. These financial instruments are classified as level 1 in the fair value hierarchy.

The System invests in alternative investments consisting of equity mutual funds and collective investment funds for which fair value is determined using the net asset value per share of each fund. The NAV for level 2 mutual funds and collective investment funds is primarily determined based on the underlying assets and liabilities held in the fund. The estimated fair values of certain investments of the underlying investment funds, which may include securities for which prices are not readily available, are determined by the managers of the respective other investment fund and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of the System's investments in funds generally represents the amount the System would expect to receive if it were to liquidate its investments in funds excluding any redemption charges that may apply.

There have been no changes in valuation techniques used for any assets measured at fair value during the year ended June 30, 2011.



**Genesis Health System  
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**Notes to Consolidated Financial Statements**

**Note 6. Investments and Fair Value Measurements (Continued)**

**Assets recorded at fair value on a recurring basis:**

The following table summarizes assets measured at fair value on a recurring basis as of June 30, 2011 and 2010, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value

	Investments at Fair Value as of June 30, 2011			
	Fair Value	Level 1	Level 2	Level 3
Common Stocks				
Healthcare	\$ 9,900,971	\$ 9,900,971	\$ -	\$ -
Financial	8,801,278	8,801,278	-	-
Consumer Discretionary	11,073,908	11,073,908	-	-
Energy	6,716,894	6,716,894	-	-
Information Technology	14,774,970	14,774,970	-	-
Industrials	5,663,132	5,663,132	-	-
ADR's (American Depository Receipts)	4,332,997	4,332,997	-	-
Materials	2,543,524	2,543,524	-	-
Consumer Staples	2,512,983	2,512,983	-	-
Utilities	878,506	878,506	-	-
Telecommunication Services	776,099	776,099	-	-
Equity Mutual Funds				
Thornburg International Value Fund	17,000,179	17,000,179	-	-
PIMCO Cayman U S Total Return Fund	11,818,129	-	11,818,129	-
Other	11,656,642	11,656,642	-	-
Equity Collective Investment Funds				
JP Morgan Core Bond Trust	32,945,337	-	32,945,337	-
JP Morgan U S Aggregate Bond Fund	10,254,248	-	10,254,248	-
Fixed Income Mutual Funds				
PIMCO Total Return Fund	45,378,123	45,378,123	-	-
Other	11,970,031	11,970,031	-	-
	<u>\$ 208,997,951</u>	<u>\$ 153,980,237</u>	<u>\$ 55,017,714</u>	<u>\$ -</u>

**Genesis Health System  
and Related Organizations**

**Notes to Consolidated Financial Statements**

**Note 6. Investments and Fair Value Measurements (Continued)**

	Investments at Fair Value as of June 30, 2010			
	Fair Value	Level 1	Level 2	Level 3
Common Stocks				
Healthcare	\$ 4,228,250	\$ 4,228,250	\$ -	\$ -
Financial	1,807,175	1,807,175	-	-
Consumer Discretionary	4,061,483	4,061,483	-	-
Energy	1,546,359	1,546,359	-	-
Information Technology	7,588,280	7,588,280	-	-
Industrials	795,487	795,487	-	-
ADR's (American Depository Receipts)	791,362	791,362	-	-
Equity Mutual Funds				
Lord Abbett Small Cap Blend Fund	11,151,680	11,151,680	-	-
Quantitative Equity Large Cap Value AP Trust	18,440,666	-	18,440,666	-
Thornburg International Value Fund	13,047,096	13,047,096	-	-
PIMCO Cayman U.S. Total Return Fund	11,917,933	-	11,917,933	-
Other	10,593,653	10,593,653	-	-
Equity Collective Investment Funds				
JP Morgan Core Bond Trust	31,082,853	-	31,082,853	-
JP Morgan U.S. Aggregate Bond Fund	10,677,502	-	10,677,502	-
Fixed Income Mutual Funds				
PIMCO Total Return Fund	44,259,177	44,259,177	-	-
Other	11,915,035	11,915,035	-	-
	<u>\$ 183,903,991</u>	<u>\$ 111,785,037</u>	<u>\$ 72,118,954</u>	<u>\$ -</u>

There were no transfers of assets or liabilities between levels 1, 2 or 3 of the fair value hierarchy during the year ended June 30, 2011

**Genesis Health System  
and Related Organizations**

**Notes to Consolidated Financial Statements**

**Note 6. Investments and Fair Value Measurements (Continued)**

The following table sets forth additional disclosure of the System's investments whose fair value is estimated using net asset value (NAV) per share (or its equivalent) as of June 30, 2011 and 2010

	Fair Value		Unfunded Commitment	Redemption Frequency	Redemption Notice Period
	2011	2010			
Investments					
Equity Mutual Funds					
Quantitative Equity Large Cap					
Value AP Trust (A)	\$ -	\$ 18,440,666	\$ -	Monthly	None
PIMCO Cayman U S Total					
Return Fund (B)	11,818,129	11,917,933	-	Daily	Daily
Equity Collective Investment Funds					
JP Morgan Core Bond Trust (C)	32,945,337	31,082,853	-	Daily	Daily
JP Morgan U S Aggregate					
Bond Fund (D)	10,254,248	10,677,502	-	Daily	Trade date, minus 3 days
	<u>\$ 55,017,714</u>	<u>\$ 72,118,954</u>	<u>\$ -</u>		

- (A) The fund seeks to provide long-term growth of capital through a diversified portfolio comprised primarily of common stocks of high quality, medium to large sized U S based companies with leading competitive positions. This fund was redeemed during the year ended June 30, 2011.
- (B) PIMCO Cayman U S Total Return Fund is an open-end investment fund incorporated in the Cayman Islands. The Fund's objective is maximum total return, consistent with preservation of capital and prudent investment management. The System has used the net asset value per share (NAV) as the practical expedient to measure fair value.
- (C) The fund seeks to maximize total return by investing primarily in a diversified portfolio of intermediate and long-term debt securities. The System has used the NAV as the practical expedient to measure fair value.
- (D) JP Morgan U S Aggregate Bond Fund is an open-end investment fund incorporated in Luxembourg. The Fund's objective is to achieve return in excess of U S bond markets by investing primarily in U S fixed and floating rate debt securities. The System has used the NAV as the practical expedient to measure fair value.

**Genesis Health System  
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**Notes to Consolidated Financial Statements**

**Note 7. Property and Equipment**

Property and equipment as of June 30, 2011 and 2010 consists of the following

	2011	2010
Land and land improvements (A)	\$ 29,963,006	\$ 29,553,864
Buildings (B)	325,215,888	318,376,247
Leasehold improvements	20,132,450	19,257,949
Equipment (C)	301,872,301	282,218,908
Construction in process	11,662,995	10,760,876
	<u>688,846,640</u>	<u>660,167,844</u>
Less accumulated depreciation, including accumulated depreciation 2011 \$20,981,989, 2010 \$19,424,206 on capital lease assets	440,520,080	404,510,485
	<u>\$ 248,326,560</u>	<u>\$ 255,657,359</u>

- (A) Land and land improvements include assets under capital lease as of June 30, 2011 and 2010 of \$1,153,678
- (B) Buildings include assets under capital lease as of June 30, 2011 and 2010 of \$22,272,145
- (C) Equipment includes assets under capital lease as of June 30, 2011 and 2010 of \$9,436,085

**Genesis Health System  
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**Notes to Consolidated Financial Statements**

**Note 8. Long-Term Debt and Pledged Assets**

Long-term debt and pledged assets as of June 30, 2011 and 2010 consist of the following

	2011	2010
<b>GHS Iowa:</b>		
Revenue bonds, Series 2010 (A)	\$ 85,390,000	\$ 90,995,000
Unamortized bond premium, Series 2010 (A)	3,782,645	3,799,486
Notes payable and annuity payable	-	2,506
<b>GHS Iowa subtotal</b>	<b>89,172,645</b>	<b>94,796,992</b>
<b>GHS Illinois:</b>		
Capital lease obligations (B)	8,450,000	8,740,000
Capital lease obligation (C)	27,977	81,879
<b>GHS Illinois subtotal</b>	<b>8,477,977</b>	<b>8,821,879</b>
<b>Obligated Group subtotal</b>	<b>97,650,622</b>	<b>103,618,871</b>
<b>GenVentures</b> , note payable, bank (D)	532,626	615,012
<b>LCP</b> , line of credit (E)	675,473	1,105,470
<b>SRS</b> , capital lease obligation (F)	5,817,783	6,795,455
<b>Illini Foundation</b> , annuities payable	46,960	36,838
	104,723,464	112,171,646
Less current maturities	8,245,803	7,688,885
	<b>\$ 96,477,661</b>	<b>\$ 104,482,761</b>

- (A) During fiscal year 2010, GHS Iowa issued Iowa Finance Authority Healthcare Revenue Bonds, Series 2010. The Series 2010 bonds, which had an original principal balance of \$90,995,000 and were issued at a premium of \$3,799,486, have payments due July 1, annually, and mature in varying amounts through July 1, 2026 and bear interest at rates ranging from 3.0% to 5.0%. The Series 2010 bonds are secured by a pledge of the Obligated Group's unrestricted receivables. The proceeds of the bonds were used to extinguish the 1997 and 2000 Series bonds. The loss on extinguishment of the 1997 and 2000 Series bonds was \$1,514,471 for the year ended June 30, 2010.

There are a number of limitations and restrictions contained in the Master Trust Indenture, the most significant of which is for the Obligated Group to maintain a minimum debt service coverage ratio of 1.10 to 1.

**Genesis Health System  
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**Notes to Consolidated Financial Statements**

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**Note 8. Long-Term Debt and Pledged Assets (Continued)**

- (B) GMC – Illini leases its land, land improvements and buildings from Illini Hospital District, a related party, under a capital lease agreement which requires payment in an amount sufficient to pay all principal and interest on outstanding general obligation bonds (alternative revenue source)

The Series 2010 general obligation bonds (alternative revenue source) have an outstanding principal balance of \$8,477,977. These bonds were issued to advance refund \$8,740,000 of the outstanding 2001 general obligation bonds (alternative revenue source). The Series 2010 bonds bear interest at rates varying from 1.27% to 4.53%, which is payable on January 1 and July 1. The bonds mature in varying amounts from \$680,000 to \$905,000 through January 2022.

The depreciated cost of land, land improvements and buildings under this capital lease is approximately \$7,056,000 as of June 30, 2011.

- (C) During fiscal year 2007, GMC – Illini entered into a capital lease agreement, due in monthly installments of approximately \$5,000, including interest at 5% with final payment due in December 2011.
- (D) GenVentures' bank note is due in monthly payments of \$10,200, including interest at a variable rate, 6.95% as of June 30, 2011, through August 2016, secured by building and land. Under this agreement, GenVentures is required to maintain certain restrictive covenants including a minimum tangible net worth and a minimum debt service coverage ratio.
- (E) LCP has a \$1,500,000 line of credit with a bank which matures March 29, 2014. The current balance of the line of credit is due in monthly installments of \$44,304, including interest at 3.96%, through December 15, 2012. The note is collateralized by all property and equipment of LCP.
- (F) During fiscal year 2009, SRS entered into a capital lease agreement, due in monthly installments of \$122,135, including interest at 7.68% with final payment due in March 2016. The lease is secured by equipment. The depreciated cost of the equipment under this capital lease is approximately \$4,824,000 as of June 30, 2011.

**Obligated Group:**

Genesis Health System – Iowa and Genesis Health System – Illinois, collectively, represent the Obligated Group on the revenue bond obligations.

**Genesis Health System  
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**Notes to Consolidated Financial Statements**

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**Note 8. Long-Term Debt and Pledged Assets (Continued)**

The following is a schedule of future minimum lease payments due under capital leases together with the present value of future minimum lease payments as of June 30, 2011

Year ending June 30	
2012	\$ 2,436,000
2013	2,412,000
2014	2,416,000
2015	2,416,000
2016	2,045,000
Thereafter	5,693,000
	<hr/> 17,418,000
Less the amount representing interest	3,122,000
<b>Present value of future minimum lease payments</b>	<hr/> <b>\$ 14,296,000</b> <hr/>

The aggregate principal maturities of the long-term debt, excluding unamortized bond premium, as of June 30, 2011 over the next five years and thereafter are approximately as follows

Year ending June 30	
2012	\$ 8,246,000
2013	8,170,000
2014	8,421,000
2015	8,861,000
2016	8,961,000
Thereafter	58,281,000
	<hr/> \$100,940,000 <hr/>

**Note 9. Employee Retirement Plans**

All employees of the System and affiliates participate in the Genesis Health System Pension Plans. The plans consist of both a defined benefit pension plan and an employer paid match on employee contributions to a defined contribution plan. Pension expense for the employer paid match to the defined contribution plan was approximately \$1,343,000 and \$1,255,000 for the years ended June 30, 2011 and 2010, respectively.

Effective July 1, 2005, current participants in the defined benefit pension plan were given the option to remain in the defined benefit pension plan or to elect to move to the Genesis Retirement Account program, at which time their benefits in the defined benefit pension plan were frozen at current levels. All new full and part-time employees that have worked more than 1,000 hours during a prior calendar year will participate in the new defined contribution plan, with contributions made by the System as specified in the program based on years of service.

Effective December 31, 2006, the Board of Directors of the System adopted a resolution to freeze the defined benefit pension plan. Under terms of the freeze, employees with at least five years of service and a combination of age and years of service of 70 were grandfathered.

**Genesis Health System  
and Related Organizations**

**Notes to Consolidated Financial Statements**

**Note 9. Employee Retirement Plans (Continued)**

The Compensation – Retirement Benefits Topic of the FASB Accounting Standards Codification requires balance sheet recognition of the overfunded or underfunded status of pension and postretirement benefit plans. Actuarial gains and losses, prior service costs or credits and any remaining transition assets or obligations that have not been recognized under previous accounting standards, must be recognized in the changes in unrestricted net assets. As a result, the System has recognized the underfunded status of the defined benefit pension plan in the accompanying consolidated balance sheets as of June 30, 2011 and 2010. The accrual for the defined benefit pension plan asset or liability is based on a comparison of the fair value of Plan assets to the Plan's projected benefit obligation.

The defined benefit pension plan is measured annually at June 30. Information about the Plan follows:

	2011	2010
Projected benefit obligation at beginning of year	\$ (160,096,789)	\$ (131,862,015)
Service cost	(2,087,076)	(1,846,051)
Interest cost	(8,797,842)	(8,713,253)
Actuarial gain (loss)		
Impact of change in assumptions	2,238,861	(23,015,283)
Other	(591,500)	(287,324)
Benefits paid	6,360,849	5,627,137
<b>Projected benefit obligation at end of year</b>	<b>(162,973,497)</b>	<b>(160,096,789)</b>
Fair value of plan assets	157,073,497	131,178,659
<b>Funded status, plan assets (less than) benefit obligation</b>	<b>\$ (5,900,000)</b>	<b>\$ (28,918,130)</b>
Rollforward of accrued benefit (liability)		
Accrued benefit (liability) on balance sheet, beginning of year	\$ (28,918,130)	\$ (28,945,853)
Return on plan assets	26,255,687	18,889,634
System contributions	6,000,000	15,000,000
Change in plan liability	(9,237,557)	(33,861,911)
<b>Accrued (liability) on balance sheet, end of year</b>	<b>\$ (5,900,000)</b>	<b>\$ (28,918,130)</b>
Components of net periodic pension cost, which is included as a component of employee benefits expense on the accompanying consolidated statements of operations and changes in net assets, consist of		
Service cost	\$ 2,087,076	\$ 1,846,051
Interest cost	8,797,842	8,713,253
Expected return on plan assets	(10,793,756)	(10,526,920)
Amortization of unrecognized net loss	3,871,916	1,545,610
Amortization of unrecognized prior service cost (credit)	(63,118)	(63,118)
	<b>\$ 3,899,960</b>	<b>\$ 1,514,876</b>



**Genesis Health System  
and Related Organizations**

**Notes to Consolidated Financial Statements**

**Note 9. Employee Retirement Plans (Continued)**

	2011	2010
Amounts not yet recognized as components of net periodic pension cost		
Net actuarial loss	\$ 58,601,688	\$ 79,582,826
Prior service cost (credit)	(330,241)	(393,359)
Unrecognized amounts, end of year	58,271,447	79,189,467
Unrecognized amounts, beginning of year	79,189,467	65,732,066
Current year change	\$ (20,918,020)	\$ 13,457,401
Assumptions used in computations		
In computing ending obligations		
Discount rate	5.75%	5.60%
Rate of compensation increase	4.00%	4.00%
In computing net periodic benefit cost		
Discount rate	5.60%	6.75%
Expected return on assets	7.45%	7.45%
Rate of compensation increase	4.00%	4.00%

The expected return on plan assets is based upon a blend of historical returns and the System's estimate of a long-term rate of return.

Management's objective is to maximize long-term returns while reducing losses in order to meet future benefit obligations. Management follows the policy of using historical evidence in computing expected return on assets.

**Genesis Health System  
and Related Organizations**

**Notes to Consolidated Financial Statements**

**Note 9. Employee Retirement Plans (Continued)**

The fair values of the System's defined benefit pension plan assets as of June 30, 2011 and 2010 by asset category, segregated by the level of the valuation inputs within the fair value hierarchy as described in Note 6, are as follows

	Investments at Fair Value as of June 30, 2011			
	Fair Value	Level 1	Level 2	Level 3
Common Stocks				
Healthcare	\$ 9,133,965	\$ 9,133,965	\$ -	\$ -
Financial	9,165,394	9,165,394	-	-
Consumer Discretionary	13,600,739	13,600,739	-	-
Energy	5,624,998	5,624,998	-	-
Information Technology	14,262,079	14,262,079	-	-
Industrials	7,172,770	7,172,770	-	-
ADR's (American Depository Receipts)	4,110,831	4,110,831	-	-
Materials	2,002,638	2,002,638	-	-
Consumer Staples	2,898,170	2,898,170	-	-
Utilities	830,658	830,658	-	-
Telecommunication Services	734,333	734,333	-	-
Fixed Income Mutual Fund, PIMCO Total Return Fund	32,019,921	32,019,921	-	-
Equity Mutual Funds,				
Thornburg International Value Fund	18,451,798	18,451,798	-	-
Equity Collective Investment Fund, J P Morgan				
Extended Duration Fund	34,582,632	-	34,582,632	-
	154,590,926	\$ 120,008,294	\$ 34,582,632	\$ -
Other plan assets, cash and cash equivalents	2,482,571			
<b>Total plan assets</b>	<b>\$ 157,073,497</b>			

**Genesis Health System  
and Related Organizations**

**Notes to Consolidated Financial Statements**

**Note 9. Employee Retirement Plans (Continued)**

	Investments at Fair Value as of June 30, 2010			
	Fair Value	Level 1	Level 2	Level 3
Common Stocks				
Healthcare	\$ 3,928,334	\$ 3,928,334	\$ -	\$ -
Financial	1,681,434	1,681,434	-	-
Consumer Discretionary	3,247,746	3,247,746	-	-
Energy	1,430,866	1,430,866	-	-
Information Technology	7,037,260	7,037,260	-	-
Industrials	740,466	740,466	-	-
ADR's (American Depository Receipts)	736,022	736,022	-	-
Fixed Income Mutual Fund, PIMCO Total Return Fund	32,185,955	32,185,955	-	-
Equity Mutual Funds				
Lord Abbett Small Cap Blend Fund	14,740,729	14,740,729	-	-
Quantitative Equity Large Cap Value AP Trust	18,048,432	-	18,048,432	-
Thornburg International Value Fund	14,178,098	14,178,098	-	-
Equity Collective Investment Fund, J P Morgan Extended Duration Fund	32,460,424	-	32,460,424	-
	<u>\$ 130,415,766</u>	<u>\$ 79,906,910</u>	<u>\$ 50,508,856</u>	<u>\$ -</u>
Other plan assets, cash and cash equivalents	762,893			
<b>Total plan assets</b>	<u><b>\$ 131,178,659</b></u>			

The following table sets forth additional disclosure of the System's defined benefit pension plan assets whose fair value is estimated using net asset value (NAV) per share (or its equivalent) as of June 30, 2011 and 2010

	Fair Value		Unfunded Commitment	Redemption Frequency	Redemption Notice Period
	2011	2010			
Investments					
Equity Mutual Fund, Quantitative Equity Large Cap Value AP Trust (A)	\$ -	\$ 18,048,432	\$ -	Monthly	None
Equity Collective Investment Fund, J P Morgan Extended Duration Fund (B)	34,582,632	32,460,424	-	Daily	1 Day
	<u>\$ 34,582,632</u>	<u>\$ 50,508,856</u>	<u>\$ -</u>		

- (A) The fund seeks to provide long-term growth of capital through a diversified portfolio comprised primarily of common stocks of high quality, medium to large sized U S based companies with leading competitive positions. This fund was redeemed during the year ended June 30, 2011.
- (B) The fund primarily invests in collateralized mortgage obligations, corporate bonds and U S treasury securities. This fund can be redeemed daily at the current net asset value per share based on the fair value of the underlying assets. The fair value of this investment has been estimated using the net asset value per share of the investments provided by the fund manager.

**Genesis Health System  
and Related Organizations**

**Notes to Consolidated Financial Statements**

**Note 9. Employee Retirement Plans (Continued)**

The following summarizes target asset allocation as of June 30, 2011 and major asset categories as of June 30, 2011 and 2010

	Target Allocation	2011	2010
Domestic equity securities			
Large cap	28.0%	32.9%	28.3%
Small cap	11.0	12.6	11.2
International equity securities	11.0	11.8	10.8
Fixed income	50.0	42.7	49.7
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Management's objective is to maintain adequate levels of diversification among plan assets. Management monitors the allocation on an ongoing basis and will allocate plan assets accordingly in the subsequent quarter.

The System expects to contribute approximately \$6,000,000 to its defined benefit pension plan during the year ending June 30, 2012.

Benefit payments from the defined benefit pension plan are expected to be paid as follows:

Year ending June 30	
2012	\$ 6,600,000
2013	6,800,000
2014	7,100,000
2015	7,600,000
2016	8,000,000
Thereafter	50,700,000
	<u>\$ 86,800,000</u>

Physician employees of the System are eligible to participate in non-qualified deferred compensation plans. The plans allow participants to defer a portion of their salary into the plans. The plan assets are held for the benefit of participating employees. The liability to these participants is recorded at the same amount as the plan assets' value. The assets which are included in investments and corresponding noncurrent liability of the non-qualified deferred compensation plans recorded on the accompanying consolidated balance sheets are approximately \$6,717,000 and \$5,022,000 as of June 30, 2011 and 2010, respectively.

**Genesis Health System  
and Related Organizations**

**Notes to Consolidated Financial Statements**

**Note 10. Income Tax Matters**

GHS Iowa, GHS Illinois, the Genesis Foundation, the Illini Foundation and the Workers' Compensation Trust are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. GenVentures is subject to income taxes. Misericordia Assurance Company, Ltd. is a foreign corporation not subject to income taxes.

In lieu of corporate income taxes, the partners of The Larson Center Partnership and members of Davenport SRS Leasing, LLC and GenGastro, LLC are taxed on their proportionate share of the respective organization's income, deductions, losses and credits. Therefore, the accompanying consolidated financial statements do not include any provision for income taxes for these entities.

Deferred taxes for GenVentures are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in the tax laws and rates on the date of enactment. The deferred taxes for GenVentures relate primarily to net operating loss carryforwards, property and equipment, allowance for doubtful accounts and accrued compensation.

Net deferred taxes consist of the following components as of June 30, 2011 and 2010:

	2011	2010
Deferred tax assets	\$ 1,901,000	\$ 2,319,000
Less valuation allowance	(1,901,000)	(2,319,000)
	<u>\$ -</u>	<u>\$ -</u>

For the years ended June 30, 2011 and 2010, there are no current income tax provisions due to the utilization of the net operating loss carryforward.

As of June 30, 2011, GenVentures, for federal income tax purposes, has net operating loss carryforwards which are available to offset future federal taxable income and federal tax liabilities. These carryforwards expire from 2012 through 2027. The carryforwards expiring in future years are as follows:

Year ending June 30	
2012	\$ 928,000
2013	1,000
2014	-
2015	-
2016	-
Thereafter	3,449,000
	<u>\$ 4,378,000</u>

**Genesis Health System  
and Related Organizations**

**Notes to Consolidated Financial Statements**

**Note 10. Income Tax Matters (Continued)**

**Uncertainty in income taxes:**

GHS Iowa, GHS Illinois, the Genesis Foundation, the Illini Foundation and the Workers' Compensation Trust all file a Form 990 (Return of Organization Exempt from Income Tax) annually. When these returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would ultimately be sustained. Examples of tax positions common to health systems include such matters as the following: the tax exempt status of each entity, the nature, characterization and taxability of joint venture income and various positions relative to potential sources of unrelated business taxable income. Unrelated business taxable income is reported on Form 990T, as appropriate. The benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes that it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

Tax positions are not offset or aggregated with other positions. Tax positions that meet the "more likely than not" recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely to be realized on settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for uncertain tax benefits in the accompanying consolidated balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Forms 990 and 990T filed by GHS Iowa, GHS Illinois, the Genesis Foundation, the Illini Foundation and the Workers' Compensation Trust are subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return. Forms 990 and 990T filed by GHS Iowa, GHS Illinois, the Genesis Foundation, the Illini Foundation and the Workers' Compensation Trust are no longer subject to examination for the fiscal years ended June 30, 2006 and prior. GenVentures is a taxable organization and currently files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. GenVentures is no longer subject to income tax examinations for years June 30, 2006 and prior.

A reconciliation of the uncertain tax positions as of June 30, 2011 and 2010 is as follows:

	2011	2010
Balance, beginning of year	\$ 45,000	\$ 350,000
Reductions for tax positions of prior years as a result of lapse of the applicable statute of limitations	(45,000)	(40,000)
Settlements	-	(265,000)
Balance, end of year	<u>\$ -</u>	<u>\$ 45,000</u>

**Genesis Health System  
and Related Organizations**

**Notes to Consolidated Financial Statements**

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**Note 10. Income Tax Matters (Continued)**

As of June 30, 2011 and 2010, the total amount of uncertain tax positions have reduced income tax expense and have increased excess of revenue over expenses by \$45,000 and \$40,000, respectively

Interest expense associated with uncertain tax positions from the years ended June 30, 2011 and 2010 is approximately none and \$7,000, respectively. No amount has been accrued for penalties

During the years ended June 30, 2011 and 2010, none and \$265,000, respectively, in federal and state income taxes were paid for uncertain tax positions existing as of June 30, 2009 and 2008, as amended or past due income tax returns were filed

**Note 11. Self-Insurance, Contingent Liabilities and Commitments**

**Self-insured claims:**

The System is primarily self-insured, up to certain limits, for general and professional liability, workers' compensation and employee group health and dental claims. The System has purchased stop-loss insurance for general and professional liability claims, which will reimburse the System for individual claims in excess of \$2,000,000 annually or aggregate claims exceeding \$6,000,000 annually. The System has purchased stop-loss insurance for workers' compensation claims in excess of \$400,000 annually for the years ended June 30, 2011 and 2010, or aggregate claims in excess of \$5,000,000. Insurance coverage is also maintained for health and dental claims in excess of \$150,000.

Operations are charged with the costs of claims reported and an estimate of claims incurred but not reported. Total expense under the self-insured programs was approximately \$26,275,000 and \$31,560,000 for the years ended June 30, 2011 and 2010, respectively. An independent actuarial firm is utilized to assist in determining the provision for general, professional and workers' compensation losses, including incurred but not reported losses. The liabilities for estimated self-insured claims, including unpaid losses and loss adjustment expenses, recorded on the accompanying consolidated balance sheets are \$37,465,000 and \$36,779,000 as of June 30, 2011 and 2010, respectively, which include approximately \$18,303,000 and \$19,063,000, respectively, that are included in other long-term liabilities. The amount of reinsurance recoverable on unpaid losses as of June 30, 2011 and 2010 was approximately \$5,840,000 and \$5,934,000, respectively, that is included in other receivables.

The determination of such claims and expenses and the appropriateness of the related liability is continually reviewed and updated. It is reasonably possible that the accrued estimated liability for self-insured claims may need to be revised in the short term. In addition, participants of self-insurance programs may be required to make retrospective contributions as deemed necessary if loss experience is worse than anticipated.

GFMC participates in a cooperative of University of Iowa-affiliated medical education foundations for the purpose of professional liability insurance to cover claims on a claims-made basis with a loss limit of \$2,000,000 per occurrence and an annual limit of \$4,000,000 and no deductible.

**Genesis Health System  
and Related Organizations**

**Notes to Consolidated Financial Statements**

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**Note 11. Self-Insurance, Contingent Liabilities and Commitments (Continued)**

**Accounting for conditional asset retirement obligations:**

The Conditional Asset Retirement Obligation Topic of the FASB Accounting Standards Codification clarifies when an entity is required to recognize a liability for a conditional asset retirement obligation, specifically as it related to its legal obligation to perform asset retirement activities, such as asbestos removal, on its existing properties. Over the past ten years, management has systematically renovated, replaced or newly constructed the majority of the physical plant facilities, resulting in a relatively small portion of the facility with any remaining hazardous material. Management of the System believes that there is an indeterminate settlement date for the asset retirement obligations because the range of time over which the System may settle the obligation is unknown and does not believe that the estimate of the liability related to these asset retirement activities is a material amount as of June 30, 2011 and 2010.

**Laws and regulations:**

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. The System believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

**CMS RAC Program:**

Congress passed the Medicare Modernization Act in 2003, which among other things established a demonstration of The Medicare Recovery Audit Contractor (RAC) program. The RAC's identified and corrected a significant amount of improper overpayments and/or underpayments to providers. In 2006, Congress passed the Tax Relief and Health Care Act of 2006 which authorized the expansion of the RAC program to all 50 states. The System has been subject to such an audit and may continue to be subject to additional audits at some time in the future. The System has accrued an estimated liability, which is included in due to third-party payors as of June 30, 2011, as a reserve for such audits based on the number of RAC audit requests, the System's historical defense rate and the analysis and reviews of a consulting firm. It is reasonably possible that the recorded estimates will change materially in the near term.



**Genesis Health System  
and Related Organizations**

**Notes to Consolidated Financial Statements**

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**Note 11. Self-Insurance, Contingent Liabilities and Commitments (Continued)**

**Current economic conditions:**

The current economic environment presents hospitals with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, large declines in contributions, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the System.

Current economic conditions, including the rising unemployment rate, have made it difficult for certain of the System's patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payors may significantly impact net patient service revenue, which could have an adverse impact on the System's future operating results. Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for accounts and contributions receivable that could negatively impact the System's ability to meet debt covenants or maintain sufficient liquidity.

**Health care reform:**

As a result of recently enacted federal health care reform legislation, substantial changes are anticipated in the United States health care system. Such legislation includes numerous provisions affecting the delivery of health care services, the financing of health care costs, reimbursement of health care providers and the legal obligations of health insurers, providers and employers. These provisions are currently slated to take effect at specified times over approximately the next decade.

**Commitments:**

Approximate minimum payments required under a service contract as of June 30, 2011 are summarized below. The term of this service contract is for a period of ten years (until fiscal year 2019), unless the System terminates the contract for cause.

Year ending June 30	
2012	\$ 1,845,000
2013	1,845,000
2014	1,845,000
2015	1,845,000
2016	1,845,000
Thereafter	3,537,000
	<u>\$ 12,762,000</u>

**Genesis Health System  
and Related Organizations**

**Notes to Consolidated Financial Statements**

**Note 12. Net Asset Restrictions**

Temporarily restricted net assets held by the System are restricted by donors for the following purposes as of June 30, 2011 and 2010

	2011	2010
Cardiac research	\$ 403,595	\$ 509,798
Visiting nurse programs	3,351,713	2,688,583
Hospice house	2,004,442	3,474,943
Heart of Mercy financial assistance	560,531	224,814
Inventory and equipment for GMC - Davenport	2,996,714	2,996,714
Cancer research	1,000,535	903,845
Adler Fund	1,276,072	944,514
Employee assistance fund	525,016	378,296
Other	3,994,249	4,085,367
	<u>\$ 16,112,867</u>	<u>\$ 16,206,874</u>

During the years ended June 30, 2011 and 2010, temporarily restricted net asset were released from donor restrictions by incurring expenditures satisfying their restricted purposes for property and equipment and reimbursement of operating expenses, in the amount of \$3,994,125 and \$958,547, respectively

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable primarily to support the Heart of Mercy financial assistance program. The permanently restricted net assets held by the System are for the following purposes as of June 30, 2011 and 2010

	2011	2010
Heart of Mercy financial assistance	\$ 1,483,267	\$ 1,375,974
Other	420,604	275,584
	<u>\$ 1,903,871</u>	<u>\$ 1,651,558</u>

**Note 13. Minimum Future Rentals**

The following is a schedule by year of approximate future minimum rentals, net of rentals from affiliates, to be received under GenVentures' noncancelable operating leases as of June 30, 2011

Year ending June 30	
2012	\$ 1,714,000
2013	1,630,000
2014	1,580,000
2015	1,149,000
2016	1,085,000
Thereafter	6,664,000
<b>Total approximate future minimum rentals</b>	<u><u>\$ 13,822,000</u></u>

**Genesis Health System  
and Related Organizations**

**Notes to Consolidated Financial Statements**

**Note 14. Interest in Net Assets of Foundation**

The DeWitt Community Hospital Foundation (DCH Foundation), whose financial statements are not included in the accompanying consolidated financial statements since it is not under the control of GHS, was established to establish, promote and support facilities and services providing health care for sick, injured, disabled, indigent or aged persons. The support is to be provided to, or in cooperation with, other organizations including, without limitation, hospitals, ambulatory care services, nursing care facilities, and agencies or facilities providing care for persons in their homes. As of June 30, 2011 and 2010 the DCH Foundation had unaudited assets of approximately \$738,000 and \$654,000, respectively. DCH Foundation's assets consist primarily of cash and pledges receivable. A portion of the DCH Foundation's net assets have been specified by their original donor to be used specifically for the benefit of Genesis Medical Center – DeWitt.

**Note 15. Concentrations of Credit Risk**

The System grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of the System's gross receivables from patients and third-party payors as of June 30, 2011 and 2010 was as follows:

	2011	2010
Medicare	29%	25%
Medicaid	8	12
Blue Cross	13	9
Other third-party payers	16	19
Patients	34	35
	100%	100%

As of June 30, 2011, the System had deposits exceeding the federal depository insurance limits in various major financial institutions. Management believes the credit risk related to these deposits is minimal.

The System routinely invests its surplus operating funds in money market funds. These funds generally invest in highly liquid U.S. government and agency obligations and various investment grade corporate obligations. Investments in money market funds are not insured or guaranteed by the U.S. government or by the underlying corporation, however, management believes that credit risk related to these investments is minimal.

# **Genesis Health System and Related Organizations**

## **Notes to Consolidated Financial Statements**

### **Note 16. Acquisition**

On December 31, 2010, the System acquired an additional 16.67% interest in GenGastro, LLC (a single-specialty gastroenterology ambulatory surgery center) for \$5,148,000, increasing the System's ownership in GenGastro, LLC to 66.67%. In accordance with the accounting guidance on *Not-for-Profit Entities: Mergers and Acquisitions*, the System remeasured its previously held 50% interest of GenGastro, LLC (which had a recorded value of approximately \$493,000 at the date of acquisition) at fair value and recognized a gain of approximately \$14,959,000. This gain is included in nonoperating gains and (losses) on the June 30, 2011 consolidated statement of operations.

The System previously accounted for its 50% membership interest of GenGastro, LLC under the equity method of accounting and reported its 50% share of GenGastro, LLC's net income (loss). From December 31, 2010 (date of acquisition), the results of GenGastro, LLC's operations have been included in the consolidated financial statements.

The following table summarizes the consideration paid for GenGastro, LLC, estimated fair value of the assets acquired and liabilities assumed and fair value at the acquisition date of the noncontrolling interests in GenGastro, LLC.

Consideration	
Cash	\$ 5,148,000
Fair value of the System's interest in GenGastro, LLC at acquisition date	15,452,000
	<u>\$ 20,600,000</u>
Recognized amounts of assets acquired and liabilities assumed	
Current assets	\$ 679,364
Property and equipment	408,154
Current liabilities	(97,951)
Noncontrolling interests in GenGastro, LLC	(10,300,000)
Goodwill	29,910,433
	<u>\$ 20,600,000</u>
Excess of fair value over equity acquired for GenGastro, LLC	
Attributable to the System	\$ 14,958,732
Attributable to noncontrolling interests	9,806,732
	<u>\$ 24,765,464</u>

Fair values of the assets, liabilities and noncontrolling interests at the acquisition date were estimated by a third-party applying the market approach and income approach. The fair value measurement is based on significant inputs that are not observable in the market and, therefore, represents a Level 3 measurement as defined in the Fair Value Measurement and Disclosures Topic of the FASB Accounting Standards Codification. Key assumptions include a discount rate of 15%, a terminal growth rate based on long-term sustainable growth of 3% and financial multiples of companies deemed to be similar to GenGastro, LLC.

The goodwill of approximately \$29,910,000 arising from the acquisition consists primarily of current and future expected earnings and profitability.

The amount of GenGastro, LLC's revenue included in the System's consolidated statement of operations for the year ended June 30, 2011 was \$3,151,000. Excess of revenue over expenses and changes in net assets included in the System's consolidated statement of operations for the year ended June 30, 2011 are approximately \$2,156,000.

**Genesis Health System  
and Related Organizations**

**Notes to Consolidated Financial Statements**

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**Note 17. Pending Accounting Pronouncements**

In August 2010, Accounting Standards Update (ASU) 2010-23, *Health Care Entities (Topic 954) Measuring Charity Care for Disclosure*, was issued. ASU 2010-23 is effective for fiscal years beginning after December 15, 2010. ASU 2010-23 addresses the diversity in the accounting for charity care disclosures, which some entities determine on the basis of a cost measurement, while others use a revenue measurement. ASU 2010-23 requires that the measurement of charity care for disclosure purposes be based on the direct and indirect costs of providing the charity care. Management is evaluating the impact this ASU may have on the System's consolidated financial statements.

In August 2010, ASU 2010-24, *Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries*, was issued. ASU 2010-24 is effective for fiscal years beginning after December 15, 2010. ASU 2010-24 addresses the diversity in the accounting for medical malpractice and similar liabilities and their related anticipated insurance recoveries by health care entities that mostly have netted insurance recoveries against the accrued liability, although some have presented the anticipated insurance recovery and the liability on a gross basis. The ASU clarifies that a health care entity should not net insurance recoveries against a related claim liability; the amount of the claim liability should be determined without consideration of insurance recoveries. Management is evaluating the impact this ASU may have on the System's consolidated financial statements.

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement (Topic 820) – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. This ASU was issued to clarify FASB's intent on application of certain aspects of existing fair value measurement requirements and to change certain requirements for measuring fair value and for disclosing information about fair value measurements. These changes (mostly applicable to financial instruments in levels 2 and 3) include guidance on measuring the fair value of financial instruments that are managed within a portfolio, application of premiums and discounts, and additional disclosures about fair value measurements. FASB has concluded that this ASU will achieve the objective of developing common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. This ASU is effective for the System for annual reporting periods beginning after December 15, 2011. Management is in the process of evaluating the potential impact this ASU will have on the System's consolidated financial statements.

In July 2011, the FASB issued ASU 2011-07, *Health Care Entities (Topic 954) – Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. ASU 2011-07 requires health care entities that recognize significant amounts of patient service revenue at the time the services are rendered even though they do not assess the patient's ability to pay, to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, ASU 2011-07 requires those health care entities to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts, disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts.

The provisions are effective for the first annual period ending after December 15, 2012, and interim and annual periods thereafter, with early adoption permitted. The changes to the presentation of the provision for bad debts related to patient service revenue in the statement of operations should be applied retrospectively to all prior periods presented. The disclosures required by ASU 2011-07 should be provided for the period of adoption and subsequent reporting periods. Management is assessing the impact of the implementation of this ASU on the System's consolidated financial statements.

**Genesis Health System  
and Related Organizations**

**Notes to Consolidated Financial Statements**

**Note 17. Pending Accounting Pronouncements (Continued)**

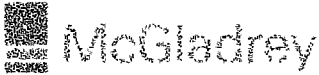
The FASB issued ASU 2011-08, *Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment*. The existing guidance under Accounting Standards Codification Topic 350 requires an entity to test goodwill for impairment, on at least an annual basis, by comparing the fair value of a reporting unit with its carrying amount, including goodwill (step one). If the fair value of a reporting unit is less than its carrying amount, the second step of the test must be performed to measure the amount of the impairment loss, if any. This ASU gives an entity the option in its annual goodwill impairment test to first assess revised qualitative factors to determine whether it is more likely than not (a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount (qualitative assessment). If it is more likely than not that the fair value of a reporting unit is less than its carrying amount, an entity must still perform the existing two-step impairment test. Otherwise, an entity would not be required to perform the existing two-step impairment test. This ASU is effective for the System for the first annual reporting period beginning after December 15, 2011.

**Note 18. Functional Expenses**

The System provides general health care services to residents within its geographic location. Expenses for the System's 501(c)(3) entities related to providing these services for the years ended June 30, 2011 and 2010 are as follows:

	2011	2010
Health care services	\$ 423,174,910	\$ 431,681,650
General, administrative and support services	89,012,051	90,089,732
Fund raising, net of intercompany contributions	1,081,481	790,880
	<u>\$ 513,268,442</u>	<u>\$ 522,562,262</u>

Included within general, administrative and support services are significant expenditures for information systems which support the delivery of health care services.



**Independent Auditor's Report  
on the Supplementary Information**

To the Audit and Compliance Committee  
Genesis Health System  
Davenport, Iowa

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information on pages 48 – 59 is presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position and changes in net assets of the individual organizations. The consolidating information on pages 48 – 59 has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, based upon our audits and the reports of other auditors as explained in our report on the basic financial statements on page 1, is fairly presented in all material respects in relation to the basic consolidated financial statements taken as a whole.

The accompanying community benefit information on pages 44 through 47 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. This information has not been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements, and accordingly, we express no opinion on it.

*McGladrey & Pullen, LLP*

Davenport, Iowa  
October 25, 2011

**Genesis Health System  
and Related Organizations**

**Schedule of Community Benefit  
Year Ended June 30, 2011  
(Unaudited)**

Genesis Health System contributed \$38,132,600 in community benefit to the Quad City area in fiscal year (FY) 2011. This represents an increase of 51% when compared to FY 2010. Charity Care, reported as charges foregone, in the amount of \$31,815,963 was provided by the Health System compared to \$21,197,913 in FY 2010. Charity Care is uncompensated care provided without expectation of reimbursement. Charity Care is distinct and separate from bad debt, which is care provided with an expectation of compensation but which we were unable to collect. We do not count bad debt in our community benefit reporting, however, bad debt for Genesis Health System totaled \$27,792,024 for FY 2011, down 22% from \$35,782,769 for FY 2010.

Unreimbursed Medicaid and other means-tested program costs are also not included in our community benefit reporting, however, the unreimbursed Medicaid and other means-tested program costs for FY 2011 were estimated at \$11,627,808. The level of unreimbursed Medicaid costs increased 11% compared to FY 2010's level of \$10,480,537.

Table 1 shows a 34% increase in community benefit for Genesis Medical Center (GMC) – Davenport compared to FY 2010. GMC – Illini increased its community benefit by 75%, and GMC – DeWitt increased by 22%. Other GHS community benefit increased by 1159% as we started to report subsidized losses in FY 2011 for the community-based hospice and hospice house programs.

Table 1 Community Benefit by GHS Entity

	Other GHS	GMC - Davenport	GMC - Illini	GMC - DeWitt	Total
FY2007	\$ 330,874	\$ 16,266,486	\$ 2,754,361	\$ 145,117	\$ 19,496,838
FY2008	592,354	20,933,460	2,747,135	243,976	24,516,925
FY2009	164,537	22,495,002	3,221,208	337,443	26,218,190
FY2010	234,749	20,715,176	3,968,714	404,892	25,323,531
FY2011	2,955,378	27,718,979	6,964,127	494,116	38,132,600

This information is shown graphically in Graph 1.

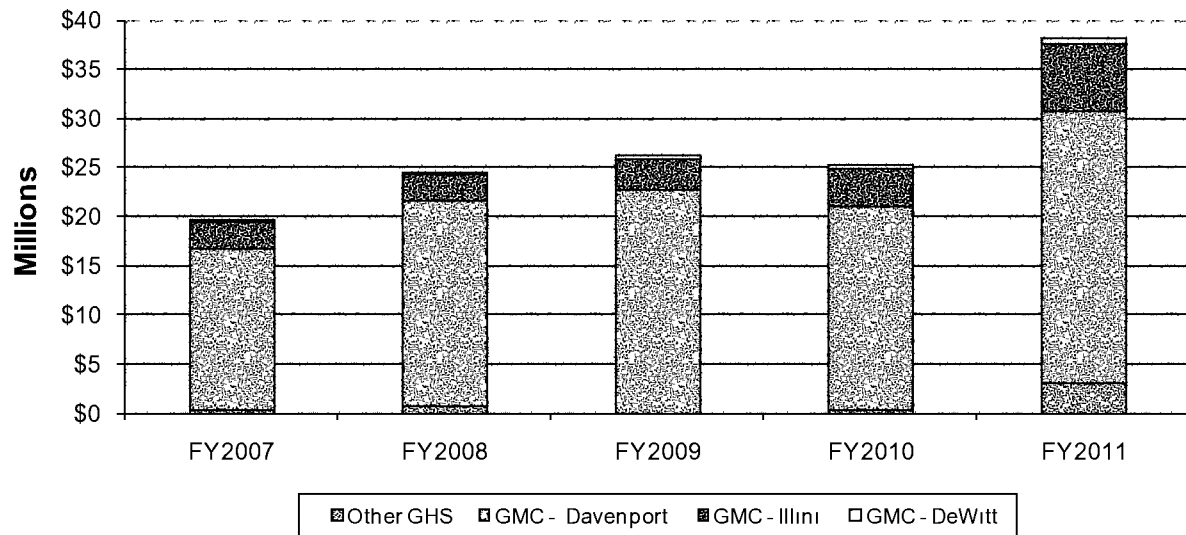


**Genesis Health System  
and Related Organizations**

**Schedule of Community Benefit  
Year Ended June 30, 2011  
(Unaudited)**

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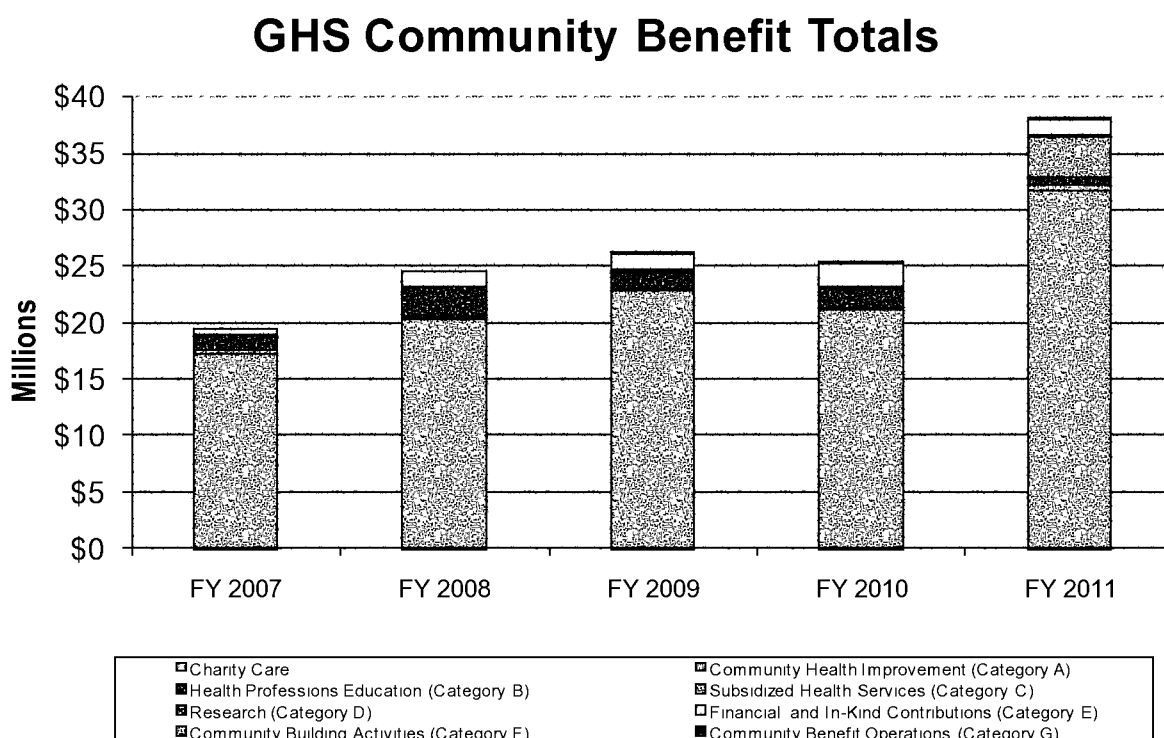
**Community Benefit by GHS Entity**



**Genesis Health System  
and Related Organizations**

**Schedule of Community Benefit  
Year Ended June 30, 2011  
(Unaudited)**

Graph 2 represents the community benefit funding by category for each of the past five fiscal years. Overall, community benefit funding increased 51% compared to FY 2010. Community Health Improvement increased 131%, Community Building Activities increased 98% and Charity Care increased 50% compared to the prior year, while Health Professions Education decreased 54%, and Financial and In-Kind Contributions decreased 38%.



**Table 2 2011 Category Comparisons by GHS Entity**

	Charity Care	Community Health Improvement (Category A)	Health Professions Education (Category B)	Subsidized Health Services (Category C)	Research (Category D)	Financial and In-Kind Contributions (Category E)	Community Building Activities (Category F)	Community Benefit Operations (Category G)	Total
GHS - Other	\$ 1,375,991	\$ 6,344	\$ -	\$ 1,135,742	\$ -	\$ 430,006	\$ 7,295	\$ -	\$ 2,955,378
GMC - Davenport	23,244,368	356,988	785,152	2,289,455	190,374	720,283	103,951	28,408	27,718,979
GMC - Illini	6,797,475	14,168	2,756	72,984	-	62,701	13,994	49	6,964,127
GMC - DeWitt	398,129	315	-	20,019	-	74,820	833	-	494,116
<b>Totals</b>	<b>\$ 31,815,963</b>	<b>\$ 377,815</b>	<b>\$ 787,908</b>	<b>\$ 3,518,200</b>	<b>\$ 190,374</b>	<b>\$ 1,287,810</b>	<b>\$ 126,073</b>	<b>\$ 28,457</b>	<b>\$ 38,132,600</b>

**Genesis Health System  
and Related Organizations**

**Schedule of Community Benefit  
Year Ended June 30, 2011  
(Unaudited)**

**Table 3: Category Comparisons for the Past Five Fiscal Years**

		Community Health Improvement Care	Health Professions Education (Category B)	Subsidized Health Services (Category C)	Research (Category D)	Financial and In-Kind Contributions (Category E)	Community Building Activities (Category F)	Community Benefit Operations (Category G)	Total
FY 2007	\$ 17,268,018	\$ 289,885	\$ 1,434,874	\$ -	\$ 627	\$ 503,434	\$ -	\$ -	\$ 19,496,838
FY 2008	20,289,556	287,935	2,685,992	-	-	1,253,442	-	-	24,516,925
FY 2009	22,903,259	148,661	1,449,671	57,123	195,493	1,337,504	66,346	60,133	26,218,190
FY 2010	21,197,913	163,450	1,712,897	-	97,744	2,069,189	63,587	18,751	25,323,531
FY 2011	31,815,963	377,815	787,908	3,518,200	190,374	1,287,810	126,073	28,457	38,132,600

**Genesis Health System  
and Related Organizations**

**Consolidating Balance Sheet Information  
June 30, 2011**

<b>Assets</b>	<b>GHS Iowa</b>	<b>GHS Illinois</b>	<b>Eliminations</b>	<b>Obligated Group *</b>
<b>Current Assets</b>				
Cash and cash equivalents	\$ 53,124,950	\$ 18,664,240	\$ -	\$ 71,789,190
Short-term investments	704,456	-	-	704,456
Receivables				
Patients, net	60,717,960	14,961,229	-	75,679,189
Affiliates	5,149,212	-	(2,759,455)	2,389,757
Notes, affiliate	1,101,947	-	-	1,101,947
Other, including assets limited as to use	6,903,948	938,367	-	7,842,315
Inventories, supplies and materials	10,437,231	2,261,478	-	12,698,709
Prepaid expenses and deposits	5,121,663	388,788	-	5,510,451
<b>Total current assets</b>	<b>143,261,367</b>	<b>37,214,102</b>	<b>(2,759,455)</b>	<b>177,716,014</b>
<b>Long-Term Receivables and Investments</b>				
Affiliate notes	13,512,181	-	-	13,512,181
Investment in subsidiaries	47,364,817	1,313,072	-	48,677,889
Investments	16,209,642	245,719	-	16,455,361
	<b>77,086,640</b>	<b>1,558,791</b>	<b>-</b>	<b>78,645,431</b>
<b>Assets Limited as to Use</b>				
Internally designated	157,778,420	-	-	157,778,420
Under bond indenture, funds held by trustee	5,235,343	663,832	-	5,899,175
Interest in net assets of Foundation	9,991,929	403,322	-	10,395,251
Donor restricted	4,133,745	-	-	4,133,745
	<b>177,139,437</b>	<b>1,067,154</b>	<b>-</b>	<b>178,206,591</b>
<b>Property and Equipment, net</b>	<b>166,193,212</b>	<b>35,809,581</b>	<b>-</b>	<b>202,002,793</b>
<b>Other Assets</b>				
Bond issuance costs, net	579,508	196,412	-	775,920
Goodwill	820,444	-	-	820,444
Other	968,907	-	-	968,907
	<b>2,368,859</b>	<b>196,412</b>	<b>-</b>	<b>2,565,271</b>
	<b>\$ 566,049,515</b>	<b>\$ 75,846,040</b>	<b>\$ (2,759,455)</b>	<b>\$ 639,136,100</b>

\* The Obligated Group includes Genesis Health System – Iowa (an Iowa nonprofit corporation) and Genesis Health System – Illinois (an Illinois not-for-profit corporation)

Genesis Health Services Foundation	Illini Hospital Foundation	GenGastro, LLC	The Larson Center Partnership	GenVentures, Inc	Genesis Health System Workers' Compensation Plan and Trust	Misericordia Assurance Company, Ltd	Davenport SRS Leasing, LLC	Eliminations	Total
\$ 864,157	\$ 13,755	\$ 226,568	\$ 386,977	\$ 243,624	\$ 939,981	\$ 633,070	\$ 1,143,885	\$ -	\$ 76,241,207
-	-	-	-	619,441	-	-	-	-	1,323,897
-	-	670,984	-	2,771,555	-	-	-	-	79,121,728
-	-	-	-	-	-	93,680	148,125	(2,631,562)	-
-	-	-	-	-	-	-	-	(1,101,947)	-
148,497	451	9,075	1,577	419,166	2,015,452	3,978,332	-	-	14,414,865
-	-	28,417	-	982,183	-	-	-	-	13,709,309
-	-	7,975	-	131,774	-	6,390	110,008	-	5,766,598
1,012,654	14,206	943,019	388,554	5,167,743	2,955,433	4,711,472	1,402,018	(3,733,509)	190,577,604
-	-	-	-	-	-	-	-	(13,512,181)	-
-	-	-	-	-	-	-	-	(48,677,889)	-
2,618,517	226,693	-	-	1,046,000	11,970,035	22,072,377	-	-	54,388,983
2,618,517	226,693	-	-	1,046,000	11,970,035	22,072,377	-	(62,190,070)	54,388,983
-	-	-	-	-	-	-	-	-	157,778,420
-	-	-	-	-	-	-	-	-	5,899,175
-	-	-	-	-	-	-	-	(9,657,402)	737,849
12,741,822	403,322	-	-	-	-	-	-	-	17,278,889
12,741,822	403,322	-	-	-	-	-	-	(9,657,402)	181,694,333
9,975	-	330,655	2,289,745	38,317,347	-	-	5,376,045	-	248,326,560
-	-	-	-	-	-	-	-	-	775,920
-	-	-	-	-	-	-	-	29,910,433	30,730,877
-	82,194	-	3,722	401,491	-	-	-	-	1,456,314
-	82,194	-	3,722	401,491	-	-	-	29,910,433	32,963,111
\$ 16,382,968	\$ 726,415	\$ 1,273,674	\$ 2,682,021	\$ 44,932,581	\$ 14,925,468	\$ 26,783,849	\$ 6,778,063	\$ (45,670,548)	\$ 707,950,591

**Genesis Health System  
and Related Organizations**

**Consolidating Balance Sheet Information  
June 30, 2011**

<b>Liabilities and Net Assets and Equity</b>	<b>GHS Iowa</b>	<b>GHS Illinois</b>	<b>Eliminations</b>	<b>Obligated Group *</b>
<b>Current Liabilities</b>				
Current maturities of long-term debt	\$ 5,860,000	\$ 727,977	\$ -	\$ 6,587,977
Accounts payable				
Trade	14,693,285	1,975,491	-	16,668,776
Affiliates	-	2,759,455	(2,759,455)	-
Accrued salaries and wages	13,925,530	525,388	-	14,450,918
Accrued paid leave	14,073,483	2,165,375	-	16,238,858
Due to third-party payors	3,525,309	1,946,193	-	5,471,502
Unpaid losses and loss adjustment expenses	-	-	-	-
Other accrued expenses	3,303,977	631,180	-	3,935,157
<b>Total current liabilities</b>	<b>55,381,584</b>	<b>10,731,059</b>	<b>(2,759,455)</b>	<b>63,353,188</b>
 Long-Term Debt, less current maturities	 83,312,645	 7,750,000	 -	 91,062,645
 Unpaid Losses and Loss Adjustment Expenses, Retirement Benefits and Other Long-Term Liabilities	 15,594,348	 673,208	 -	 16,267,556
<b>Total liabilities</b>	<b>154,288,577</b>	<b>19,154,267</b>	<b>(2,759,455)</b>	<b>170,683,389</b>
 <b>Net Assets and Equity</b>				
Common stock	-	-	-	-
Additional paid-in capital	-	-	-	-
Retained earnings (deficit)	-	-	-	-
Members and partners' equity	-	-	-	-
Unrestricted	397,635,264	56,288,451	-	453,923,715
Noncontrolling interests - unrestricted	-	-	-	-
Temporarily restricted	14,125,674	359,030	-	14,484,704
Permanently restricted	-	44,292	-	44,292
	<b>411,760,938</b>	<b>56,691,773</b>	<b>-</b>	<b>468,452,711</b>
	<b>\$ 566,049,515</b>	<b>\$ 75,846,040</b>	<b>\$ (2,759,455)</b>	<b>\$ 639,136,100</b>

\* The Obligated Group includes Genesis Health System – Iowa (an Iowa nonprofit corporation) and Genesis Health System – Illinois (an Illinois not-for-profit corporation)

Genesis Health Services Foundation	Illini Hospital Foundation	GenGastro, LLC	The Larson Center Partnership	GenVentures, Inc	Genesis Health System Workers' Compensation Plan and Trust	Misericordia Assurance Company, Ltd	Davenport SRS Leasing, LLC	Eliminations	Total
\$ -	\$ -	\$ -	\$ 514,166	\$ 1,216,752	\$ -	\$ -	\$ 1,055,457	\$ (1,128,549)	\$ 8,245,803
36,490	-	72,993	5,483	659,930	21,005	61,224	575	4,500	17,530,976
519,388	49,923	-	4,500	1,984,681	77,570	-	-	(2,636,062)	-
-	-	16,659	-	475,547	-	-	-	-	14,943,124
-	-	20,725	-	386,564	-	-	-	-	16,646,147
-	-	-	-	-	-	-	-	-	5,471,502
-	-	-	-	-	6,052,467	9,311,553	-	-	15,364,020
833,265	8,698	-	239,432	629,721	-	-	-	-	5,646,273
1,389,143	58,621	110,377	763,581	5,353,195	6,151,042	9,372,777	1,056,032	(3,760,111)	83,847,845
-	46,960	-	161,307	13,930,002	-	-	4,762,326	(13,485,579)	96,477,661
-	-	-	-	34,429	-	16,535,671	-	-	32,837,656
1,389,143	105,581	110,377	924,888	19,317,626	6,151,042	25,908,448	5,818,358	(17,245,690)	213,163,162
-	-	-	-	1,000	-	120,000	-	(121,000)	-
-	-	-	-	28,821,772	-	-	-	(28,821,772)	-
-	-	-	-	(3,207,817)	-	755,401	-	2,452,416	-
-	-	1,163,297	1,757,133	-	-	-	959,705	(3,880,135)	-
2,252,003	217,512	-	-	-	8,774,426	-	-	755,401	465,923,057
-	-	-	-	-	-	-	-	10,847,634	10,847,634
10,882,243	359,030	-	-	-	-	-	-	(9,613,110)	16,112,867
1,859,579	44,292	-	-	-	-	-	-	(44,292)	1,903,871
14,993,825	620,834	1,163,297	1,757,133	25,614,955	8,774,426	875,401	959,705	(28,424,858)	494,787,429
\$ 16,382,968	\$ 726,415	\$ 1,273,674	\$ 2,682,021	\$ 44,932,581	\$ 14,925,468	\$ 26,783,849	\$ 6,778,063	\$ (45,670,548)	\$707,950,591

**Genesis Health System  
and Related Organizations**

**Consolidating Balance Sheet Information  
June 30, 2010**

<b>Assets</b>	<b>GHS Iowa</b>	<b>GHS Illinois</b>	<b>Eliminations</b>	<b>Obligated Group *</b>
<b>Current Assets</b>				
Cash and cash equivalents	\$ 42,722,820	\$ 10,853,672	\$ -	\$ 53,576,492
Short-term investments	743,809	-	-	743,809
Receivables				
Patients, net	62,527,236	16,657,990	-	79,185,226
Affiliates	5,867,968	-	(2,568,184)	3,299,784
Notes, affiliate	1,037,930	-	-	1,037,930
Other	4,968,116	574,291	-	5,542,407
Inventories, supplies and materials	9,392,564	2,089,969	-	11,482,533
Prepaid expenses and deposits	3,768,127	673,203	-	4,441,330
<b>Total current assets</b>	<b>131,028,570</b>	<b>30,849,125</b>	<b>(2,568,184)</b>	<b>159,309,511</b>
<b>Long-Term Receivables and Investments</b>				
Affiliate notes	14,639,185	-	-	14,639,185
Investment in subsidiaries	27,478,286	1,115,840	-	28,594,126
Investments	14,099,552	275,845	-	14,375,397
	<b>56,217,023</b>	<b>1,391,685</b>	<b>-</b>	<b>57,608,708</b>
<b>Assets Limited as to Use</b>				
Internally designated	136,440,158	-	-	136,440,158
Under bond indenture, funds held by trustee	13,192,694	663,166	-	13,855,860
Interest in net assets of Foundation	6,855,025	744,305	-	7,599,330
Donor restricted	4,088,817	-	-	4,088,817
	<b>160,576,694</b>	<b>1,407,471</b>	<b>-</b>	<b>161,984,165</b>
<b>Property and Equipment, net</b>	<b>170,252,383</b>	<b>36,461,493</b>	<b>-</b>	<b>206,713,876</b>
<b>Other Assets</b>				
Bond issuance costs, net	641,318	109,016	-	750,334
Goodwill	820,444	-	-	820,444
Other	951,264	9,729	-	960,993
	<b>2,413,026</b>	<b>118,745</b>	<b>-</b>	<b>2,531,771</b>
	<b>\$ 520,487,696</b>	<b>\$ 70,228,519</b>	<b>\$ (2,568,184)</b>	<b>\$ 588,148,031</b>

\* The Obligated Group includes Genesis Health System – Iowa (an Iowa nonprofit corporation) and Genesis Health System – Illinois (an Illinois not-for-profit corporation)



Genesis Health Services Foundation	Illini Hospital Foundation	The Larson Center Partnership	GenVentures, Inc	Genesis Health System Workers' Compensation Plan and Trust	Misericordia Assurance Company, Ltd	Davenport SRS Leasing, LLC	Eliminations	Total
\$ 585,593	\$ 97,502	\$ 436,335	\$ 949,373	\$ 932,075	\$ 68,530	\$ 1,453,347	\$ -	\$ 58,099,247
-	-	-	611,402	-	-	-	-	1,355,211
-	-	-	2,117,178	-	-	-	-	81,302,404
-	-	-	-	-	-	132,778	(3,432,562)	-
-	-	-	-	-	-	-	(1,037,930)	-
162,755	451	-	806,663	2,047,043	4,015,694	-	-	12,575,013
-	-	-	1,071,169	-	-	-	-	12,553,702
-	-	-	103,678	-	6,149	-	-	4,551,157
748,348	97,953	436,335	5,659,463	2,979,118	4,090,373	1,586,125	(4,470,492)	170,436,734
-	-	-	-	-	-	-	(14,639,185)	-
-	-	-	-	-	-	-	(28,594,126)	-
2,985,972	215,661	-	1,046,000	11,603,232	22,595,435	-	-	52,821,697
2,985,972	215,661	-	1,046,000	11,603,232	22,595,435	-	(43,233,311)	52,821,697
-	-	-	-	-	-	-	-	136,440,158
-	-	-	-	-	-	-	-	13,855,860
-	-	-	-	-	-	-	(6,945,198)	654,132
12,371,178	744,305	-	-	-	-	-	-	17,204,300
12,371,178	744,305	-	-	-	-	-	(6,945,198)	168,154,450
9,975	-	2,423,347	40,042,077	-	-	6,468,084	-	255,657,359
-	-	-	-	-	-	-	-	750,334
-	-	-	-	-	-	-	-	820,444
-	81,670	-	494,188	-	-	-	-	1,536,851
-	81,670	-	494,188	-	-	-	-	3,107,629
\$ 16,115,473	\$ 1,139,589	\$ 2,859,682	\$ 47,241,728	\$ 14,582,350	\$ 26,685,808	\$ 8,054,209	\$ (54,649,001)	\$ 650,177,869

**Genesis Health System  
and Related Organizations**

**Consolidating Balance Sheet Information  
June 30, 2010**

<b>Liabilities and Net Assets and Equity</b>	<b>GHS Iowa</b>	<b>GHS Illinois</b>	<b>Eliminations</b>	<b>Obligated Group *</b>
<b>Current Liabilities</b>				
Current maturities of long-term debt	\$ 5,607,506	\$ 603,902	\$ -	\$ 6,211,408
Accounts payable				
Trade	15,449,669	2,221,990	-	17,671,659
Affiliates	-	2,568,184	(2,568,184)	-
Accrued salaries and wages	12,613,689	405,933	-	13,019,622
Accrued paid leave	13,528,706	2,050,675	-	15,579,381
Due to third-party payors	679,427	2,103,440	-	2,782,867
Unpaid losses and loss adjustment expenses	-	-	-	-
Other accrued expenses	3,733,984	701,329	-	4,435,313
<b>Total current liabilities</b>	<b>51,612,981</b>	<b>10,655,453</b>	<b>(2,568,184)</b>	<b>59,700,250</b>
 Long-Term Debt, less current maturities	 89,189,486	 8,217,977	 -	 97,407,463
 <b>Unpaid Losses and Loss Adjustment Expenses, Retirement Benefits and Other Long-Term Liabilities</b>	 36,963,405	 590,785	 -	 37,554,190
<b>Total liabilities</b>	<b>177,765,872</b>	<b>19,464,215</b>	<b>(2,568,184)</b>	<b>194,661,903</b>
 <b>Net Assets and Equity</b>				
Common stock	-	-	-	-
Additional paid-in capital	-	-	-	-
Retained earnings (deficit)	-	-	-	-
Members and partners' equity	-	-	-	-
Unrestricted	331,777,982	50,019,999	-	381,797,981
Noncontrolling interest - unrestricted	-	-	-	-
Temporarily restricted	10,943,842	711,000	-	11,654,842
Permanently restricted	-	33,305	-	33,305
	<b>342,721,824</b>	<b>50,764,304</b>	<b>-</b>	<b>393,486,128</b>
	<b>\$ 520,487,696</b>	<b>\$ 70,228,519</b>	<b>\$ (2,568,184)</b>	<b>\$ 588,148,031</b>

\* The Obligated Group includes Genesis Health System – Iowa (an Iowa nonprofit corporation) and Genesis Health System – Illinois (an Illinois not-for-profit corporation)

Genesis Health Services Foundation	Illini Hospital Foundation	The Larson Center Partnership	GenVentures, Inc	Genesis Health System Workers' Compensation Plan and Trust	Misericordia Assurance Company, Ltd	Davenport SRS Leasing, LLC	Eliminations	Total
\$ -	\$ -	\$ 418,905	\$ 1,143,515	\$ -	\$ -	\$ 977,672	\$ (1,062,615)	\$ 7,688,885
47,201	-	11,429	705,746	13,328	59,824	3,106	-	18,512,293
765,936	180,554	16,846	2,461,635	7,591	-	-	(3,432,562)	-
-	-	-	623,522	-	-	-	-	13,643,144
-	-	-	328,038	-	-	-	-	15,907,419
-	-	-	-	-	-	-	-	2,782,867
-	-	-	-	5,413,418	8,488,583	-	-	13,902,001
665,178	1,749	239,924	628,099	-	-	-	-	5,970,263
1,478,315	182,303	687,104	5,890,555	5,434,337	8,548,407	980,778	(4,495,177)	78,406,872
-	36,838	686,565	15,148,612	-	-	5,817,783	(14,614,500)	104,482,761
-	-	-	21,440	-	17,262,000	-	-	54,837,630
1,478,315	219,141	1,373,669	21,060,607	5,434,337	25,810,407	6,798,561	(19,109,677)	237,727,263
-	-	-	1,000	-	120,000	-	(121,000)	-
-	-	-	28,821,772	-	-	-	(28,821,772)	-
-	-	-	(2,641,651)	-	755,401	-	1,886,250	-
-	-	1,486,013	-	-	-	1,255,648	(2,741,661)	-
2,265,980	176,143	-	-	9,148,013	-	-	755,401	394,143,518
-	-	-	-	-	-	-	448,656	448,656
10,752,925	711,000	-	-	-	-	-	(6,911,893)	16,206,874
1,618,253	33,305	-	-	-	-	-	(33,305)	1,651,558
14,637,158	920,448	1,486,013	26,181,121	9,148,013	875,401	1,255,648	(35,539,324)	412,450,606
\$ 16,115,473	\$ 1,139,589	\$ 2,859,682	\$ 47,241,728	\$ 14,582,350	\$ 26,685,808	\$ 8,054,209	\$ (54,649,001)	\$ 650,177,869

**Genesis Health System  
and Related Organizations**

**Consolidating Statement of Operations and Changes in Net Assets Information  
Year Ended June 30, 2011**

	GHS Iowa	GHS Illinois	Eliminations	Obligated Group *
Change in unrestricted net assets				
Unrestricted revenue				
Net patient service revenue	\$ 426,304,354	\$ 90,335,398	\$ (501,483)	\$ 516,138,269
Other service revenue, net	-	989,704	-	989,704
Medical office building rental revenue	-	-	-	-
Other revenue	15,172,870	2,920,434	(665,367)	17,427,937
<b>Total revenue</b>	<b>441,477,224</b>	<b>94,245,536</b>	<b>(1,166,850)</b>	<b>534,555,910</b>
Expenses				
Salaries and wages	189,098,027	28,197,227	-	217,295,254
Employee benefits	46,577,460	6,505,022	(32,762)	53,049,720
Contracted professionals and services	33,914,573	6,579,662	(624,382)	39,869,853
Supplies	76,034,429	14,001,709	(157,973)	89,878,165
Other expenses	41,209,292	23,481,509	(351,733)	64,339,068
Provision for bad debts	21,627,108	5,984,974	-	27,612,082
Interest	4,262,725	445,255	-	4,707,980
Depreciation and amortization	27,881,858	3,850,479	-	31,732,337
<b>Total expenses</b>	<b>440,605,472</b>	<b>89,045,837</b>	<b>(1,166,850)</b>	<b>528,484,459</b>
<b>Operating income (loss)</b>	<b>871,752</b>	<b>5,199,699</b>	<b>-</b>	<b>6,071,451</b>
Nonoperating gains and (losses)				
Interest and dividend income and realized gains (losses) on sales of investments	6,863,056	359,948	-	7,223,004
Current year change in unrealized gains on trading securities	18,563,225	-	-	18,563,225
Other nonoperating income (expense)	573,724	322,515	-	896,239
Excess of fair value over equity acquired for GenGastro, LLC	14,958,732	-	-	14,958,732
<b>Nonoperating gains and (losses)</b>	<b>40,958,737</b>	<b>682,463</b>	<b>-</b>	<b>41,641,200</b>
<b>Excess of revenue over (under) expenses before equity in net income of subsidiaries</b>	<b>41,830,489</b>	<b>5,882,162</b>	<b>-</b>	<b>47,712,651</b>
Equity in net income of subsidiaries	597,354	386,290	-	983,644
<b>Excess of revenue over (under) expenses</b>	<b>42,427,843</b>	<b>6,268,452</b>	<b>-</b>	<b>48,696,295</b>
Less excess of fair value over equity acquired for GenGastro, LLC attributable to noncontrolling interests	-	-	-	-
Less excess of revenue over expenses attributable to noncontrolling interests	-	-	-	-
<b>Excess of revenue over expenses attributable to Genesis Health System</b>	<b>42,427,843</b>	<b>6,268,452</b>	<b>-</b>	<b>48,696,295</b>
Consolidate GenGastro, LLC	-	-	-	-
Excess of fair value over equity acquired for GenGastro, LLC attributable to noncontrolling interests	-	-	-	-
Income associated with noncontrolling interests	-	-	-	-
Distributions to noncontrolling interests	-	-	-	-
Contributions to (from) affiliates for capital expenditures	2,511,419	-	-	2,511,419
Net assets released from restrictions, for capital expenditures	-	-	-	-
Change in unrecognized funded status of retirement plan	20,918,020	-	-	20,918,020
<b>Increase (decrease) in unrestricted net assets</b>	<b>65,857,282</b>	<b>6,268,452</b>	<b>-</b>	<b>72,125,734</b>
Change in temporarily restricted net assets				
Contributions, investment income and other	44,928	-	-	44,928
Net assets released from restrictions, used for operations	-	-	-	-
Net assets released from restrictions, for capital expenditure	-	-	-	-
Change in interest in net assets of Foundation	3,136,904	(351,970)	-	2,784,934
<b>Increase (decrease) in temporarily restricted net assets</b>	<b>3,181,832</b>	<b>(351,970)</b>	<b>-</b>	<b>2,829,862</b>
Change in permanently restricted net assets, contributions, investment income and other	-	10,987	-	10,987
<b>Increase (decrease) in net assets</b>	<b>\$ 69,039,114</b>	<b>\$ 5,927,469</b>	<b>\$ -</b>	<b>\$ 74,966,583</b>

\* The Obligated Group includes Genesis Health System – Iowa (an Iowa nonprofit corporation) and Genesis Health System – Illinois (an Illinois not-for-profit corporation)

Genesis Health Services Foundation	Illini Hospital Foundation	GenGastro, LLC	The Larson Center Partnership	GenVentures, Inc	Genesis Health System Workers' Compensation Plan and Trust	Misencordia Assurance Company, Ltd	Davenport SRS Leasing, LLC	Eliminations	Total
\$ -	\$ -	\$ 3,150,642	\$ -	\$ 237,200	\$ -	\$ -	\$ -	\$ (4,484,681)	\$ 515,041,430
-	-	-	-	8,937,090	-	-	1,657,073	-	11,583,867
-	-	-	1,224,462	8,087,520	-	-	-	(7,840,527)	1,471,455
1,028,721	459,746	-	303	173,005	2,042,500	3,482,136	-	(10,564,151)	14,050,197
1,028,721	459,746	3,150,642	1,224,765	17,434,815	2,042,500	3,482,136	1,657,073	(22,889,359)	542,146,949
312,840	104,809	208,187	-	5,245,378	-	-	-	-	223,166,468
43,629	7,485	117,329	-	1,150,340	-	-	-	(2,431)	54,366,072
101,925	-	96,010	109,595	427,755	227,678	-	10,716	-	40,843,532
64,503	2,856	113,584	1,747	311,247	-	-	-	(4,200,436)	86,171,666
1,384,312	496,898	382,247	362,518	6,618,993	1,814,822	3,482,136	363,769	(17,774,896)	61,469,867
37,592	-	-	-	142,350	-	-	-	-	27,792,024
10,252	2,847	25	54,623	951,300	-	-	487,953	(911,596)	5,303,384
-	-	76,827	164,674	3,112,800	-	-	1,092,039	-	36,178,677
1,955,053	614,895	994,209	693,157	17,960,163	2,042,500	3,482,136	1,954,477	(22,889,359)	535,291,690
(926,332)	(155,149)	2,156,433	531,608	(525,348)	-	-	(297,404)	-	6,855,259
243,614	-	-	-	40,332	273,852	-	-	-	7,780,802
231,094	121,113	-	-	-	93,292	-	-	-	19,008,724
437,647	75,405	-	-	(81,150)	(740,731)	-	1,461	-	588,871
-	-	-	-	-	-	-	-	9,806,732	24,765,464
912,355	196,518	-	-	(40,818)	(373,587)	-	1,461	9,806,732	52,143,861
(13,977)	41,369	2,156,433	531,608	(566,166)	(373,587)	-	(295,943)	9,806,732	58,999,120
-	-	-	-	-	-	-	-	(983,644)	-
(13,977)	41,369	2,156,433	531,608	(566,166)	(373,587)	-	(295,943)	8,823,088	58,999,120
-	-	-	-	-	-	-	-	(9,806,732)	(9,806,732)
-	-	-	-	-	-	-	-	(842,288)	(842,288)
(13,977)	41,369	2,156,433	531,608	(566,166)	(373,587)	-	(295,943)	(1,825,932)	48,350,100
-	-	-	-	-	-	-	-	493,268	493,268
-	-	-	-	-	-	-	-	9,806,732	9,806,732
-	-	-	-	-	-	-	-	842,288	842,288
-	-	-	-	-	-	-	-	(743,310)	(743,310)
(2,511,419)	-	-	-	-	-	-	-	-	-
2,511,419	-	-	-	-	-	-	-	-	2,511,419
-	-	-	-	-	-	-	-	-	20,918,020
(13,977)	41,369	2,156,433	531,608	(566,166)	(373,587)	-	(295,943)	8,573,046	82,178,517
3,665,316	106,157	-	-	-	-	-	-	-	3,816,401
(1,024,579)	(458,127)	-	-	-	-	-	-	-	(1,482,706)
(2,511,419)	-	-	-	-	-	-	-	-	(2,511,419)
-	-	-	-	-	-	-	-	(2,701,217)	83,717
129,318	(351,970)	-	-	-	-	-	-	(2,701,217)	(94,007)
241,326	10,987	-	-	-	-	-	-	(10,987)	252,313
\$ 356,667	\$ (299,614)	\$ 2,156,433	\$ 531,608	\$ (566,166)	\$ (373,587)	\$ -	\$ (295,943)	\$ 5,860,842	\$ 82,336,823

**Genesis Health System  
and Related Organizations**

**Consolidating Statement of Operations and Changes in Net Assets Information  
Year Ended June 30, 2010**

	GHS Iowa	GHS Illinois	Eliminations	Obligated Group *
Change in unrestricted net assets				
Unrestricted revenue				
Net patient service revenue	\$ 436,040,490	\$ 92,948,135	\$ (467,309)	\$ 528,521,316
Other service revenue, net	-	1,203,532	-	1,203,532
Medical office building rental revenue	-	-	-	-
Other revenue	16,191,478	3,122,969	(1,817,320)	17,497,127
<b>Total revenue</b>	<b>452,231,968</b>	<b>97,274,636</b>	<b>(2,284,629)</b>	<b>547,221,975</b>
Expenses				
Salaries and wages	181,201,160	27,997,968	-	209,199,128
Employee benefits	44,938,904	6,426,016	(32,756)	51,332,164
Contracted professionals and services	36,800,610	6,432,764	(634,477)	42,598,897
Supplies	79,243,121	13,139,024	(158,015)	92,224,130
Other expenses	41,927,364	22,597,513	(1,459,381)	63,065,496
Provision for bad debts	27,401,892	7,990,850	-	35,392,742
Interest	4,418,926	1,171,670	-	5,590,596
Depreciation and amortization	28,953,192	3,647,575	-	32,600,767
<b>Total expenses</b>	<b>444,885,169</b>	<b>89,403,380</b>	<b>(2,284,629)</b>	<b>532,003,920</b>
<b>Operating income (loss)</b>	<b>7,346,799</b>	<b>7,871,256</b>	<b>-</b>	<b>15,218,055</b>
Nonoperating gains and (losses)				
Interest and dividend income and realized gains (losses) on sales of investments	11,127,240	118,687	-	11,245,927
Current year change in unrealized gains (losses) on trading securities	12,491,900	-	-	12,491,900
Other nonoperating income (expense)	(237,087)	(75,663)	-	(312,750)
Loss on extinguishment of debt	(1,514,471)	-	-	(1,514,471)
<b>Nonoperating gains and (losses)</b>	<b>21,867,582</b>	<b>43,024</b>	<b>-</b>	<b>21,910,606</b>
<b>Excess of revenue over (under) expenses before equity in net income (loss) of subsidiaries</b>	<b>29,214,381</b>	<b>7,914,280</b>	<b>-</b>	<b>37,128,661</b>
Equity in net income (loss) of subsidiaries	(358,454)	325,997	-	(32,457)
<b>Excess of revenue over (under) expenses</b>	<b>28,855,927</b>	<b>8,240,277</b>	<b>-</b>	<b>37,096,204</b>
Less excess of revenue over expenses attributable to noncontrolling interests	-	-	-	-
<b>Excess of revenue over (under) expenses attributable to Genesis Health System</b>	<b>28,855,927</b>	<b>8,240,277</b>	<b>-</b>	<b>37,096,204</b>
Income associated with noncontrolling interests	-	-	-	-
Distributions to noncontrolling interests	-	-	-	-
Transfers (to) from related organizations	146,142	(146,142)	-	-
Change in unrecognized funded status of retirement plan	(13,457,401)	-	-	(13,457,401)
<b>Increase (decrease) in unrestricted net assets</b>	<b>15,544,668</b>	<b>8,094,135</b>	<b>-</b>	<b>23,638,803</b>
Change in temporarily restricted net assets				
Contributions, investment income and other	(97,344)	-	-	(97,344)
Net assets released from restrictions, used for operations	-	-	-	-
Change in interest in net assets of Foundation	765,932	38,614	-	804,546
<b>Increase in temporarily restricted net assets</b>	<b>668,588</b>	<b>38,614</b>	<b>-</b>	<b>707,202</b>
Change in permanently restricted net assets, contributions, investment income and other	-	11,305	-	11,305
<b>Increase (decrease) in net assets</b>	<b>\$ 16,213,256</b>	<b>\$ 8,144,054</b>	<b>\$ -</b>	<b>\$ 24,357,310</b>

\* The Obligated Group includes Genesis Health System – Iowa (an Iowa nonprofit corporation) and Genesis Health System – Illinois (an Illinois not-for-profit corporation)

Genesis Health Services Foundation	Illini Hospital Foundation	The Larson Center Partnership	GenVentures, Inc	Genesis Health System Workers' Compensation Plan and Trust	Misericordia Assurance Company, Ltd	Davenport SRS Leasing, LLC	Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,398,607)	\$ 524,122,709
-	-	-	9,969,149	-	-	1,854,425	-	13,027,106
-	-	1,144,495	7,730,618	-	-	-	(7,474,969)	1,400,144
1,207,699	41,106	-	154,098	1,974,849	6,662,546	-	(8,047,047)	19,490,378
1,207,699	41,106	1,144,495	17,853,865	1,974,849	6,662,546	1,854,425	(19,920,623)	558,040,337
319,340	96,521	-	5,144,388	-	-	-	-	214,759,377
43,015	7,074	-	1,167,070	-	-	-	(2,574)	52,546,749
64,071	-	103,690	521,860	170,798	-	62,067	-	43,521,383
87,430	1,362	4,247	343,662	-	-	-	(4,252,833)	88,407,998
1,334,633	73,470	345,533	6,731,701	1,804,051	6,662,546	342,371	(15,561,188)	64,798,613
(1,577)	-	-	391,604	-	-	-	-	35,782,769
11,201	3,145	86,928	1,151,406	-	-	560,005	(227,110)	7,176,171
-	-	159,765	3,010,299	-	-	1,090,446	-	36,861,277
1,858,113	181,572	700,163	18,461,990	1,974,849	6,662,546	2,054,889	(20,043,705)	543,854,337
(650,414)	(140,466)	444,332	(608,125)	-	-	(200,464)	123,082	14,186,000
(172,299)	1,437	609	16,323	344,023	-	-	(227,110)	11,208,910
660,445	106,403	-	-	400,181	-	-	-	13,658,929
174,942	37,847	-	298,431	-	-	3,907	104,028	306,405
-	-	-	-	-	-	-	-	(1,514,471)
663,088	145,687	609	314,754	744,204	-	3,907	(123,082)	23,659,773
12,674	5,221	444,941	(293,371)	744,204	-	(196,557)	-	37,845,773
-	-	-	-	-	-	-	32,457	-
12,674	5,221	444,941	(293,371)	744,204	-	(196,557)	32,457	37,845,773
-	-	-	-	-	-	-	12,530	12,530
12,674	5,221	444,941	(293,371)	744,204	-	(196,557)	44,987	37,858,303
-	-	-	-	-	-	-	(12,530)	(12,530)
-	-	-	-	-	-	-	(739,298)	(739,298)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	(13,457,401)
12,674	5,221	444,941	(293,371)	744,204	-	(196,557)	(706,841)	23,649,074
2,457,502	80,249	-	-	-	-	-	-	2,440,407
(916,912)	(41,635)	-	-	-	-	-	-	(958,547)
-	-	-	-	-	-	-	(743,379)	61,167
1,540,590	38,614	-	-	-	-	-	(743,379)	1,543,027
(214,302)	11,305	-	-	-	-	-	(11,305)	(202,997)
\$ 1,338,962	\$ 55,140	\$ 444,941	\$ (293,371)	\$ 744,204	\$ -	\$ (196,557)	\$ (1,461,525)	\$ 24,989,104

Genesis Health System

EIN# 36-3616314

Form 990

Tax Period Ending June 30, 2011

The above-named taxpayer has an IRS-approved extended due date of February 15, 2012, for filing their Form 990 for the tax period ended June 30, 2011. In accordance with the IRS's request and IRS Notice 2012-4, the taxpayer delayed filing the Form 990 until after March 1, 2012 and prior to March 30, 2012. The taxpayer respectfully requests that the return be accepted as timely filed and that any late filing notice/fee be abated for reasonable cause.