



See a Social Security Number? Say Something!
Report Privacy Problems to <https://public.resource.org/privacy>
Or call the IRS Identity Theft Hotline at 1-800-908-4490



Form 990  Department of the Treasury Internal Revenue Service	Return of Organization Exempt From Income Tax Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation) ▶ The organization may have to use a copy of this return to satisfy state reporting requirements	OMB No 1545-0047
		2010
		Open to Public Inspection

A For the 2010 calendar year, or tax year beginning 07-01-2010 and ending 06-30-2011		
B Check if applicable ☐ Address change ☐ Name change ☐ Initial return ☐ Terminated ☐ Amended return ☐ Application pending	C Name of organization ST MARY'S HOSPITAL SISTERS OF THE THIRD ORDER OF ST FRANCIS Doing Business As	D Employer identification number 37-0661244
	Number and street (or P O box if mail is not delivered to street address) 1800 E LAKE SHORE DRIVE	Room/suite
	E Telephone number (217) 464-2966	
	G Gross receipts \$ 134,714,149	
	F Name and address of principal officer kevin f kast 1800 E LAKE SHORE DRIVE DECATUR,IL 62521	
		H(a) Is this a group return for affiliates? ☐ Yes ☒ No
		H(b) Are all affiliates included? ☐ Yes ☐ No If "No," attach a list (see instructions)
		H(c) Group exemption number ▶ 0928
I Tax-exempt status ☒ 501(c)(3) ☐ 501(c) () ◀ (Insert no) ☐ 4947(a)(1) or ☐ 527		
J Website: ▶ WWW.STMARYSDECATUR.COM		
K Form of organization ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶		L Year of formation 1878
		M State of legal domicile IL

Part I	Summary
---------------	----------------

Activities & Governance	1 Briefly describe the organization's mission or most significant activities To participate in the health care ministry of the church and provide a family-centered approach in meeting the community's health care needs regardless of ability to pay																								
	2 Check this box ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets																								
	<table><tr><td>3 Number of voting members of the governing body (Part VI, line 1a)</td><td>3</td><td>11</td></tr><tr><td>4 Number of independent voting members of the governing body (Part VI, line 1b)</td><td>4</td><td>8</td></tr><tr><td>5 Total number of individuals employed in calendar year 2010 (Part V, line 2a)</td><td>5</td><td>1,311</td></tr><tr><td>6 Total number of volunteers (estimate if necessary)</td><td>6</td><td>345</td></tr><tr><td>7a Total unrelated business revenue from Part VIII, column (C), line 12</td><td>7a</td><td>55,297</td></tr><tr><td>b Net unrelated business taxable income from Form 990-T, line 34</td><td>7b</td><td>-37,508</td></tr></table>	3 Number of voting members of the governing body (Part VI, line 1a)	3	11	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	8	5 Total number of individuals employed in calendar year 2010 (Part V, line 2a)	5	1,311	6 Total number of volunteers (estimate if necessary)	6	345	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	55,297	b Net unrelated business taxable income from Form 990-T, line 34	7b	-37,508						
3 Number of voting members of the governing body (Part VI, line 1a)	3	11																							
4 Number of independent voting members of the governing body (Part VI, line 1b)	4	8																							
5 Total number of individuals employed in calendar year 2010 (Part V, line 2a)	5	1,311																							
6 Total number of volunteers (estimate if necessary)	6	345																							
7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	55,297																							
b Net unrelated business taxable income from Form 990-T, line 34	7b	-37,508																							
Revenue	<table><tr><td>8 Contributions and grants (Part VIII, line 1h)</td><td>Prior Year</td><td>Current Year</td></tr><tr><td>9 Program service revenue (Part VIII, line 2g)</td><td>3,287,686</td><td>2,458,455</td></tr><tr><td>10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)</td><td>126,707,304</td><td>127,410,553</td></tr><tr><td>11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)</td><td>1,516,301</td><td>2,938,286</td></tr><tr><td>12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)</td><td>2,071,531</td><td>35,166</td></tr><tr><td></td><td>133,582,822</td><td>132,842,460</td></tr></table>	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year	9 Program service revenue (Part VIII, line 2g)	3,287,686	2,458,455	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	126,707,304	127,410,553	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	1,516,301	2,938,286	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	2,071,531	35,166		133,582,822	132,842,460						
	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year																						
	9 Program service revenue (Part VIII, line 2g)	3,287,686	2,458,455																						
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	126,707,304	127,410,553																						
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	1,516,301	2,938,286																						
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	2,071,531	35,166																						
	133,582,822	132,842,460																							
Expenses	<table><tr><td>13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)</td><td>0</td><td>0</td></tr><tr><td>14 Benefits paid to or for members (Part IX, column (A), line 4)</td><td>0</td><td>0</td></tr><tr><td>15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)</td><td>57,514,189</td><td>57,394,166</td></tr><tr><td>16a Professional fundraising fees (Part IX, column (A), line 11e)</td><td>0</td><td>0</td></tr><tr><td>b Total fundraising expenses (Part IX, column (D), line 25) ▶⁰</td><td></td><td></td></tr><tr><td>17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)</td><td>78,895,901</td><td>79,804,522</td></tr><tr><td>18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)</td><td>136,410,090</td><td>137,198,688</td></tr><tr><td>19 Revenue less expenses Subtract line 18 from line 12</td><td>-2,827,268</td><td>-4,356,228</td></tr></table>	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	57,514,189	57,394,166	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0	b Total fundraising expenses (Part IX, column (D), line 25) ▶ ⁰			17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	78,895,901	79,804,522	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	136,410,090	137,198,688	19 Revenue less expenses Subtract line 18 from line 12	-2,827,268	-4,356,228
	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0																						
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0																						
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	57,514,189	57,394,166																						
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0																						
	b Total fundraising expenses (Part IX, column (D), line 25) ▶ ⁰																								
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	78,895,901	79,804,522																						
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	136,410,090	137,198,688																						
19 Revenue less expenses Subtract line 18 from line 12	-2,827,268	-4,356,228																							
Net Assets or Fund Balances	<table><tr><td></td><td>Beginning of Current Year</td><td>End of Year</td></tr><tr><td>20 Total assets (Part X, line 16)</td><td>149,184,672</td><td>139,522,997</td></tr><tr><td>21 Total liabilities (Part X, line 26)</td><td>83,481,117</td><td>72,395,048</td></tr><tr><td>22 Net assets or fund balances Subtract line 21 from line 20</td><td>65,703,555</td><td>67,127,949</td></tr></table>		Beginning of Current Year	End of Year	20 Total assets (Part X, line 16)	149,184,672	139,522,997	21 Total liabilities (Part X, line 26)	83,481,117	72,395,048	22 Net assets or fund balances Subtract line 21 from line 20	65,703,555	67,127,949												
		Beginning of Current Year	End of Year																						
	20 Total assets (Part X, line 16)	149,184,672	139,522,997																						
	21 Total liabilities (Part X, line 26)	83,481,117	72,395,048																						
22 Net assets or fund balances Subtract line 21 from line 20	65,703,555	67,127,949																							

Part II	Signature Block
----------------	------------------------

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

Sign Here	***** Signature of officer	2012-05-15 Date			
	KEVIN KAST chief executive officer Type or print name and title				
Paid Preparer Use Only	Print/Type preparer's name KPMG LLP	Preparer's signature KPMG LLP	Date	Check if self-employed ☐	PTIN
	Firm's name ▶ KPMG LLP				Firm's EIN ▶
	Firm's address ▶ 191 West Nationwide Blvd Ste 500 Columbus, OH 432152568				Phone no ▶ (614) 249-2300

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

Part III

Statement of Program Service Accomplishments

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

1

Briefly describe the organization's mission

To participate in the health care ministry of the church and provide a FAMILY-CENTERED APPROACH IN MEETING THE COMMUNITY'S HEALTH CARE NEEDS REGARDLESS OF ABILITY TO PAY

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 \$ 51,406,973 including grants of \$) (Revenue \$ 127,410,553)

SEE SCHEDULE O - Statement of Program Service Accomplishments

4b

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

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 \$ 51,406,973

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 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 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	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? 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	No
11 If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI. 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII. 	11b	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII. 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX. 	11d	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? Note. 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		No
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b–24d and complete Schedule K. If "No," go to line 25</i>	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26	Yes	
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	Yes	
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		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33	Yes	
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	34	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	35		No
a	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> ☐ Yes ☒ No			
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance			
Check if Schedule O contains a response to any question in this Part V ☐			
		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	66
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	2a	1,311
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	Yes
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
1a	Enter the number of voting members of the governing body at the end of the tax year		
1b	Enter the number of voting members included in line 1a, above, who are independent		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	Yes	
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		No
6	Does the organization have members or stockholders?	Yes	
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	Yes	
7b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	Yes	
8b	Each committee with authority to act on behalf of the governing body?	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		No

Section B. Policies

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection. Indicate how you make these available. Check all that apply. ☐ Own website ☐ Another's website ☒ Upon request
19	Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization. REBECCA COLKER 1800 E LAKE SHORE DRIVE DECATUR, IL 62521 (217) 464-2970

Part VII

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

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

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) SR HELEN MARIE PLUMMER OSF BOARD MEMBER	1 0	X						0	0	0
(2) SR MARYBETH CULNAN OSF BOARD MEMBER	1 0	X						0	0	0
(3) KEVIN KAST CHIEF EXECUTIVE Officer	60 0	X		X				0	418,200	149,987
(4) JOHN SKEFFINGTON SECRETARY	1 0	X		X				0	0	0
(5) KEVIN BREHENY CHAIRPERSON	1 0	X		X				0	0	0
(6) JON ROBINSON VICE-CHAIRPERSON	1 0	X		X				0	0	0
(7) MARK CHEVIRON BOARD MEMBER	1 0	X						0	0	0
(8) PAT DAWSON BOARD MEMBER	1 0	X						0	0	0
(9) Fr JOE MOLLOY BOARD MEMBER	1 0	X						0	0	0
(10) BOB WIESEMANN BOARD MEMBER	1 0	X						0	0	0
(11) CLAUDIA MADDING BOARD MEMBER	1 0	X						0	0	0
(12) THERESA J RUTHERFORD COO	60 0			X				196,709	0	36,428
(13) ANN CARR TREASURER	25			X				0	191,336	109,542
(14) REBECCA COLKER CHIEF FINANCIAL OFFICER	60 0			X				254,463	0	42,190
(15) MARIA GRANZOTTI CHIEF MEDICAL OFFICER	20 0				X			351,938	0	11,603
(16) MARY HARTMAN CRNA	40 0					X		242,419	0	64,035

Part VII

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(17) DEANNA HITCHENS CRNA	40 0					X		216,399	0	25,166
(18) SHEILA HOLLINDEN CRNA	40 0					X		199,659	0	64,322
(19) BETH MCCOY CRNA	40 0					X		220,380	0	47,080
(20) ROBERTA MCBRIDE CRNA	40 0					X		216,113	0	75,006
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								1,898,080	609,536	625,359

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▶34

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

Section B. Independent Contractors

1	Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization		
	(A) Name and business address	(B) Description of services	(C) Compensation
	WALSH CONSTRUCTION 929 WEST ADAMS CHICAGO, IL 60607	CONTRACTOR	20,763,617
	CHRISTY-FOLTZ INC 740 SOUTH MAIN STREET DECATUR, IL 62525	CONTRACTOR	1,092,940
	Central IL Emergency Physicians PO Box 793 TRAVERSE CITY, MI 496850793	Emergency Dept Mgmt	1,063,025
	REHAB CARE 7733 FORSYTH BOULEVARD ST LOUIS, MO 63105	CONTRACTOR	841,860
	MAYO MEDICAL LABORATORY PO BOX 4100 ROCHESTER, NY 559034100	LABORATORY SERVICES	534,655
2	Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization ▶24		

Part VIII

Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a					
	b	Membership dues	1b					
	c	Fundraising events	1c					
	d	Related organizations	1d	2,458,455				
	e	Government grants (contributions)	1e					
	f	All other contributions, gifts, grants, and similar amounts not included above	1f					
	g	Noncash contributions included in lines 1a-1f \$						
	h	Total. Add lines 1a-1f		2,458,455				
	Program Service Revenue	2a	NET PATIENT SERVICE REVENUE		900099	127,410,553	127,410,553	
b								
c								
d								
e								
f		All other program service revenue						
g		Total. Add lines 2a–2f			127,410,553			
Other Revenue		3	Investment income (including dividends, interest and other similar amounts)			2,921,388		2,921,388
		4	Income from investment of tax-exempt bond proceeds . . .			0		
	5	Royalties			0			
	6a	Gross Rents	(i) Real 1,206,569	(ii) Personal				
	b	Less rental expenses	1,871,237					
	c	Rental income or (loss)	-664,668					
	d	Net rental income or (loss)			-664,668		-664,668	
	7a	Gross amount from sales of assets other than inventory	(i) Securities 17,350	(ii) Other				
	b	Less cost or other basis and sales expenses	452					
	c	Gain or (loss)	16,898					
	d	Net gain or (loss)			16,898		16,898	
	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 . . .			0			
	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 . . .			0			
10a	Gross sales of inventory, less returns and allowances		a					
b	Less cost of goods sold	b						
c	Net income or (loss) from sales of inventory . . .			0				
Miscellaneous Revenue			Business Code					
11a	CAFETERA/CAFE		722210	644,537		644,537		
b	REFERENCE LAB		621500	39,000	39,000			
c	LAUNDRY SERVICES		900099	10,641	10,641			
d	All other revenue			5,656	5,656			
e	Total. Add lines 11a–11d			699,834				
12	Total revenue. See Instructions			132,842,460	127,410,553	55,297	2,918,155	

Part IX

Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.

All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the U S See Part IV, line 21	0			
2	Grants and other assistance to individuals in the U S See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	235,103		235,103	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	40,972,788	35,997,368	4,975,420	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	3,141,742	3,141,742		
9	Other employee benefits	10,021,137	61,253	9,959,884	
10	Payroll taxes	3,023,396	3,023,396		
a	Fees for services (non-employees)				
	Management	4,089,674	760,850	3,328,824	
b	Legal	1,672,800	600	1,672,200	
c	Accounting	240,977		240,977	
d	Lobbying	0			
e	Professional fundraising services See Part IV, line 17	0			
f	Investment management fees	0			
g	Other	16,258,216	2,318,012	13,940,204	
12	Advertising and promotion	841,068	1,023	840,045	
13	Office expenses	513,077	314,095	198,982	
14	Information technology	60,672		60,672	
15	Royalties	0			
16	Occupancy	1,779,162	1,504,676	274,486	
17	Travel	187,226	136,127	51,099	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	0			
20	Interest	0			
21	Payments to affiliates	6,394,047	315,259	6,078,788	
22	Depreciation, depletion, and amortization	6,347,989	108,679	6,239,310	
23	Insurance	1,880,090	124,904	1,755,186	
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	SUPPLIES	17,864,587	70,251	17,794,336	
b	BAD DEBTS	13,505,801		13,505,801	
c	MEDICAID TAX ASSESSMENT	3,961,607		3,961,607	
d	OTHER	4,207,218	3,528,738	678,480	
e	DUES AND SUBSCRIPTIONS	311		311	
f	All other expenses				
25	Total functional expenses. Add lines 1 through 24f	137,198,688	51,406,973	85,791,715	0
26	Joint costs. Check here ☒ 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			285,989	1	284,136
	2	Savings and temporary cash investments			5,435,395	2	660,147
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			21,239,368	4	19,847,632
	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			2,867,210	8	3,133,264
	9	Prepaid expenses and deferred charges			935,278	9	1,006,726
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a	196,110,819	56,397,398	10c	78,623,403
	b	Less: accumulated depreciation	10b	117,487,416			
	11	Investments—publicly traded securities			60,035,556	11	35,519,441
	12	Investments—other securities. See Part IV, line 11				12	
	13	Investments—program-related. See Part IV, line 11				13	
	14	Intangible assets				14	
	15	Other assets. See Part IV, line 11			1,988,478	15	448,248
	16	Total assets. Add lines 1 through 15 (must equal line 34)			149,184,672	16	139,522,997
Liabilities	17	Accounts payable and accrued expenses			19,128,795	17	21,288,344
	18	Grants payable				18	
	19	Deferred revenue			26,608	19	95,538
	20	Tax-exempt bond liabilities			29,633,909	20	28,956,551
	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				23	
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities. Complete Part X of Schedule D			34,691,805	25	22,054,615
	26	Total liabilities. Add lines 17 through 25			83,481,117	26	72,395,048
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here ☒ and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets			53,104,217	27	53,667,061
	28	Temporarily restricted net assets			11,369,452	28	12,259,905
	29	Permanently restricted net assets			1,229,886	29	1,200,983
	Organizations that do not follow SFAS 117, check here ☐ 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			65,703,555	33	67,127,949
	34	Total liabilities and net assets/fund balances			149,184,672	34	139,522,997

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	132,842,460
2	Total expenses (must equal Part IX, column (A), line 25)	2	137,198,688
3	Revenue less expenses Subtract line 2 from line 1	3	-4,356,228
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	65,703,555
5	Other changes in net assets or fund balances (explain in Schedule O)	5	5,780,622
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	67,127,949

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 ☐ Cash ☒ Accrual ☐ 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 ☐ Separate basis ☒ Consolidated basis ☐ 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?	Yes	
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	Yes	

SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
ST MARY'S HOSPITAL SISTERS OF THE
THIRD ORDER OF ST FRANCIS

Employer identification number

37-0661244

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?

11g(i)

Yes

No

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

11g(ii)

Yes

No

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

11g(iii)

Yes

No

h

☐

Provide the following information about the supported organization(s)

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

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

Cat No 11285F

Schedule A (Form 990 or 990-EZ) 2010

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).

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 ST MARY'S HOSPITAL SISTERS OF THE THIRD ORDER OF ST FRANCIS	Employer identification number 37-0661244
--	--

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><thead><tr><th>If the amount on line 1e, column (a) or (b) is:</th><th>The lobbying nontaxable amount is:</th></tr></thead><tbody><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></tbody></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?		☐ Yes ☐ No													

4-Year Averaging Period Under Section 501(h)
(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the 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)?		No	
	c Media advertisements?		No	
	d Mailings to members, legislators, or the public?		No	
	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		16,611
	j Total lines 1c through 1i			16,611
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	
a	Current year		
b	Carryover from last year		
c	Total		
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
DESCRIPTION OF OTHER LOBBYING ACTIVITIES	SCHEDULE C, PART II B, QUESTION 1I	ST MARY'S HOSPITAL ("THE HOSPITAL") IS A MEMBER OF THE CATHOLIC HEALTH, ILL ASSOCIATION ("CHA"), THE ILLINOIS HEALTH ASSOCIATION ("IHA"), THE NATIONAL ASSOCIATION FOR HOME CARE AND HOSPICE, AND THE AMERICAN HEALTH ASSOCIATION ("AHA") AS A MEMBER OF THESE ORGANIZATIONS, THE HOSPITAL PAYS DUES. A PART OF THESE DUES IS ATTRIBUTABLE TO LOBBYING FEES PAID BY THE ORGANIZATIONS. \$13,611 OF THE AMOUNT LISTED ABOVE IS THE AMOUNT ATTRIBUTABLE TO THE HOSPITAL FROM ITS DUES PAID. The hospital paid \$3,000 during the year to Julie Curry, a professional lobbyist through its legal counsel.

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
ST MARY'S HOSPITAL SISTERS OF THE
THIRD ORDER OF ST FRANCIS

Employer identification number

37-0661244

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? ☐ Yes☐ No	
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? ☐ Yes☐ No	

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

a

Total number of conservation easements

b

Total acreage restricted by conservation easements

c

Number of conservation easements on a certified historic structure included in (a)

d

Number of conservation easements included in (c) acquired after 8/17/06

2a

Held at the End of the Year

2b

2c

2d

3

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

4

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

5

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

☐ 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

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations
- 4

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

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

☐ Yes

☐ No

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

- 1a

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

☐ Yes

☐ No
- b

If "Yes," explain the arrangement in Part XIV and complete the following table
- | | |
|----|--------|
| | Amount |
| 1c | |
| 1d | |
| 1e | |
| 1f | |

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

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

- | | | | | | |
|----|--|---------------|-------------------|---------------------|--------------------|
| | (a)Current Year | (b)Prior Year | (c)Two Years Back | (d)Three Years Back | (e)Four Years Back |
| 1a | Beginning of year balance | | | | |
| b | Contributions | | | | |
| c | Investment earnings or losses | | | | |
| d | Grants or scholarships | | | | |
| e | Other expenditures for facilities and programs | | | | |
| f | Administrative expenses | | | | |
| g | End of year balance | | | | |
- 2

Provide the estimated percentage of the year end balance held as
- a

Board designated or quasi-endowment ▶
- b

Permanent endowment ▶
- c

Term endowment ▶
- 3a

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

unrelated organizations

(ii)

related organizations

b

If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?
- | | | |
|--------|-----|----|
| | Yes | No |
| 3a(i) | | |
| 3a(ii) | | |
| 3b | | |
- 4

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

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

Description of investment	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		3,295,160		3,295,160
b Buildings		47,134,830	28,067,967	19,066,863
c Leasehold improvements		33,880,171	23,885,248	9,994,923
d Equipment		79,630,810	65,534,201	14,096,609
e Other		32,169,848	0	32,169,848
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				78,623,403

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
ASC SUBTOPIC 740-10		On July 1, 2007, the Obligated Group adopted ASC Subtopic 740-10, Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109. ASC Subtopic 740-10 addresses the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under ASC Subtopic 740-10, the Obligated Group must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. ASC Subtopic 740-10 also provides guidance on derecognition, classification, interest and penalties on income taxes, and accounting in interim periods, and requires increased disclosures. As of June 30, 2011 and 2010, the Obligated Group does not have a liability for unrecognized tax benefits.

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

OMB No 1545-0047

2010

Open to Public Inspection

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

Name of the organization
ST MARY'S HOSPITAL SISTERS OF THE
THIRD ORDER OF ST FRANCIS

Employer identification number
37-0661244

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	
1b	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 ☐ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ 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 a 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 ☐ 100% ☒ 150% ☐ 200% ☐ Other _____% 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 ☐ 200% ☐ 250% ☒ 300% ☐ 350% ☐ 400% ☐ Other _____% c 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 4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	Yes	
5b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	Yes	
5c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?		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?	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H		

7 Financial Assistance and Certain Other Community Benefits at Cost						
Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)	1	5,239	2,885,363		2,885,363	2 330 %
b Unreimbursed Medicaid (from Worksheet 3, column a)	1	25,565	11,179,741		11,179,741	9 040 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)	1	2,546	405,932	326,772	79,160	0 060 %
d Total Financial Assistance and Means-Tested Government Programs	3	33,350	14,471,036	326,772	14,144,264	11 430 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)		13,767	557,942	1,386	556,556	0 450 %
f Health professions education (from Worksheet 5)	5	2,350	226,026	16,656	209,370	0 170 %
g Subsidized health services (from Worksheet 6)	5	35,460	65,332,995	64,310,752	1,022,243	0 830 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)	5	11,443	1,371,122	1,038,575	332,547	0 270 %
j Total Other Benefits	15	63,020	67,488,085	65,367,369	2,120,716	1 720 %
k Total. Add lines 7d and 7j	18	96,370	81,959,121	65,694,141	16,264,980	13 150 %

Part IICommunity 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
1Physical improvements and housing						
2Economic development						
3Community support	2	3,621	128,975	59,134	69,841	0.060 %
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development						
9Other						
10Total	2	3,621	128,975	59,134	69,841	0.060 %

Part IIIBad 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	5,091,687
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	0
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	40,308,254
6	Enter Medicare allowable costs of care relating to payments on line 5	6	37,810,993
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	2,497,261
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: ☐ Cost accounting system ☒ Cost to charge ratio ☐ Other		

Section C. Collection Practices

9a	Does the organization have a written debt collection policy?	9a	Yes
9b	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 IVManagement 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				
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

Schedule H (Form 990) 2010

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

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

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

Name and address	Type of Facility (Describe)
1	
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g, open medical staff, community board, use of surplus funds, etc)
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
PART I, LINE 3C		Not applicable as the organization does follow Federal Poverty Guidelines to determine eligibility for providing charity and discounted care to low-income uninsured and underinsured individuals

Identifier	ReturnReference	Explanation
PART I, LINE 6A		The organization does not have an annual community benefit report. They do, however, plan to begin preparing a report and to make it available to the public for future years.

Identifier	ReturnReference	Explanation
PART I, LINE 7G		The organization provides numerous clinical services despite the fact services yield a net financial loss to the organization Subsidized health services provided by the organization include the service lines of emergency services, obstetrics/nursery, observation, and behavioral health

Identifier	ReturnReference	Explanation
PART I, LINE 7 COLUMN (F)		The percent of charity care and certain other benefits at cost as a percent of total expenses less bad debt is 13.15%. The amount of bad debt expense removed when calculating the percentages in Part I, Line 7, column (F) was \$13,505,801.

Identifier	ReturnReference	Explanation
PART I, LINE 7		Costing methodology for amounts reported in table The common method for estimating the true economic cost of medical services is to adjust the charges through the use of cost-to-charge ratios Cost-to-charge ratios convert charges for medical services to their true economic costs Applying cost-to-charge ratios to medical service charges produces average estimates of true costs The cost-to-charge ratio represents total hospital operating costs divided by total gross billed charges The exception to the costing methodology described in the preceding paragraph is for the amount for subsidized services on line 7g, for which a costing information system was utilized More accurate allocations of direct costs are available through the use of that system, and were applied for the subsidized health services a For FY2011, total charity care expense was \$7,653,483 as reported on the income statement The net community benefit costs, after applying the cost-to-charge ratio of 37.7%, was \$2,885,363 b For FY2011, unpaid cost of Medicaid was \$22,548,736 The net community benefit cost, after applying the cost-to-charge ratio of 37.7%, was \$11,179,741 Actual cost is the net of revenue (charges) minus expenses Actual cost can be traced directly to (or identified with) a specific cost center or cost object such as a department, process, or product The following other benefits are calculated using actual costs from the income statement c For FY2011, unreimbursed cost from other means tested government programs realized revenue of \$326,772 and expenses \$405,932 The net community benefit expense was \$79,160 d Total of line 7a through 7c e For FY2011, community health improvement services and benefit operations realized revenue of \$1,386 and expenses \$557,942 The net community benefit expense was \$556,556 f For FY2011, health professions education realized revenues of \$16,656 and expense of \$226,026 The net community benefit expense was \$209,370 g For FY2011, subsidized health services realized revenues of \$64,310,752 and expenses of \$65,332,995 The net community benefit expense was \$1,022,243 h For FY2011, cash and in-kind contributions realized revenues of \$1,038,575 and expenses of \$1,371,122 The net community benefit expense was \$332,547 Actual cash contributions of \$197,142 are included and consist of charitable contributions made to organizations in the community i Total of lines 7e through 7i j Total of lines 7d and 7j

Identifier	ReturnReference	Explanation
PART II		The organization provides a senior center and language translation service to the community 3 For FY2011, community support realized revenues of \$59,134 and expenses of \$128,975 The net community building activity expense was \$69,841 The Lake Shore Connection program is focused on individuals age 55 and over Participants in the program can obtain courtesy transportation to and from health related appointments The organization offers participants free quarterly health screenings, discounts on monthly lunch and learn programs, and other resources to assist participants in staying productive, healthy, and independent well into the future We touched the lives of 1,600 participating senior citizens through this community program Spectra Corp, the language translation service, provides assistance to patients who do not speak English The organization believes providing this service is essential to making sure all members of the community have access to excellent health care

Identifier	ReturnReference	Explanation
PART III, LINE 4		The footnote text related to bad debt expense from the audited financial statements reads as follows "The Obligated Group also provides a significant amount of uncompensated care for patients, which is not included above, but is reported in the consolidated statements of operations as a provision for uncollectible accounts Many of those patients are uninsured or underinsured, but did not apply for, or qualify for, charity care " Please note that reference is made to the "Obligated Group", of which this organization is a member The organization strongly believes that its charity care, and the related community benefit obtained from such care, is understated because of those patients that potentially qualify for charity care but do not wish to apply for it In addition, some care is not classified as charity due to missing documentation on patient resources Thus, the organization's bad debt may include a portion that could be classified as charity care if application for such care was sought and/or completed The organization is in the process of implementing processes, procedures, and systems to more effectively determine charity care that will reduce a patient's documentation requirements when applying for charity care This will provide a more accurate reporting of charity care services provided by the organization Actual bad debt expense was \$13,505,801 as reported on the income statement After applying the cost-to-charge ratio of 37.7%, the total cost of bad debt was \$5,091,687 The amount of bad debt expense attributable to patients eligible under the organization's charity care policy was \$4,046 After applying the cost-to-charge ratio of 37.7%, the total cost of bad debt was \$1,517 Bad debt costs attributable to charity represent the bad debt cost of services provided to charity care patients that were identified initially as eligible for charity care A system report was created on patient accounts written off to bad debt and a second report was created that showed accounts with charity adjustments during fiscal year ended June 30, 2011 Identical patient accounts from each type of report were identified in order to determine which "charity" accounts were finally written off to bad debts at some point thereafter The organization's cost to charge ratio was applied to the bad debt amounts identified to arrive at an estimated bad debt cost

Identifier	ReturnReference	Explanation
PART III, LINE 8		The organization continually strives to provide excellent patient care in the most cost effective fashion. Nonetheless, the Medicare program, in many cases, does not provide payment that covers the full cost of the care provided. Since it is the mission of the organization to respond to community need, the organization's management continually advocates for improved Medicare payment so that the cost of quality care to those patients that are not able to afford it is not compromised and is fairly subsidized by all payers. While this shortfall in Medicare payments is not classified as community benefit by the IRS, we nonetheless believe it is an important contribution made by the organization to the health and well being of the community. Our mission calls us to serve all patients with the highest possible quality and efficiency, even if we are not paid fully for doing so. The organization serves thousands of persons covered by Medicare. Like Medicaid, Medicare funding does not cover the actual cost of delivering hospital services to people enrolled in the program. In the fiscal year ended June 30, 2011, the organization had to make up the \$17.1 million difference between what Medicare paid and the actual cost of services to Medicare beneficiaries.

Identifier	ReturnReference	Explanation
PART III, LINE 9(B)		The organization has a policy on account resolution that outlines the procedures to be followed in collecting balances on outstanding patient bills. Besides addressing the procedures and follow-up for accounts covered by insurance or governmental programs, the policy discusses situations where the patient may be eligible for financial assistance through our charity care program. If a patient is deemed eligible, reference is made to the organization's charity care policy. Even with the best intentions, patients cannot always meet their responsibility to pay for the care they receive. For a number of reasons, from the loss of a job to temporary hardships, this leaves the organization to cover the unpaid balance or even the entire bill, an expense for the organization referred to as "bad debt". In the fiscal year ended June 30, 2011, bad debt expense was \$13.5 million with no outside source of funding to help compensate for the expense. The cost, after applying the cost to charge ratio, was \$5 million. This is a growing problem. Bad debt accounted for 4% of our total costs in the fiscal year ended June 30, 2011 and constituted a significant community benefit.

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT		An integral part of the mission of St Mary's Hospital is the commitment to meet the health care needs of all in the community, regardless of ability to pay. The organization's service to the community would not be possible without the shared leadership and active engagement of our community partners. Together, we assess the health care needs of the community, identify health priorities, and work to create viable solutions to fulfill the growing health-related needs and challenges in our community. In the past, the organization collaborated with United Way, other non-profit organizations, and local community groups in the community in conducting a community health needs assessment survey, which was conducted every four years. The results were evaluated for unmet and underserved healthcare needs and utilized for determining whether programs should be added, expanded, or in some cases, scaled back so resources can be allocated to areas of greater need. The assessment helped us develop strategies for improving community health. As a member of the Community Health Committee, the organization participated in a 2010 community needs assessment in partnership with Macon County Health Department. Ten leaders from various specialties in our hospital worked together to identify, gather, and analyze information surrounding the top three priority health concerns: obesity, heart disease, and diabetes. This included the risk factors, direct and indirect contributing factors, barriers to addressing, and proven intervention strategies for addressing each of these concerns. In addition to the existing services and education that we currently provide, we continue to look for new ways to collaborate with our community partners to improve access to healthcare and continue to address these identified needs. The organization is one of thirteen hospitals under a parent organization, Hospital Sisters Health System, Inc. The parent organization has formed the Community Benefit Planning Team that is currently developing suggested guidelines for each hospital's local needs assessment for implementation during the year ended June 30, 2012. Leede Research has been chosen to assist local systems in gathering primary data for all service areas in calendar year 2011. In the meantime, our organization continues to evaluate existing data to evaluate existing programs and identify where additional needs can be met. Each hospital now has a Community Benefit Coordinator who will utilize CBISA software to track and report the community benefit activities in the organization. Three Advisory Councils assist the organization in identifying community health care needs and organizations for involvement. These councils are comprised of members of the community representing area businesses, clergy, education, and non-profit organizations, as well as patients. The focus of these groups is two-way communication between the hospital and the community. The St Mary's Hospital Advisory Council advises the hospital on a wide range of strategies, including unmet needs in the community. The Oncology Advisory Council advises St Mary's specifically about cancer-related needs and services, and is comprised entirely of cancer survivors. The Rehabilitation Advisory Council likewise advises specifically about rehabilitative-related needs and services. Additional efforts to engage and seek input from the community include the formation of a Strategic Planning Committee during the year ended June 30, 2010. Community leaders were selected and invited to participate as a member of this committee, along with representatives from the organization's management team, Board of Directors, and medical staff. This committee developed a five year strategic plan for the organization. Involvement from the community leaders insured the community has a voice in the healthcare services being offered and also those identified as needs for enhancement or development. One of the activities reviewed by the committee in establishing plans was a community survey regarding healthcare in our service area. This committee will remain in tact, and meets on a regular basis to review progress and adjust plans as necessary to meet the needs of our community. Input is obtained from the patients we serve through patient satisfaction surveys. Input provided through some of these surveys was taken into consideration in the development of the hospital's master facility plan, which has resulted in a current major Emergency Room capital project. The hospital Board of Directors is community-based and maintains a good pulse on the community we serve. They provide valuable input on an ongoing basis on the community's healthcare needs. The System (parent organization) revised the process for selecting the hospital Board of Directors from a System-dominated board to a community-focused board in 2008.

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE		The Registration Department provides brochures to patients upon registration regarding the payment assistance programs available to them at St Mary's Hospital. The brochures are also supplied in waiting and ancillary areas for easy access by the patient. Contact numbers for several agencies are listed in the brochure, as well as information about how to read and understand the bill. Information on payment assistance, billing procedures, and explanations of Medicare forms are available on the organization's website. The organization has a representative on site to assist patients who may be eligible for Medicaid assistance through the Illinois Department of Public Assistance. They work with patients to determine if they may be eligible, and if so, assist in pulling together the necessary application for submission. Patients are also provided a Fair Billing Act Notification at the point of registration regarding separate physician billing they can expect to receive, plus information about the patient's financial responsibility if their insurance plan is out of network. One on one conversation to educate patients about financial assistance often stems from patients receiving a statement or a pre-collection letter. At that point, the customer service representative or cashier, or other qualified staff, will inform/educate the caller about financial assistance options. The first pre-collection letter reminds the patient their account is in delinquent status. It also informs them they may be eligible for financial assistance through the organization's Charity Care program. The letter provides direct contact information to begin the application process for Charity Care. A system called Search America is now being utilized after failed attempts made by the hospital and by our law firm to work out payment arrangements. That system accesses credit and other information and allows us to see the probability of a patient being able to pay their bill. After assessing that information, the hospital makes a determination whether to grant charity or continue collection efforts.

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION		The organization's primary service area is Macon County, Illinois, with surrounding counties comprising much of the secondary and tertiary service area. The population of Macon County in 2010 was estimated at 110,768, which represented a decrease of 3.4% since 2000. The median household income, reported in 2009, was \$44,407. The poverty rate for the same period was 15.1%. Primary, secondary, and tertiary service area demographic information is used to identify ages and incomes of each segment. The only growing population in each service area is age 64+. The aging population will have an impact on the development of future services at the organization. The racial makeup of the county in 2010 was 79% White, 16% African American, with other races comprising the remaining 5%. Macon County has experienced high unemployment rates the past few years, but improvement was reported by the end of calendar year 2010. In June 2011, the Illinois unemployment rate was 9.1% with 603,521 citizens out of work. This is slightly lower than the national rate of 9.2% for that period. Macon County has 580 square miles in land area and a population density of 186.6 per square mile. The town of Decatur, which is where St. Mary's Hospital is located, is the county seat and also the largest city in Macon County. Macon County employment of 2009 was 50,809. The lead industries were Educational Services, health Care and Social Assistance, 22% and manufacturing 19%.

Identifier	ReturnReference	Explanation
PROMOTION OF COMMUNITY HEALTH		St Mary's Hospital offers hope to our community in the tradition of the Hospital Sisters of St Francis. As a healing ministry of the Catholic Church and an affiliate of the Hospital Sisters Health System ("HSHS"), St Mary's is committed to delivering high quality, compassionate, and cost-effective health care services to all. The hospital was founded over 130 years ago to bring a healing presence and improve the health of our community, especially for people who are sick, poor, and disadvantaged. St Mary's hospital remains committed to serving the health care needs of the community, regardless of ability to pay. Because of the hospital's purpose and tradition, it is organized to promote the health of Decatur and surrounding areas. The hospital is governed by a Board of Directors, the majority of which is comprised of persons who reside in the organization's primary service area and who are neither employees nor contractors of the hospital (nor family members thereof). The Board ensures that St Mary's is responding to community need as described under #2 above. As a not-for-profit hospital, St Mary's reinvests surplus funds into the mission of the organization and health of the community rather than distributing them as profits to shareholders or individuals. Funds not committed to ongoing operations are generally used to upgrade facilities, secure new technologies, improve patient care, train clinicians, and support initiatives designed to promote health for all. For example, St Mary's is working with its parent organization, Hospital Sisters Health System, to continuously enhance quality and improve coordination of care both inside the hospital and with a growing number of physician partners. Supported by investments in information technology, this "care integration" strategy is designed to better coordinate care, improve health outcomes, create new efficiencies, and help ensure that patients (especially those with chronic conditions) get well and stay well. St Mary's devotes significant resources to access for patients who cannot afford care, along with other community benefits. In the fiscal year ended June 30, 2011, the organization provided \$16.3 million in Community Benefit services, including charity care at cost, unpaid costs of Medicaid and other public programs, and a range of diverse programs designed to enhance access and improve community health. Additionally, during this period, the organization provided \$5.1 million (at cost) in uncompensated care to patients that did not qualify for charity care or public assistance and \$17.1 million (at cost) in excess of Medicare payment for health care services. Responding to Community Need. The range of benefits provided by St Mary's Hospital flows from our mission and long-standing commitment to our community. In many cases, these programs would be unlikely to exist without the leadership role played by St Mary's Hospital. They also often relieve a burden that would otherwise be carried by government. Some of the notable examples of how the organization contributes to the wellness, prevention, and improving the health of the community include: a) The Prenatal Clinic. The prenatal clinic serves uninsured and underinsured mothers. It provides both prenatal and postnatal care. Each year, the clinic cares for approximately 250 women and babies, with an estimated 2,546 visits. The clinic is unique in that each woman has her own physician, ensuring comprehensive and consistent prenatal care. In addition, community resources are invited to participate in the clinic, giving patients full exposure to options available to them. b) Power to End Stroke. The organization partners with the American Heart Association's Power to End Stroke program. This program raises awareness in the African-American community about the risk factors and prevalence of stroke. Community awareness events are held as part of this program. c) Adult Day Services. The organization operates an adult day care program for adults unable to totally care for themselves, and do not have home assistance during the day. This program provides a safe, caring environment for participants, while providing respite for caregivers. To increase accessibility, transportation is available. d) Collaborative Post-Acute Care Initiative. The organization formed a community collaborative with post-acute care providers during the fiscal year ended June 30, 2010 to address the needs of patients needing care after their acute hospital stay. Participants include assisted living facilities, critical access hospitals, supported living facilities, and nursing homes. This group meets quarterly and as a result of their collaboration, has improved the coordination of services in such areas as discharge processes, handling medications and information sharing, which all help to provide a better patient experience. e) Educational Support. Employees often serve as speakers at schools in our service areas, community even.

Identifier	ReturnReference	Explanation
PROMOTION OF COMMUNITY HEALTH		ts, etc The organization and its staff support the programs of Project Success in working to help children succeed in school by collaborating with local agencies, schools and other businesses in the community (example is the school supply distribution program) Staff members provide training to the local paramedics, first responder groups, and fire departments. Additionally, area organizations receive CPR training through the hospital's EMS Department f) AthleticCare Program The organization provides athletic training services to the surrounding community athletes This includes recreational athletes participating in community events, such as the Rodney T. Miller Lakeside Triathlon and the Shoreline Classic 5k/15k race The hospital provides athletic training services to various area junior and senior high schools for injury management and prevention of selected athletic programs Athletic trainers employed by the hospital serve as experts on physical exercise for the community and provide informational presentations several times a year They also provide instruction for new athletes to begin training in a safe and successful manner with the Decatur Tri-Gators, a local USAT triathlon club g) Lake Shore Connection This is a program focused on individuals age 55 and over Participants in the program can obtain courtesy transportation to and from health related appointments, free quarterly health screenings, discounts on monthly lunch and learn programs, and other resources to assist participants in staying productive, healthy, and independent well into the future h) Buy a Senior a Meal St. Mary's Hospital, as a partner in the community effort help fight local hunger, pledged \$ 45,000 to the area Catholic Charities Meals on Wheels program after state funding cuts resulted in a drastic reduction to the program's services This also prompted the launch of the "Buy a Senior a Meal" community campaign during which area residents can sponsor meals for area seniors at the cost of \$7 each i) Items Donated The organization routinely donates food to local food pantries Other donations to nonprofit causes include equipment and medical supplies Additionally, our staff contributes their time in volunteering to assist these organizations in their valuable community efforts j) Community Health Fairs St. Mary's maintains partnerships with many organizations in the community to promote health and wellness The hospital participates in numerous community health fairs Listed below are the community health screenings held during the fiscal year ended June 30, 2011 World Breadfeeding Week Health Screenings 8/5/2010 WOMEN'S DAY 8/21/2010 GSI HEALTH FAIR 9/10/2010 TRADES & LABOR POST LABOR DAY HEALTH FAIR 9/11/2010 KEYSTONE MEADOWS/GARDENS HEALTH FAIR 9/28/2010 TATE & LYLE RETIREE HEALTH FAIR 9/30/2010 ADM HEALTH FAIR 10/15/2010 ADM HEALTH FAIR 10/16/2010 LANGUAGE OF LUNGS HEALTH FAIR 11/17/2010 CLERGY DAY HEALTH SCREENINGS 11/18/2010 LIVING WORD MINISTRIES HEALTH FAIR 1/22/2011 Heart Month - Screenings x5 2/1/2011 OKO Fun & Fitness Fair 2/12/2011 Girl Scout Community Health Fair 3/2/2011 Grace United Methodist Church Health Fair 3/6/2011 Lake Shore Connection Health Fair 3/23/2011 Mt. Zion Business Expo Health Screenings 3/26/2011 World Health Day 4/7/2011 Mt. Zion Teacher Health & Wellness Fair 4/21/2011 Seniorama Health Fair Screenings 5/6/2011 Agri-Fab Employee Health Fair 5/11/2011 Heritage Behavioral Health Fair 5/13/2011 Maroa Fire Dept Open House / Health Fair 5/14/2011 YMCA Senior Health & Fitness Fair 5/25/2011 Screenings - Come Together, Let's Walk 6/13/2011 Macon Co. Employees Benefit Fair 6/15/2011 Love Yourself Fair - Main St. Church of God 6/26/2011 In addition to the health fairs, the organization collaborates with members of the medical staff to provide sessions on important health education topics to members of the community Free, accessible monthly educational sessions, and health screenings are offered at the local

Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE SYSTEM		St Mary's Hospital Decatur is an affiliate of Hospital Sisters Health System. The mission of Hospital Sisters Health System ("HSHS") is to serve those in need through a health care ministry that values compassion, respect and reverence for life. The nearly 14,000 colleagues who make up HSHS are dedicated to this mission and to providing high quality health care to whoever seeks our services. By living our mission each day, HSHS colleagues constantly strive to provide the highest quality and most cost-effective and compassionate health care to those we are privileged to serve. Our health care ministry extends across 12 communities in Wisconsin and Illinois and includes 13 hospitals, dozens of community-based health centers and clinics, and more than 2,000 physician partners. As part of our mission to provide healing and hope to the three million people we serve, we have developed Community Benefit initiatives that 1) expand access to health care, 2) enhance overall health status and 3) promote medical education. In the Fiscal Year that ended June 30, 2011, HSHS hospitals provided \$166.1 million in Community Benefits (or 8.7% of total expenses), an increase of \$15.7 million from FY 2010. Of this amount, \$37.1 million was provided for charity care and \$99.8 million was the amount of unreimbursed care provided under the Medicaid program. In addition, HSHS hospitals committed significant resources in serving the Medicare population. The cost of providing services to primarily elderly beneficiaries of the Medicare program, in excess of governmental and managed care contract payments, was \$183.8 million during Fiscal Year 2011. HSHS hospitals also recorded \$103.9 million in uncollectible accounts. HSHS strengthens the health of our communities by continually reinvesting any surplus revenue from operations and investments into new medical technology, facility infrastructure and health care services. These investments ensure that our hospitals can continue to provide high quality, compassionate care to our patients. During Fiscal Year 2011, HSHS also continued to invest in our Care Integration strategy that places the patient at the center of our work while allowing us to deliver care in a more cost-effective and efficient manner. These investments are designed to better coordinate care, improve health outcomes, create new efficiencies, and help ensure that patients (especially those with chronic conditions) get well and stay well. Our Care Integration strategy is delivering promising results. An example is our three Medical Home pilot projects. Diabetic Patients enrolled in Medical Homes in rural Illinois experienced an average 42 percent decrease in their blood glucose levels while their unplanned readmissions to the hospital dropped to zero. HSHS is making significant progress implementing interoperable health information technologies and robust health information exchanges. In central Illinois, HSHS is joining with other health care providers to develop a statewide Health Information Exchange ("HIE") that will allow health care providers to exchange clinical information, such as medication histories and test results, access that information at the point of care and make better informed decisions with their patients. HSHS understands that our investments in information technology will have a positive impact on the quality, safety and efficiency of health care. 1. Expanding access to health care. An integral component of our Community Benefit initiatives is to provide care to every patient who seeks our services without exception. To that end, HSHS hospitals have established Charity Care program guidelines that cover 100% of hospital charges for individuals and families who earn 125% to 250% of the federal poverty level. HSHS hospital's Charity Care guidelines have sliding scales, in some instances providing up to a 50% discount on charges for those earning up to 600% of the federal poverty level. HSHS hospitals have created simple forms for those wishing to apply for Charity Care and assign counselors to visit with inpatients who are uninsured to let them know about our charity care policies and provide assistance filling out applications for financial assistance or enrollment in publicly funded health care programs. HSHS hospitals also work collaboratively with others to enhance access to health care services for those in need. St. John's Hospital in Springfield, IL has partnered with Memorial Medical Center, Southern Illinois University School of Medicine and other community partners to support the Coordinated Access to Community Health ("CATCH") initiative. The free program is being made available to uninsured adults in Sangamon County to help them access routine medical care, specialty doctors and affordable medicine. Launched in May 2011, CATCH enrolls patients as they visit social service agencies or when they leave hospital emergency rooms. Enrollees are then referred to Springfield's federally funded pri

Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE SYSTEM		mary care clinic, Capitol Community Health Center, or participating doctors' private offices Grants from St John's Hospital, Memorial Medical Center, United Way of Central Illinois and the Dominican Sisters offset CATCH's first year of expenses Patient advocates at St John's Hospital and Memorial Medical Center help uninsured patients find primary or specialty doctors and make appointments, and arrange for financial assistance from participating social service agencies for prescription drugs In the first three months since the program was launched, CATCH signed up more than 250 physicians in the community who agreed to see patients at no charge The program endeavors to enroll up to 6,000 uninsured patients within the next few years By making it easier for uninsured residents to get preventive health care services, CATCH organizers believe uninsured patients' medical problems will be addressed early, helping improve their quality of life St Mary's Hospital Medical Center in Green Bay, WI supports the NEW Community Clinic, a 38-year-old free health center for the uninsured and underinsured St Mary's provides free and discounted laboratory and radiology services to the clinic More than 70 percent of patients say the clinic's care allowed them to avoid having to seek care in a local Emergency Room For the past decade, St Anthony's Memorial Hospital in Effingham, IL has teamed up with Effingham Catholic Charities to co-sponsor the Prescription Assistance Program Catholic Charities' staff members work with clients who need prescription medication but may not be able to afford them because they are uninsured or underinsured Due to the financial support of St Anthony's, the program is able to provide needed prescriptions to dozens of residents each month St Francis Hospital in Litchfield, IL collaborated with local dental care providers to coordinate and provide a free day of dental care to uninsured individuals The collaboration was the result of a community needs assessment that determined access to dental care was a priority in the community The "Community Day of Dental Care" provided free dental cleanings, X-Rays, and extractions to 90 uninsured individuals Among those 90 people served included a military veteran who has been unable to obtain dental care after a St Louis facility closed He was able to have five teeth extracted Another person served was a young woman who needed some minor restorative care which greatly improved her appearance She was very grateful because she had a job interview coming up and would be able to attend the interview feeling better about her appearance 2 Enhancing the health status of the community Another component of our Community Benefit initiatives is to improve the quality of life in our communities Our hospitals work closely with a wide array of public and private organizations that share our commitment to enhancing health and wellness We know that by working together, we can maximize our efforts by sharing resources, reduce duplication of services, and make it easier for residents to get the services and knowledge they need to live healthier lives HSHS hospitals also understand they need to listen closely to the residents of the communities they serve to ensure the health care needs of all are being met Sacred Heart Hospital in Eau Claire, WI invited more than 1,400 area residents to share their vision for health care during a series of focus groups Participants included constituents that are often overlooked low-income, vulnerable populations and minority groups The visioning sessions captured the voices of special populations, Among Mutual Assistance Association members, Amish farmers, seniors, young children and other diverse groups The feedback provided led to more than 100 actionable items that were assessed and/or implemented over the first six months since the sessions concluded One action taken by Sacred Heart Hospital and St Joseph's Hospital in Chi

Identifier	ReturnReference	Explanation
STATE FILING OF COMMUNITY BENEFIT REPORT	990 SCHEDULE H, PART VI	IL,

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

ST MARY'S HOSPITAL SISTERS OF THE THIRD ORDER OF ST FRANCIS

Employer identification number

37-0661244

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		
	☐ First-class or charter travel ☐ Housing allowance or residence for personal use ☐ Travel for companions ☐ Payments for business use of personal residence ☐ Tax idemnification and gross-up payments ☐ Health or social club dues or initiation fees ☐ Discretionary spending account ☐ 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	
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	
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		
	☒ Compensation committee ☒ Written employment contract ☒ Independent compensation consultant ☒ Compensation survey or study ☒ Form 990 of other organizations ☒ 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	No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	No
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) KEVIN KAST	(i)	0	0	0	0	0	0	0
	(ii)	359,829	24,600	33,771	126,681	24,126	569,007	0
(2) THERESA J RUTHERFORD	(i)	190,709	6,000	0	21,774	15,451	233,934	233,726
	(ii)	0	0	0	0	0	0	0
(3) ANN CARR	(i)	0	0	0	0	0	0	0
	(ii)	152,228	11,100	28,008	92,165	18,090	301,591	0
(4) REBECCA COLKER	(i)	247,463	7,000	0	27,536	15,474	297,473	0
	(ii)	0	0	0	0	0	0	0
(5) MARY HARTMAN	(i)	242,419	0	0	48,731	16,034	307,184	0
	(ii)	0	0	0	0	0	0	0
(6) DEANNA HITCHENS	(i)	213,899	2,500	0	12,486	13,373	242,258	0
	(ii)	0	0	0	0	0	0	0
(7) SHEILA HOLLINDEN	(i)	199,659	0	0	56,269	8,649	264,577	0
	(ii)	0	0	0	0	0	0	0
(8) BETH MCCOY	(i)	220,380	0	0	22,253	25,557	268,190	325,145
	(ii)	0	0	0	0	0	0	0
(9) ROBERTA MCBRIDE	(i)	216,113	0	0	60,352	15,324	291,789	448,111
	(ii)	0	0	0	0	0	0	0
(10) MARIA GRANZOTTI	(i)	351,938	0	0	0	12,194	364,132	0
	(ii)	0	0	0	0	0	0	0
(11)								
(12)								
(13)								
(14)								
(15)								
(16)								

Part III **Supplemental Information**

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

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

Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

▶ **Complete if the organization answered**
"Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c,
or Form 990-EZ, Part V lines 38a or 40b.
▶ **Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.**

OMB No 1545-0047

2010

Open to Public
Inspection

Name of the organization
ST MARY'S HOSPITAL SISTERS OF THE
THIRD ORDER OF ST FRANCIS

Employer identification number

37-0661244

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) Bolen Robinson Ellis	Board Member	326,435	legal services		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
BUSINESS TRANSACTIONS INVOLVING INTERESTED PERSONS	FORM 990 SCHEDULE L, PART IV	BOARD MEMBER, JON ROBINSON, IS A 50% PARTNER IN THE BOLEN, ROBINSON LAW FIRM THE FIRM PROVIDES LEGAL SERVICES TO THE ORGANIZATION AND ALL SERVICES WERE CONSIDERED TO BE ARMS-LENGTH TRANSACTIONS

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 ST MARY'S HOSPITAL SISTERS OF THE THIRD ORDER OF ST FRANCIS		Employer identification number 37-0661244

Identifier	Return Reference	Explanation
STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS	FORM 990, PAGE 3 PART III	During the year, St Mary's Hospital undertook Geropsych, Interventional Cardiology, and Occupational Health as new Program Services not reported on the prior year's 990 ST MARY'S HOSPITAL PROVIDES QUALITY MEDICAL HEALTHCARE REGARDLESS OF RACE, CREED, SEX NATIONAL ORIGIN, HANDICAP, AGE, OR ABILITY TO PAY ALTHOUGH REIMBURSEMENT FOR SERVICES RENDERED IS CRITICAL TO THE OPERATION AND STABILITY OF ST MARY'S HOSPITAL, IT IS RECONGNIZED THAT NOT ALL INDIVIDUALS POSSESS THE ABILITY TO PURCHASE NECESSARY MEDICAL SERVICES INHERENT TO OUR MISSION, WE PROVIDE CARE TO THE POOR, THE ELDERLY, AND THE NEEDY OF THE COMMUNITY THROUGH VARIOUS PROGRAMS AND SERVICES THESE ACTIVITIES INCLUDE COMMUNITY EDUCATION PROGRAMS, WELLNESS PROGRAMS, AND SPECIAL PROGRAMS FOR THE ELDERLY, HANDICAPPED, MEDICALLY UNDERSERVED, AND A VARIETY OF BROAD COMMUNITY SUPPORT ACTIVITIES DURING FICAL YEAR 2011, ST MARY'S HOSPITAL PROVIDED 37,414 ADULT AND PEDIATRIC DAYS OF CARE AND 156,623 OUTPATIENT VISITS DURING THE SAME TIME PERIOD ST MARY'S HOSPITAL PROVIDES BOTH BENEFITS TO THE POOR AND TO THE BROADER COMMUNITY BENEFITS TO THE POOR ARE PROVIDED ON THE FORM OF TRADITIONAL CHARITY CARE FOR THOSE WHO CANNOT AFFORD TO PAY, UNPAID COSTS OF PUBLIC PROGRAMS SUCH AS MEDICAID AND GENERAL RELIEF, NONBILLED SERVICES FOR THE POOR AND MANY IN-KIND DONATIONS THE TOTAL VALUES OF THESE UNREIMBURSED BENEFITS FOR THE POOR WERE \$14,144,264 IN FISCAL YEAR 2011 ST MARY'S HOSPITAL PROVIDES NUMEROUS BENEFITS TO THE BROADER COMMUNITY THIS IS CARRIED OUT THROUGH OUR PARTICIPATION IN THE MEDICARE PROGRAM, PROVIDING MANY PROGRAMS AND SERVICES FREE OR AT A REDUCED PRICE, AND PROVIDING SERVICES THAT BENEFIT THE COMMUNITY BUT HAVE A NEGATIVE MARGIN TOALED \$17,953,697 DURING FISCAL YEAR 2010 ALL OTHER NONBILLED SERVICES PROVIDED TO THE COMMUNITY AND SERVICES PROVIDED AT LOW OR NEGATIVE MARGINS TOALED \$898,687 FOR THE YEAR ENDED 6/30/2010 BELOW ARE SPECIFIC EXAMPLES OF SERVICES INCLUDED IN THE ABOVE FIGURES THROUGH THE OPERATION OF ITS PRENATAL CLINIC, THE HOSPITAL PROVIDES BOTH PRE AND POST NATAL CARE TO THE POOR THE HOSPITAL ROUTINELY DONATES FOOD TO LOCAL FOOD PANTRIES OBSOLETE EQUIPMENT IS ALSO OCCASIONALLY DONATED TO LOCAL AGENCIES PROVIDE TRAINING TO THE LOCAL PARAMEDICS, FIRST RESPONDER GROUPS, AND FIRE DEPARTMENTS IN ADDITIONA, AREA ORGANIZATIONS RECEIVE CPR TRAINING THROUGH THE HOSPITAL'S EMS DEPARTMENT the HOSPITAL PARTICIPATES IN THE SECONDARY TRANSITIONAL EXPERIENCE PROGRAM BY PROVIDING EMPLOYMENT OPPORTUNITIES TO HANDICAPPED STUDENTS PASTORAL CARE AND SOCIAL SERVICE DEPARTMENTS PROVIDE ASSISTANCE FOR PATIENT AND FAMILY NEEDS PROVIDED LIFELINE VOICE COMMUNICATORS TO ELDERLY PATIENTS WITH SPECIAL NEEDS EMPLOYEES SERVE AS SPEAKERS AT HEALTH FAIRS, SCHOOLS, AND A VARIETY OF AREA ORGANIZATIONS ASSIST THE UNITED WAY CAMPAIGN BY HAVING STAFF MEMBERS ORGANIZE THE HOSPITAL'S ANNUAL FUND DRIVE PROVIDE A VARIETY OF HEALTH SCREENINGS TO THE PUBLIC IN DIFFERENT LOCATIONS THROUGHOUT THE COMMUNITY TAX EXEMPT BONDS FORM 990, PART IV, QUESTION 24 St Mary's Decatur HOLDS A LIABILITY ON ITS BOOKS FOR TAX-EXEMPT BONDS, WHICH IS AN ALLOCATION FROM ITS SOLE CORPORATE MEMBER, HOSPITAL SISTERS SERVICES, INC AS A RESULT, THIS QUESTION WAS ANSWERED NO, AND SCHEDULE K WILL BE COMPLETED ON THE HOSPITAL SISTERS SERVICES, INC FORM 990 Delegation of management Form 990, Part VI, Line 2 St Mary's Hospital outsources management of the Rehab department to better facilitate the health needs of its patients In doing so, St Mary's hospital is able to focus its efforts in other areas, improving the already exceptional quality provided in those areas

Identifier	Return Reference	Explanation
RIGHTS OF MEMBERS TO ELECT GOVERNING BODY	FORM 990, PART VI, LINES 6 & 7A	THE SENIOR GOVERNING BODY OF ST Mary's HOSPITAL (THE "CORPORATION") IS THE MEMBER OF THE CORPORATION, WHICH IS HOSPITAL SISTERS SERVICES, INC ("HSSI"), AN ILLINOIS NOT FOR PROFIT CORPORATION EXEMPT FROM FEDERAL TAXATION UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE. PURSUANT TO SECTION 2.3 OF THE CORPORATION'S BYLAWS, HSSI HAS THE RIGHT TO APPOINT AND REMOVE THE CORPORATION'S BOARD OF DIRECTORS, CHAIRPERSON OF THE BOARD AND PRESIDENT.

Identifier	Return Reference	Explanation
MEMBER RESERVED POWERS	FORM 990, PART VI, LINE 7B	Responsibility for the policy and operations of St Mary's Hospital (the "Corporation") is vested in its Board of Directors, except with respect to specific powers reserved in the Corporation's Bylaws to the Corporation's Member, Hospital Sisters Services, Inc ("HSSI"), an Illinois not for profit corporation exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code The member of HSSI is Hospital Sisters Health System ("HSHS"), an Illinois not for profit corporation exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code The members of HSHS are the individual sisters who, from time to time, are the duly elected Provincial Superior and Provincial Councilors, respectively of the American Province of the Hospital Sisters of St Francis ("American Province") The American Province is the United States organization of the Congregation of the Hospital Sisters of the Third Order Regular of St Francis, a religious institute of the Roman Catholic Church The governance and operations of the Corporation are subject to HSSI's right to exercise these reserved powers with respect to the Corporation and organizations of which the Corporation is either, directly or indirectly, a controlling member or a controlling shareholder ("Affiliates") HSSI's right to exercise certain of these reserved powers is, in turn, subject to the approval of HSHS and HSHS' members The reserved powers include all rights granted to HSSI by law and the right to (a) Adopt, approve amendments to, or amend any statement of philosophy, mission, mission integration or values, or any name, logo, or mark of the Corporation or of any Affiliate, (b) Adopt, approve amendments to, or amend the Articles of Incorporation of the Corporation or of any Affiliate, (c) Adopt, approve amendments to, or amend the Bylaws of the Corporation or of any Affiliate, (d) Appoint and remove the Board of Directors, any one or more of the Directors of the Corporation or of any Affiliate, and the Chairperson and President of the Corporation or of any Affiliate, (e) Approve the recommendation of the Board of Directors to appoint or remove the Board of Directors, any one or more Directors of the Corporation or of any Affiliate, or the Chairperson and President of the Corporation or of any Affiliate (f) With respect to the Corporation or any Affiliate, approve the purchase, sale, alienation, exchange, lease, or encumbrance of any real property of the Corporation or of any Affiliate, which property has a value in excess of limits set from time to time by HSSI, (g) Approve the operating and capital budgets of the Corporation or of any Affiliate, and any deviations by the Corporation or of any Affiliate from such budgets in an amount or percentage specified by HSSI from time to time, (h) Approve the strategic plan and goals of the Corporation or of any Affiliate, (i) Approve the sale of substantially all of the assets of the Corporation or of any Affiliate, (j) Approve the merger or dissolution of the Corporation or of any Affiliate, (k) Adopt or amend the plan for ministry education and governance for the Corporation and its Affiliates, (l) Approve the Corporation's Mission Accountability Reports and those of any Affiliate, (m) Approve the financial policies and procedures of the Corporation or of any Affiliate, and approve any deviations from such policies and procedures by the Corporation or any Affiliate, and (n) Adopt policies to implement the Reserved Powers of HSSI

Identifier	Return Reference	Explanation
FORM 990 REVIEW PROCESS	FORM 990, PART VI, LINE 11B	The hospital employs KPMG to assist in the overall review and electronic submission of its Form 990. KPMG provides guidance in identifying critical errors in the return submission, and feedback on quantitative and qualitative responses. Additionally, the hospital CFO performs a thorough review of the return and reviews it with the hospital CEO and/or senior leaders before presenting it in its entirety to the hospital Board for questioning and review prior to the return's signing and submission to the IRS.

Identifier	Return Reference	Explanation
CONFLICT OF INTEREST POLICY	FORM 990, PART VI, LINE 12C	The organization is subject to the corporate compliance program and conflict of interest p olicy ("policy") of Hospital Sisters Health System, an Illinois not for profit corporation exempt from federal taxation under section 501(c)(3) of the internal revenue code. A REVISED CORPORATE COMPLIANCE PROGRAM AND CONFLICT OF INTEREST POLICY HAVE BEEN IMPLEMENTED SINCE JANUARY, 2009 TO MANAGE CONFLICTS OF INTEREST USING A SYSTEM-WIDE PROTOCOL FOR DISCLOSURE STATEMENTS. IN ACCORDANCE WITH the organization's CONFLICT OF INTEREST POLICY, ALL COVERED PERSONS HAVE A DUTY TO COMPLY WITH THE CONFLICT OF INTEREST POLICY FOR ANY CONTRACT, TRANSACTION, RELATIONSHIP, OR ACTIVITY CONTEMPLATED, ENTERED INTO, OR CONDUCTED AT HSHS OR ITS AFFILIATES. THE POLICY DEFINES COVERED PERSONS AS BOARD MEMBERS, BOARD COMMITTEE MEMBERS, OFFICERS, BOARD DESIGNEES, SENIOR MANAGEMENT, MEMBERS OF ANY COMMITTEE THAT OVERSEES THE APPROVAL OF PHARMACEUTICALS AND MEDICAL DEVICES, and ANY OTHER INDIVIDUAL WHO HOLDS A POSITION OF TRUST. ON AN ANNUAL BASIS, HSHS DISCLOSES A COPY OF THE CONFLICT OF INTEREST POLICY (AND ALL CORRESPONDING PROCEDURES, GUIDELINES, FORMS, AND TOOLS) TO ALL COVERED PERSONS, AND ADVISES ALL COVERED PERSONS IN WRITING OF ANY SUBSTANTIVE CHANGES TO THIS POLICY AND SUCH RELATED MATERIALS. COVERED PERSONS ARE REQUIRED TO REVIEW AND COMPLETE THE CORRESPONDING CONFLICT OF INTEREST STATEMENT. THE SYSTEM OFFICE VICE PRESIDENT - SYSTEM RESPONSIBILITY, VICE PRESIDENT - RISK & COMPLIANCE, OR MEMBERS OF THE AUDIT AND INTEGRITY COMMITTEE ("COMMITTEE") ARE AVAILABLE TO ANSWER ANY QUESTIONS A COVERED PERSON MAY HAVE. IN ADDITION, IF AT ANY TIME AFTER SUBMITTING AN ANNUAL CONFLICT OF INTEREST STATEMENT, A COVERED PERSON BECOMES AWARE OF AN INTEREST THAT HE OR SHE WOULD HAVE HAD TO DISCLOSE AT THE ANNUAL INTERVAL, THE COVERED PERSON IS REQUIRED PROMPTLY TO DISCLOSE THE INTEREST TO THE COMMITTEE USING THE HSHS CONFLICT OF INTEREST DISCLOSURE STATEMENT. COMPLETED CONFLICT OF INTEREST STATEMENTS ARE SUBMITTED TO THE COMMITTEE, WHICH IS RESPONSIBLE FOR IDENTIFYING, ASSESSING, AND MANAGING CONFLICTS OF INTEREST THAT ARISE IN THE COURSE OF CONDUCTING THE AFFAIRS OF HSHS AND ITS AFFILIATES. IF THE COMMITTEE DETERMINES THAT A CONFLICT OF INTEREST EXISTS, THE CONFLICT OF INTEREST POLICY REQUIRES HSHS NOT TO ENGAGE IN, OR ENTER INTO, A PROPOSED CONTRACT, TRANSACTION, RELATIONSHIP, ARRANGEMENT, OR ACTIVITY UNLESS THE COMMITTEE OR, WHERE NECESSARY, THE BOARD OF DIRECTORS (ACTING THROUGH ITS DISINTERESTED MEMBERS), HAS INVESTIGATED ALTERNATIVES TO THE PROPOSED CONTRACT, TRANSACTION, RELATIONSHIP, ARRANGEMENT, OR ACTIVITY AND, IN THE ABSENCE OF ALTERNATIVES THAT ARE IN THE BEST INTERESTS OF HSHS, HAS DETERMINED 1 THAT, REGARDLESS OF WHETHER THE COVERED PERSON PARTICIPATES IN THE IMPLEMENTATION OF THE PROPOSED CONTRACT, TRANSACTION, RELATIONSHIP, ARRANGEMENT, OR ACTIVITY, 2 THE CONTRACT, TRANSACTION, ARRANGEMENT, OR ACTIVITY IS IN THE BEST INTERESTS OF HSHS, 3 THE CONTRACT, TRANSACTION, ARRANGEMENT, OR ACTIVITY IS FAIR AND REASONABLE FROM THE PERSPECTIVE OF HSHS, AND 4 HSHS CANNOT OBTAIN A MORE ADVANTAGEOUS CONTRACT, TRANSACTION, ARRANGEMENT, OR ACTIVITY WITH REASONABLE EFFORTS UNDER THE CIRCUMSTANCES. IN DETERMINING WHETHER A CONTRACT, TRANSACTION, OR ARRANGEMENT IS FAIR AND REASONABLE TO HSHS, THE COMMITTEE SHALL CONSIDER, WHERE APPLICABLE 1 APPRAISALS OR OTHER INDEPENDENT VALUATIONS OF THE FAIR MARKET VALUE OF THE CONTRACT, TRANSACTION, OR ARRANGEMENT, 2 INFORMATION REGARDING COMPARABLE CONTRACTS, TRANSACTIONS, OR ARRANGEMENTS BETWEEN UNRELATED PARTIES, 3 OFFERS FROM COMPARABLE COMPETING ENTITIES, AND/OR 4 STUDIES OF COMPARABLE COMPENSATION ARRANGEMENTS. IN ANY CASE IN WHICH THE COMMITTEE FINDS, AFTER TAKING THE STEPS DESCRIBED ABOVE, THAT HSHS SHOULD PARTICIPATE IN A PROPOSED TRANSACTION OR ARRANGEMENT DESPITE THE EXISTENCE OF A CONFLICT OF INTEREST, THE COMMITTEE SHALL DEVELOP, IMPLEMENT, MONITOR, AND ENFORCE COMPLIANCE WITH, A CONFLICT MANAGEMENT PLAN FOR MANAGING THE CONFLICT OF INTEREST AS IT CONSIDERS NECESSARY FOR SUCH FINDINGS TO REMAIN VALID THROUGHOUT THE LIFE OF THE CONTRACT, TRANSACTION, RELATIONSHIP, ARRANGEMENT, OR ACTIVITY. ALL CONFLICT MANAGEMENT PLANS SHALL 1 STATE THAT THE COMMITTEE WILL OVERSEE, MONITOR, AND ENFORCE COMPLIANCE WITH THE PLAN THROUGHOUT THE COURSE OF THE STUDY, AND SPECIFY MEANS FOR DOING SO, INCLUDING, WITHOUT LIMITATION, THAT THE APPROPRIATE INDIVIDUALS MUST PROVIDE THE COMMITTEE WITH WRITTEN REPORTS PERTAINING TO COMPLIANCE WITH THE CONFLICT MANAGEMENT PLAN, THAT THE COMMITTEE SHALL HAVE THE RIGHT TO AUDIT THE STUDY FOR SUCH COMPLIANCE, AND THE RIGHT TO IMPOSE SANCTIONS FOR NON-COMPLIANCE, 2 STATE THAT THE PLAN MUST BE SHARED WITH COVERED PERSON WHOSE INTERESTS IT WAS DEVELOPED TO MANAGE, 3 STATE THAT THE PLAN MUST BE SHARED WITH, AND PERIODIC REPORTS ON COMPLIANCE WITH THE PLAN MUST BE PROVIDED TO, THE BOARD, SENIOR MANAGEMENT, AND/OR GOVERNMENT AGENCIES, AND 4 PROVIDE FOR SUCH OTHER MANAGEMENT STEPS AND

Identifier	Return Reference	Explanation
CONFLICT OF INTEREST POLICY	FORM 990, PART VI, LINE 12C	MECHANISMS THE COMMITTEE CONSIDERS NECESSARY AND APPROPRIATE. IN ADDITION TO THE COMMITTEE, THE SYSTEM OFFICE VICE PRESIDENTS OF SYSTEM RESPONSIBILITY AND RISK & COMPLIANCE MAY RETAIN SUCH INDEPENDENT ADVISORS OR EXPERTS AS DEEMED NECESSARY TO ASSIST IN MAKING ITS DETERMINATIONS AND DECISIONS. IF THE COMMITTEE DETERMINES THAT THE CONTEMPLATED TRANSACTION, RELATIONSHIP, ARRANGEMENT, OR ACTIVITY CANNOT PROCEED DUE TO A CONFLICT OF INTEREST, THE COMMITTEE SHALL INFORM THE APPLICABLE COVERED PERSON OR DECISION-MAKING BODY OF SUCH DETERMINATION WITHIN ONE WEEK OF THE COMMITTEE MEETING AT WHICH THE CONTEMPLATED TRANSACTION WAS DISCUSSED. THE COMMITTEE SHALL DOCUMENT ITS REJECTION OF THE CONTEMPLATED TRANSACTION IN THE COMMITTEE'S MEETING MINUTES.

Identifier	Return Reference	Explanation
WHISTLEBLOWER POLICY	FORM 990, PART VI, LINE 13	Provisions within the Corporate Compliance Program and Conflict of Interest Policy provide protections for whistleblower type activities

Identifier	Return Reference	Explanation
COMPENSATION PROCESS	FORM 990, PART VI, LINE 15	The Compensation Committee ("Committee") is comprised of independent members of the Board of Directors. The Committee develops a compensation philosophy for the System and all affiliates. The Committee selects and hires the independent compensation consultant to develop comparability data and advise the Committee during its deliberations regarding all elements of total compensation for all disqualified individuals. Integrated Healthcare Strategies ("IHS"), the consultants utilized by the Committee, use data from multiple tax-exempt peer group sources to determine salary ranges, incentive opportunity ranges, and benefits for the disqualified individuals. IHS then assists the Committee in preparing contemporaneous documentation of all actions. Each Committee meeting is conducted with the intent to create a rebuttable presumption of reasonableness for all elements of executive total compensation for the disqualified individuals. The Chairman makes this declaration and also inquires if there are any conflicts of interest by any attendees. Any conflicts are disclosed and the Committee then acts in a manner to avoid any conflicted individual participating in any manner where a conflict might exist. At the end of the meeting, the Committee prepares contemporaneous minutes that record all actions taken during the meeting.

Identifier	Return Reference	Explanation
DOCUMENTS AVAILABLE TO THE PUBLIC	FORM 990, PART VI, LINE 19	Board-approved financial statements are made available to the public upon request. The governing documents and conflict of interest policy are not made available to the general public at this time.

Identifier	Return Reference	Explanation
POOLED INVESTMENT ACCOUNT	FORM 990, PART X, LINE 11	St. Mary's Hospital's cash reserves are invested in a pooled investment account. Participation in the pooled fund is limited to the 501(C)(3) Hospitals and related health services organizations sponsored by the Hospital Sisters Health System. The pooled account consists of cash, and equity and debt securities that are publicly traded. In accordance with the provisions of SFAS No. 124 "Accounting for certain investments held by Not-For-Profit Organizations," investments in equity securities with readily determinable values, and all investments in debt securities, are reported at fair value on the Balance Sheet. Income, realized and unrealized gains and losses are pooled and allocated to the participants. Individual components of assets and revenue are not identified to the participants.

Identifier	Return Reference	Explanation
other changes in net assets	Form 990, Part XI, Line 5	transfer to affiliates (4,486,000) change in pension funded status 6,647,000 net assets released from restrictions - PP&E 2,427,000 gain on sale of assets (16,898) net assets released from restrictions - general 32,000 increase in temporarily restricted net assets 892,000 decrease in permanently restricted net assets (30,000) other change in net assets (16,092) cumulative effect of change in accounting principle (1,626,000) unrealized gain 1,957,612 ----- total 5,780,622 =====

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME SR MARY BETH CULNAN, OSF TITLE BOARD MEMBER HOURS 74

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME ANN CARR TITLE TREASURER HOURS 75

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
ST MARY'S HOSPITAL SISTERS OF THE
THIRD ORDER OF ST FRANCIS

Employer identification number

37-0661244

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
(1) Springfield Health Partners LLC 4936 Laverna Road springfield, IL 62707 37-1364419	healthcare	IL	0	0	hshs mg
(2) Kiara Clinical Integration Network LLC 4936 Laverna Rd springfield, IL 62707 26-1417684	healthcare	IL	0	0	kiara inc

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
See Additional Data Table							

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproporionate 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	
See Additional Data Table												

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
See Additional Data Table							

Part V

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

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

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

a Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity

b Gift, grant, or capital contribution to other organization(s)

c Gift, grant, or capital contribution from other organization(s)

d Loans or loan guarantees to or for other organization(s)

e Loans or loan guarantees by other organization(s)

f Sale of assets to other organization(s)

g Purchase of assets from other organization(s)

h Exchange of assets

i Lease of facilities, equipment, or other assets to other organization(s)

j Lease of facilities, equipment, or other assets from other organization(s)

k Performance of services or membership or fundraising solicitations for other organization(s)

l Performance of services or membership or fundraising solicitations by other organization(s)

m Sharing of facilities, equipment, mailing lists, or other assets

n Sharing of paid employees

o Reimbursement paid to other organization for expenses

p Reimbursement paid by other organization for expenses

q Other transfer of cash or property to other organization(s)

r Other transfer of cash or property from other organization(s)

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

Yes

Yes

Yes

Yes

Yes

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) Praine Cardiovascular	q	2,181,000	
(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
transactions with related organizations	schedule r, part v, line 2	The transactions reported on line 1 and not specifically identified on line 2 are between related 501(c)(3) public charities accordingly they are not reported in this section

Software ID:

Software Version:

EIN: 37-0661244

Name: ST MARY'S HOSPITAL SISTERS OF THE
THIRD ORDER OF ST FRANCIS

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512 (b)(13) controlled organization	
						Yes	No
HOSPITAL SISTERS HEALTH SYSTEM 4936 LAVERNA ROAD SPRINGFIELD, IL62707 37-1058692	HEALTHCARE	IL	501(c)(3)	11A	NA		
Hospital Sisters Services Inc 4936 LAVERNA ROAD SPRINGFIELD, IL62707 37-1163402	HEALTHCARE	IL	501(c)(3)	11A	NA		
HOSPITAL SISTERS OF ST FRANCIS FDTN 4936 LAVERNA ROAD SPRINGFIELD, IL62707 37-1186514	HEALTHCARE	IL	501(c)(3)	11A	NA		
HSBS SELF INSURANCE TRUST FUND 4936 LAVERNA ROAD SPRINGFIELD, IL62707 37-1120626	INSURANCE	IL	501(c)(3)	11A	NA		
HSBS HEALTH CARE PLAN TRUST FUND 4936 LAVERNA ROAD SPRINGFIELD, IL62707 37-1137724	HEALTHCARE	IL	501(c)(9)	N/A	NA		
Hospital Sisters Healthcare West Inc 2661 COUNTY HIGHWAY 1 CHIPPEWA FALLS, WI54729 51-0157933	HEALTHCARE	WI	501(c)(3)	11A	NA		
SACRED HEART HOSPITAL 900 WEST CLAIREMONT AVENUE EAU CLAIRE, WI54701 39-0807060	HEALTHCARE	WI	501(c)(3)	3	NA		
ST ANTHONY'S HOSPITAL 503 N MAPLE STREET EFFINGHAM, IL624012099 37-0661233	HEALTHCARE	IL	501(c)(3)	3	NA		
ST ELIZABETH'S HOSPITAL 211 SOUTH THIRD STREET BELLEVILLE, IL622201998 37-0663567	HEALTHCARE	IL	501(c)(3)	3	NA		
ST NICHOLAS HOSPITAL 3100 SUPERIOR AVENUE SHEBOYGAN, WI530811948 39-0808480	HEALTHCARE	WI	501(c)(3)	3	NA		
ST JOHN'S HOSPITAL 800 EAST CARPENTER STREET SPRINGFIELD, IL62769 37-0661238	HEALTHCARE	IL	501(c)(3)	3	NA		
ST JOSEPH'S HOSPITAL 9515 HOLY CROSS LANE BREESE, IL622300099 37-1208459	HEALTHCARE	IL	501(c)(3)	3	NA		

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512 (b)(13) controlled organization	
						Yes	No
ST JOSEPH'S HOSPITAL 2661 COUNTY HIGHWAY 1 CHIPPEWA FALLS, WI54729 39-0810545	HEALTHCARE	WI	501(c)(3)	3	NA		
ST FRANCIS HOSPITAL 1215 FRANCISCAN DRIVE LITCHFIELD, IL62056 37-0661236	HEALTHCARE	IL	501(c)(3)	3	NA		
ST MARY'S HOSPITAL 111 SPRING STREET STREATOR, IL613643332 36-2169181	HEALTHCARE	IL	501(c)(3)	3	NA		
ST MARY'S MEDICAL CENTER 1726 SHAWANO AVENUE GREEN BAY, WI54303 39-0818682	HEALTHCARE	WI	501(c)(3)	3	NA		
ST VINCENT HOSPITAL 835 S VAN BUREN GREEN BAY, WI54301 39-0817529	HEALTHCARE	WI	501(c)(3)	3	NA		
ST JOSEPH'S HOSPITAL 1515 MAIN STREET HIGHLAND, IL62249 37-0663568	HEALTHCARE	IL	501(c)(3)	3	NA		
HSBS MEDICAL GROUP INC 4936 LAVERNA ROAD SPRINGFIELD, IL62707 26-3956318	HEALTHCARE	IL	501(c)(3)	11A	NA		
HSBS WISCONSIN MEDICAL GROUP INC 8040 Excelsior Drive STE 200 MADISON, WI53717 26-4515959	HEALTHCARE	WI	501(c)(3)	11A	NA		
Orange Cross Ambulance inc 919 Ashland Ave Sheboygan, WI53081 39-1860942	Healthcare	WI	501(c)(3)	9	St Nicholas		
Wisconsin Upper Peninsula Onc Mngmt Svcs 835 S Van Buren Green Bay, WI54301 39-1677100	Healthcare	WI	501(c)(3)	3	St Vincent		
Unity Limited Partnership 2366 Oak Ridge Circle De Pere, WI54115 39-1750729	Healthcare	WI	501(c)(3)	9	HSSI		

Form 990, Schedule R, Part III - Identification of Related Organizations Taxable as a Partnership

(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 on Box 20 of K-1 (\$)	(j) General or Managing Partner?		(k) Percentage ownership
							Yes	No		Yes	No	
Memorial and St Elizabeth's Healthcare 4000 North Illinois Street Swansea, IL62226 37-1312961	HealthCare	IL	St Elizabeth's	related	0	0		No	0		No	0 %
Prairie Heart Institute - Carbondale 800 East Carpenter Street Springfield, IL62769 37-1321197	HealthCare	IL	St John's	RELATED	0	0		No	0		No	0 %
Northeast Wisconsin Radiation Therapy Se 1821 S Webster Avenue STE 300 Green Bay, WI543079047 26-3749065	HealthCare	WI	HSSI	RELATED	0	0		No	0		No	0 %
Pain Center of Wisconsin 4131 W Loomis Road STE 300 Greenfield, WI53221 26-3155343	HealthCare	WI	St Vincent	related	0	0		No	0		No	0 %
Surgery Center of Sheboygan LLC 3141 Saemann Ave Sheboygan, WI53081 26-0822209	HealthCare	WI	St Nicholas	related	0	0		No	0		No	0 %
Prevea Ventures LLC 2710 EXECUTIVE DR Green Bay, WI54304 20-3775127	HealthCare	WI	HSSI	related	0	0		No	0		No	0 %
CARPENTER STREET HOTEL LLC 36-	HOTEL	IL	LASANTE INC	related	0	0		No	0		No	0 %
SPRINGFIELD URGENT CARE REAL E	RENT REAL ES	IL	LASANTE INC	related	0	0		No	0		No	0 %

Form 990, Schedule R, Part IV - Identification of Related Organizations Taxable as a Corporation or Trust

(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
Kiara Inc 4936 Laverna Rd Springfield, IL62707 37-1163401	HealthCare	IL	HSHS	C Corp	0	0	0 %
LaSante Wisconsin Inc 4936 Laverna Rd Springfield, IL62707 39-1572196	HealthCare	IL	Kiara Inc	C Corp	0	0	0 %
LaSante Inc 4936 Laverna Rd Springfield, IL62707 37-1163400	HealthCare	IL	Kiara Inc	C Corp	0	0	0 %
Prairie Cardiovascular 619 East Mason STE 4P57 Springfield, IL62701 37-1071858	HealthCare	IL	Kiara Inc	C Corp	0	0	0 %
Prevea Health Services 2710 EXECUTIVE DR Green Bay, WI54304 39-1839351	HealthCare	WI	HSSI	C Corp	0	0	0 %
Prevea Clinic Inc 2710 EXECUTIVE DR Green Bay, WI54304 39-1839349	HealthCare	WI	HSSI	C Corp	0	0	0 %
Prevea Health Network 2710 EXECUTIVE DR Green Bay, WI54304 39-2000537	HealthCare	WI	HSSI	C Corp	0	0	0 %
Renaissance Quality Insurance PO Box 1159 Grand Caymans KY1-1102 CJ 98-0669953	Insurance	CJ	HSSI	c corp	0	0	0 %

TY 2010 Affiliate Listing

Name: ST MARY'S HOSPITAL SISTERS OF THE
THIRD ORDER OF ST FRANCIS

EIN: 37-0661244

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidated Financial Statements and Supplementary Information

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)



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

Independent Auditors' Report

The Board of Directors
Hospital Sisters Health System:

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HSHS as of June 30, 2011 and 2010, and the results of their operations, changes in net assets, and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles. As described in note 2(h) to the consolidated financial statements, HSHS adopted the provisions of ASU 2010-07, *Not-for-Profit Entities' Mergers and Acquisitions*, effective July 1, 2010. As a result of this adoption, HSHS recognized a cumulative effect of change in accounting principle in the accompanying consolidated financial statements.

Our 2011 audit was made for the purpose of forming an opinion on the basic 2011 consolidated financial statements taken as a whole. The 2011 consolidating information included in schedules 1 – 6 is presented for purposes of additional analysis of the basic 2011 consolidated financial statements rather than to present the financial position, results of operations, and changes in net assets of the individual entities. The 2011 consolidating information has been subjected to the auditing procedures applied in the audit of the basic 2011 consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic 2011 consolidated financial statements taken as a whole.

KPMG LLP

October 7, 2011

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Consolidated Balance Sheets

June 30, 2011 and 2010

(Dollars in thousands)

Assets	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and cash equivalents	\$ 60,860	58,436
Receivables:		
Patients' accounts, less allowance for uncollectible accounts		
of approximately \$94,696 in 2011 and \$73,075 in 2010	277,699	250,123
Due from third-party reimbursement programs	3,509	2,723
Other	26,576	32,173
Total receivables	307,784	285,019
Current portion of assets whose use is limited or restricted	185,733	195,756
Inventories	40,051	41,258
Prepaid expenses	18,018	20,939
Total current assets	612,446	601,408
Assets whose use is limited or restricted, net of current portion	1,512,806	1,421,051
Property, plant, and equipment, net	1,071,432	975,715
Other assets	83,267	122,592
	<u>\$ 3,279,951</u>	<u>3,120,766</u>
Liabilities and Net Assets		
Current liabilities:		
Current installments of long-term debt	\$ 14,931	17,444
Long-term debt subject to short-term remarketing agreements	172,945	184,771
Accounts payable	90,468	79,090
Accrued liabilities	117,292	113,871
Estimated payables under third-party reimbursement programs	34,238	30,950
Total current liabilities	429,874	426,126
Long-term debt, excluding current installments	365,864	366,929
Estimated self-insurance liabilities	73,990	67,019
Derivative instruments	28,638	36,013
Accrued benefit liability	249,111	362,860
Other noncurrent liabilities	48,037	44,914
Total liabilities	1,195,514	1,303,861
Net assets:		
Unrestricted	2,041,192	1,773,866
Temporarily restricted	20,916	22,058
Permanently restricted	22,329	20,981
Total net assets	2,084,437	1,816,905
	<u>\$ 3,279,951</u>	<u>3,120,766</u>

See accompanying notes to consolidated financial statements

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Consolidated Statements of Operations

Years ended June 30, 2011 and 2010

(Dollars in thousands)

	<u>2011</u>	<u>2010</u>
Net patient service revenues	\$ 1,933,034	1,824,139
Other revenues:		
Investment income	6,409	9,740
Net assets released from restrictions used for operations	2,610	10,343
Other	55,780	55,299
Total revenues	<u>1,997,833</u>	<u>1,899,521</u>
Expenses:		
Sisters' services	1,498	1,388
Salaries and wages	699,805	652,123
Employee benefits	222,323	197,838
Professional fees	123,219	121,968
Supplies	296,640	284,197
Depreciation and amortization	120,803	113,239
Interest	6,693	5,100
Provision for uncollectible accounts	103,943	94,997
Other	461,507	401,557
Total expenses	<u>2,036,431</u>	<u>1,872,407</u>
(Loss) income from operations before income tax (benefit) expense	(38,598)	27,114
Income tax (benefit) expense	<u>(212)</u>	<u>305</u>
(Loss) income from operations	(38,386)	26,809
Nonoperating gains:		
Investment income	<u>228,997</u>	<u>99,681</u>
Revenues and gains in excess of expenses	190,611	126,490
Other changes in unrestricted net assets:		
Net assets released from restrictions used for the purchase of property, plant, and equipment	5,485	—
Cumulative effect of change in accounting principle	(42,519)	—
Recognition of change in pension funded status	113,749	(183,131)
Change in unrestricted net assets	<u>\$ 267,326</u>	<u>(56,641)</u>

See accompanying notes to consolidated financial statements.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2011 and 2010

(Dollars in thousands)

	<u>2011</u>	<u>2010</u>
Unrestricted net assets:		
Revenues and gains in excess of expenses	\$ 190,611	126,490
Other changes in unrestricted net assets:		
Net assets released from restrictions used for the purchase of property, plant, and equipment	5,485	—
Cumulative effect of change in accounting principle	(42,519)	—
Recognition of change in pension funded status	113,749	(183,131)
Change in unrestricted net assets	<u>267,326</u>	<u>(56,641)</u>
Temporarily restricted net assets:		
Investment income	2,545	1,272
Contributions	4,408	8,339
Net assets released from restrictions	<u>(8,095)</u>	<u>(10,343)</u>
Change in temporarily restricted net assets	<u>(1,142)</u>	<u>(732)</u>
Permanently restricted net assets:		
Investment income	16	35
Contributions	1,332	318
Change in permanently restricted net assets	<u>1,348</u>	<u>353</u>
Change in net assets	267,532	(57,020)
Net assets at beginning of year	1,816,905	1,873,925
Net assets at end of year	<u>\$ 2,084,437</u>	<u>1,816,905</u>

See accompanying notes to consolidated financial statements.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Consolidated Statements of Cash Flows

Years ended June 30, 2011 and 2010

(Dollars in thousands)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 267,532	(57,020)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Cumulative effect of change in accounting principle	42,519	—
Recognition of change in pension funded status	(113,749)	183,131
Income from equity basis investments	(5,229)	(5,209)
Cash received from equity basis investments, net	2,271	386
Permanently restricted contributions and investment return	(1,348)	(353)
Amortization of bond issuance costs and premiums, included in interest expense	232	240
Depreciation and amortization	120,803	113,239
Provision for uncollectible accounts	103,943	94,997
Change in net unrealized gain and losses on investments	(124,092)	(78,037)
Net realized gains on sale of investments	(61,819)	(3,828)
Change in the fair value of derivative instruments	(7,375)	11,724
Changes in assets and liabilities:		
Patients' accounts receivable	(131,519)	(119,967)
Other receivables	5,597	6,638
Inventories	1,207	(3,288)
Prepaid expenses	2,921	(2,626)
Net amounts due to third-party reimbursement programs	2,502	5,530
Accounts payable and accrued liabilities	14,799	27,512
Estimated self-insurance liabilities and other noncurrent liabilities	10,094	(2,593)
Net cash provided by operating activities	<u>129,289</u>	<u>170,476</u>
Cash flows from investing activities:		
Acquisition of property, plant, and equipment	(216,520)	(170,167)
Gross purchases of investments	(1,807,631)	(2,478,347)
Gross proceeds from sale or maturity of investments	1,911,810	2,452,364
Change in other assets	(468)	26,319
Net cash used in investing activities	<u>(112,809)</u>	<u>(169,831)</u>
Cash flows from financing activities:		
Repayment of long-term debt	(15,404)	(14,008)
Proceeds from issuance of long-term debt, including premium	—	1,598
Proceeds from permanently restricted contributions and investment return	1,348	353
Net cash used in financing activities	<u>(14,056)</u>	<u>(12,057)</u>
Change in cash and cash equivalents	2,424	(11,412)
Cash and cash equivalents at beginning of year	<u>58,436</u>	<u>69,848</u>
Cash and cash equivalents at end of year	<u>\$ 60,860</u>	<u>58,436</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 7,297	6,923

See accompanying notes to consolidated financial statements.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

(1) Organization and Purpose

Hospital Sisters Health System (HSHS), an Illinois not-for-profit corporation, considers all wholly owned or controlled entities as subsidiaries for consolidated financial statement purposes. The accompanying consolidated financial statements include the accounts of HSHS and its subsidiaries. HSHS is the parent corporation for several subsidiary corporations and exerts control through various reserved powers. The subsidiary corporations and controlled entities presented in the accompanying consolidated financial statements include Hospital Sisters Services, Inc. (HSSI), HSHS System Services Center (the SSC), Hospital Sisters of St. Francis Foundation, Inc. (the Foundation), and Kiara, Inc.

HSSI, an Illinois not-for-profit holding company, is the sole member of 13 hospitals in Illinois and Wisconsin (collectively referred to as the Obligated Group), Hospital Sisters Healthcare – West, Inc (HCW), HSHS Medical Group, Inc., and HSHS Wisconsin Medical Group, Inc. (collectively referred to as the Medical Group), Unity Limited Partnership, and Renaissance Insurance Quality, Ltd. (RQIL) (since July 1, 2010). HSSI and the 13 hospitals have formed an Obligated Group for debt financing purposes through the use of a Master Trust Indenture (MTI) (see note 11). The hospitals are organized for the purpose of providing inpatient and outpatient healthcare services. HSSI formed the Medical Group for the purpose of affiliating with physicians. RQIL is a captive insurance company incorporated in the Cayman Islands to provide professional and general liability insurance coverage to HSSI and affiliates. HCW, the Medical Group, Unity Limited Partnership, and RQIL are not members of the Obligated Group.

The 13 hospitals who are members of the Obligated Group, along with HSSI, are:

Hospital	Location
	Illinois:
St. Elizabeth's Hospital	Belleville
St. Joseph's Hospital	Breese
St. Mary's Hospital	Decatur
St. Anthony's Memorial Hospital	Effingham
St. Joseph's Hospital	Highland
St. Francis Hospital	Litchfield
St. John's Hospital	Springfield
St. Mary's Hospital	Streator
	Wisconsin:
St. Joseph's Hospital	Chippewa Falls
Sacred Heart Hospital	Eau Claire
St. Mary's Hospital Medical Center	Green Bay
St. Vincent Hospital	Green Bay
St. Nicholas Hospital	Sheboygan

The System Services Center (SSC) administers the Development Fund, Workers Compensation Fund, Health Care Trust Fund, Self-Insurance Fund, Flex Plan, and Investment Fund. The SSC is supported by annual fees paid by the HSHS affiliated hospitals and certain other HSHS controlled entities to the SSC.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

The SSC utilizes these funds to provide centralized management and information services to the 13 affiliated hospitals, workers' compensation, and employee health. In addition, the SSC administers a centralized investment program and defined contribution pension plan on behalf of all HSHS entities.

The Foundation, an Illinois not-for-profit corporation, is an entity whose purpose is to solicit and administer philanthropic funds. The Foundation is structured into 14 separate divisions to administer restricted and unrestricted gifts and bequests at each of the respective hospital locations and the SSC.

Kiara, Inc., an Illinois for-profit corporation, is an entity whose purpose is to provide a vehicle for joint ventures with physicians and an entry into those health related services, which do not qualify as tax-exempt services, such as pharmacy, durable medical equipment, electronic health records (EHR) implementations, and real estate holdings. Kiara, Inc. is the holding company of three subsidiary corporations in which it is the sole stockholder, LaSante, Inc., LaSante Wisconsin, Inc. and Prairie Cardiovascular Consultants (PCC). The operations of these three wholly owned subsidiaries are consolidated into the financial statements of Kiara, Inc. In connection with the acquisition of PCC, \$6,744 and \$8,429 is still payable at June 30, 2011 and 2010, respectively, and is a component of other noncurrent liabilities in the accompanying consolidated balance sheet. PCC is a medical practice in Illinois providing healthcare services to prevent and treat cardiovascular disease.

PCC acquired Cardiology Consultants Limited (CCL) in a stock purchase transaction on December 31, 2010 for \$1,932. As of June 30, 2011, \$2,969 of goodwill has been recorded within other assets in the accompanying consolidated balance sheet.

Prairie Diagnostic Center, LLC (PDC) was a joint venture held by LaSante, Inc. with a 25% ownership interest and approximately \$1,989 investment within other assets. In June 2011, St. John's Hospital (SJS) acquired the remaining 75% ownership interest through a cash outlay of \$9,175. As of June 30, 2011, SJS has included \$8,003 within property, plant, and equipment for its acquisition of PDC. Additionally, \$3,160 of goodwill has been recorded within other assets in the accompanying consolidated balance sheets.

All significant intercompany transactions have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-06, *Improving Disclosures about Fair Value Measurements* (ASU 2010-06). ASU 2010-06 amends Accounting Standards Codification (ASC) Subtopic 820-10, *Fair Value Measurements and Disclosures*, to provide additional disclosure requirements for transfers into and out of Levels 1 and 2 and for activity in Level 3 investments and to clarify other existing disclosure requirements. HSHS implemented ASU 2010-06 for the period ended June 30, 2011.

In January 2010, the FASB issued ASU 2010-07, *Not-for-Profit Entities Mergers and Acquisitions* (ASU 2010-07). ASU 2010-07 provides guidance on a transaction or other event in which a not-for-profit entity that is a reporting entity combines with one or more other not-for-profit, businesses or nonprofit activities in a transaction that meets the definition of a merger of not-for-profit entities or an acquisition by

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

a not-for-profit entity. In addition, the ASU provides transitional guidance on existing goodwill at the time this ASU is adopted. HSHS adopted ASU 2010-07 effective July 1, 2010 (note 2(h)).

In August 2010, the FASB issued ASU 2010-23, *Measuring Charity Care for Disclosure* (ASU 2010-23). ASU 2010-23 requires that cost be used as the measurement basis for charity care disclosures purposes and that cost can be identified as direct and indirect costs of providing charity care. The adoption of ASU 2010-23 for the period ended June 30, 2011 had no impact on the consolidated financial statements.

In August 2010, the FASB issued ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries* (ASU 2010-24). ASU 2010-24 clarifies that healthcare entities should not net insurance recoveries against the related claim liability and that the claim liability amount should be determined without consideration of insurance recoveries. The adoption of ASU 2010-24 will be effective for HSHS beginning in fiscal year 2012.

In July 2011, the FASB issued ASU 2011-07, *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). ASU 2011-07 requires that 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 must present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on their statement of operations. All other entities would continue to present the provision for bad debts as an operating expense. In addition, there are enhanced disclosures about the entities policies for recognizing revenue and assessing bad debts. The ASU also requires disclosures of patient service revenue as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The adoption of ASU 2011-07 will be effective for HSHS beginning in fiscal year 2013 with early adoption permitted.

The significant accounting policies of HSHS are as follows:

(a) Presentation

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains or losses. Nonoperating gains or losses includes investment income, other than that which is associated with self-insurance programs, funds held by trustee under indenture agreements and other nonrecurring discrete expenses.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Significant estimates include: allowances for contractual allowances and bad debts, third-party payor settlements, valuation of investments, goodwill, land,

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

buildings, and equipment, self-insurance liabilities, derivative instruments, accrued benefit liability, and other liabilities. Actual results could differ from those estimates.

(c) *Cash and Cash Equivalents*

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less when purchased, excluding those amounts included as assets whose use is limited or restricted.

(d) *Assets Whose Use Is Limited or Restricted*

Assets whose use is limited or restricted include: assets set aside by the board of directors for future capital improvements, over which the board of directors retains control and may at its discretion subsequently use for other purposes; assets held by third-party trustees under indenture agreements; assets set aside for self-insurance trust arrangements; and funds temporarily or permanently restricted by donors. Management classifies the current portion of assets whose use is limited or restricted based on the approximate amount of the current portion of long-term debt.

Investments in equity securities with readily determinable values and all investments in debt securities are measured at fair value in the accompanying consolidated balance sheets. Investment income on assets deposited in the self-insurance fund, workers' compensation trust, and funds held by trustee under indenture agreements are reported as other revenues. Investment income from all other investments is reported as nonoperating gains – investment income, unless the income or loss is restricted by donor or law. Changes in net unrealized gains and losses on investments are excluded from revenues and gains in excess of expenses unless the investments are trading securities. Management considers all investments to be trading securities.

(e) *Inventories*

Inventories are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis

(f) *Property, Plant, and Equipment*

Property, plant, and equipment acquisitions are stated at cost or fair value at the date of acquisition or donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method of accounting. 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. Capitalized interest is reduced by the amount of investment income earned on unexpended proceeds from project specific borrowings.

In 2011 and 2010, HSHS, using a valuation consultant, performed asset useful life studies at three hospitals and five hospitals, respectively, on the major fixed assets, primarily buildings, in order to more appropriately recognize useful lives reflective of the remaining expected lives of those component assets taking into consideration the longevity and functional use of such long-lived assets. As a result of these studies and the change in estimated useful lives, annual depreciation expense for 2011 and 2010 was reduced by \$2,130 and \$6,968, respectively.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

(g) Long-Lived Assets

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

(h) Goodwill

Effective July 1, 2010, HSHS adopted ASU 2010-07 which in part requires healthcare entities to follow ASC Topic 350-20-35, *Intangibles – Goodwill and Other*. ASC Topic 350-20-35 requires goodwill of not-for-profit entities to be evaluated for impairment at least annually. The goodwill impairment test is a two-step test. Under the first step, the fair value of each reporting unit is compared with its carrying value (including goodwill). If the fair value of a reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the entity must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed. HSHS has determined that the appropriate reporting unit for goodwill is the consolidated HSHS entity and the annual impairment test is performed as of June 30.

In addition to the new standard, HSHS has applied transition guidance under ASC Topic 350-10-65, *Intangibles – Goodwill and Other Transition*, for recording goodwill in the first year the new accounting standard, ASC Topic 350-20-35, is implemented. The transition guidance allows for an impairment loss as of the beginning of the fiscal year in which this new standard is initially applied. As a result of transition guidance, HSHS recognized a goodwill impairment transition loss of \$42,519 in the consolidated statements of changes in net assets as the cumulative effect of a change in accounting principle.

As of June 30, 2011, goodwill of \$7,017 relating to acquisitions that occurred in fiscal 2011 is not considered impaired.

(i) Other Assets – Joint Ventures

HSHS invests in various organizations that are not wholly owned or controlled by the HSHS. Investments in limited partnerships are recorded at fair value as determined by the partnership. Investments in affiliates in which the HSHS has significant influence but does not control are reported on the equity method of accounting, which represents the HSHS' equity in the underlying net book value. The equity method of accounting is discontinued when the investment is reduced to

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

zero unless the HSHS has guaranteed the obligations of the organization or is committed to provide additional capital support. There were no existing guarantees at June 30, 2011 or 2010.

For investments representing more than 50% voting interest or for which HSHS has control, the investee is consolidated in the accompanying consolidated financial statements with a noncontrolling interest recorded for the portion of the investee not owned by HSHS.

(j) Loss Reserves

HSHS is self-insured for professional and general liability, workers' compensation, and employee health claims. The provisions for loss reserves includes the ultimate cost for both reported losses and losses incurred, but not reported as of the respective consolidated balance sheet dates. In 2011, HSHS paid premiums to RQIL for professional and general liability coverage (note 9).

The liability for loss reserves represents an estimate of the ultimate net cost of all such amounts that are unpaid at the balance sheet dates. The liability is based on projections and the historical claim experience of HSHS and gives effect to estimates of trends. Although management believes that the estimate of the liability for claims is reasonable, it is possible that HSHS' actual incurred claims will not conform to the assumptions' inherent variability with respect to the significant assumptions utilized. Accordingly, the ultimate settlement of claims may vary from the liability for unpaid claims included in the accompanying consolidated financial statements.

(k) Derivative Instruments

HSHS accounts for derivatives and hedging activities in accordance with ASC Subtopic 815-10, *Accounting for Derivative Instruments and Hedging Activities*, which requires that an entity recognize all derivatives as either assets or liabilities in the consolidated balance sheet and measure those instruments at fair value. HSHS is involved in six interest rate swaps. The fair value of the interest rate swap programs is included as derivative instruments in the accompanying consolidated balance sheets. For HSHS, the derivatives are not designated as hedge instruments, and therefore, the change in fair values of the interest rate swap agreements is recognized in the consolidated statements of operations as a component of nonoperating gains – investment income in the period of change.

(l) Asbestos Removal Costs

HSHS accounts for asbestos removal costs in accordance with ASC Subtopic 410-20, *Accounting for Conditional Asset Retirement Obligations*. ASC Subtopic 410-20 requires the current recognition of a liability when a legal obligation exists to perform an asset retirement obligation (ARO) in which the timing or method of settlement is conditional on a future event that may or may not be under the control of the entity. ASC Subtopic 410-20 requires an ARO liability be recorded at its net present value with recognition of a related long-lived asset in a corresponding amount. The ARO liability is accreted through periodic charges to depreciation expense. The initially capitalized ARO long-lived asset is depreciated over the corresponding long-lived asset's remaining useful life. HSHS is legally liable to remove asbestos from existing buildings prior to future remodeling or demolishing of the

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

existing hospital buildings. The estimated asbestos removal cost at June 30, 2011 and 2010 is \$29,627 and \$29,385, respectively, and is included within other noncurrent liabilities in the accompanying consolidated balance sheets. The net book value of the ARO long-lived asset at June 30, 2011 and 2010 is \$976 and \$1,210, respectively, and is included within other assets in the accompanying consolidated balance sheets.

(m) Donor-Restricted Net Assets

Net assets and activities are classified into three classes based on the existence or absence of donor-imposed restrictions: unrestricted, temporarily restricted, and permanently restricted. Temporarily restricted net assets represent those net assets whose use by HSHS has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by HSHS in perpetuity. During 2011 and 2010, no donors made clarifications for gifts previously recorded, and as such, no reclassifications were made.

HSHS records donor-restricted net assets under ASC Topic 958-205, *Not for Profit Entities Presentation of Financial Statements*, which codified an earlier FASB Staff Position FAS 117-1, *Endowments of Not-for-Profit Organizations Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA)*, and *Enhanced Disclosures for All Endowment Funds*. ASC Topic 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization and requires additional disclosure about endowment funds (both donor-restricted and board-designated).

HSHS classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Investment returns in excess of spending are classified as increases in temporarily restricted net assets until appropriated for expenditure by HSHS.

HSHS has established a spending policy, which is evaluated and approved by the Foundation board every year. The approved spending rate for fiscal year 2011 and 2010 was 2.75% and 4.00%, respectively. In establishing this policy, the long-term expected return on the endowment is considered. This is consistent with HSHS' objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term.

Endowment funds are commingled with the pooled investment fund administered by HSHS. HSHS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). HSHS targets a diversified asset allocation of 52% fixed income and 48% equities to achieve its long-term return objectives within prudent risk constraints.

(n) Gifts, Bequests, and Grants

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. The gifts are reported as either temporarily or permanently

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are recorded as unrestricted contributions. Unrestricted contributions are included in other revenues.

Gifts of long-lived assets such as land, buildings, and equipment are reported as unrestricted gifts and bequests and are excluded from revenues and gains in excess of expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. In the absence of 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.

(o) Net Patient Service Revenues

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

(p) Charity Care

HSHS provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Amounts determined to qualify as charity care are not reported as net patient service revenues, since HSHS does not pursue collection of such amounts.

(q) Revenues and gains in Excess of Expenses

The consolidated statements of operations include revenues and gains in excess of expenses. Changes in unrestricted net assets that are excluded from revenues and gains in excess of expenses, consistent with industry practice, include: contributions of property, plant, and equipment (including assets acquired using contributions that by donor restrictions or grants were to be used for the purpose of acquiring such assets); nonreciprocal transfer to affiliate for other than goods and services; and recognition of change in pension funded status.

(r) Income Taxes

HSHS and the Foundation are Illinois not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Kiara, Inc. is an Illinois for-profit corporation that recognizes income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

HSHS has adopted ASC Subtopic 740-10, *Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109*. ASC Subtopic 740-10 addresses the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under ASC Subtopic 740-10, HSHS must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. ASC Subtopic 740-10 also provides guidance on de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods and requires increased disclosures. As of June 30, 2011 and 2010, HSHS does not have an asset or liability for unrecognized tax benefits.

(s) Fair Value

HSHS has adopted the provisions of ASC Topic 820 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

In conjunction with the adoption of ASC Topic 820, HSHS adopted the measurement provisions of Accounting Standards Update (ASU) No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, to certain investments in funds that do not have readily determinable fair values including private investments, hedge funds, real estate, and other funds. This guidance amends ASC Topic 820 and allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent. HSHS adopted the disclosure provisions of ASU No. 2009-12 as of July 1, 2010.

(t) Reclassifications

Certain 2010 amounts have been reclassified to conform to the 2011 consolidated financial statement presentation, including a reclassification of realized gains on investments, net in the statement of cash flows that decreases operating activities and increases investing activities by \$3,828.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

(3) Community Benefit

Consistent with its mission, HSHS provides medical care to all patients regardless of their ability to pay. In addition, HSHS provides services intended to benefit the poor and underserved, including those persons who cannot afford health insurance because of inadequate resources and/or are uninsured or underinsured, and to enhance the health status of the communities in which it operates.

The following summary has been prepared in accordance with the Catholic Health Association of the United States' (CHA) policy document, *A Guide for Planning and Reporting Community Benefit*, released in May 2006. HSHS uses a cost-to-charge ratio to calculate the cost of charity care and the unpaid cost of Medicaid. The amounts in the following table reflect the quantifiable costs of HSHS' community benefit for the years ended June 30, 2011 and 2010:

	2011	2010
Benefits for the poor:		
Charity care at cost	\$ 37,811	32,308
Unpaid cost of Medicaid and other public programs	102,523	89,191
Community health services	1,321	1,276
Other	637	557
	<u>142,292</u>	<u>123,332</u>
Benefits for the broader community:		
Community health services	4,797	4,438
Health professions education	10,715	10,908
Other	11,803	13,513
	<u>27,315</u>	<u>28,859</u>
Total community benefit	<u>\$ 169,607</u>	<u>152,191</u>

Benefits for the poor represent the cost of services provided to persons who cannot afford healthcare because of inadequate resources and who are uninsured or underinsured.

Benefits for the broader community represent the cost of services provided to other needy populations that may not qualify as poor, but that need special services and support. It also includes the cost of services for the general benefit of the communities in which HSHS operates. Many programs are targeted toward populations that may be poor, but also include those areas that may need special health services and support. These programs are not financially self-supporting.

Charity care at cost represents the cost of services provided to patients who cannot afford healthcare services due to inadequate resources. All or a portion of a patient's services may be considered charity care for which no payment is anticipated in accordance with HSHS' established policies.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

Unpaid cost of Medicaid and other public programs represents the cost of providing services to beneficiaries of public programs, including state Medicaid and indigent care programs, in excess of payments for those services. (See note 4 for an explanation of changes to the Medicaid reimbursement from the State of Illinois and the State of Wisconsin.)

Community health services are activities and services for which no patient bill exists, although there may be nominal patient fees. These services are not expected to be financially self-supporting, although some may be partially supported by outside grants or funding.

Health professions education includes the unreimbursed cost of training health professionals, such as medical residents, nursing students, technicians, and students, in allied health professions.

Other benefits include subsidized health services, in-kind donations, and other benefits.

In addition to the amounts reported above, HSHS committed significant resources in serving the Medicare population. The cost (determined using a cost-to-charge ratio) of providing services to primarily elderly beneficiaries of the Medicare program, in excess of governmental and managed care contract payments was \$191,714 and \$159,322 for the years ended June 30, 2011 and 2010, respectively.

A related organization, the Foundation, contributed \$8,095 and \$10,343 for charity care or other operating expenses on behalf of the hospitals during the years ended June 30, 2011 and 2010, respectively. The community benefits reported above are net of the contributions from the Foundation for such benefits.

HSHS also provides a significant amount of uncompensated care for patients, which is not included above, but is reported in the statements of operations as a provision for uncollectible accounts. Many of those patients are uninsured or underinsured, but did not apply for, or qualify for, charity care.

(4) Net Patient Service Revenues

HSHS has agreements with third-party payors that provide for payment at amounts different from their established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare – Inpatient acute care services rendered to Medicare program beneficiaries are generally paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services and certain outpatient services related to Medicare beneficiaries are paid based upon a cost reimbursement method, prospectively determined rates, established fee screens, or a combination thereof. The hospitals are reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the hospitals and audits by the Medicare fiscal intermediary. Certain outpatient services performed by the hospitals are reimbursed at a prospectively determined rate per service based upon their ambulatory payment classification. Home health services performed by the hospitals are reimbursed at a prospectively determined rate per episodic treatment.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

As of June 30, 2011, Medicare cost reports have been audited and final settled through June 30, 2008.

Medicaid – Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per discharge. Outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon per visit rates. Medicaid payment methodologies and rates for services are based on the amount of funding available to state Medicaid programs.

HSHS participates in the State of Illinois (the State) assessment program that assists in the financing of its Medicaid program. The State assessment program has been renewed by the State since its inception in 2004 and was renewed again on December 4, 2008 for the State's fiscal years ended June 30, 2009 through June 30, 2013. Pursuant to this program, hospitals within the State are required to remit payment to the State Medicaid program under an assessment formula approved by the Centers for Medicare and Medicaid Services (CMS). The hospitals have included their related prorated assessments of \$26,740 in 2011 and 2010 within other expenses in the accompanying consolidated statements of operations. The assessment program also provides hospitals within the State with additional Medicaid reimbursement based on funding formulas also approved by CMS. The hospitals have included their additional related prorated reimbursement of \$47,108 in 2011 and 2010 within net patient service revenues in the accompanying consolidated statements of operations.

During 2009, the State of Wisconsin enacted an assessment tax on the gross revenues of all Wisconsin hospitals retroactive to July 1, 2008, which is used to increase reimbursements made under its Medicaid program. During 2010, the State of Wisconsin expanded the eligibility of the Medicaid program. During the years ended June 30, 2011 and 2010, the HSHS Wisconsin hospitals were assessed \$20,310 and \$19,209, respectively, related to this tax, which is included as a component of other expenses in the accompanying consolidated statements of operations, and received \$28,257 and \$35,086, respectively, in supplemental Medicaid reimbursement, which is included as a component of net patient service revenue in the accompanying consolidated statements of operations.

Other – HSHS has also entered into payment agreements with Blue Cross, certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

A summary of gross and net patient service revenues for the years ended June 30, 2011 and 2010 follows:

	2011	2010
Inpatient revenues	\$ 2,124,374	2,027,186
Outpatient revenues	2,668,210	2,249,639
Less provisions for estimated contractual adjustments under third-party reimbursement programs	2,859,550	2,452,686
Net patient service revenues	<u>\$ 1,933,034</u>	<u>1,824,139</u>

Net patient service revenues for the years ended June 30, 2011 and 2010 include approximately \$3,568 and \$1,747, respectively, of favorable retrospectively determined prior year settlements with third-party payors.

A summary of Medicare, Medicaid, and managed care/contracted payor utilization percentages, based upon gross patient service revenues, follows:

	2011	2010
Medicare	46%	45%
Medicaid	15	14
Managed care/contracted payor	31	32
Other	8	9

(5) Concentration of Credit Risk

HSHS provides healthcare services through their inpatient and outpatient facilities located in Illinois and Wisconsin. HSHS grants credit to patients, substantially all of whom are local residents. HSHS does not require collateral or other security in extending credit to patients; however, they routinely obtain assignment of (or are otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Blue Cross, health maintenance organizations, and commercial insurance policies).

The mix of net receivables from patients and third-party payors as of June 30, 2011 and 2010 follows:

	2011	2010
Medicare	28%	28%
Medicaid	8	8
Managed care/contracted payor	50	50
Other	14	14

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

(6) Investment Composition and Fair Value Measurements

(a) Overall Investment Objective

The overall investment objective of HSHS is to invest its assets in a prudent manner that will achieve an expected rate of return, manage risk exposure, and focus on downside protection. HSHS' invested assets will maintain sufficient liquidity to fund a portion of HSHS' annual operating activities and structure the invested assets to maintain a high percentage of available liquidity. HSHS diversifies their investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Board's Finance and Investment Committee, which oversees the investment program in accordance with established guidelines.

(b) Allocation of Investment Strategies

HSHS maintains a percent of assets in domestic and international stocks. To manage risk exposure the majority of assets are invested in intermediate term fixed income funds and invested with short term fixed income managers. Because of the inherent uncertainties for valuation of some holdings, the estimated fair values may differ from values that would have been used had a ready market existed.

(c) Basis of Reporting

Assets whose use is limited or restricted are reported at estimated fair value. If an investment is held directly by HSHS and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in common and preferred stock and fixed income are based on share prices reported by the funds as of the last business day of the fiscal year.

(d) Fair Value of Financial Instruments

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

- The carrying amount reported in the consolidated balance sheets for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, accounts payable, accrued liabilities, and estimated payables under third-party reimbursement programs.
- Fair values of HSHS' investments held as assets whose use is limited or restricted are estimated based on prices provided by its investment managers and its custodian bank except for the carrying value of pledges receivable and other, which equals fair value. Fair value for cash and cash equivalents, corporate and preferred stocks, foreign securities, U.S. government securities, corporate bonds, municipal bonds, and commingled funds are measured using quoted market prices at the reporting date multiplied by the quantity held. The carrying value equals fair value.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

- Fair value of fixed rate long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to HSHS for debt of the same remaining maturities. For variable rate debt, carrying amounts approximate fair value. Fair value was estimated using quoted market prices based upon HSHS' current borrowing rates for similar types of long-term debt securities.
- Fair value of interest rate swaps is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The value was determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and HSHS. The carrying value equals fair value.

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

The following table presents the carrying amounts and estimated fair values of HSHS' financial instruments not carried at fair value at June 30, 2011 and 2010.

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt	\$ 553,740	551,046	569,144	567,813

(e) Fair Value Hierarchy

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

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

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

- Level 3 inputs are unobservable inputs for the asset or liability.

The following table summarizes HSHS' cash and cash equivalents and assets whose use is limited or restricted by major category in the fair value hierarchy as of June 30, 2011, as well as related strategy, liquidity, and funding commitments:

	June 30, 2011				Redemption or liquidation	Days notice
	Level 1	Level 2	Level 3	Total		
Cash and cash equivalents	\$ 60,860	—	—	60,860	Daily	One
Assets whose use is limited or restricted excluding accrued interest and other of \$5,655 and pledges receivable and other of \$6,908						
Cash and cash equivalents	\$ 132,419	—	—	132,419	Daily	One
Common stocks	569,383	—	—	569,383	Daily	Three
U.S. government securities	175,020	172,875	—	347,895	Daily	One
Municipal bonds	—	35,445	—	35,445	Daily	Two
Corporate bonds	—	240,945	—	240,945	Daily	Two
Foreign securities	165,631	55,037	—	220,668	Daily	Three
Commingled funds	—	139,221	—	139,221	Daily	Two
Total financial assets	\$ 1,042,453	643,523	—	1,685,976		
Liabilities						
Derivative instruments	\$ —	28,638	—	28,638		

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

	June 30, 2010				Redemption or liquidation	Days notice
	Level 1	Level 2	Level 3	Total		
Cash and cash equivalents	\$ 58,436	—	—	58,436	Daily	One
Assets whose use is limited or restricted excluding accrued interest and other of \$5,557 and pledges receivable and other of \$6,668						
Cash and cash equivalents	\$ 109,880	—	—	109,880	Daily	One
Common stocks	447,647	—	—	447,647	Daily	Three
U.S. government securities	284,452	262,327	—	546,779	Daily	One
Municipal bonds	—	38,234	—	38,234	Daily	Two
Corporate bonds	—	166,140	—	166,140	Daily	Two
Foreign securities	135,507	45,830	—	181,337	Daily	Three
Commingled funds	—	114,565	—	114,565	Daily	Two
Total financial assets	\$ 977,486	627,096	—	1,604,582		
Liabilities						
Derivative instruments	\$ —	36,013	—	36,013		

No significant transfers in and out of Level 1, 2, or 3 assets occurred for the year ended June 30, 2011.

The following table sets forth a summary of changes in the fair value of the plan's Level 3 assets for the year ended June 30, 2010.

	Level 3 assets
	Year ended June 30, 2010
	Guaranteed investment contract
Balance, beginning of year	\$ 154,391
Interest income	5,663
Distributions	(160,054)
Balance, end of year	\$ —

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

A summary of assets whose use is limited or restricted as of June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Assets whose use is limited or restricted:		
By the board for capital improvements	\$ 1,370,367	1,185,317
Funds held by trustee under indenture agreements	109,705	183,328
Funds held by trustee for self-insurance	64,504	160,011
Funds held by RQIL	55,420	—
Funds temporarily restricted by donors	434	185
Investments held at the Foundation	98,109	87,966
Total assets whose use is limited or restricted	<u>\$ 1,698,539</u>	<u>1,616,807</u>

The composition of investment return for the years ended June 30, 2011 and 2010 follows:

	<u>2011</u>	<u>2010</u>
Investment return:		
Interest and dividend income	\$ 45,477	46,549
Net realized gains on sale of investments	61,819	3,828
Change in net unrealized gains and losses	124,092	78,037
Change in fair value of the interest rate swaps	7,375	(11,724)
Total investment return	<u>\$ 238,763</u>	<u>116,690</u>

Investment returns are included in the accompanying consolidated statements of operations and changes in net assets for the years ended June 30, 2011 and 2010 as follows:

	<u>2011</u>	<u>2010</u>
Other revenues – investment income	\$ 6,409	9,740
Nonoperating losses – investment income	228,997	99,681
Temporarily restricted net assets – investment income	2,545	1,272
Permanently restricted net assets – investment income	16	35
Interest income capitalized as part of construction in progress	796	5,962
Total investment return	<u>\$ 238,763</u>	<u>116,690</u>

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

(7) Derivative Instruments

HSHS has interest-rate related derivative instruments to manage its exposure on its debt instruments. HSHS does not enter into derivative instruments for any purpose other than cash flow hedging purposes, and HSHS does not speculate using derivative instruments.

By using derivative financial instruments to hedge exposures to changes in interest rates, HSHS exposes itself to credit risk, tax risk, and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes HSHS, which creates credit risk for HSHS. When the fair value of a derivative contract is negative, HSHS owes the counterparty, and therefore, it does not possess credit risk. HSHS minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties.

Tax risk is the adverse effect that HSHS takes on to the extent tax law changes impact the rates paid to a variable rate bondholder (either positively or negatively) that would affect the variable rate received from the counterparty under a LIBOR-based swap that may not match that bond payment. HSHS minimizes the tax risk in derivative instruments by maintaining sufficient cash reserves to handle potential tax law changes.

Market risk is the adverse effect on the value of the derivative instrument that results from a change in interest rates. The market risk associated with interest-rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

HSHS entered into an interest rate swap agreement in fiscal year 2007, which effectively changes a portion of the interest rate exposure on the Series 1998 Bonds from fixed to variable rates. HSHS receives fixed rate payments of 4.10% and pays the Security Industry Financial Markets Association (SIFMA) Index variable rate. The interest rate swap agreement has a notional amount of \$60,890 at June 30, 2011 and 2010, which will amortize through June 2018 in accordance with the principal repayments on the Series 1998 bonds. The Series 1998 Bonds were defeased in June 2008, but the swap is still maintained. On August 14, 2011, the counterparty exercised their one-time right to terminate the swap at par amount of \$60,890.

HSHS maintains an interest rate swap agreement, which effectively changes a portion of the fixed interest rate exposure on the Series 2003D Bonds from a fixed to a variable rate. HSHS receives a fixed rate payment of 3.01% and pays the SIFMA Index variable rate. The interest rate swap agreement has a notional amount of \$2,540 and \$4,965 at June 30, 2011 and 2010, respectively, which will amortize through December 2011 in accordance with principal repayments on the fixed rate components of the Series 2003D Bonds.

HSHS maintains an interest rate swap agreement, which effectively changes a portion of the interest rate exposure on the Series 2007B-1 Bonds from a variable rate to a fixed rate. HSHS receives the SIFMA Index variable rate and pays a fixed rate of 4.02%. The interest rate swap agreement has a notional amount of \$76,750 at June 30, 2011 and 2010, respectively, which will amortize through March 2036 in accordance with principal repayments on the Series 2007B-1 Bonds.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

HSHS entered into two interest rate swap agreements in fiscal year 2008, which effectively changed the interest rate exposure on the Series 2007B-2 and 2007C Bonds from variable to fixed rates. HSHS pays fixed rate payments of 3.47% for both swaps and receives the 3-month LIBOR Index variable rate. The interest rate swap agreements have a notional amount of \$41,300 and \$100,425 for Series 2007B-2 and 2007C Bonds, respectively, at June 30, 2011 and 2010, which will amortize through March 2036 in accordance with principal repayments on the Series 2007B-2 and 2007C Bonds. HSHS also entered into a fixed spread basis swap in fiscal year 2008 that removes the tax risk from the bondholders and transfers the risk to HSHS. The premium that HSHS receives for taking on this risk is 67.00% of the one-month LIBOR plus a spread of 48 basis points less at the SIFMA Index rate. The fixed spread basis swap has a notional amount of \$150,000 with a final maturity in May 2033.

HSHS is exposed to credit loss in the event of nonperformance by the counterparty to the interest rate swap agreements; however, this is not anticipated. During the years ended June 30, 2011 and 2010, HSHS was not required to post collateral.

Payments equal to the differential to be paid or received under the interest rate swap agreements are recognized quarterly. HSHS has recognized \$3,323 and \$4,489 in interest expense in the accompanying consolidated statements of operations during 2011 and 2010, respectively, as its portion of the net interest rate differential paid as a result of the interest rate swap agreements. For fiscal years ended June 30, 2011 and 2010, the aggregate change in the fair value of all swap agreements was an increase of \$7,375 and decrease of \$11,724, respectively, which is recognized within nonoperating gains (loss) – investment income (loss) in the accompanying consolidated statements of operations.

The fair value of the swap agreements under ASC Subtopic 820 is \$(28,638) and \$(36,013) and is recorded as derivative instruments in the accompanying consolidated balance sheet at June 30, 2011 and 2010, respectively. The settlement value, if terminated, of the swap agreements at June 30, 2011 and 2010 was \$(29,656) and \$(39,843), respectively.

The following is a summary of the swaps as of June 30, 2011:

Type of interest swap	Notional amount	Settlement value	Fair value
Fixed receiver	\$ 2,540	30	29
Fixed receiver	60,890	320	364
Fixed payor	76,750	(6,968)	(6,971)
Fixed spread basis	150,000	(5,000)	(4,421)
Fixed payor	41,300	(5,255)	(5,139)
Fixed payor	100,425	(12,783)	(12,500)
		<u>\$ (29,656)</u>	<u>(28,638)</u>

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

The following is a summary of the swaps as of June 30, 2010:

Type of interest swap	Notional amount	Settlement value	Fair value
Fixed receiver	\$ 4,965	112	112
Fixed receiver	60,890	2,411	2,254
Fixed payor	76,750	(9,330)	(9,035)
Fixed spread basis	150,000	(9,068)	(7,266)
Fixed payor	41,300	(6,981)	(6,431)
Fixed payor	100,425	(16,987)	(15,647)
		\$ (39,843)	(36,013)

(8) Property, Plant, and Equipment

A summary of property, plant, and equipment at June 30, 2011 and 2010 is as follows:

	2011	2010
Land	\$ 45,166	41,382
Land improvements	36,910	35,759
Buildings and permanent fixtures	1,170,608	1,131,680
Equipment and furnishings	1,032,991	916,561
	2,285,675	2,125,382
Less accumulated depreciation	1,337,120	1,246,717
	948,555	878,665
Construction in progress	122,877	97,050
	\$ 1,071,432	975,715

As of June 30, 2011, construction in progress represents various building and remodeling projects. These projects, which have remaining contracted costs at June 30, 2011 of approximately \$142,065, will be financed with board-designated assets or from operations.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

A reconciliation of total interest costs, as reported in the accompanying consolidated statements of operations for 2011 and 2010, is as follows:

	<u>2011</u>	<u>2010</u>
Interest cost capitalized	\$ 5,244	7,198
Interest cost charged to expense	<u>6,693</u>	<u>5,100</u>
Total interest cost	<u>\$ 11,937</u>	<u>12,298</u>
Interest income capitalized	\$ 796	5,962

(9) Self-Insurance

(a) Professional and General Liability

Prior to July 1, 2010, the eight Illinois hospitals participated in the HSHS self-insurance fund for the purpose of providing professional and general liability insurance. An independent actuary assisted management in determining funding requirements. The amounts funded were placed in a Self Insurance Trust (the Trust) account that was administered by a bank. The Trust account assets are reported as assets whose use is limited or restricted in the accompanying consolidated balance sheets. Additionally, HSHS purchased excess coverage from commercial carriers. The retention limits varied depending upon the incident year.

At June 30, 2010, funds held by the trustee for professional and general liability self-insurance were \$82,208 and related estimated self-insurance liabilities were \$38,388. The discount rate at June 30, 2010 used to compute the estimated self-insurance liability for all future claims payments was 5%. The amount included in expenses for professional and general liability insurance for 2010 was \$8,670 and is included in other expense in the consolidated statements of operations.

The five Wisconsin hospitals had primary professional and general liability insurance with limits for claims incurred during a policy year regardless of when the claim is reported (occurrence coverage) through December 31, 2003. During calendar year 2004, the hospitals' primary professional liability coverage changed from occurrence coverage to claims-made coverage. As of June 30, 2010, a liability of \$80 was recognized as an estimate for tail exposures. As of January 1, 2005, the hospitals changed back to occurrence coverage. Losses in excess of primary professional liability limits are fully covered through the HSHS' mandatory participation in the State of Wisconsin Injured Patients and Families Compensation Fund.

On April 23, 2010, HSHS received approval to form and operate its captive insurance company, RQIL through the Cayman Islands' Monetary Authority. RQIL provides general and professional liability (GPL) insurance to all 13 hospitals, employed physicians of the hospitals, and those physicians employed by the Medical Group.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

Beginning on July 1, 2010, the Trust, which covered retrospective insurance obligations for the eight Illinois hospitals, transferred assets and estimated self-insurance obligations of \$42,694 to RQIL. Beginning July 1, 2010, primary GPL premiums and all future liabilities from that date for HSHS' critical access hospitals (St. Joseph's Hospital, Highland and St. Francis Hospital, Litchfield) will remain with the Trust. Also, beginning on July 1, 2010, GPL obligations for the five Wisconsin hospitals are being fully reinsured through RQIL. Prior to July 1, 2010, the Wisconsin hospitals purchased primary GPL coverage through the Wisconsin Health Care Liability Insurance Plan on an occurrence basis and excess coverage for general liability from a commercial carrier and through the State of Wisconsin Injured Patients and Families Compensation Fund for professional liability coverage.

The System maintains self-funded insurance programs for GPL, through RQIL, a Cayman Islands company, the sole shareholder of which is HSHS, and the Trust. Under the System's GPL self-insurance program, claims are reflected based upon actuarial estimation, including both reported and incurred but not reported claims, taking into consideration the severity of incidents and the expected timing of claim payments. At June 30, 2011, funds held by RQIL and the Trust for GPL self-insurance were \$55,420 and \$475, respectively, and related estimated self-insurance liabilities were \$46,574 and \$475, respectively. At June 30, 2011, RQIL's estimated self-insurance liability for all future claims payments reflects the actuarially determined outstanding losses at the undiscounted/expected level. The amount included in expenses for professional and general liability insurance by RQIL and the Trust for 2011 was \$15,424 and \$509, respectively, and is included in other expense in the consolidated statements of operations.

HSHS is involved in litigation arising in the ordinary course of business. Reported claims are in various stages of litigation. Additional claims may be asserted against HSHS arising from services through June 30, 2011. It is the opinion of management that the estimated malpractice liabilities accrued at June 30, 2011 are adequate to provide for potential losses resulting from pending or threatened litigation.

(b) *Workers' Compensation and Employee Health*

The HSHS self-insurance program provides workers' compensation insurance and health insurance for employees. An independent actuary has been retained to assist management in determining funding requirements for workers compensation insurance. For health insurance claims, HSHS has developed internal techniques for estimating the ultimate costs. The amounts funded for each program have been placed in separate accounts that are administered by the trustee.

At June 30, 2011 and 2010, funds held by the bank and critical access hospitals for workers' compensation liability self-insurance are \$22,899 and \$19,650, respectively, and related estimated self-insurance liabilities are \$13,323 and \$13,263, respectively. The discount rate used to compute the estimated self-insurance liability at June 30, 2011 and 2010 was 5.00%, respectively, for all future claim payments. The amount included in employee benefits for 2011 and 2010 was \$8,992 and \$8,034, respectively, and is included in other expense in the consolidated statements of operations.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

At June 30, 2011 and 2010, funds held by the bank for health insurance liability for employees self-insurance are \$41,130 and \$58,153, respectively and is included in assets whose use is limited or restricted. At June 30, 2011 and 2010, related estimated self-insurance liabilities are \$13,618 and \$15,290, respectively.

(10) Pension

HSHS employees participate in The Hospitals Sisters Health System Employees Pension Plan (the Plan). This noncontributory defined benefit pension plan covers substantially all employees of the hospitals who have completed 1,000 hours of employment during any calendar year subsequent to the commencement of employment. The Plan recognizes and funds the costs related to employee service using the projected unit credit actuarial cost method. The information below represents the aggregation of HSHS' pension financial status, which is determined by the consulting actuaries on a member-specific basis.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

The following table sets forth the Plan's funded status, amounts recognized in HSHS' consolidated financial statements, and assumptions at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 1,010,609	742,094
Service cost	40,444	29,037
Interest cost	55,520	51,117
Other	4,016	—
Actuarial (gain) loss	(34,746)	203,092
Expected expenses	(4,848)	(4,218)
Benefit paid	(13,768)	(10,513)
Benefit obligation at end of year	<u>\$ 1,057,227</u>	<u>1,010,609</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 647,749	562,365
Actual gain on plan assets	126,106	72,119
Employer contributions	44,776	23,778
Other	3,253	—
Benefits paid	(13,768)	(10,513)
Fair value of plan assets at end of year	<u>\$ 808,116</u>	<u>647,749</u>
Reconciliation of funded status:		
Funded status	\$ (249,111)	(362,860)
Amounts recognized in the accompanying consolidated balance sheets:		
Accrued benefit liability	(249,111)	(362,860)
Amounts not yet reflected in net periodic benefit cost and included as an accumulated charge to unrestricted net assets:		
Prior service cost	\$ (2,766)	(733)
Actuarial loss	(246,345)	(362,127)
	<u>\$ (249,111)</u>	<u>(362,860)</u>

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

	<u>2011</u>	<u>2010</u>
Changes recognized in unrestricted net assets:		
Net (gain) loss arising during the period	\$ (101,858)	182,518
Amortization of prior service credit	382	613
Prior service cost arising during the period	1,650	—
Amortization or settlement recognition of net loss	(13,923)	—
Total recognized in unrestricted net assets	\$ <u>(113,749)</u>	<u>183,131</u>
Total recognized in net periodic pension cost and unrestricted net assets	\$ (68,973)	206,912
Estimated amounts that will be amortized from unrestricted net assets over the next fiscal year:		
Prior service credit	304	613
Net loss	(12,317)	(14,796)
Accumulated benefit obligation	941,966	860,593
Components of net periodic benefit cost:		
Service cost	\$ 39,440	29,037
Interest cost	55,343	51,117
Expected return on plan assets	(63,317)	(55,760)
Amortization of prior service cost	(613)	(613)
Amortization of net gain	13,923	—
Net periodic benefit cost	\$ <u>44,776</u>	<u>23,781</u>
	<u>2011</u>	<u>2010</u>
Weighted average assumptions used to determine benefit obligations at June 30:		
Discount rate	5.69%	5.60%
Average rate of compensation increase	3.00	3.50
Measurement date	6/30/2011	6/30/2010
Weighted average assumptions used to determine net periodic benefit cost for the year ended June 30:		
Discount rate	5.60%	6.96%
Expected long-term return on plan assets	8.25	8.25
Average rate of compensation increase	3.50	3.50
Measurement date	6/30/2010	6/30/2009

The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual assets categories. The return is based exclusively on historical returns, without adjustments.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

The Plan uses the Mercer Pension Discount Yield Curve to select the discount rate used to measure the liabilities of the Plan. The Mercer Pension Discount Yield Curve discounts the Plan's cash flow and calculates the Plan's appropriate equivalent single discount rate for the given cash flow.

HSHS expects to contribute to its pension plan for the 2012 fiscal year the following amount	\$	46,073
--	----	--------

The following benefit payments that reflect expected future service, as appropriate, are expected to be paid:

2012	\$	20,514
2013		25,557
2014		30,839
2015		36,587
2016		42,596
2017 – 2019		312,397

The expected benefits are based on the same assumptions used to measure HSHS' benefit obligation at June 30, 2011 and include estimated future employee service.

The Plan has developed a Pension Plan Investment Policy Statement (the IPS), which is reviewed and approved by the HSHS board of directors. The IPS established goals and objectives of the fund, asset allocations, allowable and prohibited investments, socially responsible guidelines, and asset classifications, as well as specific investment manager guidelines. The IPS dictates that assets should be rebalanced back to target allocation on a quarterly basis. Investments are managed by independent advisors. Management monitors the performance of these managers on a monthly basis.

The table below lists the target asset allocation and acceptable ranges and actual asset allocations as of June 30, 2011 and 2010.

Asset	Target allocation	Acceptable range	Actual allocation at June 30	
			2011	2010
Equities	60%	24% – 75%	60%	52%
Debt securities	40	32 – 76	37	44
Cash and cash equivalents	—	0 – 6	3	4

(a) Overall Investment Objective

The overall investment objective of the Plan is to invest the Plan assets in a prudent manner to best serve the participants of the Plan. Plan investment assets are to produce investment results which achieve the Plan's actuarial assumed rate of return, protect the integrity of the Plan, assist HSHS in meeting the obligations to the Plan participants, manage risk exposures, focus on downside

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

protection, and to maintain enough liquidity in the portfolio to ensure timely cash outflows and beneficiary payments. The Plans' investments are diversified among various asset classes incorporating multiple strategies and managers to exceed a weighted benchmark return based upon policy asset allocation targets and standard index returns. Major investment decisions are authorized by the Board's Retirement Committee, which oversees the Plan's investment program in accordance with established guidelines.

(b) Allocation of Investment Strategies

The Plan maintains a percent of assets in domestic and international equity stocks to achieve the expected rate of return. To manage risk exposure, 40% of the Plans' assets are invested in a liability driven investment strategy.

(c) Basis of Reporting

Investments are reported at estimated fair value. If an investment is held directly by HSHS and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in mutual funds registered with them are based on share prices reported by the funds as of the last business day of the fiscal year.

The fair value of HSHS' pension plan assets at June 30, 2011 and 2010, by asset category class are as follows:

	June 30, 2011				Redemption or liquidation	Days notice
	Level 1	Level 2	Level 3	Total		
Pension plan assets excluding accrued interest of \$1,970						
Cash and cash equivalent \$	41,205	—	—	41,205	Daily	One
Common stocks	322,859	—	—	322,859	Daily	Three
U.S. government securities	60,073	51,082	—	111,155	Daily	One
Mutual funds	—	167,218	—	167,218	Daily	Two
Municipal bonds	—	2,962	—	2,962	Daily	Two
Corporate bonds, notes, and debentures	—	15,365	—	15,365	Daily	Two
Foreign securities	142,662	2,720	—	145,382	Daily	Three
Total assets at fair value \$	566,799	239,347	—	806,146		

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

	June 30, 2010			Redemption or liquidation	Days notice
	Level 1	Level 2	Level 3		
Pension plan assets excluding accrued interest of \$2,048					
Cash and cash equivalent \$	27,266	—	—	Daily	One
Common stocks	224,737	—	—	Daily	Three
U.S. government securities	64,553	54,891	—	Daily	One
Mutual funds	—	135,848	—	Daily	Two
Municipal bonds	—	970	—		
Corporate bonds, notes, and debentures	—	20,299	—	Daily	Two
Foreign securities	111,987	5,150	—	Daily	Three
Total assets at fair value \$	428,543	217,158	—		

(d) Fair Value of Financial Instruments

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2011 and 2010.

- Cash and cash equivalents: Valued at the carrying amount that approximates fair value because of the short-term maturity of these investments.
- Common and preferred stocks, U.S. government securities, and foreign securities: Valued at the closing price reported on the active market on which the individual securities are traded.
- Municipal bonds, corporate bonds, notes, and debentures: Certain corporate bonds are valued at the closing price reported in the active market in which the bond is traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity.

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

(e) Fair Value Hierarchy

The Plan has adopted ASC Subtopic 715-20-50, *Compensation – Retirement Benefits Defined Benefit Plans – General Disclosures*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Subtopic 715-20-50

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

(11) Long-Term Debt

HSSI and its 13 hospital affiliates are included in the HSSI Obligated Group. Under the terms of the Obligated Group MTI, each member of the Obligated Group is jointly and severally liable for all obligations issued thereunder. Bonds issued are unsecured general obligations, but carry covenants regarding withdrawals from the Obligated Group, issuance of additional debt, and creations of liens on property. Obligations outstanding under the Obligated Group MTI are issued through state health facility authorities and comprise both serial and term bonds with varying maturities. Financial Security Assurance, Inc. is used as the bond insurer for all outstanding bonds, except for Series 2007A, 2008A, and 2008B, which were issued as fixed rate and variable rate debt based on HSSI's Aa rating.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

As of June 30, 2011 and 2010, long-term debt consisted of the following:

Series	Interest rates	Final maturity dates	2011	2010
Fixed interest rate issues:				
2003D	5.00%	December 1, 2011	\$ 2,540	4,965
2007A	5.00%	March 15, 2028	72,035	72,035
Variable interest rate issues:				
2003A	Variable 0.13% and 0.32% at June 30, 2011 and 2010, respectively	December 1, 2023	65,550	65,550
2003B	Variable 0.26% to 0.44% and 0.45% to 0.65% at June 30, 2011 and 2010, respectively	December 1, 2023	69,850	69,850
2007B-1	Variable 0.12% and 0.30% at June 30, 2011 and 2010, respectively	March 15, 2036	76,750	76,750
2007B-2	Variable 0.13% and 0.32% at June 30, 2011 and 2010, respectively	March 15, 2036	41,300	41,300
2007C	Variable 0.16% and 0.32% at June 30, 2011 and 2010, respectively	March 15, 2036	100,425	100,425
2008A	Variable 0.15% to 0.35% and 0.28% to 0.40% at June 30, 2011 and 2010, respectively	June 1, 2029	99,150	108,940
2008B	Variable 0.18% to 0.26% and 0.30% to 0.32% at June 30, 2011 and 2010, respectively	June 1, 2029	15,770	17,400
			543,370	557,215
Other long-term debt			7,554	8,881
			550,924	566,096
Plus unamortized bond issue premiums			2,816	3,048
Total debt			553,740	569,144
Less current installments			14,931	17,444
Less long-term debt subject to short-term remarketing agreements			172,945	184,771
Total long-term debt, excluding current installments			\$ 365,864	366,929

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

The Obligated Group's effective interest rates for variable debt for the years ended June 30, 2011 and 2010 are as follows:

	2011	2010
Variable interest rate issues:		
2003A	0.30%	0.27%
2003B	0.57	0.54
2007B-1	0.28	0.26
2007B-2	0.30	0.27
2007C	0.30	0.27
2008A	0.32	0.33
2008B	0.33	0.34

Bond issue premiums and costs are amortized over the term of the related bonds using the bonds outstanding method. Bond issuance costs, net of amortization, are reported as other assets in the accompanying consolidated balance sheets.

HSSI has variable rate demand notes that have a put option available to the creditor. If the put option is exercised, the bonds are presented to the bank, which in turn draws on the underlying letter of credit, if available. The bond series and the underlying credit facility terms are described as follows:

Series	Terms
Series 2003A	Equal quarterly installments on the first business day of each January, April, July, or October whichever occurs first on or following the 367th day after the purchase date and paid in full no later than the fifth anniversary of the purchase date
Series 2003B	Self-liquidity
Series 2007B-1	Equal quarterly installments on the first business day of each January, April, July, or October whichever occurs first on or following the 367th day after the purchase date and paid in full no later than the fifth anniversary of the purchase date

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

Series	Terms
Series 2007B-2	Equal quarterly installments on the first business day of each January, April, July, or October whichever occurs first on or following the 367th day after the purchase date and paid in full no later than the fifth anniversary of the purchase date
Series 2007C	Equal quarterly installments on the first business day of each January, April, July, or October whichever occurs first on or following the 367th day after the purchase date and paid in full no later than the fifth anniversary of the purchase date
Series 2008A	Self-liquidity
Series 2008B	Self-liquidity

Scheduled principal repayments on long-term debt based on the variable rate demand notes being put back to HSHS and a corresponding draw being made on the underlying credit facility, if available, are as follows:

Year ending June 30:	
2012	\$ 187,876
2013	53,842
2014	71,620
2015	71,535
2016	71,274
Thereafter	94,777
	<u>\$ 550,924</u>

Scheduled principal repayments on the long-term debt based on the scheduled redemptions according to the Obligated Group MTI are as follows:

Year ending June 30:	
2012	\$ 14,931
2013	15,487
2014	16,033
2015	16,469
2016	16,791
Thereafter	471,213
	<u>\$ 550,924</u>

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

(12) Functional Expenses

HSHS provides general healthcare services to residents within its respective geographic regions. Expenses related to providing these services for the years ended June 30, 2011 and 2010 are as follows:

	2011	2010
Healthcare services	\$ 1,605,824	1,579,489
General and administrative services	430,607	292,918
	<u>\$ 2,036,431</u>	<u>1,872,407</u>

(13) Prevea

St. Vincent Hospital (St. Vincent) and St. Mary's Hospital Medical Center (St. Mary's) (collectively referred to as the Green Bay Hospitals), two members of the Obligated Group located in Green Bay, Wisconsin, each have a 25% interest in Prevea Health Systems, Inc. (Prevea). The Green Bay Hospitals held \$22,180 (22,180 shares) at June 30, 2011 and 2010 of Prevea preferred stock. Prevea has 9,000 shares of authorized stock consisting of 900 shares of Class P voting common stock, 3,600 shares of Class P nonvoting, and 4500 shares of Class H common stock. With respect to all matters upon which shareholders are entitled to vote or give consent, the outstanding shares of Class P voting common stock constitutes one voting group and the holders of outstanding shares of Class H common stock constitutes a separate voting group (with each entitled to elect one half of the total authorized number of directors of the corporation). Based on Prevea numbers as of June 30th, there are 100 voting shares for the Hospitals (Class H), 142 voting shares for Physicians (Class P) with each group getting 50% vote. There are 457 nonvoting shares. The preferred stockholders of Prevea have liquidation preferences to common stockholders, as defined in the Articles of Incorporation of Prevea. The preferred stock entitles the Green Bay Hospitals to receive dividends equal to 7% of the face value of the preferred stock. Additionally preferred stock dividends are cumulative. The Green Bay Hospitals' policy is to recognize preferred stock dividends when the dividends are declared. Dividends were declared and paid by Prevea totaling \$1,250 in 2011. No dividends were declared or paid by Prevea in 2011 and 2010. The investment in Prevea is accounted for on the equity method, and the carrying value of the Green Bay Hospitals' investment in Prevea, inclusive of preferred stock holdings, is reported as other assets in the accompanying special-purpose combined balance sheets.

Prevea formed a wholly owned subsidiary, Prevea Clinic, Inc. (the Clinic). The Clinic consists of several medical clinic locations throughout the Green Bay area with approximately 312 physicians and midlevel providers.

Prevea formed Prevea Regional Services, Inc. (Prevea Regional) in 1997 to develop a regional clinic system throughout the outlying areas of Green Bay. Prevea held all of the voting common stock of Prevea Regional on June 30, 2009. The Green Bay Hospitals held \$5,550, (1,110 shares) at June 30, 2009 of nonvoting preferred stock in Prevea Regional. In August 2009, Prevea Regional was merged into the Clinic.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

by Prevea. Also in August 2009, the Green Bay Hospitals' preferred stock shares of \$5,550, (5,550 shares) in Prevea Regional were exchanged for shares of equal value in Prevea.

In September 2009, the Clinic entered into several transactions with St. Vincent. They are summarized as follows:

- The sale, transfer, and assignment of certain assets of the Clinic in the amount of \$31,370 in exchange for the redemption of the appropriate number of shares of preferred stock owned by St. Vincent having the same value.
- Lease arrangements – St. Vincent leased all real property, equipment, furnishings, and other personal property and intellectual property from the Clinic for use in the operations of the Clinic.
- Physician services agreement – St. Vincent entered into physician services agreement with the Clinic whereby the Clinic provides certain professional medical services in connection with the operations of the clinic.
- Managed and staff services agreement – St. Vincent entered into a management and nonphysician staff services agreement with the Clinic in connection with the operations of the clinics whereby the Clinic provides certain management and nonphysician staff services in connection with the operations of the Clinic.

Since September 2009, St. Vincent, with the completion of these transactions, has assumed ownership of the Clinic's medical clinic locations, and it is now operating these sites as St. Vincent doing business as Prevea Health receiving all of the Clinic's patient revenues and responsible for all of the operating expenses. The expenses directly related to Prevea Health, mainly for the leasing of all employees and doctors, for the year ended June 30, 2011 and June 30, 2010 are \$166,869 and \$130,655, respectively, included in other expenses in the consolidated statement of operations.

During the years ended June 30, 2011 and 2010, the Green Bay Hospitals have \$952 and \$973 respectively, of notes receivable for cash advances to Prevea.

The following are Prevea's condensed unaudited financial statement data as of and for the years ended June 30, 2011 and 2010:

	2011	2010
Total assets	\$ 83,306	82,499
Total liabilities	53,965	54,181
Total equity	29,341	28,318
Total net revenue	170,419	160,680
Net income	2,072	5,196

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

The Green Bay Hospitals' equity portion in Prevea at June 30, 2011 and 2010 increased by \$1,036 and \$2,598, respectively, and is included in other operating income in the accompanying consolidated statements of operations.

During fiscal year 2004, St. Vincent entered into a contract to guarantee the Clinic's repayment of long-term debt related to a building project. Under this guarantee contract, St. Vincent was guaranteeing the repayment of 39.92% of the Clinic's \$26,300 taxable variable rate demand notes. Through December 2009, St. Vincent was paid 1.25% on one half of the outstanding notes under the terms of the contract. During fiscal year 2011, the Obligated Group replaced the St. Vincent guarantee whereby the Obligated Group agrees to guarantee the lesser of \$10,500 or 39.92% of the outstanding notes. The Obligated Group will be paid 1.25% on one half of the outstanding notes. Included in the guarantee executed in December 2009 are \$2,920 taxable variable rate demand notes of PHP Insurance Plan, Inc. (PHP). PHP, a former health maintenance organization, sold its insurance license, changed its corporate structure, and became Prevea Ventures, LLC (PV). Prevea is the sole corporate member of Prevea Ventures, LLC. At June 30, 2011 and 2010, the Clinic has notes outstanding with a balance approximating \$23,270 and \$23,945, respectively. At June 30, 2011 and June 30, 2010, PV has notes outstanding of \$2,585 and \$2,660, respectively.

(14) Joint Ventures

Joint ventures are accounted for using the equity method of accounting and represent \$16,699 and \$18,850 of other long-term assets in the accompanying consolidated balance sheets at June 30, 2011 and 2010, respectively. The most significant of these investments, excluding Prevea (note 13), include:

- Memorial and St. Elizabeth's Healthcare Services, LLP (held by St. Elizabeth's Hospital) – 50% ownership interest;
- Northeast Wisconsin Radiation Therapy Services, LLC (held by St. Vincent and St. Mary's, Green Bay) – each hospital has a 25% ownership interest;
- Pain Center of Wisconsin (held by St. Vincent) – 50% ownership interest;
- Surgery Center of Sheboygan, LLC (held by St. Nicholas Hospital) – 50% ownership interest;
- Orange Cross Ambulance, Inc. (held by St. Nicholas Hospital) – 50% ownership interest;
- Holy Family (held by St. Vincent, Green Bay) – 50% ownership interest;
- Wisconsin Upper Peninsula Oncology Management Services, Inc. (held by St. Vincent) – 50% ownership interest at June 30, 2011 and 2010;
- United Imaging Center (held by LaSante, Inc.) – 50% ownership interest at June 30, 2011 and 2010; and
- Community Memorial Hospital – (held by St. Vincent (70%) and St. Mary's, Green Bay (30%)) – 24% ownership interest overall, beginning May 17, 2011.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

For the years ended June 30, 2011 and 2010, HSHS recognized income of \$4,193 and \$2,611, respectively, in investments in affiliated companies. This activity is included as a component of other revenue in the accompanying consolidated statements of operations. During 2011 and 2010, HSHS received cash distributions of \$2,430 and \$1,520, respectively, from the joint ventures. During 2011 and 2010, HSHS also contributed cash of \$159 and \$1,134, respectively, to the joint ventures.

The following table summarizes the unaudited aggregated financial information of unconsolidated affiliated companies of HSHS as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Total assets	\$ 51,349	44,396
Total liabilities	19,662	9,288
Total equity	31,687	35,108
Total net revenue	33,659	41,572
Net income	6,969	5,074

(15) Pledges Receivable

Pledges, net of a present value discount rate, determined in the year the pledge is made, and an allowance for uncollectible pledges, are recorded as a component of assets whose use is limited or restricted in the accompanying consolidated financial statements based on their expected collection date.

Included in assets whose use is limited or restricted at June 30, 2011 and 2010 are the following unconditional promises to give:

	<u>2011</u>	<u>2010</u>
Unconditional promises to give	\$ 6,377	8,411
Less unamortized discount	467	628
	<u>5,910</u>	<u>7,783</u>
Less allowance for uncollectible pledges	210	264
Net pledges receivable	<u>\$ 5,700</u>	<u>7,519</u>
Amounts due in:		
Less than one year	\$ 1,798	2,714
One to five years	4,176	5,393
More than five years	403	304
Total	<u>\$ 6,377</u>	<u>8,411</u>

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

(16) Temporarily and Permanently Restricted Assets

Temporarily restricted assets are available for the following purposes or periods at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Healthcare services	\$ 8,381	7,843
Capital expenditures	12,101	14,030
Catholic Radio	234	—
Colleges of nursing	200	185
	<u>\$ 20,916</u>	<u>22,058</u>

As of June 30, 2011 and 2010, HSHS has permanently restricted endowments as follows:

	<u>2011</u>	<u>2010</u>
Assets to be held in perpetuity, the income from which is expendable to support nursing schools	\$ 2,179	2,119
Assets to be held in perpetuity, the income from which is expendable to support specific operations of HSHS facilities	20,150	18,862
	<u>\$ 22,329</u>	<u>20,981</u>

As of June 30, 2011 and 2010, HSHS has unrestricted and temporarily restricted funds that represent the unspent accumulation of earnings for endowment funds as follows:

	<u>2011</u>	<u>2010</u>
Unspent income from which is expendable to support nursing schools	\$ 254	63
Unspent income from which is expendable to support specific operations of HSHS facilities	7,762	4,773
	<u>\$ 8,016</u>	<u>4,836</u>

(17) Commitments and Contingencies

(a) Operating Leases

HSHS occupies space in certain facilities and leases various pieces of equipment under long-term noncancelable operating lease arrangements. Total equipment rental, asset lease, and facility rental expense in 2011 and 2010 was \$27,666 and \$20,356, respectively.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

The following is a schedule by year of future minimum lease payments to be made under operating leases as of June 30, 2011 that have initial or remaining lease terms in excess of one year:

	<u>Amount</u>
Year ending June 30:	
2012	\$ 20,273
2013	15,939
2014	12,849
2015	6,084
2016	2,662
Thereafter	22,438

(b) Regulatory Investigations

The U.S. Department of Justice and other federal agencies routinely conduct regulatory investigations and compliance audits of healthcare providers. HSHS is subject to these regulatory efforts. Management is currently unaware of any regulatory matters that may have a material adverse effect on HSHS' consolidated financial position or results of operations.

(c) Litigation

HSHS is involved in litigation arising in the ordinary course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Obligated Group's future consolidated financial position or results of operations.

(d) Unemployment

The Wisconsin hospitals of HSHS pledged a U.S. Treasury note as collateral for any unpaid unemployment compensation claims with a face value of \$3,000 to the Wisconsin Unemployment Reserve Fund. The pledged U.S. Treasury note remained unused at June 30, 2011 and 2010.

(e) Investment Risk and Uncertainties

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

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollars in thousands)

(f) Tax exemption for sales tax and property tax

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

(18) Subsequent Events

HSHS evaluated events and transactions through October 7, 2011 the date the consolidated financial statements were issued, noting no subsequent events requiring recording or disclosure, except as noted in note 7 in the consolidated financial statements or related notes to the consolidated financial statements.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Consolidating Balance Sheet Information

June 30, 2011

(Dollars in thousands)

Assets	HSSI – Obligated Group	RQIL	Unity Limited Partnership	Healthcare West	System Office	Development Fund	HSBS Medical Group	Workers Comp Fund
Current assets								
Cash and cash equivalents	\$ 40,556	—	5,308	520	3,324	2	4,723	344
Receivables								
Patients' accounts, less allowance for uncollectible accounts of approximately \$94,696	254,006	—	1,894	—	—	—	10,926	—
Due from third-party reimbursement program	3,509	—	—	—	—	—	—	—
Other	21,203	—	96	—	5,362	3,950	897	—
Total receivables	278,718	—	1,990	—	5,362	3,950	11,823	—
Current portion of assets whose use is limited or restricted	174,639	—	—	—	6,099	—	(3,392)	—
Inventories	39,220	—	—	—	41	—	14	—
Prepaid expenses	15,551	—	—	—	3,826	—	295	—
Total current assets	548,684	—	7,298	520	18,652	3,952	13,463	344
Assets whose use is limited or restricted	1,444,430	55,420	—	6,796	800	57,572	—	22,302
Property, plant, and equipment, net	897,825	—	5,678	2,160	146,626	—	4,767	—
Other assets	80,629	—	—	—	34,514	7,201	—	—
	<u>\$ 2,971,568</u>	<u>55,420</u>	<u>12,976</u>	<u>9,476</u>	<u>200,592</u>	<u>68,725</u>	<u>18,230</u>	<u>22,646</u>
Liabilities and Net Assets								
Current liabilities								
Current installments of long-term debt	\$ 14,706	—	—	—	—	—	—	—
Long-term debt subject to short-term remarketing agreement	172,945	—	—	—	—	—	—	—
Accounts payable	71,167	—	1,393	98	4,626	—	1,531	—
Accrued liabilities	92,971	2,661	39	12	10,425	—	6,701	9,323
Estimated payables under third-party reimbursement programs	34,238	—	—	—	—	—	—	—
Total current liabilities	386,027	2,661	1,432	110	15,051	—	8,232	9,323
Long-term debt, excluding current installments	369,852	—	—	—	86,991	—	—	—
Estimated self-insurance liabilities	13,798	46,574	—	—	—	—	—	13,323
Derivative instruments	28,638	—	—	—	—	—	—	—
Accrued benefit liability	235,917	—	—	—	13,022	—	85	—
Other noncurrent liabilities	30,686	—	5,195	400	4,278	—	6,000	—
Total liabilities	1,064,918	49,235	6,627	510	119,342	—	14,317	22,646
Net assets								
Unrestricted	1,808,909	6,185	6,349	8,966	80,450	68,725	3,913	—
Temporarily restricted	75,412	—	—	—	800	—	—	—
Permanently restricted	22,329	—	—	—	—	—	—	—
Total net assets	1,906,650	6,185	6,349	8,966	81,250	68,725	3,913	—
Stockholder's equity	—	—	—	—	—	—	—	—
	<u>\$ 2,971,568</u>	<u>55,420</u>	<u>12,976</u>	<u>9,476</u>	<u>200,592</u>	<u>68,725</u>	<u>18,230</u>	<u>22,646</u>

See accompanying independent auditors' report

Schedule 1

Health Care Trust Fund	Self-Insurance Fund	Flex Plan	Investment Fund	Foundation	Kiara	Eliminations	Total
--	—	664	61,563	3,728	5,763	(65,635)	60,860
--	--	—	—	—	10,873	—	277,699
--	--	—	—	—	—	—	3,509
--	--	1,738	—	5,700	3,569	(15,939)	26,576
--	--	1,738	—	5,700	14,442	(15,939)	307,784
--	--	--	—	—	8,387	—	185,733
--	--	—	—	—	776	—	40,051
--	--	—	—	—	487	(2,141)	18,018
--	--	2,402	61,563	9,428	29,855	(83,715)	612,446
41,130	475	—	1,484,894	89,465	--	(1,690,478)	1,512,806
--	--	—	—	—	14,376	—	1,071,432
--	--	—	—	829	9,736	(49,642)	83,267
41,130	475	2,402	1,546,457	99,722	53,967	(1,823,835)	3,279,951
--	--	—	—	—	225	—	14,931
--	--	—	—	—	—	—	172,945
9,939	--	2,342	—	—	2,340	(2,968)	90,468
2,700	--	—	1,546,457	99,722	8,046	(1,661,765)	117,292
--	--	—	—	—	—	—	34,238
12,639	--	2,342	1,546,457	99,722	10,611	(1,664,733)	429,874
--	--	—	—	—	3,213	(94,192)	365,864
13,618	475	—	—	—	—	(13,798)	73,990
--	--	—	—	—	—	—	28,638
--	--	—	—	—	87	—	249,111
--	--	—	—	—	10,978	(9,500)	48,037
26,257	475	2,342	1,546,457	99,722	24,889	(1,782,223)	1,195,514
14,873	--	60	—	—	—	42,762	2,041,192
--	--	—	—	—	—	(55,296)	20,916
--	--	—	—	—	—	—	22,329
14,873	--	60	—	—	—	(12,534)	2,084,437
--	--	--	—	—	29,078	(29,078)	—
41,130	475	2,402	1,546,457	99,722	53,967	(1,823,835)	3,279,951

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Consolidating Statement of Operations Information

Year ended June 30, 2011

(Dollars in thousands)

	HSSI – Obligated Group	RQIL	Unity Limited Partnership	Healthcare West	System Office	Development Fund
Net patient service revenues	\$ 1,831,299	—	8,724	—	—	—
Other revenues						
Investment income	5 151	4,887	—	—	—	—
Net assets released from restrictions used for operations	2,447	—	—	—	—	—
Other	50,236	10,537	119	828	82,383	24,500
Total revenues	<u>1,889,133</u>	<u>15,424</u>	<u>8,843</u>	<u>828</u>	<u>82,383</u>	<u>24,500</u>
Expenses						
Sisters' services	508	—	—	—	990	—
Salaries and wages	553 274	—	4,940	—	27,500	—
Employee benefits	207,496	—	2,049	—	7,058	—
Professional fees	101,028	—	155	—	9,511	—
Supplies	295,284	—	494	25	297	—
Depreciation and amortization	99 515	—	225	327	15 467	—
Interest	6,907	—	—	—	3,433	—
Provision for uncollectible accounts	103,706	—	73	—	—	—
Other	542,805	15,424	1,137	290	31,718	—
Total expenses	<u>1,910,523</u>	<u>15,424</u>	<u>9,073</u>	<u>642</u>	<u>95,974</u>	<u>—</u>
Income (loss) before income tax expense	<u>(21 390)</u>	<u>—</u>	<u>(230)</u>	<u>186</u>	<u>(13 591)</u>	<u>24,500</u>
Income tax expense	—	—	—	—	—	—
Income (loss) from operations	<u>(21,390)</u>	<u>—</u>	<u>(230)</u>	<u>186</u>	<u>(13,591)</u>	<u>24,500</u>
Nonoperating gains						
Investment income	209,651	—	—	924	7,443	5,009
Revenues and gains in excess of expenses	<u>188,261</u>	<u>—</u>	<u>(230)</u>	<u>1,110</u>	<u>(6,148)</u>	<u>29,509</u>
Other changes in unrestricted net assets						
Net assets released from restrictions used for the purchase of property, plant, and equipment	6,833	—	—	—	—	—
Transfers (to)from affiliates	(40 295)	6 185	—	—	20,397	2,548
Cumulative effect of change in accounting principle	(3 787)	—	—	—	(38,732)	—
Recognition of change in pension funded status	111,937	—	—	—	1,897	—
Change in unrestricted net assets	<u>\$ 262 949</u>	<u>6,185</u>	<u>(230)</u>	<u>1,110</u>	<u>(22,586)</u>	<u>32,057</u>

See accompanying independent auditors' report

Schedule 2

HSHS Medical Group	Workers Comp Fund	Health Care Trust Fund	Self-Insurance Fund	Flex Plan	Investment Fund	Foundation	Kiara	Eliminations	Total
44,184	—	—	—	—	—	—	48,827	—	1,933,034
—	3,191	2,387	2,061	1	—	—	1,258	(12,527)	6,409
—	—	—	—	—	—	7,907	—	(7,744)	2,610
30,577	8,992	125,211	472	120	—	3,797	17,567	(299,559)	55,780
74,761	12,183	127,598	2,533	121	—	11,704	67,652	(319,830)	1,997,833
—	—	—	—	—	—	—	—	—	1,498
59,568	—	—	—	—	—	—	54,523	—	699,805
6,706	—	144,833	—	14	—	—	6,386	(152,219)	222,323
9,582	—	—	126	—	—	—	2,943	(126)	123,219
2,366	—	—	—	—	—	—	1,859	(3,685)	296,640
894	—	—	—	—	—	—	4,375	—	120,803
—	—	—	—	—	—	—	409	(4,056)	6,693
91	—	—	—	—	—	—	73	—	103,943
11,401	17,925	—	1,038	—	—	12,215	12,560	(185,006)	461,507
90,608	17,925	144,833	1,164	14	—	12,215	83,128	(345,092)	2,036,431
(15,847)	(5,742)	(17,235)	1,369	107	—	(511)	(15,476)	25,262	(38,598)
—	—	—	—	—	—	—	(212)	—	(212)
(15,847)	(5,742)	(17,235)	1,369	107	—	(511)	(15,264)	25,262	(38,386)
(677)	—	—	—	—	232,872	10,693	—	(236,918)	228,997
(16,524)	(5,742)	(17,235)	1,369	107	232,872	10,182	(15,264)	(211,656)	190,611
—	—	—	—	—	—	—	—	(1,348)	5,485
17,350	5,742	—	(1,369)	—	(232,872)	(10,182)	15,264	217,232	—
—	—	—	—	—	—	—	—	—	(42,519)
(85)	—	—	—	—	—	—	—	—	113,749
741	—	(17,235)	—	107	—	—	—	4,228	267,326

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidating Statement of Changes in Net Assets Information

Year ended June 30, 2011

(Dollars in thousands)

	HSSI – Obligated Group	Workers RQIL	Unity Limited Partnership	Healthcare West	System Office	Development Fund
Unrestricted net assets						
Revenues and gains in excess of expenses	\$ 188,261	—	(230)	1,110	(6,148)	29,509
Other changes in unrestricted net assets						
Net assets released from restrictions use for the purchase of property, plant, and equipment	6,833	—	—	—	—	—
Transfers (to) from affiliates	(40,295)	6,185	—	—	20,397	2,548
Cumulative effect of change in accounting principle	(3,787)	—	—	—	(38,732)	—
Recognition of change in pension funded status	111,937	—	—	—	1,897	—
Change in unrestricted net assets	<u>262,949</u>	<u>6,185</u>	<u>(230)</u>	<u>1,110</u>	<u>(22,586)</u>	<u>32,057</u>
Temporarily restricted net assets						
Investment income	13,099	—	—	—	149	—
Contributions	5,421	—	—	—	(348)	—
Transfers (to) from affiliates	—	—	—	—	—	—
Net assets released from restrictions	(9,280)	—	—	—	—	—
Change in temporarily restricted net assets	<u>9,240</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(199)</u>	<u>—</u>
Permanently restricted net assets						
Investment income	16	—	—	—	—	—
Contributions	1,332	—	—	—	—	—
Transfers (to) from affiliates	—	—	—	—	—	—
Change in permanently restricted net assets	<u>1,348</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Change in net assets	<u>273,537</u>	<u>6,185</u>	<u>(230)</u>	<u>1,110</u>	<u>(22,785)</u>	<u>32,057</u>
Net assets at beginning of year	<u>1,633,113</u>	<u>—</u>	<u>6,579</u>	<u>7,856</u>	<u>104,035</u>	<u>36,668</u>
Net assets at end of year	<u>\$ 1,906,650</u>	<u>6,185</u>	<u>6,349</u>	<u>8,966</u>	<u>81,250</u>	<u>68,725</u>

See accompanying independent auditors' report

Schedule 3

HSHS Medical Group	Workers Comp Fund	Health Care Trust Fund	Self-Insurance Fund	Flex Plan	Investment Fund	Foundation	Kiara	Eliminations	Total
(16,524)	(5,742)	(17,235)	1,369	107	232,872	10,182	(15,264)	(211,656)	190,611
—	—	—	—	—	—	—	—	(1,348)	5,485
17,350	5,742	—	(1,369)	—	(232,872)	(10,182)	15,264	217,232	—
—	—	—	—	—	—	—	—	—	(42,519)
(85)	—	—	—	—	—	—	—	—	113,749
<u>741</u>	<u>—</u>	<u>(17,235)</u>	<u>—</u>	<u>107</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,228</u>	<u>267,326</u>
—	—	—	—	—	—	2,545	—	(13,248)	2,545
—	—	—	—	—	—	3,973	—	(4,638)	4,408
—	—	—	—	—	—	1,389	—	(1,389)	—
—	—	—	—	—	—	(7,907)	—	9,092	(8,095)
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(10,183)</u>	<u>(1,142)</u>
—	—	—	—	—	—	16	—	(16)	16
—	—	—	—	—	—	1,332	—	(1,332)	1,332
—	—	—	—	—	—	(1,348)	—	1,348	—
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,348</u>
741	—	(17,235)	—	107	—	—	—	(5,955)	267,532
3,172	—	32,108	—	(47)	—	—	—	(6,579)	1,816,905
<u>3,913</u>	<u>—</u>	<u>14,873</u>	<u>—</u>	<u>60</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(12,534)</u>	<u>2,084,437</u>

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidating Balance Sheet Information – HISS Obligated Group

June 30 2011

(Dollars in thousands)

	St. Elizabeth's Belleville, Illinois	St. Joseph's Breese, Illinois	St. Mary's Decatur, Illinois	St. Anthony's Effingham, Illinois	St. Joseph's Highland, Illinois	St. Francis Litchfield, Illinois	St. John's Springfield, Illinois
Assets							
Current assets							
Cash and cash equivalents	\$ (2,051)	1,310	944	3,848	(94)	3,275	248
Receivables							
Patients' accounts less allowance for uncollectible accounts of approximately \$72,575	20,765	6,070	18,036	16,945	3,550	1,998	63,885
Due from third-party reimbursement programs	1,889	—	539	—	34	—	—
Other	811	367	1,273	665	566	695	6,478
Total receivables	23,465	6,437	19,848	17,610	4,150	2,693	70,363
Current portion of assets whose use is limited or restricted	1,859	3,050	6,780	12,351	1,075	970	57,125
Inventories	2,400	595	3,133	5,504	375	449	10,118
Prepaid expenses	1,490	298	1,006	176	253	432	6,829
Total current assets	27,163	11,690	31,711	39,489	5,759	7,819	144,683
Assets whose use is limited or restricted, net of current portion	34,467	70,724	30,256	205,560	6,400	32,985	386,514
Property, plant, and equipment, net	64,051	23,578	78,623	57,303	10,439	7,388	255,907
Other assets	4,857	147	448	272	219	110	6,779
	<u>\$ 130,538</u>	<u>106,139</u>	<u>141,038</u>	<u>302,624</u>	<u>22,817</u>	<u>48,302</u>	<u>793,883</u>
Liabilities and Net Assets							
Current liabilities							
Current installments of long-term debt	\$ 1,560	310	695	1,571	110	100	5,845
Long-term debt subject to short-term remarketing agreements	13,700	2,740	6,085	10,780	965	870	51,280
Accounts payable	3,597	994	8,871	2,532	432	1,236	16,614
Accrued liabilities	8,311	2,074	7,260	4,194	988	1,627	17,290
Estimated payables under third-party reimbursement programs	2,473	317	5,157	8,632	(252)	863	9,294
Total current liabilities	29,641	6,435	28,068	27,709	2,243	4,696	100,323
Long-term debt, excluding current installments	33,108	8,200	22,176	18,859	10,194	11,517	137,697
Estimated self-insurance liabilities	2,830	259	1,884	558	159	1,096	4,935
Derivative instruments	2,551	594	1,517	1,453	209	631	10,198
Accrued benefit liability	23,303	4,399	18,553	9,068	3,911	6,154	55,234
Other noncurrent liabilities	8,022	2,356	1,712	676	1,727	869	11,075
Total liabilities	99,455	22,243	73,910	58,323	18,443	24,963	319,462
Net assets							
Unrestricted	24,892	82,325	53,667	242,099	2,311	21,314	446,963
Temporarily restricted	6,147	1,571	12,260	2,090	2,063	1,402	25,031
Permanently restricted	44	—	1,201	112	—	623	2,427
Total net assets	31,083	83,896	67,128	244,301	4,374	23,339	474,421
	<u>\$ 130,538</u>	<u>106,139</u>	<u>141,038</u>	<u>302,624</u>	<u>22,817</u>	<u>48,302</u>	<u>793,883</u>

See accompanying independent auditors' report

Schedule 4

St. Mary's Streator, Illinois	St. Joseph's Chippewa Falls, Wisconsin	Sacred Heart Eau Claire, Wisconsin	St. Mary's Green Bay, Wisconsin	St. Vincent Green Bay, Wisconsin	St. Nicholas Sheboygan, Wisconsin	Hospital Sisters Services, Inc	Eliminations	Total
501	1,097	1,824	5,224	21,755	2,674	1	—	40,556
7,390	7,312	27,295	13,981	55,921	10,858	—	—	254,006
154	58	72	233	306	224	—	—	3,509
546	511	508	1,032	12,977	1,672	56	(6,954)	21,203
8,090	7,881	27,875	15,246	69,204	12,754	56	(6,954)	278,718
2,880	7,837	30,009	8,038	30,646	11,631	388	—	174,639
1,440	426	5,709	2,478	4,963	1,630	—	—	39,220
518	264	527	442	3,012	304	—	—	15,551
13,429	17,505	65,944	31,428	129,580	28,993	445	(6,954)	548,684
32,736	72,881	234,482	43,652	261,192	32,581	—	—	1,444,430
42,792	21,421	102,467	75,425	114,066	44,365	—	—	897,825
781	204	11,377	9,570	37,409	1,530	6,926	—	80,629
89,738	112,011	414,270	160,075	542,247	107,469	7,371	(6,954)	2,971,568
295	265	1,181	644	1,708	422	—	—	14,706
2,585	7,571	28,828	7,394	28,938	11,209	—	—	172,945
3,116	2,818	11,297	11,709	12,065	2,840	—	(6,954)	71,167
3,036	3,319	6,624	4,221	31,534	2,493	—	—	92,971
4,235	544	2,975	—	—	—	—	—	34,238
13,267	14,517	50,905	23,968	74,245	16,964	—	(6,954)	386,027
10,038	8,175	30,703	25,600	48,460	5,125	—	—	369,852
406	119	327	122	566	537	—	—	13,798
679	836	3,178	1,761	4,149	882	—	—	28,638
9,626	13,353	22,568	16,232	45,524	7,992	—	—	235,917
1,777	—	375	217	631	508	741	—	30,686
35,793	37,000	108,056	67,900	173,575	32,008	741	(6,954)	1,064,918
51,726	63,670	298,998	84,325	362,360	67,629	6,630	—	1,808,909
2,152	5,145	2,248	5,553	3,548	6,202	—	—	75,412
67	6,196	4,968	2,297	2,764	1,630	—	—	22,329
53,945	75,011	306,214	92,175	368,672	75,461	6,630	—	1,906,650
89,738	112,011	414,270	160,075	542,247	107,469	7,371	(6,954)	2,971,568

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois
Consolidating Statement of Operations Information – HSSI Obligated Group
Year ended June 30, 2011
(Dollars in thousands)

	St. Elizabeth's Belleville, Illinois	St. Joseph's Breese, Illinois	St. Mary's Decatur, Illinois	St. Anthony's Effingham, Illinois	St. Joseph's Highland, Illinois	St. Francis Litchfield, Illinois
Net patient service revenues	\$ 171,185	47,700	127,427	115,519	25,758	35,851
Other revenues						
Investment income	1,086	81	733	277	85	165
Net assets released from restrictions used for operations	56	—	32	6	39	—
Other	5,455	942	4,334	1,062	641	723
Total revenues	<u>177,782</u>	<u>48,723</u>	<u>132,526</u>	<u>116,864</u>	<u>26,523</u>	<u>36,739</u>
Expenses						
Sisters' services	—	—	2	—	24	—
Salaries and wages	60,006	13,982	41,364	31,676	8,308	11,144
Employee benefits	21,218	6,337	16,186	14,319	3,482	4,829
Professional fees	7,835	2,965	5,655	5,039	2,557	2,975
Supplies	24,323	4,120	18,355	21,337	2,537	3,278
Depreciation and amortization	9,970	3,362	6,348	5,664	1,391	1,570
Interest	192	184	94	370	244	21
Provision for uncollectible accounts	24,297	3,077	13,506	4,210	1,779	2,722
Other	54,478	11,698	37,561	21,425	6,326	8,702
Total expenses	<u>202,319</u>	<u>45,725</u>	<u>139,071</u>	<u>104,040</u>	<u>26,648</u>	<u>35,241</u>
Income (loss) from operations	(24,537)	2,998	(6,545)	12,824	(125)	1,498
Nonoperating gains						
Investment Income	<u>4,334</u>	<u>9,641</u>	<u>4,146</u>	<u>28,509</u>	<u>478</u>	<u>2,590</u>
Revenues and gains in excess of expenses	(20,203)	12,639	(2,399)	41,333	353	4,088
Other changes in unrestricted net assets						
Net assets released from restrictions used for the purchase of property, plant, and equipment	268	143	2,427	1,219	—	—
Transfer from (to) affiliate	(8,361)	(666)	(4,486)	(2,343)	(412)	(575)
Cumulative effect of change in accounting principle	(350)	(249)	(1,626)	—	—	—
Recognition of changes in pension funded status	<u>12,557</u>	<u>2,330</u>	<u>6,647</u>	<u>6,639</u>	<u>1,974</u>	<u>2,492</u>
Change in unrestricted net assets	<u>\$ (16,089)</u>	<u>14,197</u>	<u>563</u>	<u>46,848</u>	<u>1,915</u>	<u>6,005</u>

See accompanying independent auditors' report

Schedule 5

St. John's Springfield, Illinois	St. Mary's Streator, Illinois	St. Joseph's Chippewa Falls, Wisconsin	Sacred Heart Eau Claire, Wisconsin	St. Mary's Green Bay, Wisconsin	St. Vincent Green Bay, Wisconsin	St. Nicholas Sheboygan, Wisconsin	Hospital Sisters Services, Inc	Eliminations	Total
405,134	56,253	66,312	206,251	113,477	395,803	64,629	—	—	1,831,299
1,923	182	24	159	56	267	95	18	—	5,151
1,029	9	102	396	62	260	456	—	—	2,447
15,647	749	1,915	4,036	4,949	9,662	3,291	183	(3,353)	50,236
423,733	57,193	68,353	210,842	118,544	405,992	68,471	201	(3,353)	1,889,133
354	—	—	—	—	128	—	—	—	508
134,318	20,826	26,134	65,930	34,400	85,193	19,993	—	—	553,274
48,399	7,921	9,725	22,423	13,357	31,549	7,751	—	—	207,496
39,312	5,426	2,299	7,867	2,748	10,814	7,470	—	(1,934)	101,028
85,463	7,241	5,516	37,374	17,081	58,283	10,376	—	—	295,284
25,405	3,902	2,280	12,539	6,387	16,085	4,612	—	—	99,515
2,912	211	30	765	915	695	256	18	—	6,907
27,341	1,971	2,268	3,934	6,079	10,492	2,030	—	—	103,706
94,648	15,616	14,385	41,620	33,898	184,595	22,671	(3,399)	(1,419)	542,805
458,152	63,114	62,637	192,452	114,865	397,834	75,159	(3,381)	(3,353)	1,910,523
(34,419)	(5,921)	5,716	18,390	3,679	8,158	(6,688)	3,582	—	(21,390)
67,503	4,757	7,430	32,167	5,642	36,943	5,466	45	—	209,651
33,084	(1,164)	13,146	50,557	9,321	45,101	(1,222)	3,627	—	188,261
51	69	2,210	—	254	192	—	—	—	6,833
(23,296)	(1,757)	(432)	(1,141)	(739)	(1,650)	(502)	6,065	—	(40,295)
—	(459)	(611)	—	—	(492)	—	—	—	(3,787)
28,772	5,324	4,280	8,850	7,790	19,721	4,561	—	—	111,937
38,611	2,013	18,593	58,266	16,626	62,872	2,837	9,692	—	262,949

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidating Statement of Changes in Net Assets Information – HSSI Obligated Group

Year ended June 30 2011

(Dollars in thousands)

	St. Elizabeth's Belleville, Illinois	St. Joseph's Breese, Illinois	St. Mary's Decatur, Illinois	St. Anthony's Effingham, Illinois	St. Joseph's Highland, Illinois	St. Francis Litchfield, Illinois	St. John's Springfield, Illinois
Unrestricted net assets							
Revenues and gains in excess of expenses	\$ (20,203)	12,639	(2,399)	41,333	353	4,088	33,084
Other changes in unrestricted net assets							
Net assets released from restrictions used for the purchase of property, plant, and equipment	268	143	2,427	1,219	—	—	51
Transfer from (to) affiliate	(8,361)	(666)	(4,486)	(2,343)	(412)	(575)	(23,296)
Cumulative effect of change in accounting principle	(350)	(249)	(1,626)	—	—	—	—
Recognition of changes in pension funded status	12,557	2,330	6,647	6,639	1,974	2,492	28,772
Change in unrestricted net assets	(16,089)	14,197	563	46,848	1,915	6,005	38,611
Temporarily restricted net assets							
Investment Income	787	222	1,762	328	298	315	3,602
Contributions	261	89	1,589	174	33	(105)	2,592
Net assets released from restrictions	(324)	(143)	(2,459)	(1,225)	(39)	—	(1,080)
Change in temporarily restricted net assets	724	168	892	(723)	292	210	5,114
Investment income	3	—	—	—	—	—	—
Contributions	30	—	(30)	—	—	—	51
Change in permanently restricted net assets	33	—	(30)	—	—	—	51
Change in net assets	(15,332)	14,365	1,425	46,125	2,207	6,215	43,776
Net assets at beginning of year	46,415	69,531	65,703	198,176	2,167	17,124	430,645
Net assets at end of year	\$ 31,083	83,896	67,128	244,301	4,374	23,339	474,421

See accompanying independent auditors' report

Schedule 6

St. Mary's Streator, Illinois	St. Joseph's Chippewa Falls, Wisconsin	Sacred Heart Eau Claire, Wisconsin	St. Mary's Green Bay, Wisconsin	St. Vincent Green Bay, Wisconsin	St. Nicholas Sheboygan, Wisconsin	Hospital Sisters Services, Inc.	Eliminations	Total
(1,164)	13,146	50,557	9,321	45,101	(1,222)	3,627	—	188,261
69	2,210	—	254	192	—	—	—	6,833
(1,757)	(432)	(1,141)	(739)	(1,650)	(502)	6,065	—	(40,295)
(459)	(611)	—	—	(492)	—	—	—	(3,787)
5,324	4,280	8,850	7,790	19,721	4,561	—	—	111,937
2,013	18,593	58,266	16,626	62,872	2,837	9,692	—	262,949
320	1,491	930	1,003	867	1,174	—	—	13,099
27	54	135	(18)	540	50	—	—	5,421
(78)	(2,312)	(396)	(316)	(452)	(456)	—	—	(9,280)
269	(767)	669	669	955	768	—	—	9,240
—	—	13	—	—	—	—	—	16
47	468	628	1	137	—	—	—	1,332
47	468	641	1	137	—	—	—	1,348
2,329	18,294	59,576	17,296	63,964	3,605	9,692	—	273,537
51,616	56,717	246,638	74,879	304,708	71,856	(3,062)	—	1,633,113
53,945	75,011	306,214	92,175	368,672	75,461	6,630	—	1,906,650