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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

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

OMB No 1545-0047

2010

Open to Public Inspection

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

B Check if applicable
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Terminated
- ☐ Amended return
- ☐ Application pending

C Name of organization
Borgess Medical Center

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
1521 Gull Road

City or town, state or country, and ZIP + 4
Kalamazoo, MI 49048

D Employer identification number
38-1360526

E Telephone number
(269) 226-8301

G Gross receipts $ 474,698,182

F Name and address of principal officer
Paul A Spaude
1521 Gull Road
Kalamazoo, MI 49048

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 borgess com

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1927 | **M** State of legal domicile MI

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Provide inpatient & outpatient routine & ancillary care to the community

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

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	14
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	13
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	**5**	3,387
6	Total number of volunteers (estimate if necessary)	**6**	314
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	2,243,566
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	46,900	0
	9 Program service revenue (Part VIII, line 2g)	419,981,496	435,817,231
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	8,628,429	11,196,602
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	26,856,223	27,618,577
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	455,513,048	474,632,410
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	321,969	310,520
	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)	175,478,687	179,349,079
	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)	286,116,127	287,812,409
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	461,916,783	467,472,008
	19 Revenue less expenses Subtract line 18 from line 12	-6,403,735	7,160,402

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	350,305,035	366,602,313
	21 Total liabilities (Part X, line 26)	290,205,878	268,634,717
	22 Net assets or fund balances Subtract line 21 from line 20	60,099,157	97,967,596

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 — Date: 2012-05-15

Richard Felbinger CFO
Type or print name and title

Paid Preparer Use Only

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

Firm's name ▶ Deloitte Tax LLP — Firm's EIN ▶

Firm's address ▶ 250 East Fifth Street Suite 1900
Cincinnati, OH 45202 — Phone no ▶ (513) 784-7100

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

Borgess Medical Center provides necessary and vital health care services to an area which includes all of S W Michigan This care is given regardless of any individuals' race, color, religion, gender, age, national origin or ability to pay Borgess Medical Center is committed to cooperating with patients and families in providing holistic treatment by integrating within the healing process the physical, emotional and spiritual needs of each patient Services include inpatient routine, inpatient and outpatient ancillary care in support of our stated mission

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

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

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

If "Yes," describe these changes on Schedule O

4 Describe the exempt purpose achievements for each of the organization's three largest program services by expenses Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a (Code) (Expenses $ 411,845,338 including grants of $ 310,520) (Revenue $ 449,578,228)

In furtherance of its mission, Borgess Medical Center provides quality medical services regardless of race, creed, sex, national origin, handicap or ability to pay Additionally, the Medical Center participates in state and federal programs designed for the indigent and elderly where reimbursements are less than cost These estimates do not include community health promotions and outreach programs performed to assist those in need and provided without charge (See Schedule O for the Community Benefit Report)

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** ▶ $ 411,845,338

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		No
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		
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, line10? *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	Yes	
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		No
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? *If "Yes," complete Schedule I, Parts I and II*	**21**	Yes	
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**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? *If "Yes," complete Schedule J*	**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? *If "Yes," answer lines 24b–24d and complete Schedule K. If "No," go to line 25*	**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? *If "Yes," complete Schedule L, Part 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? *If "Yes," complete Schedule L, Part 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? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	**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? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**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? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**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? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	**34**	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	**35**	Yes	
a	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2* ☑ Yes ☐ No			
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**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? *If "Yes," complete Schedule R, Part VI*	**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**	371		
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, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	**2a**	3,387		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			**2b** Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)				
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	1a	14		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	13		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2		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?		3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		5		No
6	Does the organization have members or stockholders?		6	Yes	
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?		7a	Yes	
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?		7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	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		9		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?	10a		No
b	If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?	10b		
11a	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990			
12a	Does the organization have a written conflict of interest policy? *If "No," go to line 13*	12a	Yes	
b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c	Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done	12c	Yes	
13	Does the organization have a written whistleblower policy?	13	Yes	
14	Does the organization have a written document retention and destruction policy?	14	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	15a	Yes	
b	Other officers or key employees of the organization	15b	Yes	
	If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a	Yes	
b	If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?	16b	Yes	

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 ▶

Jeff Simpson
1541 Gull Road
Kalamazoo, MI 49048
(269) 226-7000

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) Larry D Lueth Chair	1 00	X						0	0	0
(2) Daniel E Stewart MD Vice Chair	1 00	X						0	0	0
(3) Joni L Knapper Secretary	1 00	X						0	0	0
(4) Susan Pozo PhD Treasurer	1 00	X						0	0	0
(5) Michael L Chojnowski end 1210 Treasurer	1 00	X						0	0	0
(6) Sanjay Dalal MD Trustee	1 00	X						0	0	0
(7) Gary Druskovich MD Trustee	1 00	X						0	0	0
(8) Mary Ellen Gondeck CSJ Trustee	1 00	X						0	0	0
(9) Doyle A Hayes Trustee	1 00	X						0	0	0
(10) Kevin Holleman MD Trustee	1 00	X						0	0	0
(11) Albert Little Trustee	1 00	X						0	0	0
(12) James McLaren MD Trustee	1 00	X						0	0	0
(13) William M Harrison Trustee	1 00	X						0	0	0
(14) James F Hettinger Trustee	1 00	X						0	0	0
(15) Paul A Spaude Sch O CEO	40 00	X		X				822,613	0	87,785
(16) Richard Felbinger Sch O CFO	40 00			X				340,884	0	102,690

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) J Patrick Dyson Sch O Executive VP	40 00				X			444,003	0	93,886
(18) Shahin Motakef Sch O COO	40 00				X			345,758	0	73,843
(19) Joy A Strand Sch O COO - LMH	40 00				X			163,277	0	52,607
(20) Edward Millermier MD end 1210 CMO (Sch O)	40 00				X			317,479	0	84,601
(21) William Lapenna MD Physician	40 00					X		747,346	0	48,161
(22) Robert Lapenna MD Physician	40 00					X		800,141	0	28,018
(23) Vishal Gupta MD Physician	40 00					X		778,095	0	40,570
(24) Mark Noffsinger MD Physician	40 00					X		672,199	0	48,372
(25) Thomas Ryan MD Physician	40 00					X		717,244	0	45,011
1b Sub-Total . . . . . ▶										
c Total from continuation sheets to Part VII, Section A . . . . ▶										
d Total (add lines 1b and 1c) . . . . . ▶								6,149,039	0	705,544

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 ▶ 6

			Yes	No
3	Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*	**3**		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? *If "Yes," complete Schedule J for such individual*	**4**	Yes	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? *If "Yes," complete Schedule J for such person*	**5**		No

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Southwest Michigan Imaging LLC 1700 Gull Road Kalamazoo, MI 49048	Imaging Services	16,955,129
Premier Radiology 1535 Gull Road Kalamazoo, MI 49048	Radiology Services	6,300,326
LHRET Ascension SW Michigan LLC 6004 Payshere Circle Chicago, IL 60674	Software Services	5,685,338
Trimedx LLC 15091 Bake Parkway Irvine, CA 92618	Medical Equipment	4,154,623
CCS-PA LLC 31330 Schoolcraft Road Livonia, MI 48150	Consulting	1,486,409

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 ▶ 153

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				
	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 . . . . . ▶					
Program Service Revenue		Business Code				
	2a Net Patient Services	621990	420,666,348	420,666,348		
	b Pharmacy	621990	10,294,922	10,294,922		
	c Joint Ventures Income	900099	2,778,935	2,404,441	374,494	
	d Reference Lab	541380	1,189,487	959,316	230,171	
	e Affiliate Rental Inc	532000	887,539	887,539		
	f All other program service revenue					
	g **Total.** Add lines 2a–2f . . . . . ▶		435,817,231			
	3 Investment income (including dividends, interest and other similar amounts) . . . . . ▶		10,509,084			10,509,084
	4 Income from investment of tax-exempt bond proceeds . . ▶					
	5 Royalties . . . . . ▶					

		(i) Real	(ii) Personal				
	6a Gross Rents	1,158,146					
	b Less rental expenses	55,325					
	c Rental income or (loss)	1,102,821					
	d Net rental income or (loss) . . . . . ▶			1,102,821		37,962	1,064,859

		(i) Securities	(ii) Other				
	7a Gross amount from sales of assets other than inventory		697,965				
	b Less cost or other basis and sales expenses		10,447				
	c Gain or (loss)		687,518				
	d Net gain or (loss) . . . . . ▶			687,518			687,518
Other Revenue	8a Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . . a						
	b Less direct expenses . . . b						
	c Net income or (loss) from fundraising events . . ▶						
	9a Gross income from gaming activities See Part IV, line 19 . a						
	b Less direct expenses . . . . . b						
	c Net income or (loss) from gaming activities . . . ▶						
	10a Gross sales of inventory, less returns and allowances . a						
	b Less cost of goods sold . . b						
	c Net income or (loss) from sales of inventory . . ▶						

	Miscellaneous Revenue	Business Code				
11a	Affiliate Income	621990	10,141,119			10,141,119
b	Laundry Revenue	812300	5,093,525	3,492,586	1,600,939	
c	Research Dept Revenue	541700	1,660,699	1,660,699		
d	All other revenue		9,620,413	9,212,377		408,036
e	**Total.** Add lines 11a–11d . . . . . ▶		26,515,756			
12	**Total revenue.** See Instructions . . . ▶		474,632,410	449,578,228	2,243,566	22,810,616

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	310,520	310,520		
2	Grants and other assistance to individuals in the U S See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	2,929,426	1,171,770	1,757,656	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	134,707,086	121,236,377	13,470,709	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	12,827,754	11,544,979	1,282,775	
9	Other employee benefits	18,843,212	16,958,891	1,884,321	
10	Payroll taxes	10,041,601	10,041,601		
a	Fees for services (non-employees) Management	16,054,665	16,054,665		
b	Legal	1,636,381		1,636,381	
c	Accounting	207,647		207,647	
d	Lobbying				
e	Professional fundraising services *See Part IV, line 17*				
f	Investment management fees	512,834	256,417	256,417	
g	Other				
12	Advertising and promotion	1,370,403	1,233,363	137,040	
13	Office expenses	4,005,692	2,002,846	2,002,846	
14	Information technology				
15	Royalties				
16	Occupancy	18,987,214	16,139,132	2,848,082	
17	Travel	554,582	499,124	55,458	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings				
20	Interest	6,703,078		6,703,078	
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	17,620,050	15,858,045	1,762,005	
23	Insurance	829,607	746,646	82,961	
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	Contract Services	104,929,062	94,436,156	10,492,906	
b	Supplies	72,832,254	66,109,247	6,723,007	
c	Physician Fees	13,842,665	13,842,665		
d	Bad Debts	8,566,423	8,566,423		
e	Corporate Allocation	2,674,884		2,674,884	
f	All other expenses	16,484,968	14,836,471	1,648,497	
25	**Total functional expenses.** Add lines 1 through 24f	467,472,008	411,845,338	55,626,670	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) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		19,682,723	1	32,143,336
	2	Savings and temporary cash investments			2	
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		53,479,527	4	54,970,320
	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		10,258,597	8	6,927,517
	9	Prepaid expenses and deferred charges		3,143,484	9	2,545,203
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 465,020,393			
	b	Less accumulated depreciation	10b 323,110,891	151,811,909	10c	141,909,502
	11	Investments—publicly traded securities			11	
	12	Investments—other securities See Part IV, line 11		352,804	12	326,882
	13	Investments—program-related See Part IV, line 11		10,686,317	13	12,302,592
	14	Intangible assets		1,486,292	14	1,945,752
	15	Other assets See Part IV, line 11		99,403,382	15	113,531,209
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		350,305,035	16	366,602,313
Liabilities	17	Accounts payable and accrued expenses		31,483,408	17	36,295,321
	18	Grants payable			18	
	19	Deferred revenue		3,204,398	19	2,220,711
	20	Tax-exempt bond liabilities			20	
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities Complete Part X of Schedule D		255,518,072	25	230,118,685
	26	**Total liabilities.** Add lines 17 through 25		290,205,878	26	268,634,717
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		59,746,352	27	97,640,713
	28	Temporarily restricted net assets		352,805	28	326,883
	29	Permanently restricted net assets			29	
		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		60,099,157	33	97,967,596
	34	Total liabilities and net assets/fund balances		350,305,035	34	366,602,313

Part XI Reconcilliation 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	474,632,410
2	Total expenses (must equal Part IX, column (A), line 25)	2	467,472,008
3	Revenue less expenses Subtract line 2 from line 1	3	7,160,402
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	60,099,157
5	Other changes in net assets or fund balances (explain in Schedule O)	5	30,708,037
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	97,967,596

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? . .	2a		No
b	Were the organization's financial statements audited by an independent accountant?	2b	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	2c	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?	3a		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits . .	3b		

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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
Borgess Medical Center

Employer identification number
38-1360526

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?

	Yes	No
(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)**		
(ii) a family member of a person described in (i) above? **11g(ii)**		
(iii) a 35% controlled entity of a person described in (i) or (ii) above? **11g(iii)**		

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

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

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

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

Section A. Public Support

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

Section B. Total Support

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

12 Gross receipts from related activities, etc (See instructions) **12**

13 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

14 Public Support Percentage for 2010 (line 6 column (f) divided by line 11 column (f)) **14**

15 Public Support Percentage for 2009 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2010.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support test—2009.** If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

17a **10%-facts-and-circumstances test—2010.** If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

b **10%-facts-and-circumstances test—2009.** If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

18 **Private Foundation** If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions ▶☐

Part III **Support Schedule for Organizations Described in Section 509(a)(2)**
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	**(a)** 2006	**(b)** 2007	**(c)** 2008	**(d)** 2009	**(e)** 2010	**(f)** Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 **Public Support** (Subtract line 7c from line 6)						

Section B. Total Support

Calendar year (or fiscal year beginning in)	**(a)** 2006	**(b)** 2007	**(c)** 2008	**(d)** 2009	**(e)** 2010	**(f)** Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support** (Add lines 9, 10c, 11 and 12)						

14 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 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).

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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	Employer identification number
Borgess Medical Center	38-1360526

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		
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-		

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

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) Yes	(a) No	(b) 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		4,758
j	Total lines 1c through 1i			4,758
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).**		
a	Current year	2a	
b	Carryover from last year	2b	
c	Total	2c	
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	
4	If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5	Taxable amount of lobbying and political expenditures (see instructions)	5	

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation
Explanation of Other Lobbying Activities	Part II-B, Line 1i	Lobbying expenses represent the portion of dues paid to national and state hospital associations that is specifically allocable to lobbying

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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
Borgess Medical Center

Employer identification number
38-1360526

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

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

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

3 Using the organization's accession and other records, check any of the following that are a significant use of its collection items (check all that apply)

- a ☐ Public exhibition
- b ☐ Scholarly research
- c ☐ Preservation for future generations
- d ☐ Loan or exchange programs
- e ☐ Other

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

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

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

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

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

		Amount
c Beginning balance	1c	
d Additions during the year	1d	
e Distributions during the year	1e	
f Ending balance	1f	

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

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

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

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

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

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

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

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

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

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

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		3,490,505		3,490,505
b Buildings		231,609,859	126,052,093	105,557,766
c Leasehold improvements		1,454,847	1,206,246	248,601
d Equipment		223,233,360	193,089,918	30,143,442
e Other		5,231,822	2,762,634	2,469,188
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				141,909,502

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶		

Part VIII Investments—Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Total. *(Column (b) should equal Form 990, Part X, col (B) line 13)* ▶		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1) Third Party Settlements	10,605,373
(2) Other Receivables	4,440,589
(3) Other Accounts Receivable	260,886
(4) Deferred Compenation Annuities	17,846,177
(5) Other Assets	2,906,088
(6) Intercompany Receivables	16,036,404
(7) Health System Depository Account	61,435,692
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	113,531,209

Part X Other Liabilities. See Form 990, Part X, line 25.

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
Third Party Settlements	11,642,333
Self Insurance liabiltiy	790,623
Pension Payable	22,088,102
Deferred Compensation	17,846,177
Other Liabilities	9,224,834
Intercompany Debt to Ascension Health	168,526,616
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	230,118,685

2. Fin 48 (ASC 740) Footnote In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC740)

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

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Borgess Medical Center

Employer identification number
38-1360526

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 .	1a	Yes	
b	If "Yes," is it a written policy?	1b	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 *free* 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 ____ %	3a	Yes	
b	Does the organization use FPG to determine eligibility for providing *discounted* 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 ____ %	3b	Yes	
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"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		No
6a	Does the organization prepare a community benefit report during the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	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)			10,980,621		10,980,621	2 390 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			50,717,818	35,929,443	14,788,375	3 220 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			61,698,439	35,929,443	25,768,996	5 610 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			1,248,982		1,248,982	0 270 %
f Health professions education (from Worksheet 5)			7,391,978		7,391,978	1 610 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)			1,469,143		1,469,143	0 320 %
i Cash and in-kind contributions to community groups (from Worksheet 8)			529,516		529,516	0 120 %
j **Total** Other Benefits			10,639,619		10,639,619	2 320 %
k **Total.** Add lines 7d and 7j			72,338,058	35,929,443	36,408,615	7 930 %

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

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

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense (at cost)	2	2,705,799		
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	200,722,072
6	Enter Medicare allowable costs of care relating to payments on line 5	6	209,078,577
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-8,356,505
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	
b	If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI		9b	Yes	

Part IV Management Companies and Joint Ventures

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

Part V Facility Information

Section A. Hospital Facilities

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

How many hospital facilities did the organization operate during the tax year? 2

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	Borgess Medical Center 1521 Gull Road Kalamazoo, MI 49048	X	X		X		X	X		
2	Borgess PIPP Hospital 411 Naomi Street Plainwell, MI 49080							X		LTAC

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 7 The cost of providing charity care, means tested government programs, and community benefit programs is estimated using internal cost data, and is calculated in compliance with Catholic Health Association ("CHA") guidelines The organization uses a cost accounting system that addresses all patient segments (for example, inpatient, outpatient, emergency room, private insurance, Medicaid, Medicare, uninsured, or self pay) The best available data was used to calculate the amounts reported in the table For the information in the table, a cost-to-charge ratio were calculated and applied

Identifier	ReturnReference	Explanation
		Part I, Line 7, Column (f) The Bad Debt expense included on Form 990, Part IX, Line 25, Column (A), but subtracted for purposes of calculating the percentage in this column is $ 8566423

Identifier	ReturnReference	Explanation
		Part II We have a Community Benefit Advisory Committee that includes community leaders from health and human service organizations, the Borgess Health Board of Trustees and leadership that discusses and collaborates on community building activities Borgess Health is positioned through its membership on 58 local regional and state health, economic and community service boards and advisory committees to help shape the discussion on health issues in the communities we serve To that end, Borgess has representation on the Boards and/or advisory committees of Southwest Michigan First, Western Michigan University (WMU)School of Medicine, Kalamazoo Valley Community College and WMU Schools of Nursing, Greater Kalamazoo United Way, Blue Cross/ Blue Shield and Priority Health to name a few Our participation on the Family Health Center (our local FQHC), Kalamazoo County Health Plan and financial support of Michigan State University/Kalamazoo Center for Medical Studies residency program and the Southwest Michigan Cancer Center insure access to care for vulnerable patients

Identifier	ReturnReference	Explanation
		Part III, Line 4 The organization is a part of the Ascension Health consolidated audit The footnote that references bad debt expense in the 2010 consolidated audit is as follows The provision for bad debts is based upon management's assessment of expected net collections considering economic conditions, historical experience, trends in health care coverage, and other collection indicators Periodically throughout the year, management assesses the adequacy of allowance for uncollectible accounts based upon historical write off experience by payor category, including those amounts no covered by insurance The results of this review are then used to make any modifications to the provision for bad debts to establish an appropriate allowance for uncollectible accounts After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, the organization follows established guidelines for placing certain past due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by the organization Accounts receivable are written off after collection efforts have been followed in accordance with the Organization's policies The organization's share of bad debt expense in 2010 was $8,566,423 at charges ($2,705,799 at cost)

Identifier	ReturnReference	Explanation
		Part III, Line 8 Ascension Health and related health ministries follow the Catholic Health Association ("CHA") guidelines for determining community benefit CHA community benefit reporting guidelines suggest that Medicare shortfall is not treated as community benefit

Identifier	ReturnReference	Explanation
		Part III, Line 9b The organization has a written debt collection policy that also includes a provision on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance If a patient qualifies for charity or financial assistance certain collection practices do not apply

Identifier	ReturnReference	Explanation
		Part V There are three additional facilities for Borgess Medical Center Health & Fitness Center at 1521 Gull Road Kalamazoo MI 49048 which houses our rehab center Westside Radiology at 6565 W Main Kalamazoo MI 49009 andWoodbridge outpatient service center, diagnostics and urgent care at 7901 Angling Road, Portage MI 49024

Identifier	ReturnReference	Explanation
		Part VI, Line 2 Borgess reviews numerous reports and statistics, including epidemiological reports published by the Kalamazoo County Health and Human Services Department, Admission and Emergency room data to determine where the specific needs of the community are and where we can focus our efforts to offer assistance

Identifier	ReturnReference	Explanation
		Part VI, Line 3 Information regarding financial assistance is posted in the admitting, and registration departments in addition to the emergency department Borgess has staff dedicated to assisting uninsured patients complete a means test and complete applications for public assistance Patients are provided with contact numbers on their medical bills to contact the billing office if assistance is needed to pay their bill We leave it up to the patient to contact us then we direct them through the Charity Care process or applying for other government assistance programs

Identifier	ReturnReference	Explanation
		Part VI, Line 4 Kalamazoo is a two-hospital market with the consumers believing that there are two very good, equal healthcare facilities However, because it's a newer facility with all private rooms, Bronson's reputation is partially based on facility amenities Many consumers choose a hospital based on specific service needs and/or physician recommendations and preferences Outside of Kalamazoo, the Borgess Health service area includes several small rural hospitals and two secondary service level hospitals The population in the service area is expected to decline due to a decline in the following age cohorts 0-17, 18-44, and 45-64 However, the population 65+ is expected to increase by 10 7%, creating a demand for restorative and chronic health services There are 450,000 residents in the Kalamazoo Metropolitan Statistical Area The median income for the area is $49,968 and 15 9% of the population have income at or below the poverty level

Identifier	ReturnReference	Explanation
		Part VI, Line 6 Borgess provides a number of services to the community at no or a very low cost to the general community and to uninsured patients in our comprehensive Diabetes Uninsured Clinic, Wellness Project offered to adults in Allegan County, pharmaceutical assistance program, and in-home nursing programs We also provide health screenings e g , colorectal, immunizations, mammograms and school physicals Borgess has a history steeped in the tradition of serving the poor and underserved Borgess leadership including the Board of Trustees are educated on the organizations mission and values and challenge themselves on how to serve the poor and underserved members of our community

Identifier	ReturnReference	Explanation
		Part VI, Line 7 Borgess Medical Center is a wholly owned subsidiary of Borgess Health Alliance, Inc , which is a member of Ascension Health Ascension Health is a Catholic, national health system consisting primarily of nonprofit corporations that own and operate local health care facilities, or Health Ministries, located in 20 of the United States and the District of Columbia Ascension Health is sponsored by the Northeast, Southeast, East Central, and West Central Provinces of the Daughters of Charity of St Vincent de Paul, the Congregation of St Joseph, and the Sisters of St Joseph of Carondelet (CSJ) The Medical Center, located in Kalamazoo, Michigan, is a nonprofit acute care hospital The Medical Center provides inpatient, outpatient, and emergency care services for the residents of Kalamazoo, Michigan Admitting physicians are primarily practitioners in the local area The Medical Center is related to Ascension Health's other sponsored organizations through common control Substantially all expenses of Ascension Health and its sponsored organizations are related to providing health care services Mission Ascension Health directs its governance and management activities toward strong, vibrant, Catholic Health Ministries united in service and healing and dedicates its resources to spiritually centered care which sustains and improves the health of the individuals and communities it serves In accordance with Ascension Health's mission of service to those who are poor and vulnerable, each Health Ministry accepts patients regardless of their ability to pay Ascension Health uses four categories to identify the resources utilized for the care of persons who are poor and community benefit programs -Traditional charity care includes the cost of services provided to persons who cannot afford health care because of inadequate resources and/or who are uninsured or underinsured -Unpaid cost of public programs represents the unpaid cost of services provided to persons covered by public programs for the poor -Cost of other programs for the poor includes unreimbursed costs of programs intentionally designed to serve the poor and vulnerable of the community, including substance abusers, the homeless, victims of child abuse, and persons with acquired immune deficiency syndrome -Community benefit consists of the unreimbursed costs of community benefit programs and services for the general community, not solely for the poor, including health promotion and education, health clinics and screenings, and medical research Discounts are provided to all uninsured patients, including those with the means to pay Discounts provided to those patients who did not qualify for assistance under charity care guidelines are not included in the cost of providing care of persons who are poor and community benefit programs The cost of providing care of persons who are poor and community benefit programs is estimated using internal cost data

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Borgess Medical Center

Employer identification number
38-1360526

Part I General Information on Grants and Assistance

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . . ☑ Yes ☐ No

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

Part II Grants and Other Assistance to Governments and Organizations in the United States.

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

1 (a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) Southwest Michigan First Corporation3940 Peninsular Drive SE 180 Grand Rapids, MI 49007	38-2853785	Section 501(c)(3)	129,000				General Support
(2) Greater Kalamazoo United Way709 South Westnedge Kalamazoo, MI 49007	38-1359193	Section 501(c)(3)	47,000				General Support
(3) Hospital Hospitality House of Kalamazoo Inc527 West South Street Kalamazoo, MI 49007	38-2540700	Section 501(c)(3)	26,500				General Support
(4) Catholic Family Service 1819 Gull Road Kalamazoo, MI 49048	38-2072348	Section 501(c)(3)	25,000				General Support
(5) Heritage Community of Kalamazoo2400 Portage Street Kalamazoo, MI 49001	38-2758582	Section 501(c)(3)	10,000				General Support
(6) Kalamazoo Regional Chamber of Commerce346 West Michigan Kalamazoo, MI 49007	38-0703370	Section 501(c)(6)	8,470				General Support

2 Enter total number of section 501(c)(3) and government organizations . . . . . ▶ 5

3 Enter total number of other organizations . . . . . ▶ 1

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

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

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

Identifier	Return Reference	Explanation
Procedure for Monitoring Grants in the U S	Part I, Line 2	Schedule I, Part I, Line 2 If grant is for a specific event we usually have a representative attend the function If it is for non function activities we usually receive a letter detailing our contribution and what it was used for

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees
▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Borgess Medical Center

Employer identification number
38-1360526

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate 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 orprovision of all the expenses described above? If "No," complete Part III to explain	**1b**	Yes	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**	Yes	
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply			
	☑ 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**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**		No
8	Were any amounts reported in Form 990, Part VII, paid or accured 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) Paul A Spaude Sch O	(i)	411,545	293,813	117,255	67,578	20,207	910,398	0
	(ii)	0	0	0	0	0	0	0
(2) Richard Felbinger Sch O	(i)	259,825	27,277	53,782	76,725	25,965	443,574	0
	(ii)	0	0	0	0	0	0	0
(3) J Patrick Dyson Sch O	(i)	307,227	84,981	51,795	80,285	13,601	537,889	0
	(ii)	0	0	0	0	0	0	0
(4) Shahin Motakef Sch O	(i)	302,405	1,193	42,160	51,297	22,546	419,601	0
	(ii)	0	0	0	0	0	0	0
(5) Joy A Strand Sch O	(i)	161,110	0	2,167	29,839	22,768	215,884	0
	(ii)	0	0	0	0	0	0	0
(6) Edward Millermier MD end 1210	(i)	263,838	39,097	14,544	61,285	23,316	402,080	0
	(ii)	0	0	0	0	0	0	0
(7) William Lapenna MD	(i)	454,610	292,736	0	21,994	26,167	795,507	0
	(ii)	0	0	0	0	0	0	0
(8) Robert Lapenna MD	(i)	478,455	321,686	0	0	28,018	828,159	0
	(ii)	0	0	0	0	0	0	0
(9) Vishal Gupta MD	(i)	408,882	354,088	15,125	15,125	25,445	818,665	0
	(ii)	0	0	0	0	0	0	0
(10) Mark Noffsinger MD	(i)	495,839	155,735	20,625	20,163	28,209	720,571	0
	(ii)	0	0	0	0	0	0	0
(11) Thomas Ryan MD	(i)	455,578	246,167	15,499	20,493	24,518	762,255	0
	(ii)	0	0	0	0	0	0	0
(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
	Part I, Line 1a	An officer is allowed to bring a companion on two travel occasions that the company will pay for and include the cost of that travel in the officer's W-2
Supplemental Information	Part III	Part III, Line 4b Eligible executives participate in a program that provides for supplemental retirement benefits The payment of benefits under the program, if any, is entirely dependent upon the facts and circumstances under which the executive terminates employment with the organization Benefits under the program are unfunded and non-vested Due to the substantial risk of forfeiture provision, there is no guarantee that these executives will ever receive any benefit under the program Any amount ultimately paid under the program to the executives is reported as compensation on Form 990, Schedule J, Part II, Column B in the year paid The filing organization contributed to the Supplemental Nonqualified Retirement Plan in the amounts as noted Paul A Spaude - $49,992

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Borgess Medical Center

Employer identification number
38-1360526

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 6		Borgess Medical Center has a single corporate member, Borgess Health Alliance, Inc

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 7a		Borgess Medical Center has a single corporate member, Borgess Health Alliance, Inc , who has the ability to elect members to the governing body of the Borgess Medical Center

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 7b		All decisions that have a material impact to Borgess Medical Center financial information or corporation as a whole are subject to approval by its sole corporate member, Borgess Health Alliance, Inc

Identifier	Return Reference	Explanation
Form 990, Part VI, Section B, line 11		Management, including certain officers, works diligently to complete the Form 990 and attached schedules in a thorough manner Prior to filing the return, all Board Members are provided the Form 990 and management team members are available to answer any Board Members questions

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 12c	The organization regularly and consistently monitors and enforces compliance with the conflict of interest policy in that any director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of the committees with governing board delegated powers considering the proposed transaction or arrangement The remaining individuals on the governing board or committee meeting will decide if conflicts of interest exist Each director, principal officer and member of a committee with governing board delegated powers annually signs a statement which affirms such person has received a copy of the conflicts of interest policy, has read and understands the policy, has agreed to comply with the policy, and understands that the organization is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish its tax-exempt purpose

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15	In determining compensation of the organization's CEO, the process included a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision The executive/compensation committee reviewed and approved the compensation In the review of the compensation, the CEO was compared to other hospitals in the area that hold the same title During the review and approval of the compensation, documentation of the decision was recorded in the executive committee minutes The individual was not present when his compensation was decided In determining compensation of other officers or key employees of the organization, the process included a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision The executive/compensation committee reviewed and approved the compensation In the review of the compensation, the other officers or key employees of the organization were compared to other organizations' employees in the area that hold the same title During the review and approval of the compensation, documentation of the decision was recorded in the executive committee minutes

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section C, line 19	The organization will provide any documents open to public inspection upon request

Identifier	Return Reference	Explanation
Explaination of Hours for Officers and Key Employees	Form 990, Part VII	Officers and key employees of Borgess Medical Center provide services to Borgess Health Alliance, Inc and its subsidiaries Hours worked arenot tracked on an entity by entity basis Therefore, where noted with a "(Sch O)" reference, officers'and key employees' hours reported on Form 990, Part VII, Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees represent affregate hours worked per week for all entities

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Net unrealized gains on investments 45,596 Prior period adjustments -1,405,101 Book/Tax Difference on Sale of Buildings 979,272 Transfer to Ascension Health -5,897,352 Deferred Pension Costs 30,060,030 Transfers from Affiliates 7,074,561 Restricted Donations used for Capital 4,044,321 Book/Tax Difference on Restricted Contributions -4,193,290 Total to Form 990, Part XI, Line 5 30,708,037

Identifier	Return Reference	Explanation
Community Benefit Report	Form 990, Part III, Line 4	This report illustrates the significant degree to which Borgess Medical Center contributes to the positive health status of the communities it serves As a member of Ascension Health, the nation's largest Catholic healthcare system, Borges Medical Center continues to build and strengthen sustainable collaborative efforts that benefit the health of individuals, families, and society as a whole The goal of Borgess Medical Center is to perpetuate the healing mission of the church Borgess Medical Center furthers this goal through delivery of patient services, care to the elderly and indigent, patient education and health awareness programs for the community, and medical research Our concern for all human life and dignity of each person leads the organization to provide medical services to all people in the community without regard to the patient's race, creed, national origin, economic status, or ability to pay Borgess Medical Center has engaged in the following activities to ensure that our mission is accomplished Unreimbursed Services Provided to the Elderly and the Poor Borgess Medical Center provides a substantial portion of its services to the elderly and poor During the fiscal year ending June 30, 2011, approximately 49 1% of the value of services rendered were to elderly patients under the Medicare program, and approximately 11 9% of the services were provided to patients who were deemed indigent under state , county, or Medical Center Guidelines In the spirit of principles adopted by Ascension Health, Borgess Medical Center has taken proactive steps to address those issues that will affect accessibility, the financing, and the delivery of healthcare to all persons, especially the uninsured, underinsured, and the underserved During the fiscal year ending June 30, 2011 the estimated unreimbursed cost of services provided to the elderly, uninsured, and underinsured totaled $41 1 million Patient Services In addition to offering nationally recognized, cardiac, neuro and orthopedic care, Borgess Medical Center serves southern Michigan and the greater Kalamazoo region with more than 40 inpatient and outpatient specialties -- including emergency and trauma, heart health, advanced cancer care, vascular services and women's health -- provided by a medical staff of more than 500 physicians The following represent some of the services provided -Behavioral Medicine -Birthing Center -Breast Care Centers -Cancer Care -Cardiac Services (Heart Care) -Clinical Trials (Research) - CorpFit (Occupational Health) -Diabetes Education -Emergency Services -Fitness -Health Promotion (For Instructor Use) -Home Health Care & Hospice -Integrative Medicine -Laboratory Services -Level I Trauma Center -Neuro Sciences (Head, neck and spine) -Nutritional Counseling -Orthopedic Services/Joint Replacement Center -Osteoporosis Centers -Radiology Services -Rehabilitation Services -Sleep Disorders Center -Surgical Services -Vascular Services -West Michigan Spine -Women's Health Some services operate at a loss in order to ensure that all services are available to meet community health care needs Some of the larger examples include Obstetrics, Neonatal, Behavioral, and General Medicine During the fiscal year ending June 30, 2011, our Medical Center treated adults and children in the community for a total of 91,276 patient days of service The Medical Center also provided services for 559,961 outpatient visits, including 6,127 outpatient surgeries, and 67,936 emergency and minor care visits Community Outreach activities Borgess Medical Center seeks to improve the physical, mental, social and spiritual health status of its surrounding community In addition to providing health care services to all individuals who require medical attention, Borgess Medical Center has developed the following programs to help achieve its mission Expanding Awareness, Education, and Health Promotion Borgess Medical Center believes that it is essential to educate people regarding the types of behavior that improve their chances of living a healthy life Borgess Medical Center has invested significantly in unique , top quality health education and materials to accomplish its goals Below are some of the topics of program offerings to the community -Cardiac Rehabilitation -Loss and Bereavement -Healthy Heart Education -Food Preparation for Cardiac Patients -Hip and Knee Pain -Joint Replacement Pre-op Education -Diabetes Education -Family and Sibling Education -Cardio Pulmonary Seminars -Lamaze -Lamaze for Spanish speaking population -Birth Education -Better Breathers Club -Breast Education -End of Life Issues Borgess Medical Center provides the following information on its website 1 Listings of Health and Wellness classes, including a description of the class, cost, and location 2 Drug Reference information on thousands of Brand and Generic drugs 3 Adult and Pediatric Disease and Condition Index, that provides information on various disease processes

Identifier	Return Reference	Explanation
Community Benefit Report	Form 990, Part III, Line 4	and health conditions for adults and children While our health ministry does not have for mal public health clinic, it does provide a variety of specialized clinics at various site s in the community independently and in conjunction w ith other organizations These includ e -Public Flu Clinic -Diabetes Screenings -Congestive Heart failure -Fitness and Exercise -Cholesterol -Stroke -Cardiac Health -Wellness Clinics offered by Parish Nurse Program -B lood Pressure Screenings -Prevention and Safety Health Fairs offered by Visiting Nurse and Hospice Program -Senior Wellness Program -Joint community health fairs 1 African Americ an Health Fair 2 Cover the Uninsured Week health screenings 3 Senior Expo 4 Women's Fes tival 5 Kalamazoo County Health Fair In fulfillment of its corporate responsibility to ad dress compelling community and social needs through philanthropy, Borgess Medical Center h as established a policy to direct monetary contributions to not-for-profit organizations t hat w ork to improve the quality of life in its service area Priority is given to those or ganizations w hose mission is most closely aligned w ith the mission and values of Borgess Borgess played a leadership role in the establishment of the Kalamazoo County Health Plan, w hose mission is to improve coverage and access for the uninsured in Kalamazoo County Ad ditionally Borgess executive staff sit on a number of governance Boards of non-profit orga nizations in our community that serve disfranchised groups, such as the American Red Cross , Greater Kalamazoo United Way, Family Health Center and Ministry w ith Community to name a few Borgess also has representation on public and private organizations including the Ka lamazoo Chamber of Commerce and the Kalamazoo Valley Community College Foundation Medical Research Borgess Medical Center furthers its mission by contributing funds and personnel to support research that has helped advance medical care Borgess Research Institute condu cts sponsored clinical device and drug trials in the follow ing areas -Cardiovascular Rese arch high cholesterol, high blood pressure, heart failure, acute myocardial infaction, pa tients w ith acute coronary syndrome undergoing coronary stent placement, carotid stenting, and coronary artery bypass graphs -Neuroscience Research Parkinson's Disease, Alzheimer 's Disease, Back pain, Spine Surgery, Mild Cognitive Impairment, Peripheral Neuropathy, Mi graines, Sleep Disorders, Acute Stroke, Stroke Prevention and Insonomia -Acute Care and T rauma Research Sepsis, Acute Respitory Distress Syndrome, and Pneumonia -Other Erosive Gerd, Chron's Disease, and Infectious Disease - Basic and Molecular Science research is co nducted in trauma research looking at ischemia and reperfusion animal models Cardiovascul ar basic science research is also conducted at Borgess Borgess Medical Center utilizes it s w ebsite to recruit patients for clinical trials Furthermore, advertising is done on Cen terw atch and other research recruiting w ebsites Medical Education Borgess Medical Center believes that, in order to provide the best health care to the community, its clinical per sonnel must receive ongoing medical education Classes, seminars, and materials are provid ed to medical residents and staff Additionally, symposiums such as for Cardiac and Neurol ogy are offered

Identifier	Return Reference	Explanation
		Summary Borgess Medical Center furthers its charitable purposes by providing a broad array of services to meet the healthcare needs of patients and organizations in the community We provide essential medical services to the community, train and recruit healthcare professionals to serve the needs of the broader community, provide appropriate charity services to those patients who are not able to pay for their own healthcare needs, provide services to other organizations that allow them to provide quality services to their patients or constituents, and present education information classes and activities to the community in order to improve its overall health status

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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
Borgess Medical Center

Employer identification number
38-1360526

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
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) Disproprtionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) Textile Systems Inc 817 Walbridge Kalamazoo, MI49007 38-2705047	Laundry Services	MI	Borgess Medical Center	C	7,611	1,079,817	100 000 %

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

		Yes	No
1 During the tax year, did the orgranization 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	1a		No
b Gift, grant, or capital contribution to other organization(s)	1b		No
c Gift, grant, or capital contribution from other organization(s)	1c		No
d Loans or loan guarantees to or for other organization(s)	1d		No
e Loans or loan guarantees by other organization(s)	1e		No
f Sale of assets to other organization(s)	1f		No
g Purchase of assets from other organization(s)	1g		No
h Exchange of assets	1h	Yes	
i Lease of facilities, equipment, or other assets to other organization(s)	1i		No
j Lease of facilities, equipment, or other assets from other organization(s)	1j		No
k Performance of services or membership or fundraising solicitations for other organization(s)	1k		No
l Performance of services or membership or fundraising solicitations by other organization(s)	1l		No
m Sharing of facilities, equipment, mailing lists, or other assets	1m		No
n Sharing of paid employees	1n	Yes	
o Reimbursement paid to other organization for expenses	1o	Yes	
p Reimbursement paid by other organization for expenses	1p	Yes	
q Other transfer of cash or property to other organization(s)	1q	Yes	
r Other transfer of cash or property from other organization(s)	1r	Yes	

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

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

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

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Are all partners section 501(c)(3) organizations?		(e) Share of end-of-year assets	(f) Disproprtionate allocations?		(g) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(h) General or managing partner?	
			Yes	No		Yes	No		Yes	No

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation

Additional Data Return to Form

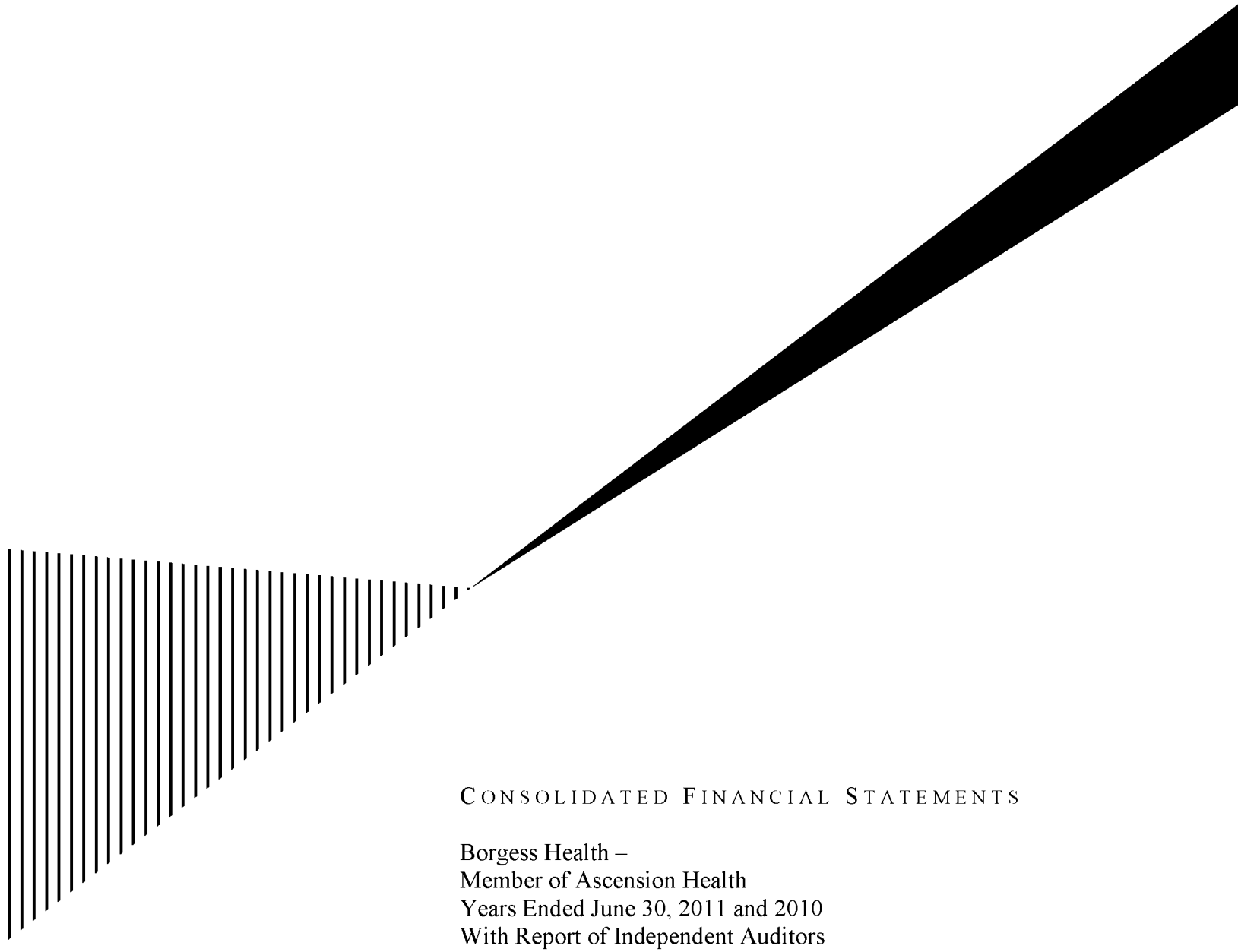
Software ID:
Software Version:
EIN: 38-1360526
Name: Borgess Medical Center

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
Ascension Health PO Box 45998 St Louis, MO63134 31-1662309	National Health System	MO	Section 501(c)(3)	Schedule A, Line 11a	N/A		No
Borgess Health Alliance Inc 1521 Gull Road Kalamazoo, MI49048 38-2335286	Health System Parent	MI	Section 501(c)(3)	Schedule A, Line 11c	Ascension Health		No
Borgess Ambulatory Care Corporation 1521 Gull Road Kalamazoo, MI49048 38-2468823	Holding Company	MI	Section 501(c)(3)	Schedule A, Line 3	Borgess Health Alliance Inc	Yes	
Borgess Foundation 1521 Gull Road Kalamazoo, MI49048 23-7222558	Fundraising	MI	Section 501(c)(3)	Schedule A, Line 11c	Borgess Health Alliance Inc	Yes	
Borgess Nursing Home 537 Chicago Avenue Kalamazoo, MI49048 38-2555589	Residential Care	MI	Section 501(c)(3)	Schedule A, Line 3	Borgess Health Alliance Inc	Yes	
Lee Memorial Hospital Corporation 420 West High Street Dowagiac, MI49047 38-1490190	Healthcare Services	MI	Section 501(c)(3)	Schedule A, Line 3	Borgess Health Alliance Inc	Yes	
Lee Memorial Foundation 420 West High Street Dowagiac, MI49047 38-2860459	Fundraising	MI	Section 501(c)(3)	Schedule A, Line 11c	Borgess Health Alliance Inc	Yes	
ProMed Healthcare 1521 Gull Road Kalamazoo, MI49048 38-3193801	Healthcare Services	MI	Section 501(c)(3)	Schedule A, Line 9	Borgess Health Alliance Inc	Yes	
Visiting Nurse & Hospice Services of SW MI 348 North Burdick Kalamazoo, MI49007 38-1359216	Home Nursing and Rehabilitation Services	MI	Section 501(c)(3)	Schedule A, Line 9	Borgess Health Alliance Inc	Yes	
Visiting Nurses Home Care DBA Borgess VNA Home Care 348 North Burdick Kalamazoo, MI49007 38-2717691	Home Healthcare Services	MI	Section 501(c)(3)	Schedule A, Line 9	Borgess Health Alliance Inc	Yes	

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

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(1)	Borgess Ambulatory Care Corporation	P	28,403,552	Fair Value
(2)	Borgess Ambulatory Care Corporation	O	28,435,540	Fair Value
(3)	Borgess Health Alliance Inc	O	736,845	Fair Value
(4)	Borgess Health Alliance Inc	R	3,511,317	Fair Value
(5)	Borgess Foundation	R	3,887,961	Fair Value
(6)	Borgess Foundation	P	993,813	Fair Value
(7)	Promed Healthcare Inc	P	5,857,799	Fair Value
(8)	Promed Healthcare Inc	H	1,864,992	Fair Value
(9)	Promed Healthcare Inc	N	24,970,071	Fair Value
(10)	Promed Healthcare Inc	P	31,398,269	Fair Value
(11)	Promed Healthcare Inc	O	22,129,284	Fair Value
(12)	Promed Healthcare Inc	R	36,502,000	Fair Value
(13)	Visiting Nurse & Hospice Services of SW MI	P	2,197,092	Fair Value
(14)	Ascension Health	Q	5,897,352	Fair Value
(15)	Lee Memorial Hospital Corporation	P	4,965,974	Fair Value
(16)	Borgess Nursing Home	P	1,083,392	Fair Value
(17)	Visiting Nurses Home Care	O	190,359	Fair Value



CONSOLIDATED FINANCIAL STATEMENTS

Borgess Health –
Member of Ascension Health
Years Ended June 30, 2011 and 2010
With Report of Independent Auditors

Ernst & Young LLP

ERNST & YOUNG

Borgess Health

Consolidated Financial Statements

Years Ended June 30, 2011 and 2010

Contents

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Report of Independent Auditors

The Board of Trustees
Borgess Health

We have audited the accompanying consolidated balance sheet of Borgess Health as of June 30, 2011. The balance sheet is the responsibility of Borgess Health management. Our responsibility is to express an opinion on the balance sheet based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of Borgess Health's internal control over financial reporting. Our audits included 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 Borgess Health's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the consolidated financial position of Borgess Health at June 30, 2011 in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1, on July 1, 2010, Borgess Health changed its method of accounting for goodwill.

We also have reviewed the accompanying consolidated balance sheet as of June 30, 2010 and consolidated statements of operations and changes in net assets, and cash flows for the years ended June 30, 2011 and 2010, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Borgess.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying statements of operations and changes in net assets, and cash flows in order for them to be in conformity with generally accepted accounting principles.

Ernst & Young LLP

September 8, 2011

Borgess Health

Consolidated Balance Sheets

(Dollars in Thousands)

	June 30	
	2011	**2010**
Assets		*(unaudited)*
Current assets		
Cash and cash equivalents	**$ 42,445**	$ 26,355
Short-term investments	**2,461**	4,716
Accounts receivable, less allowances for uncollectible accounts ($50,825 and $57,507 in 2011 and 2010, respectively)	**68,583**	65,517
Assets limited as to use	**359**	482
Estimated third-party payor settlements	**11,523**	13,224
Inventories	**7,297**	10,639
Other	**8,116**	6,443
Total current assets	**140,784**	127,376
Board-designated and other investments	**89,533**	80,786
Property and equipment, net	**161,718**	172,733
Other assets		
Investment in unconsolidated entities	**14,942**	13,701
Other	**23,205**	21,985
Total other assets	**38,147**	35,686
Total assets	**$ 430,182**	$ 416,581

See accountant's report and accompanying notes.

Borgess Health

Consolidated Balance Sheets (continued)

(Dollars in Thousands)

	June 30	
	2011	**2010**
Liabilities and net assets		*(unaudited)*
Current liabilities		
Current portion of long-term debt	**$ 1,212**	$ 1,371
Accounts payable and accrued liabilities	**48,937**	44,008
Estimated third-party payor settlements	**12,348**	9,805
Current portion of self-insurance liabilities	**791**	1,057
Other	**548**	595
Total current liabilities	**63,836**	56,836
Noncurrent liabilities		
Long-term debt	**167,314**	168,527
Self-insurance liabilities	**3,231**	3,150
Pension and other postretirement liabilities	**25,085**	52,440
Other	**22,482**	22,559
Total noncurrent liabilities	**218,112**	246,676
Total liabilities	**281,948**	303,512
Net assets		
Unrestricted	**143,518**	105,474
Temporarily restricted	**4,430**	7,309
Permanently restricted	**286**	286
Total net assets	**148,234**	113,069
Total liabilities and net assets	**$ 430,182**	$ 416,581

See accountant's report and accompanying notes.

Borgess Health

Consolidated Statements of Operations and Changes in Net Assets

	Year Ended June 30	
	2011	**2010**
	(unaudited)	
Operating revenue		
Net patient service revenue	**$ 516,358**	$ 495,302
Capitation revenue	**3,458**	2,126
Other revenue	**22,875**	24,423
Income from unconsolidated entities	**5,870**	3,916
Net assets released from restrictions for operations	**1,740**	2,719
Total operating revenue	**550,301**	528,486
Operating expenses		
Salaries and wages	**213,506**	203,265
Employee benefits	**58,455**	56,533
Purchased services	**64,135**	64,925
Professional fees	**46,204**	44,426
Supplies	**78,493**	75,415
Insurance	**1,487**	2,457
Bad debts	**11,133**	15,853
Interest	**6,703**	5,198
Depreciation and amortization	**19,370**	20,917
Other	**54,074**	49,166
Total operating expenses before impairment and restructuring expenses	**553,560**	538,155
Loss from operations before impairment and restructuring expenses	**(3,259)**	(9,669)
Impairment and restructuring expenses	**945**	–
Loss from operations	**(4,204)**	(9,669)
Nonoperating gains (losses)		
Investment return	**14,366**	8,912
Other	**(480)**	(1,875)
Total nonoperating gains, net	**13,886**	7,037
Excess (deficit) of revenue and gains over expenses	**$ 9,682**	$ (2,632)

Continued on next page.

Borgess Health

Consolidated Statements of Operations and Changes in Net Assets (continued)

	Year Ended June 30	
	2011	**2010**
	(unaudited)	
Unrestricted net assets		
Excess (deficit) of revenue and gains over expenses	**$ 9,682**	$ (2,632)
Pension and other postretirement liability adjustments	**31,426**	(1,253)
Transfers to sponsor and other affiliates, net	**(5,897)**	(4,919)
Net assets released from restrictions for property acquisitions	**4,250**	6,367
Other	**(12)**	58
Increase (decrease) in unrestricted net assets, before cumulative effect of change in accounting principle	**$ 39,449**	$ (2,379)
Cumulative effect of change in accounting principle	**(1,405)**	–
Increase (decrease) in unrestricted net assets	**38,044**	(2,379)
Temporarily restricted net assets		
Contributions and grants	**2,249**	4,420
Net change in unrealized gains on investments	**546**	715
Investment return	**320**	1
Net assets released from restrictions	**(5,990)**	(9,087)
Other	**(4)**	(50)
Decrease in temporarily restricted net assets	**(2,879)**	(4,001)
Permanently restricted net assets		
Contributions	–	70
Other	–	(20)
Increase in permanently restricted net assets	–	50
Increase (decrease) in net assets	**35,165**	(6,330)
Net assets at beginning of year	**113,069**	119,399
Net assets at end of year	**$ 148,234**	$ 113,069

See accountant's report and accompanying notes.

Borgess Health

Consolidated Statements of Cash Flows

(Dollars in Thousands)

	Years Ended June 30	
	2011	**2010**
	(unaudited)	
Operating Activities		
Increase (decrease) in net assets	**$ 35,165**	$ (6,330)
Adjustments to reconcile changes in net assets to net cash from operating activities		
Depreciation and amortization	**19,604**	21,151
Provision for bad debts	**11,133**	15,853
Interest, dividends, and net (gains) losses on investments	**(14,366)**	(8,912)
Pension and other post-retirement liability adjustments	**(31,426)**	1,253
Gain on sale of assets, net	**(23)**	(700)
Impairment and non-recurring expenses	**945**	–
Cumulative effect of changes in accounting principle	**1,405**	–
Transfers to sponsor and other affiliates, net	**5,897**	4,919
Restricted contributions, investment return, and other	**(4,016)**	(2,606)
(Increase) decrease in		
Short-term investments	**2,255**	1,619
Accounts receivable	**(14,199)**	(7,513)
Estimated third-party payor settlements receivable/payable, net	**1,701**	(31)
Inventories and other current assets	**3,342**	1,009
Other assets	**3,040**	6,590
Increase (decrease) in		
Accounts payable and accrued liabilities	**4,689**	(2,232)
Estimated third-party payor settlements payable, net	**2,543**	(2,594)
Self-insurance liabilities	**(185)**	(188)
Other current liabilities	**(47)**	289
Other noncurrent liabilities	**3,994**	6,139
Net cash provided by operating activities	**31,451**	27,716
Investing activities		
Property and equipment additions, net	**(8,496)**	(14,474)
Capital contribution to unconsolidated entities	**(337)**	(553)
Acquisition of physician practice	**(2,371)**	-
Net cash used in investing activities	**(11,204)**	(15,027)
Financing activities		
Issuance of long-term debt	**–**	479
Repayment of long-term debt	**(1,372)**	(2,202)
Transfers to sponsors and other affiliates, net	**(5,897)**	(4,919)
Restricted contributions, investment income and other	**3,112**	5,135
Net cash used in financing activities	**(4,157)**	(1,507)
Net increase in cash and cash equivalents	**16,090**	11,182
Cash and cash equivalents at beginning of year	**26,355**	15,173
Cash and cash equivalents at end of year	**$ 42,445**	$ 26,355

See accountant's report and accompanying notes

Borgess Health

Notes to Consolidated Financial Statements
(*Dollars in Thousands*)

(June 30, 2010 and the years ended June 30, 2011 and 2010 are unaudited)
June 30, 2011 and 2010

1. Organization and Mission

Organizational Structure

Borgess Health (BH) is a member of Ascension Health Ascension Health is a Catholic, national health system consisting primarily of nonprofit corporations that own and operate local health care facilities, or Health Ministries, located in 20 of the United States and the District of Columbia Ascension Health is sponsored by the Northeast, Southeast, East Central, and West Central Provinces of the Daughters of Charity of St Vincent de Paul, the Congregation of St Joseph, and the Congregation of the Sisters of St Joseph of Carondelet

BH, located in Kalamazoo, Michigan, is a nonprofit health system comprised of Borgess Medical Center, Lee Memorial Hospital Corporation, Promed Healthcare, Visiting Nurse and Hospice Services of Southwest Michigan, Visiting Nurses Home Care, Borgess Nursing Home, Inc , Borgess Ambulatory Care Corporation, Borgess Foundation, Lee Memorial Foundation, and Textile Systems, Inc The entities included in the financial statements are nonprofit, tax exempt entities except Textile Systems, Inc BH provides inpatient, outpatient and emergency care services for the residents of Southwest Michigan Admitting physicians are primarily practitioners in the local area BH is related to Ascension Health's other sponsored organizations through common control Substantially all expenses of Ascension Health are related to providing health care services

Collective bargaining agreements cover approximately 32% of the workforce at BH The contract expiration dates range from 2011 to 2014

1. Organization and Mission (continued)

Mission

Ascension Health directs its governance and management activities toward strong, vibrant, Catholic Health Ministries united in service and healing and dedicates its resources to spiritually centered care which sustains and improves the health of the individuals and communities it serves In accordance with Ascension Health's mission of service to those persons living in poverty and other vulnerable persons, each Health Ministry accepts patients regardless of their ability to pay Ascension Health uses four categories to identify the resources utilized for the care of persons living in poverty and community benefit programs

- Traditional charity care includes the cost of services provided to persons who cannot afford health care because of inadequate resources and/or who are uninsured or underinsured

- Unpaid cost of public programs, excluding Medicare, represents the unpaid cost of services provided to persons covered by public programs for persons living in poverty and other vulnerable persons

- Cost of other programs for persons living in poverty and other vulnerable persons includes unreimbursed costs of programs intentionally designed to serve the persons living in poverty and other vulnerable persons of the community, including substance abusers, the homeless, victims of child abuse, and persons with acquired immune deficiency syndrome

- Community benefit consists of the unreimbursed costs of community benefit programs and services for the general community, not solely for the persons living in poverty, including health promotion and education, health clinics and screenings, and medical research

Discounts are provided to all uninsured patients, including those with the means to pay Discounts provided to those patients who did not qualify for assistance under charity care guidelines are not included in the cost of providing care of persons living in poverty and community benefit programs The cost of providing care of persons living in poverty and community benefit programs is estimated using internal cost data and is calculated in compliance

(Dollars in Thousands)

1. Organization and Mission (continued)

with guidelines established by both the Catholic Health Association (CHA) and the Internal Revenue Service (IRS)

The amount of traditional charity care provided, determined on the basis of cost, excluding the provision for bad debt expense, was approximately $12,604 and $13,736 for the years ended June 30, 2011 and 2010, respectively The amount of unpaid cost of public programs, cost of other programs for persons living in poverty and other vulnerable persons, and community benefit cost are reported in the accompanying other financial information

2. Significant Accounting Policies

Principles of Consolidation

All corporations and other entities for which operating control is exercised by BH or one of its member corporations are consolidated, and all significant inter-entity transactions have been eliminated in consolidation Investments in entities where BH does not have operating control are recorded under the equity or cost method of accounting For entities recorded under the equity method of accounting, the following reflects BH's interest in unconsolidated entities in the consolidated balance sheets, as well as income or loss for such entities included in the consolidated excess (deficit) of revenues and gains over expenses and losses in the consolidated statements of operations and changes in net assets

	Investment Recorded in Consolidated Balance Sheets as of June 30,		Effect on Consolidated Excess (Deficit) of Revenues and Gains over Expenses for the Years Ended June 30,	
	2011	2010	2011	2010
Midwest Mobile Diagnostic Imaging, LLC	$ 871	$ 928	$ 483	$ 330
Southwest Michigan Imaging Center, LLC	939	1,137	2,073	883
West Michigan Air Care	(200)	49	(586)	(620)
West Michigan Cancer Center	9,136	8,031	2,605	2,957
MSU – Kalamazoo Center for Medical Studies	3,366	2,607	759	(144)
Woodbridge Center, LLC	828	949	536	510
	$ 14,942	$ 13,701	$ 5,870	$ 3,916

2. Significant Accounting Policies (continued)

Affiliations

BH has an Affiliation Agreement in place with Community Health Center of Branch County (Coldwater, MI) This affiliation arrangement was specifically entered into to "establish an affiliation whereby both organizations will work towards the mutual benefit of one another in furtherance of their respective overall objectives of promoting an integrated health care delivery system in South Center and Southwestern Michigan "

Use of Estimates

Management has made estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenses Actual results could differ from those estimates

Fair Value of Financial Instruments

Carrying value of financial instruments classified as current assets and current liabilities approximate fair value The fair values of financial instruments classified other than current assets and current liabilities are disclosed in the Fair Value Measurements note

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and interest-bearing deposits with maturities of three months or less and certain highly liquid interest-bearing securities with maturities which may extend longer than three months but are convertible to cash within a one-month time period under the terms of the agreement with the investment manager

Investments and Investment Return

BH holds investments through the Health System Depository (HSD), an investment pool of funds in which a limited number of nonprofit health care providers participate for purposes of establishing investment goals and monitoring performance under agreed-upon socially responsible investment guidelines Investments are managed primarily by external investment managers within established investment guidelines The value of the BH's investment in the HSD represents BH's pro rata share of the HSD's investments held for participants At June 30, 2011 and 2010, the BH's investment in the HSD was $86,718 and $67,055, respectively

2. Significant Accounting Policies (continued)

BH also invests in equity investments which are locally managed Most of these funds are held in locally managed foundations where BH has control over foundation assets BH reports both its investment in the HSD and in locally managed investments in the accompanying consolidated balance sheets based upon the long or short term nature of its investment and whether such investments are restricted by law or donors or designated for specific purposes by a governing body of Ascension Health

The HSD's assets required to be recorded at fair value are comprised of equity and various fixed income investments The HSD also holds investments in hedge funds, private equity, and real estate funds, which are recorded under the equity method of accounting In addition, the HSD participates in securities lending transactions whereby a portion of its investments is loaned to selected established brokerage firms in return for cash and securities from the brokers as collateral for the investments loaned

Investment returns are comprised of dividends, interest, and gains and losses The cost of substantially all securities sold is based on the average cost method All of the BH's investments, including its investment in the HSD, are designated as trading investments Accordingly, all investment returns, including unrealized gains and losses, are reported as nonoperating gains (losses) in the consolidated statements of operations and changes in net assets unless the return is restricted by donor or law

Inventories

Inventories, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost or market value utilizing first-in, first-out (FIFO), or a methodology that closely approximates FIFO

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Intangible Assets

Intangible assets primarily consist of goodwill, capitalized computer software costs, and non-compete agreements Intangible assets are included in other noncurrent assets on the consolidated balance sheets and are comprised of the following

	June 30	
	2011	**2010**
Goodwill	**$ –**	$ 5,076
Capitalized computer software costs	**380**	380
Other	**1,932**	102
Subtotal	**2,312**	5,558
Less accumulated amortization	**(366)**	(3,823)
Total intangible assets, net	**$ 1,946**	$ 1,735

Intangible assets whose lives are indefinite, primarily goodwill, are not amortized and are evaluated for impairment at least annually, while intangible assets with definite lives, primarily capitalized computer software costs and non-compete agreements, are amortized over their expected useful lives Amortization for capitalized computer software costs is determined on a straight-line basis using an estimated useful life of 5 years

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value at the date of the gift A summary of property and equipment at June 30, 2011 and 2010 is as follows

	June 30	
	2011	**2010**
Land and improvements	**$ 8,447**	$ 8,435
Building and equipment	**490,917**	493,461
Construction in progress	**2,175**	1,181
	501,539	503,077
Less accumulated depreciation	**(339,821)**	(330,344)
Total property and equipment, net	**$ 161,718**	$ 172,733

Depreciation is determined on a straight-line basis over the estimated useful lives of the related assets Estimated useful lives by asset category are as follows land improvements – 5 to 20 years, buildings – 5 to 45 years, and equipment – 3 to 25 years Depreciation expense (including non-operating depreciation) in 2011 and 2010 was $19,308 and $20,714, respectively

Borgess Health recognizes the fair value of asset retirement obligations, including conditional asset retirement obligations, if the fair value can be reasonably estimated, in the period in which the liability is incurred Asset retirement obligations include, but are not limited to, certain types of environmental issues which are legally required to be remediated upon an asset's retirement, as well as contractually required asset retirement obligations Conditional asset retirement obligations are obligations whose settlement may be conditional on a future event and/or where the timing or method of such settlement may be uncertain Subsequent to initial recognition, accretion expense is recognized until the asset retirement liability is estimated to be settled

BH's most significant asset retirement obligation relates to required future asbestos remediation Asset retirement obligations of $500 and $740 as of June 30, 2011 and June 30, 2010, respectively, are recorded in other noncurrent liabilities in the accompanying consolidated balance sheets Accretion expense of $19 and $34 was recorded in 2011 and 2010, respectively

2. Significant Accounting Policies (continued)

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those assets whose use by BH has been limited by donors to a specific time period or purpose Permanently restricted net assets consist of gifts with corpus values that have been restricted by donors to be maintained in perpetuity, which include endowment funds Temporarily restricted net assets and earnings on permanently restricted net assets, including earnings on endowment funds, are used in accordance with the donor's wishes, primarily to purchase equipment and to provide charity care and other health and educational services Contributions with donor-imposed restrictions that are met in the same reporting period are reported as unrestricted

Performance Indicator

The performance indicator is excess (deficit) of revenue and gains over expenses Changes in unrestricted net assets that are excluded from the performance indicator primarily include pension and other postretirement liability adjustments, transfers to or from sponsors and other affiliates, net assets released from restrictions for property acquisitions, cumulative effect of change in accounting principle relating to writing down goodwill, and contributions of property and equipment

Operating and Nonoperating Activities

BH's primary mission is to meet the health care needs in its market area through a broad range of general and specialized health care services, including inpatient acute care, outpatient services, long-term care, and other health care services Activities directly associated with the furtherance of this purpose are considered to be operating activities Other activities that result in gains or losses peripheral to BH's primary mission are considered to be nonoperating, consisting primarily of net investment returns, donations expenditures, and net laundry processing operations

2. Significant Accounting Policies (continued)

Net Patient Service Revenue, Accounts Receivable and Allowance for Uncollectible Accounts

Net patient service revenue is reported at the estimated realizable amounts from patients, third-party payors, and others for services provided excluding the provision for bad debt expense and includes estimated retroactive adjustments under reimbursement agreements with third-party payors Revenue under certain third-party payor agreements is subject to audit, retroactive adjustments, and significant regulatory actions Provisions for third-party payor settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and as final settlements are determined Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation As a result, there is at least a possibility that recorded estimates will change by a material amount in the near term Adjustments to revenue related to prior periods increased net patient service revenue by approximately $10,099 and $9,821 for the years ended June 30, 2011 and 2010, respectively

During 2011 and 2010, approximately 47 1% and 47 7% of net patient service revenue was received under the Medicare program and 8 9% and 9 4% under various state Medicaid programs BH grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor arrangements Significant concentrations of accounts receivable at June 30, 2011 and 2010 include Medicare (30 8% and 34 1%, respectively) and various states' Medicaid programs (10 8% and 11 7%, respectively)

The provision for bad debt expense is based upon management's assessment of expected net collections considering economic conditions, historical experience, trends in health care coverage, and other collection indicators Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payor category, including those amounts not covered by insurance The results of this review are then used to make any modifications to the provision for bad debt expense to establish an appropriate allowance for uncollectible accounts After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, BH follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by Ascension Health Accounts receivable are written off after collection efforts have been followed in accordance with BH's policies

2. Significant Accounting Policies (continued)

Impairment and Restructuring Expenses

During the year ended June 30, 2011, the BH recorded total impairment and restructuring expenses of $945 For the year ended June 30, 2011, this amount was comprised of asset impairment expenses of $705 related to the termination of an information technology service contract and $240 of severance accruals for a management reorganization

Hospital or Health MinistryHospital or Health MinistryIncome Taxes

The member health care entities of the Borgess Health are primarily tax-exempt organizations under Internal Revenue Code Section 501(c)(3) or 501(c)(2), and their related income is exempt from federal income tax under Section 501(a)

Regulatory Compliance

Various federal and state agencies have initiated investigations regarding reimbursement claimed by the BH The investigations are in various stages of discovery, and the ultimate resolution of these matters, including the liabilities, if any, cannot be readily determined, however, in the opinion of management, the results of these investigations will not have a material adverse impact on the consolidated financial statements of the BH

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Deferred Compensation

BH maintains various deferred compensation plans for certain executives and physicians which consist of non-qualified 457(f) plans, a non-qualified 457(b) plan, and a plan that consists of variable life policies The 457(b) and a 457(f) plans primarily consist of mutual funds at June 30, 2011

	June 30, 2011	2010
Total Deferred Compensation Investments	**$ 18,105**	$ 14,797
Non-qualified 457(b)	**1,302**	1,033
Non-qualified 457(f)	**16,544**	13,548
Variable Life Policies	**259**	216
Total Deferred Compensation Liability	**$ 18,105**	$ 14,797

The 457(b) and 457(f) plans primarily consist of mutual funds at June 30, 2011

Reclassifications

Certain reclassifications were made to the 2010 consolidated financial statements to conform to the 2011 presentation

Subsequent Events

BH evaluates the impact of subsequent events, which are events that occur after the balance sheet date but before the financial statements are issued, for potential recognition in the financial statements as of the balance sheet date For the year ended June 30, 2011, the BH evaluated subsequent events through September 8, 2011, representing the date on which the accompanying audited consolidated financial statements were available to be issued During this period, there were no subsequent events that required recognition in the consolidated financial statements Additionally, there were no non-recognized subsequent events that required disclosure

2. Significant Accounting Policies (continued)

Adoption of New Accounting Standards

In January 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No 2010-07, *Not-for-Profit Entities Mergers and Acquisitions*, (ASU 2010-07), which establishes accounting and disclosure requirements for how a not-for-profit entity determines whether a combination is a merger or an acquisition, how to account for each, and the required disclosures In addition, ASU 2010-07 included amendments to FASB's Accounting Standards Codification™ (the Codification, or ASC) Topic 350, *Intangibles – Goodwill and Other*, (ASC Topic 350), and Topic 810, *Consolidation*, (ASC Topic 810) to make both applicable to not-for-profit entities ASC Topic 350 clarifies the accounting for goodwill and indefinite-lived identifiable intangible assets recognized in a not-for-profit entity's acquisition of a business or nonprofit activity Such assets are not amortized and are tested for impairment at least annually ASC Topic 810 clarifies the accounting for noncontrolling interests and establishes accounting and reporting standards for the noncontrolling interest in a subsidiary, including classification as a component of net assets

BH adopted the guidance relative to ASU 2010-07 as of July 1, 2010 The adoption of this guidance resulted in goodwill impairment of $1,405 recorded as a cumulative effect of change in accounting principle on the consolidated statements of operations and changes in net assets for the year ended June 30, 2011

3. Organization Changes

In February 2011, Borgess Medical Center acquired the assets of a multi-physician cardiovascular professional corporation specializing in prevention, diagnosis, treatment, rehabilitation, and education to patients with cardiovascular, thoracic, and vascular disease The physician practices are located throughout the Kalamazoo area Total consideration paid was $2,370 The assets acquired included medical equipment, furniture and fixtures, and intangible assets related to non-compete The results of operations for 2011 reflect the operations of this acquisition

(Dollars in Thousands)

4. Cash and Cash Equivalents, Investments, and Assets Limited as to Use

BH's investments are comprised of BH's pro rata share of the HSD's funds held for participants and certain other investments such as those investments held and managed by foundations Board-designated investments represent investments designated by resolution of the Board of Trustees to put amounts aside primarily for future capital expansion and improvements Assets limited as to use primarily include investments restricted by donors BH's investments are reported in the accompanying consolidated balance sheets as presented in the following table

	June 30	
	2011	**2010**
Cash and cash equivalents	**$ 42,445**	$ 26,355
Short-term investments	**2,461**	4,716
Current portion of assets limited as to use	**359**	482
Board-designated investments	**52,087**	47,639
Deferred compensation investments	**18,105**	14,797
Other investments	**33,088**	26,034
Assets limited as to use		
Temporarily or permanently restricted	**4,358**	7,113
Total	**$ 152,903**	$ 127,136

(Dollars in Thousands)

4. Cash and Cash Equivalents, Investments, and Assets Limited as to Use (continued)

The composition of cash and investments classified as cash and cash equivalents, short-term investments, Board-designated investments, assets limited as to use, and other investments is summarized as follows

	June 30	
	2011	**2010**
Cash and cash equivalents	**$ 28,750**	$ 23,258
Short term investments	**2,256**	1,377
U S government obligations	**158**	209
Corporate and foreign fixed income investments	**2,482**	3,057
Mutual funds	**17,423**	14,223
Guaranteed pooled fund	**682**	574
Asset backed securities	**1,089**	2,610
Equity securities	**11,412**	11,140
Private equity and other investments	**1,409**	2,823
Other assets limited as to use	**524**	810
Subtotal, included in cash and cash equivalents, short-term investments, and Board-designated investments and other investments	**66,185**	60,081
Pro rata share of HSD funds held for participants	**86,718**	67,055
Cash and cash equivalents, short-term investments and Board-designated investments and other investments	**$ 152,903**	$ 127,136

As of June 30, 2011 and 2010, the composition of total HSD investments is as follows

	June 30	
	2011	**2010**
Cash, cash equivalents and short-term investments	**6.9%**	5 8%
U S government obligations	**27.4%**	26 0%
Asset backed securities	**15.8%**	11 3%
Corporate and foreign fixed income investments	**11.3%**	17 5%
Equity, private equity, and other investments	**38.6%**	39 4%
	100.0%	100 0%

(Dollars in Thousands)

4. Cash and Cash Equivalents, Investments, and Assets Limited as to Use (continued)

Investment return recognized by BH is summarized as follows:

	Years Ended June 30	
	2011	**2010**
Investment return in HSD	**$ 10,910**	$ 8,300
Interest and dividends	**1,213**	220
Net gains on investments reported at fair value	**3,109**	1,108
Total investment return	**$ 15,232**	$ 9,628
Investment return included in nonoperating gains	**$ 14,366**	$ 8,912
Increase in restricted net assets	**866**	716
Total investment return	**$ 15,232**	$ 9,628

5. Fair Value Measurements

BH categorizes, for disclosure purposes, assets and liabilities measured at fair value in the financial statements based upon whether the inputs used to determine their fair values are observable or unobservable Observable inputs are inputs which are based on market data obtained from sources independent of the reporting entity Unobservable inputs are inputs that reflect the reporting entity's own assumptions about pricing the asset or liability, based on the best information available in the circumstances

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy In such cases, an asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement of the asset or liability BH's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability

5. Fair Value Measurements (continued)

BH follows the three-level fair value hierarchy to categorize these assets and liabilities recognized at fair value at each reporting period, which prioritizes the inputs used to measure such fair values Level inputs are defined as follows

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities on the reporting date Investments classified in this level generally include exchange traded equity securities, futures, real estate investment trusts, pooled short-term investment funds, options and exchange traded mutual funds

Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability Investments classified in this level generally include fixed income securities, including fixed income government obligations, asset-backed securities, certificates of deposit, and derivatives

Level 3 – Inputs that are unobservable for the asset or liability Investments classified in this level generally include alternative investments, private equity investments, limited partnerships, and certain fixed income securities, including fixed income government obligations, and derivatives

Assets and liabilities classified as Level 1 are valued using unadjusted quoted market prices for identical assets or liabilities in active markets BH uses techniques consistent with the market approach and income approach for measuring fair value of its Level 2 and Level 3 assets and liabilities The market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities The income approach generally converts future amounts (cash flows or earnings) to a single present value amount (discounted)

As of June 30, 2011 and 2010, the Level 2 and Level 3 assets and liabilities listed in the fair value hierarchy tables below utilize the following valuation techniques and inputs

5. Fair Value Measurements (continued)

Cash and cash equivalents and short-term investments

Short-term investments designated as Level 2 investments are primarily comprised of commercial paper, whose fair value is based on amortized cost Significant observable inputs include security cost, maturity, and credit rating Cash and cash equivalents and additional short-term investments are primarily comprised of certificates of deposit, whose fair value is based on cost plus accrued interest Significant observable inputs include security cost, maturity, and relevant short-term interest rates

U.S. government obligations

The fair value of investments in U S government, state, and municipal obligations is primarily determined using techniques consistent with the income approach Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads

Asset-backed securities

The fair value of U S agency and corporate asset-backed securities is primarily determined using techniques consistent with the income approach, such as a discounted cash flow model Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and quotes

Corporate and foreign fixed income investments

The fair value of investments in U S and international corporate bonds, including commingled funds that invest primarily in such bonds, and foreign government bonds is primarily determined using techniques that are consistent with the market approach Significant observable inputs include benchmark yields, reported trades, observable broker/dealer quotes, issuer spreads, and security specific characteristics, such as early redemption options

5. Fair Value Measurements (continued)

Equity securities

The fair value of investments in U S and international equity securities is primarily determined using the calculated net asset value The values for underlying investments are fair value estimates determined by external fund managers based on operating results, balance sheet stability, growth, and other business and market sector fundamentals

Investments sold, not yet settled

The fair value of investments sold, not yet settled is primarily determined using techniques consistent with the income approach Significant observable inputs to the income approach include data points for benchmark, constant maturity curves, and spreads

Guaranteed pooled fund

The fair value of guaranteed pooled fund investments is based on cost plus guaranteed, annuity contract-based interest rates Significant unobservable inputs to the guaranteed rate include the fair value and average duration of the portfolio of investments underlying the annuity contract, the contract value, and the annualized weighted average yield to maturity of the underlying investment portfolio

Private equity investments

The fair value of private equity investments is primarily determined using techniques consistent with both the market and income approaches, based on BH's estimates and assumptions in absence of observable market data The market approach considers comparable company, comparable transaction, and company-specific information, including but not limited to restrictions on disposition, subsequent purchases of the same or similar securities by other investors, pending mergers or acquisitions, and current financial position and operating results The income approach considers the projected operating performance of the portfolio company

(Dollars in Thousands)

5. Fair Value Measurements (continued)

As discussed in the Significant Accounting Policies and the Cash and Cash Equivalents, Investments, and Other Assets Limited as to Use notes, BH has an investment in the HSD and certain other investments, such as those investments held and managed by foundations As of June 30, 2011, 31%, 67% and 2% of total HSD assets that are measured at fair value on a recurring basis were measured based on Level 1, Level 2 and Level 3 inputs, respectively, while 1%, 84% and 15% of total HSD liabilities that are measured at fair value on a recurring basis were measured at such fair values based on Level 1, Level 2 and Level 3 inputs, respectively As of June 30, 2010, 25%, 67% and 8% of total HSD assets that are measured at fair value on a recurring basis were measured based on level 1, level 2 and level 3 inputs, respectively, while 2%, 45% and 53% of total HSD liabilities that are measured at fair value on a recurring basis were measured based on level 1, level 2 and level 3 inputs, respectively

The following table summarizes fair value measurements, by level, at June 30, 2011, for all other financial assets and liabilities which are measured at fair value on a recurring basis in the consolidated financial statements:

	Level 1	Level 2	Level 3	Other	Total
June 30, 2011					
Cash and cash equivalents	$ 26,140	$ 2,610	$ –	$ –	$ 28,750
Short-term investments	2,256	–	–	–	2,256
U S government obligations	–	158	–	–	158
Corporate and foreign fixed income investments	–	2,482	–	–	2,482
Asset-backed securities	–	1,089	–	–	1,089
Equity, private equity, and other investments	10,468	–	2,353	–	12,821
Other assets	–	–	–	524	524
Subtotal, included in cash and cash equivalents, short-term investments, Board-designated investments, assets limited as to use, and other investments	38,864	6,339	2,353	524	48,080
Deferred compensation assets, included in other noncurrent assets, invested in					
Mutual funds	17,423	–	–	–	17,423
Guaranteed pooled fund	–	–	682	–	682
	$ 56,287	$ 6,339	$ 3,035	$ 524	$ 66,185

(Dollars in Thousands)

5. Fair Value Measurements (continued)

The following table summarizes fair value measurements, by level, at June 30, 2010, for all other financial assets and liabilities, measured at fair value on a recurring basis in the BH's consolidated financial statements

	Level 1	Level 2	Level 3	Other	Total
June 30, 2010					
Cash and cash equivalents	$ 19,073	$ 4,185	$ –	$ –	$ 23,258
Short-term investments	1,377	–	–	–	1,377
U S government obligations	–	209	–	–	209
Corporate and foreign fixed income investments	–	3,057	–	–	3,057
Asset backed securities	–	2,610	–	–	2,610
Equity, private equity, and other investments	10,196	–	3,767	–	13,963
Other assets	–	–	–	810	810
Subtotal, included in cash and cash equivalents, short-term investments, Board-designated investments, assets limited as to use, and other investments	30,646	10,061	3,767	810	45,284
Deferred compensation assets, included in other noncurrent assets, invested in					
Mutual funds	14,223	–	–	–	14,223
Guaranteed pool fund	–	–	574	–	574
	$ 44,869	$ 10,061	$ 4,341	$ 810	$ 60,081

(Dollars in Thousands)

5. Fair Value Measurements (continued)

During the years ended June 30, 2011 and 2010, the changes in the fair value of the foregoing assets measured using significant unobservable inputs (Level 3) were comprised of the following

	Equity, Private Equity, and Other	Guaranteed Pool Fund
June 30, 2011		
Beginning balance	**$ 3,767**	**$ 574**
Total realized and unrealized gains		
Included in nonoperating gains	**383**	**–**
Included in changes in net assets	**28**	**–**
Purchases, issuances, and settlements	**–**	**92**
Transfers (out of) into Level 3	**(1,825)**	**16**
Ending balance	**$ 2,353**	**$ 682**
June 30, 2010		
Beginning balance	$ 559	$ 445
Total realized and unrealized losses		
Included in nonoperating losses	(168)	–
Purchases, issuances, and settlements	–	74
Transfers into Level 3	3,376	55
Ending balance	$ 3,767	$ 574

During 2010, transfers into Level 3 totaled $3,376 This consisted of $944 that was formerly recorded in investments in unconsolidated entities until the structure of that entity changed whereas BH took ownership of preferred stock in a non-publicly traded entity The other $2,432 transfer is related to a reclassification from 2009 from Level 1 This represents ownership in a pool of mutual funds rather than the mutual funds themselves During 2011, $1,825 of the pooled mutual funds was converted to cash

(Dollars in Thousands)

6. Long Term Debt

Long-term debt consists of the following

	June 30	
	2011	**2010**
Intercompany debt with Ascension Health, payable in installments through November 2047, interest (3 88% and 3 95% at June 30, 2011 and 2010, respectively) adjusted based on prevailing blended market interest rate of underlying debt obligations	**$ 168,526**	$ 169,898
Less current portion	**1,212**	1,371
Long-term debt, less current portion	**$ 167,314**	$ 168,527

Scheduled principal repayments of long-term debt are as follows

Year ending June 30	
2012	**$ 1,212**
2013	**1,171**
2014	**2,538**
2015	**2,653**
2016	**2,363**
Thereafter	**158,589**
Total	**$ 168,526**

6. Long Term Debt (continued)

Certain members of Ascension Health formed the Ascension Health Credit Group (Senior Credit Group) Each Senior Credit Group member is identified as either a senior obligated group member or senior limited designated affiliate Senior obligated group members are jointly and severally liable under a Senior Master Trust Indenture (Senior MTI) to make all payments required with respect to obligations under the Senior MTI and may be entities not controlled directly or indirectly by Ascension Health Though senior limited designated affiliates are not obligated to make debt service payments on the obligations under the Senior MTI, each senior limited designated affiliate has an independent limited designated affiliate agreement and promissory note with Ascension Health with stipulated repayment terms and conditions, each subject to the governing law of the senior limited designated affiliate's state of incorporation In addition, Ascension Health may cause each senior designated affiliate to transfer such amounts as are necessary to enable the senior obligated group members to comply with the terms of the Senior MTI, including payment of the outstanding obligations BH is a senior obligated group member under the terms of the Senior MTI

Pursuant to a Supplemental Master Indenture dated February 1, 2005, senior obligated group members, which are operating entities, have pledged and assigned to the Master Trustee a security interest in all of their rights, title, and interest in their pledged revenues and proceeds thereof

A Subordinate Credit Group, which is comprised of subordinate obligated group members and subordinate limited designated affiliates, was created under the Subordinate Master Trust Indenture (Subordinate MTI) The subordinate obligated group members are jointly and severally liable under the Subordinate MTI to make all payments required with respect to obligations under the Subordinate MTI and may be entities not controlled directly or indirectly by Ascension Health Though subordinate limited designated affiliates are not obligated to make debt service payments on the obligations under the Subordinate MTI, each subordinate limited designated affiliate has an independent limited designated affiliate agreement and promissory note with Ascension Health with stipulated repayment terms and conditions, each subject to the governing law of the limited designated affiliate's state of incorporation BH is a subordinate obligated group member under the terms of the Subordinate MTI

The borrowing portfolio of the Senior and Subordinate Credit Group includes a combination of fixed and variable rate hospital revenue bonds, commercial paper and other obligations, the proceeds of which are in turn loaned to the Senior and Subordinate Credit Group members subject to a long-term amortization schedule of 1 to 37 years

6. Long Term Debt (continued)

Certain portions of Senior and Subordinate Credit Group borrowings may be periodically subject to interest rate swap arrangements to effectively convert borrowing rates on such obligations from a floating to a fixed interest rate or vice versa based on market conditions Additionally, Senior and Subordinate Credit Group borrowings may, from time to time, be refinanced or restructured in order to take advantage of favorable market interest rates or other financial opportunities Any gain or loss on refinancing, as well as any bond premiums or discounts, are allocated to the Senior and Subordinate Credit Group members based on their pro rata share of the Senior and Subordinate Credit Group's obligations Senior and Subordinate Credit Group refinancing transactions rarely have a significant impact on the outstanding borrowings or intercompany debt amortization schedule of any individual Senior and Subordinate Credit Group member Members of Ascension Health may also periodically draw from the invested funds of other members of Ascension Health on a relatively short-term basis and subject to certain conditions

The carrying amounts of intercompany debt with Ascension Health and other debt approximate fair value based on a portfolio market valuation provided by a third party

The Senior and Subordinate Credit Group financing documents contain certain restrictive covenants, including a debt service coverage ratio

As of June 30, 2011, the Senior Credit Group has a line of credit of $250,000 related to its commercial paper program toward which bank commitments totaling $250,000 extend to November 18, 2013 As of June 30, 2011 and 2010, there were no borrowings under the line of credit

As of June 30, 2011, the Senior Credit Group has a line of credit of $500,000 for general corporate purposes, toward which bank commitments totaling $500,000 extend to April 2, 2012 As of June 30, 2011, there were no borrowings under the line of credit

As of June 30, 2011, the Subordinate Credit Group has a $50,000 revolving line of credit related to its letters of credit program toward which a bank commitment of $50,000 extends to December 28, 2011 As of June 30, 2011, $37,162 of letters of credit had been extended under the revolving line of credit, although there were no borrowings under any of the letters of credit

6. Long Term Debt (continued)

The outstanding principal amount of all hospital revenue bonds is $4,100 which represents 38% of the combined unrestricted net assets of the Senior and Subordinate Credit Group members at June 30, 2011

Guarantees are contingent commitments issued by the Senior and Subordinate Credit Groups, generally to guarantee the performance of a sponsored organization or an affiliate to a third party in borrowing arrangements such as commercial paper issuances, bond financing, and similar transactions The term of the guarantee is equal to the term of the related debt which can be as short as 30 days or as long as 29 years The maximum potential amount of future payments the Senior and Subordinate Credit Groups could be required to make under its guarantees and other commitments at June 30, 2011 is approximately $150,000 Additionally, BH has provided a guarantee to West Michigan Air Care (a 50% owned, non-consolidated entity) under which BH would be required to fund in the event of default The maximum potential future payout under this guarantee is $1,237 The fair value of this guarantee as determined using a discounted cash flow analysis of $28 has been recorded as a long-term liability in the accompanying consolidated balance sheets

During the years ended June 30, 2011 and 2010, interest paid was approximately $6,703 and $5,198, respectively

7. Pension Plans

The BH participates in the Ascension Health Pension Plan and the Ascension Health Defined Contribution Plan Details of these plans are as follows

7. Pension Plans (continued)

Ascension Health Pension Plan

BH participates in the Ascension Health Pension Plan, (the Ascension Plan), a noncontributory defined benefit pension plan sponsored by Ascension Health, which covers all eligible employees of certain Ascension Health entities Benefits are based on each participant's years of service and compensation The Ascension Plan's assets are invested in the Ascension Health Master Pension Trust (the Trust), a master trust consisting of cash and cash equivalents, equity, fixed income funds and alternative investments The Trust also invests in derivative instruments, the purpose of which is to economically hedge the change in the net funded status of the Ascension Plan for a significant portion of the total pension liability that can occur due to changes in interest rates Contributions to the Ascension Plan are based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants Net periodic pension cost of $9,577 in 2011 and $8,133 in 2010 was charged to BH The service cost component of net periodic pension cost charged to BH is actuarially determined while all other components are allocated based on BH's pro rata share of Ascension Health's overall projected benefit obligation

The assets of the Ascension Plan are available to pay the benefits of eligible employees of all participating entities In the event participating entities are unable to fulfill their financial obligations under the Ascension Plan, the other participating entities are obligated to do so As of June 30, 2011, the Ascension Plan had a net unfunded liability of $226,238 BH's allocated share of the Ascension Plan's net unfunded liability reflected in the accompanying consolidated balance sheets at June 30, 2011 and 2010, was $10,429 and $34,979, respectively As a result of updating the funded status of the Plan, BH's allocated share of the Plan's net funded liability was reduced by $25,796 and increased by $1,139 during 2011 and 2010, respectively These transfers are included in transfers from (to) sponsor and other affiliates, net, in the accompanying consolidated statements of operations and changes in net assets

7. Pension Plans (continued)

Hospital or Health Ministry

As of June 30, 2011 and 2010, the fair value of the Ascension Plan's assets available for benefits was $3,616,141 and $3,089,076, respectively As discussed in the Fair Value Measurements note, BH, as well as Ascension Health, follows a three-level hierarchy to categorize assets and liabilities measured at fair value In accordance with this hierarchy, as of June 30, 2011, 27%, 45% and 28% of the Ascension Plan's assets which are measured at fair value on a recurring basis were categorized as Level 1, Level 2 and Level 3 investments, respectively With respect to the Ascension Plan's liabilities measured at fair value on a recurring basis,0%, 17% and 83% were categorized as Level 1, Level 2 and Level 3, respectively, as of June 30, 2011 Additionally, as of June 30, 2010, 29%, 42% and 29% of the Ascension Plan's assets which are measured at fair value on a recurring basis were categorized as Level 1, Level 2 and Level 3 investments, respectively With respect to the Ascension Plan's liabilities measured at fair value on a recurring basis, 0%, 13% and 87% were categorized as Level 1, Level 2 and Level 3, respectively, as of June 30, 2010

Ascension Health Defined Contribution Plan

BH participates in the Ascension Health Defined Contribution Plan (the Defined Contribution Plan), a contributory and noncontributory, defined contribution plan sponsored by Ascension Health which covers all eligible associates There are three primary types of contributions to the Defined Contribution Plan which may be initiated dependent on which plan an associate is eligible for employer automatic contributions, employee contributions, and employer matching contributions Benefits for employer automatic contributions are determined as a percentage of a participant's salary Percentages recognized vary by BH entity dependent on the designated plan for the applicable entity These benefits are funded annually, may be paid as a discretionary amount under one plan, with full vesting occurring over a period of time Benefits for employer matching contributions where included as a component of an associate's retirement plan are determined as a percentage of an eligible participant's contributions each payroll period subject to designated maximum percentages These benefits are funded each payroll period and participants become fully vested in all employer contributions consistent with the terms of applicable plan documents In some cases vesting is immediate while in others a one year vesting period is required Defined contribution expense, representing both employer automatic contributions and employer matching contributions, was $3,527 and $3,346 for the years ended June 30, 2011 and 2010, respectively

(Dollars in Thousands)

8. Other Postretirement Benefits

In addition to its pension plans BH provides health care benefits to certain retired employees Borgess Health Alliance, Inc (Plan Sponsor) established the Borgess Health Alliance, Inc Health Care Plan for Retirees (the "Plan") to provide certain health and welfare benefits to eligible retirees The retiree eligibility class is a closed class It includes the following two groups of retirees 1) employees of BMC who retired before October 1, 1993, and 2) employees of Pipp Community Hospital who retired and who were eligible for and who elected to purchase Pipp retiree health benefits as of December 31, 1997 and former employees of Pipp Community Hospital who became employees of BMC and who are eligible under the Pipp Retiree Health Benefit Program but who retired after December 31, 1997 and on or before May 30, 1998 Effective January 1, 2011, coverage was eliminated for the non-union participants hired on or after January 1, 2000 The Plan amendment was appropriately reflected in the actuarial valuation

The following table provides a reconciliation of the changes in benefit obligation and fair value of assets for the years ended June 30, 2011 and 2010 and a statement of the funded status as of June 30, 2011 and 2010

	Year Ended	
	2011	**2010**
Change in benefit obligation		
Benefit obligation at beginning of year	**$ 15,793**	$ 13,826
Service cost	**258**	251
Interest cost	**757**	934
Amendments	**(654)**	131
Actuarial (gain) loss	**(1,515)**	332
Assumption changes	**(1,136)**	880
Gross benefits paid	**(593)**	(614)
Federal subsidy on benefits paid	**39**	53
Benefit obligation at end of year	**12,949**	15,793
Change in Plan Assets		
Fair value of plan assets at beginning of year	**$ –**	$ –
Employer contributions	**593**	614
Gross benefits paid	**(593)**	(614)
Funded status	**$ (12,949)**	$ (15,793)

(Dollars in Thousands)

8. Other Postretirement Benefits (continued)

Included in unrealized net assets at June 30, 2011 and 2010, respectively, are the following amounts that have not been recognized in net periodic benefit cost

	Year Ended June 30 2011	2010
Unrecognized net actuarial loss (gain)	$ **3,782**	$ 1,224
Unrecognized transition obligation (asset)	**(111)**	(929)
	$ **3,671**	$ 295

Changes in plan assets and benefit obligations recognized in unrestricted net assets during 2011 and 2010, respectively include

	Year Ended June 30 2011	2010
Current year actuarial (gain) loss	$ **2,643**	$ (1,189)
Amortization of actuarial gain (loss)	**(86)**	(26)
Amortization of prior service credit (cost)	**654**	(131)
Amortization of transition asset (obligation)	**165**	365
	$ **3,376**	$ (981)

The net periodic benefit cost included the following

	Year Ended June 30 2011	2010
Components of net periodic benefit cost		
Service cost	$ **258**	$ 252
Interest cost	**757**	934
Amortization		
Transition obligation	**165**	365
Actuarial gain	**(86)**	(27)
Net periodic benefit cost	$ **1,094**	$ 1,524

8. Other Postretirement Benefits (continued)

The accumulated postretirement benefit obligation was determined using a 5 6% and 5 5% weighted average discount rate as of June 30, 2011 and 2010, respectively The health care cost trend rates were assumed to be 5 0% for 2011 and 2010, respectively

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans A one percentage point change in assumed health care cost trend rates would have an immaterial effect

9. Self-Insurance Programs

The BH participates in pooled risk programs to insure professional and general liability risks and workers' compensation risks to the extent of certain self-insured limits In addition, various umbrella insurance policies have been purchased to provide coverage in excess of the self-insured limits Actuarially determined amounts, discounted at 6%, are contributed to the trusts and the captive insurance company to provide for the estimated cost of claims The loss reserves recorded for estimated self-insured professional, general liability, and workers' compensation claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported and are discounted at 6% in 2011 and 2010 In the event that sufficient funds are not available from the self-insurance programs, each participating entity may be assessed its pro rata share of the deficiency If contributions exceed the losses paid, the excess may be returned to participating entities

Professional and General Liability Programs

BH participates in Ascension Health's professional and general liability self-insured program which provides claims-made coverage through a wholly owned on-shore trust and offshore captive insurance company, Ascension Health Insurance, Ltd (AHIL), with a self-insured retention of $10,000 per occurrence with no aggregate BH has a deductible of $100 per claim Excess coverage is provided through AHIL with limits up to $185,000 AHIL retains $5,000 per occurrence and $5,000 annual aggregate for professional liability AHIL also retains a 20% quota share of the first $25,000 of umbrella excess The remaining excess coverage is reinsured by commercial carriers

(Dollars in Thousands)

9. Self-Insurance Programs (continued)

Included in operating expenses in the accompanying consolidated statements of operations and changes in net assets is professional and general liability expense of $1,075 and $2,072 for the years ended June 30, 2011 and 2010, respectively Included in current and long-term self-insurance liabilities on the accompanying consolidated balance sheets are professional and general liability loss reserves of approximately $3,231 and $3,150, at June 30, 2011 and 2010, respectively

Workers' Compensation

BH participates in Ascension Health's workers' compensation program which provides occurrence coverage through a grantor trust The trust provides coverage up to $1,000 per occurrence with no aggregate The trust provides a mechanism for funding the workers' compensation obligations of its members Excess insurance against catastrophic loss is obtained through commercial insurers Premium payments made to the trust are expensed and reflect both claims reported and claims incurred but not reported

Included in operating expenses in the accompanying consolidated statements of operations and changes in net assets is workers' compensation expense of $1,573 and $1,159 for the years ended June 30, 2011 and 2010, respectively

10. Lease Commitments

Future minimum payments under non-cancelable operating leases with terms of one year or more are as follows

Year ending June 30	
2012	$ 7,945
2013	7,476
2014	5,967
2015	3,476
2016	2,389
Thereafter	9,304
Total	$ 36,557

(Dollars in Thousands)

10. Lease Commitments (continued)

In addition, the BH is a lessor under certain operating lease agreements, primarily owned medical office buildings and ground leases related to third party owned medical office buildings on land owned by BH Future minimum rental receipts under all noncancellable operating leases with terms of one year or more are as follows

Year ending June 30	
2012	$ 100
2013	100
2014	100
2015	65
2016	31
Thereafter	285
Total	$ 681

Rental expense under operating leases amounted to $11,602 and $11,085 in 2011 and 2010, respectively

11. Related-Party Transactions

BH utilized various centralized programs and overhead services of Ascension Health or its other sponsored organizations including risk management, retirement services, treasury, debt management, executive management support, administrative services, and information technology services The charges allocated to BH for these services represent both allocations of common costs and specifically identified expenses that are incurred by Ascension Health on behalf of BH Allocations are based on relevant metrics such as the BH's pro rata share of revenues, certain costs, debt, or investments to the consolidated totals of Ascension Health The amounts charged to BH for these services may not necessarily result in the net costs that would be incurred by the BH on a stand-alone basis The charges allocated to the BH were approximately $35,896 and $36,016 for the years ended June 30, 2011 and 2010, respectively

In addition to the charges discussed above, BH made payments to Ascension Health of $4,108 for the year ended June 30, 2011, representing BH's share of costs to fund an Ascension Health system-wide information technology and process standardization project that is expected to continue through December 2014 These payments are included in transfers to sponsor and other affiliates, net, in the accompanying statements of operations and changes in net assets

11. Related-Party Transactions (continued)

On July 26, 2010, BH transferred cash and investments of $1,398 in support of Ascension Health's strategic initiatives

12. Contingencies and Commitments

In addition to professional liability claims, BH is involved in litigation and regulatory investigations arising in the ordinary course of business In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect on BH's consolidated balance sheets

In September 2010, Ascension Health received a letter from the U S Department of Justice (the DOJ) in connection with its nationwide review to determine whether, in certain cases, implantable cardioverter defibrillators (ICDs) were provided to certain Medicare beneficiaries in accordance with national coverage criteria In connection with this nationwide review, Borgess Health will be reviewing applicable medical records for response to the DOJ The DOJ's investigation spans a time frame beginning in 2003 and extending through the present time At June 30, 2011 and through September 8, 2011, the review remains in its early stages As such, no estimates of liability have been or can be reached relative to the impact this investigation could have on Borgess Health Through September 8, 2011, the DOJ has not asserted any claims against Borgess Health Ascension Health and Borgess Health continue to fully cooperate with the DOJ in its investigation

BH enters into agreements with non-employed physicians that include minimum revenue guarantees The carrying amount of the liability for the BH obligation under these guarantees was $181 at June 30, 2010 and are included in other current and noncurrent liabilities in the accompanying consolidated balance sheets There was no liability recorded at June 30, 2011 There are no future payments that BH could be required to make under these guarantees

Other Financial Information

Report of Independent Auditors on Other Financial Information

The Board of Trustees
Borgess Health

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole The schedule of net cost of providing care of persons living in poverty and community benefit programs for the year ended June 30, 2011, is presented for purposes of additional analysis and is not a required part of the basic financial statements Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole, however, because we are unable to express an opinion on the consolidated statement of operations and changes in net assets, we cannot and do not express an opinion on the schedule of net cost of providing care of persons living in poverty and community benefit programs

September 8, 2011

Borgess Health

Schedule of Net Cost of Providing Care of Persons Living in Poverty and Community Benefit Programs

(*Dollars in Thousands*)

(Unaudited)

The net cost excluding the provision for bad debt expense of providing care of persons living in poverty and community benefit programs is as follows

	Year Ended June 30, 2011	2010
Traditional charity care provided	$ 12,604	$ 13,736
Unpaid cost of public programs for persons living in poverty	22,054	17,400
Other programs for persons living in poverty and other vulnerable persons	1,042	1,184
Community benefit programs	9,951	9,555
Net cost of providing care of persons living in poverty and community benefit programs	$ 45,651	$ 41,875

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