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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
Covenant Medical Center Inc

Doing Business As
COVENANT HEALTHCARE

Number and street (or P O box if mail is not delivered to street address)
1447 N Harrison

Room/suite

City or town, state or country, and ZIP + 4
Saginaw, MI 48602

D Employer identification number
38-3369438

E Telephone number
(989) 583-6006

G Gross receipts $ 530,619,988

F Name and address of principal officer
SPENCER MAIDLOW
1447 N HARRISON
SAGINAW, MI 48602

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 ▶

I Tax-exempt status ☑ 501(c)(3) ☐ 501(c) ( ) ◀ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website: ▶ www covenanthealthcare com

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation 1997

M State of legal domicile MI

Part I Summary

1 Briefly describe the organization's mission or most significant activities
TO PROVIDE DIVERSE MEDICAL CARE TO MEET THE HEALTH CARE NEEDS OF THE 15 COUNTIES IN EAST CENTRAL MICHIGAN WE SERVE

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**	12
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	9
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	**5**	4,867
6	Total number of volunteers (estimate if necessary)	**6**	529
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	153,523
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	86,243

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	261,606	748,877
9	Program service revenue (Part VIII, line 2g)	490,502,978	501,219,382
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	12,451,303	18,257,778
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	5,302,948	10,393,951
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	508,518,835	530,619,988
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	240,138,529	253,706,929
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)	240,317,391	240,915,505
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	480,455,920	494,622,434
19	Revenue less expenses Subtract line 18 from line 12	28,062,915	35,997,554

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	475,168,932	511,872,649
21	Total liabilities (Part X, line 26)	361,145,860	302,032,218
22	Net assets or fund balances Subtract line 21 from line 20	114,023,072	209,840,431

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

Mark Gronda 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
Firm's name ▶ ERNST & YOUNG US LLP				Firm's EIN ▶
Firm's address ▶ 55 IVAN ALLEN JR BLVD SUITE 1000 ATLANTA, GA 30308				Phone no ▶ (404) 874-8300

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

TO PROVIDE DIVERSE MEDICAL CARE TO MEET THE HEALTH CARE NEEDS OF THE 15 COUNTIES IN EAST CENTRAL MICHIGAN WE SERVE

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 $ 482,489,812 including grants of $) (Revenue $ 501,107,774)

ONE OF THE LARGEST, MOST COMPREHENSIVE HEALTH CARE FACILITIES NORTH OF THE METRO DETROIT, COVENANT HEALTHCARE IS PREPARED TO RESPOND TO THE DIVERSE MEDICAL NEEDS OF OUR REGION WE OFFER A BROAD SPECTRUM OF PROGRAMS AND SERVICES RANGING FROM OBSTETRICS, NEONATAL AND PEDIATRIC CARE, TO ACUTE CARE INCLUDING CARDIOLOGY, ONCOLOGY, SURGERY AND MANY OTHER SERVICES ON THE LEADING EDGE OF MEDICINE ALL OF OUR PROGRAMS AND SERVICES EXEMPLIFY OUR COMMITMENT TO PROVIDING QUALITY, COMPASSIONATE CARE AS A MEDICAL FACILITY WITH MORE THAN 600 BEDS AND A COMPLETE RANGE OF MEDICAL SERVICES, COVENANT HEALTHCARE STANDS READY TO MEET THE NEEDS OF THE 15 COUNTIES IN EAST CENTRAL MICHIGAN WE SERVE WITH MORE THAN 20 INPATIENT AND OUTPATIENT FACILITIES, COVENANT HEALTHCARE OFFERS CONVENIENCE AND EASY ACCESS TO HIGH QUALITY CARE THE MEDICAL CENTER PROVIDED THE FOLLOWING DURING FISCAL YEAR 2010 9,670 CARDIOLOGY CASES, 7,203 WOMEN'S AND CHILDREN'S HEALTH CASES, 2,620 ORTHOPEDIC CARE CASES, AND 2,699 PULMONARY CASES

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** ▶ $ 482,489,812

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		
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	Yes	
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f		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	Yes	
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**		No
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *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**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
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**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
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**	Yes	
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**	Yes	
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**	Yes	
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	154		
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	4,867		
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 Yes	
b	If "Yes," enter the name of the foreign country ▶ CJ 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	12		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	9		
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 ▶

MARK E GRONDA
1447 N HARRISON
SAGINAW, MI 48602
(989) 583-2769

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) LAWRENCE SIMS VICE CHAIRMAN	4 0	X						0	0	0
(2) GREGORY LUBBEN TREASURER	4 0	X		X				0	0	0
(3) MORRISON STEVENS SR BOARD MEMBER	4 0	X						0	0	0
(4) GARY RUMMEL BOARD MEMBER	4 0	X						0	0	0
(5) TERRY NEIDERSTADT CHAIRMAN	4 0	X		X				0	0	0
(6) MORTON WELDY SECRETARY	4 0	X		X				0	0	0
(7) SUSAN STEMLER BOARD MEMBER	4 0	X						0	0	0
(8) JOHN JOHNSON MD BOARD MEMBER	4 0	X						0	0	0
(9) DAVID MEYER BOARD MEMBER	4 0	X						0	0	0
(10) TIMOTHY SMITH MD BOARD MEMBER	4 0	X						0	0	0
(11) JOHN SHELTON BOARD MEMBER	4 0	X						0	0	0
(12) CULLI DAMUTH BOARD MEMBER	4 0	X						0	0	0
(13) SPENCER MAIDLOW PRESIDENT/CEO	50 0			X				824,911	0	573,720
(14) MARK GRONDA VICE PRESIDENT/CFO	50 0			X				457,009	0	354,793
(15) EDWARD BRUFF VICE PRESIDENT	50 0			X				522,255	0	372,678
(16) CAROL STOLL VICE PRESIDENT	50 0			X				284,276	0	280,148

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) DR JOHN KOSANOVICH VICE PRESIDENT	50 0			X				423,217	0	65,359
(18) TIM WENZEL VICE PRESIDENT	50 0			X				264,562	0	379,854
(19) DANIEL GEORGE VICE PRESIDENT	50 0			X				282,174	0	81,753
(20) DR SCOTT MARTIN PHYSICIAN	50 0					X		533,725	0	0
(21) DR JOHN MCCLURE PHYSICIAN	50 0					X		915,473	0	3,582
(22) DR FRANK SCHINCO PHYSICIAN	50 0					X		693,448	0	0
(23) DR ANTONIO WILLIAMS PHYSICIAN	50 0					X		553,270	0	3,344
(24) DR FIRAS ALANI PHYSICIAN	50 0					X		553,117	0	0
1b Sub-Total . . . . . ▶										
c Total from continuation sheets to Part VII, Section A . . . . ▶										
d Total (add lines 1b and 1c) . . . . . ▶								6,307,437	0	2,115,231

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 ▶ 12

			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
MILLER CANFIELD PADDOCK STONE PO DRAWER 640348 DETROIT, MI 482640348	LEGAL SERVICES	976,221
OWENS MINOR 12199 COLLECTION CENTER DRIVE CHICAGO, IL 60693	EQUIPMENT SERVICE	1,175,558
EXECUTIVE HEALTH RESOURCES PO BOX 822688 PHILADELPHIA, PA 19182	CONSULTING SERVICES	1,404,916
EPIC SYSTEMS CORPORATION PO BOX 88314 MILWAUKEE, WI 53288	IT MTC SUPPORT	1,915,040
REHABCARE GROUP INC PO BOX 502096 ST LOUIS, MO 63150	REHAB SERVICES	1,581,792

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 ▶ 91

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	748,877				
	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 $	748,877				
	h **Total.** Add lines 1a-1f . . . . . ▶		748,877			
Program Service Revenue		Business Code				
	2a PATIENT SERVICE REVENUE	621999	496,894,389	496,894,389		
	b JOINT VENTURE OPERATIONS	621999	1,901,215	1,901,215		
	c EDUCATIONAL INCOME	611710	1,307,698	1,307,698		
	d LAB BILLING	621511	1,116,080	1,004,472	111,608	
	e					
	f All other program service revenue					
	g **Total.** Add lines 2a–2f . . . . . ▶		501,219,382			
	3 Investment income (including dividends, interest and other similar amounts) . . . . . ▶		4,733,283			4,733,283
	4 Income from investment of tax-exempt bond proceeds . . ▶		5,913			5,913
	5 Royalties . . . . . ▶		0			
		(i) Real / (ii) Personal				
	6a Gross Rents	2,349,395				
	b Less rental expenses					
	c Rental income or (loss)	2,349,395				
	d Net rental income or (loss) . . . . . ▶		2,349,395			2,349,395
		(i) Securities / (ii) Other				
	7a Gross amount from sales of assets other than inventory	13,190,639 / 327,943				
	b Less cost or other basis and sales expenses					
	c Gain or (loss)	13,190,639 / 327,943				
	d Net gain or (loss) . . . . . ▶		13,518,582			13,518,582
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 . . ▶		0			
	9a Gross income from gaming activities See Part IV, line 19 . a					
	b Less direct expenses . . . . . b					
	c Net income or (loss) from gaming activities . . . ▶		0			
	10a Gross sales of inventory, less returns and allowances . a					
	b Less cost of goods sold . . b					
	c Net income or (loss) from sales of inventory . . ▶		0			
	Miscellaneous Revenue	Business Code				
	11a Medicaid Incentive HIT Funds	923130	3,006,097			3,006,097
	b CAFETERIA SALES	722212	2,124,457		41,915	2,082,542
	c MISCELLANEOUS REVENUE	900099	2,914,002			2,914,002
	d All other revenue					
	e **Total.** Add lines 11a–11d . . . . . ▶		8,044,556			
	12 **Total revenue.** See Instructions . . . ▶		530,619,988	501,107,774	153,523	28,609,814

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.
All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the U S See Part IV, line 21	0			
2	Grants and other assistance to individuals in the U S See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	5,166,709	5,058,505	108,204	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	192,949,090	188,913,070	4,036,020	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	12,441,830	12,441,830		
9	Other employee benefits	30,063,138	29,990,108	73,030	
10	Payroll taxes	13,086,162	12,683,155	403,007	
a	Fees for services (non-employees) Management	0			
b	Legal	1,199,175	66,577	1,132,598	
c	Accounting	237,260	5,718	231,542	
d	Lobbying	56,000		56,000	
e	Professional fundraising services *See Part IV, line 17* . .	0			
f	Investment management fees	0			
g	Other	41,424,514	36,608,937	4,815,577	
12	Advertising and promotion	3,921,586	3,809,753	111,833	
13	Office expenses	97,531,519	97,329,330	202,189	
14	Information technology	5,371,457	5,371,457		
15	Royalties . .	0			
16	Occupancy	12,156,210	12,156,210		
17	Travel	495,831	495,831		
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	564,739	564,739		
20	Interest	5,724,928	5,724,928		
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	27,444,594	27,444,594		
23	Insurance	6,781,845	6,779,709	2,136	
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	BAD DEBTS	33,104,095	33,104,095		
b	DUES	1,696,748	985,475	711,273	
c	COLLECTIONS EXPENSES	1,593,347	1,593,347		
d	MISCELLANEOUS EXPENSES	1,611,657	1,362,444	249,213	
e					
f	All other expenses				
25	**Total functional expenses.** Add lines 1 through 24f	494,622,434	482,489,812	12,132,622	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		15,893,816	1	11,654,133
	2	Savings and temporary cash investments		21,706,539	2	17,867,409
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		52,164,623	4	49,787,579
	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		189,850	7	175,836
	8	Inventories for sale or use		6,848,736	8	11,989,340
	9	Prepaid expenses and deferred charges		10,453,736	9	24,450,598
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 516,025,083			
	b	Less accumulated depreciation	10b 344,721,709	174,722,242	10c	171,303,374
	11	Investments—publicly traded securities		128,223,223	11	164,094,180
	12	Investments—other securities See Part IV, line 11		50,368,446	12	59,499,726
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		14,597,721	15	1,050,474
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		475,168,932	16	511,872,649
Liabilities	17	Accounts payable and accrued expenses		52,969,909	17	54,692,727
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		121,693,641	20	115,294,352
	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		186,482,310	25	132,045,139
	26	**Total liabilities.** Add lines 17 through 25		361,145,860	26	302,032,218
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		114,023,072	27	209,840,431
	28	Temporarily restricted net assets			28	
	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		114,023,072	33	209,840,431
	34	Total liabilities and net assets/fund balances		475,168,932	34	511,872,649

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	530,619,988
2	Total expenses (must equal Part IX, column (A), line 25)	2	494,622,434
3	Revenue less expenses Subtract line 2 from line 1	3	35,997,554
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	114,023,072
5	Other changes in net assets or fund balances (explain in Schedule O)	5	59,819,805
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	209,840,431

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
Covenant Medical Center Inc

Employer identification number
38-3369438

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).

Facts And Circumstances Test

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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
Covenant Medical Center Inc	38-3369438

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?	Yes		56,000
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV		No	
j	Total lines 1c through 1i			56,000
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
LOBBYING ACTIVITY	SCHEDULE C, PART II-B	KHEDER DAVIS ENGAGED IN LOBBYING ACTIVITIES ON BEHALF OF COVENANT MEDICAL CENTER DURING FISCAL YEAR ENDED JUNE 30, 2011

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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
Covenant Medical Center Inc

Employer identification number
38-3369438

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		14,213,939		14,213,939
b Buildings		141,469,258	99,257,985	42,211,273
c Leasehold improvements		63,022,560	50,360,272	12,662,288
d Equipment		297,319,326	195,103,452	102,215,874
e Other		0	0	
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				171,303,374

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		
(3) Other		
(A) LIMITED PARTNERSHIPS	14,407,640	F
(B) HEDGE FUNDS	35,283,359	F
(C) JOINT VENTURES	9,808,727	C
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶	59,499,726	

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
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	0
ACCRUED PENSION	77,638,307
ACCRUED POST RETIREMENT BENEFITS	32,158,156
OTHER LIABILITIES	22,248,676
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	132,045,139

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 F (Form 990)

Department of the Treasury
Internal Revenue Service

Statement of Activities Outside the United States

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 14b, 15, or 16.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Covenant Medical Center Inc

Employer identification number
38-3369438

Part I General Information on Activities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 14b.

1 **For grantmakers.** 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 **For grantmakers.** Describe in Part V the organization's procedures for monitoring the use of grant funds outside the United States

3 Activites per Region (Use Part V if additional space is needed)

(a) Region	(b) Number of offices in the region	(c) Number of employees or agents in region or independent contractors	(d) Activities conducted in region (by type) (e g , fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures for region/investments in region
Central America and the Caribbean	0	0	Program Services	SELF INSURANCE	200,376
Central America and the Caribbean	0	0	Investments	INVESTMENTS	27,537,250
3a Sub-total	0	0			27,737,626
b Total from continuation sheets to Part I					
c **Totals** (add lines 3a and 3b)	0	0			27,737,626

Part II **Grants and Other Assistance to Organizations or Entities Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 15, for any recipient who received more than $5,000. Check this box if no one recipient received more than $5,000 . . . . . ▶ ☐
Use Part V if additional space is needed.

1 (a) Name of organization	(b) IRS code section and EIN (if applicable)	(c) Region	(d) Purpose of grant	(e) Amount of cash grant	(f) Manner of cash disbursement	(g) Amount of non-cash assistance	(h) Description of non-cash assistance	(i) Method of valuation (book, FMV, appraisal, other)

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

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

Part III **Grants and Other Assistance to Individuals Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 16. Use Part V if additional space is needed.

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

Part IV Foreign Forms

1	Was the organization a U S transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926 (see instructions for Form 926)*	☑ Yes	☐ No
2	Did the organization have an interest in a foreign trust during the tax year? *If " Yes," the organization may be required to file Form 3520 and/or Form 3520-A. (see instructions for Forms 3520 and 3520-A)*	☐ Yes	☑ No
3	Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons with respect to Certain Foreign Corporations. (see instructions for Form 5471)*	☑ Yes	☐ No
4	Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see instructions for Form 8621)*	☐ Yes	☑ No
5	Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons with respect to Certain Foreign Partnerships. (see instructions for Form 8865)*	☐ Yes	☑ No
6	Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see instructions for Form 5713).*	☐ Yes	☑ No

Additional Data

Software ID:
Software Version:
EIN: 38-3369438
Name: Covenant Medical Center Inc

Part V **Supplemental Information**

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

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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
Covenant Medical Center Inc

Employer identification number
38-3369438

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)		20,572	3,642,521	799,347	2,843,174	0 620 %
b Unreimbursed Medicaid (from Worksheet 3, column a)		28,210	90,445,578	71,966,408	18,479,170	4 000 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)		0	0	0	0	0 %
d **Total** Financial Assistance and Means-Tested Government Programs		48,782	94,088,099	72,765,755	21,322,344	4 620 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			922,417	0	922,417	0 200 %
f Health professions education (from Worksheet 5)			8,746,151	4,009,791	4,736,360	1 030 %
g Subsidized health services (from Worksheet 6)			0	0	0	0 %
h Research (from Worksheet 7)			0	0	0	0 %
i Cash and in-kind contributions to community groups (from Worksheet 8)			0	0	0	0 %
j **Total** Other Benefits			9,668,568	4,009,791	5,658,777	1 230 %
k **Total.** Add lines 7d and 7j		48,782	103,756,667	76,775,546	26,981,121	5 850 %

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 Heathcare Financial Management Association Statement No 15?			1	Yes	
2	Enter the amount of the organization's bad debt expense (at cost)	2	10,631,317			
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	2,800,000			
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	179,860,624
6	Enter Medicare allowable costs of care relating to payments on line 5	6	167,838,865
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	12,021,759

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		No	

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	COV HLTH CRE PRTNRS	HEALTH CARE	50 000 %	0 %	50 000 %
2	MACKINAW SURGERY	SURGERY CENTER	51 250 %	0 %	48 750 %
3	GFP REALTY LLC	RENTAL	40 000 %	0 %	60 000 %
4	COV HLCR MACKINAW FC	RENTAL	82 000 %	0 %	18 000 %
5	COV POB LLC	RENTAL	37 500 %	0 %	50 000 %
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? 4

	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	COVENANT MEDICAL CENTER INC (HARRISON) 1447 N HARRISON SAGINAW, MI 48602	X	X		X					
2	COVENANT MEDICAL CENTER INC (COOPER) 700 COOPER SAGINAW, MI 48602	X	X		X					
3	COVENANT MEDICAL CENTER INC (MICHIGAN) 515 N MICHIGAN SAGINAW, MI 48602	X								
4	COVENANT MEDICAL CENTER INC (REHAB) 1441 N HARRISON SAGINAW, MI 48602		X							REHAB CENTER

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

Name of Hospital Facility: COVENANT MEDICAL CENTER INC (HARRISON)

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 1

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2010)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess all of the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Participation in the development of a community-wide community benefit plan			
d ☐ Participation in the execution of a community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8		
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care to low income individuals?	9		
If "Yes," indicate the FPG family income limit for eligibility for free care __%			

Part V Facility Information *(continued)*

		Yes	No
10 Used FPG to determine eligibility for providing *discounted* care to low income individuals?	10		
If "Yes," indicate the FPG family income limit for eligibility for discounted care __%			
11 Explained the basis for calculating amounts charged to patients?	11		
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☐ Income level			
b ☐ Asset level			
c ☐ Medical indigency			
d ☐ Insurance status			
e ☐ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
12 Explained the method for applying for financial assistance?	12		
13 Included measures to publicize the policy within the community served by the hospital facility?	13		
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☐ The policy was posted at all times on the hospital facility's web site			
b ☐ The policy was attached to all billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
f ☐ The policy was available upon request			
g ☐ Other (describe in Part VI)			
Billing and Collections			
14 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy that explained actions the hospital facility may take upon non-payment?	14		
15 Check all of the following collection actions against a patient that were permitted under the hospital facility's policies at any time during the tax year			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
16 Did the hospital facility engage in or authorize a third party to engage in any of the following collection actions during the tax year?	16		
If "Yes," check all collection actions in which the hospital facility or a third party engaged (check all that apply)			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
17 Indicate which actions the hospital facility took before initiating any of the collection actions checked in question 16 (check all that apply)			
a ☐ Notified patients of the financial assistance policy upon admission			
b ☐ Notified patients of the financial assistance policy prior to discharge			
c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d ☐ Documented its determination of whether a patient who applied for financial assistance under the financial assistance policy qualified for financial assistance			
e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

		Yes	No
18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**18**		
If "No," indicate the reasons why (check all that apply)			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility did not have a policy relating to emergency medical care			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

Charges for Medical Care

19 Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care (check all that apply)			
a ☐ The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility			
b ☐ The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility			
c ☐ The hospital facility used the Medicare rate for those services			
d ☐ Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**		
If "Yes," explain in Part VI			
21 Did the hospital facility charge any of its patients an amount equal to the gross charge for services provided to that patient?	**21**		
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

Name of Hospital Facility: COVENANT MEDICAL CENTER INC (COOPER)

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 2

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2010)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess all of the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Participation in the development of a community-wide community benefit plan			
d ☐ Participation in the execution of a community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8		
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care to low income individuals?	9		
If "Yes," indicate the FPG family income limit for eligibility for free care __%			

Part V Facility Information *(continued)*

		Yes	No
10 Used FPG to determine eligibility for providing *discounted* care to low income individuals?	10		
If "Yes," indicate the FPG family income limit for eligibility for discounted care __%			
11 Explained the basis for calculating amounts charged to patients?	11		
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☐ Income level			
b ☐ Asset level			
c ☐ Medical indigency			
d ☐ Insurance status			
e ☐ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
12 Explained the method for applying for financial assistance?	12		
13 Included measures to publicize the policy within the community served by the hospital facility?	13		
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☐ The policy was posted at all times on the hospital facility's web site			
b ☐ The policy was attached to all billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
f ☐ The policy was available upon request			
g ☐ Other (describe in Part VI)			
Billing and Collections			
14 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy that explained actions the hospital facility may take upon non-payment?	14		
15 Check all of the following collection actions against a patient that were permitted under the hospital facility's policies at any time during the tax year			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
16 Did the hospital facility engage in or authorize a third party to engage in any of the following collection actions during the tax year?	16		
If "Yes," check all collection actions in which the hospital facility or a third party engaged (check all that apply)			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
17 Indicate which actions the hospital facility took before initiating any of the collection actions checked in question 16 (check all that apply)			
a ☐ Notified patients of the financial assistance policy upon admission			
b ☐ Notified patients of the financial assistance policy prior to discharge			
c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d ☐ Documented its determination of whether a patient who applied for financial assistance under the financial assistance policy qualified for financial assistance			
e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

		Yes	No
18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**18**		
If "No," indicate the reasons why (check all that apply)			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility did not have a policy relating to emergency medical care			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

Charges for Medical Care

19 Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care (check all that apply)			
a ☐ The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility			
b ☐ The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility			
c ☐ The hospital facility used the Medicare rate for those services			
d ☐ Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**		
If "Yes," explain in Part VI			
21 Did the hospital facility charge any of its patients an amount equal to the gross charge for services provided to that patient?	**21**		
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

Name of Hospital Facility: COVENANT MEDICAL CENTER INC (MICHIGAN)

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 3

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2010)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess all of the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Participation in the development of a community-wide community benefit plan			
d ☐ Participation in the execution of a community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8		
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care to low income individuals?	9		
If "Yes," indicate the FPG family income limit for eligibility for free care __%			

Part V Facility Information *(continued)*

		Yes	No
10 Used FPG to determine eligibility for providing *discounted* care to low income individuals?	10		
If "Yes," indicate the FPG family income limit for eligibility for discounted care __%			
11 Explained the basis for calculating amounts charged to patients?	11		
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☐ Income level			
b ☐ Asset level			
c ☐ Medical indigency			
d ☐ Insurance status			
e ☐ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
12 Explained the method for applying for financial assistance?	12		
13 Included measures to publicize the policy within the community served by the hospital facility?	13		
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☐ The policy was posted at all times on the hospital facility's web site			
b ☐ The policy was attached to all billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
f ☐ The policy was available upon request			
g ☐ Other (describe in Part VI)			
Billing and Collections			
14 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy that explained actions the hospital facility may take upon non-payment?	14		
15 Check all of the following collection actions against a patient that were permitted under the hospital facility's policies at any time during the tax year			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
16 Did the hospital facility engage in or authorize a third party to engage in any of the following collection actions during the tax year?	16		
If "Yes," check all collection actions in which the hospital facility or a third party engaged (check all that apply)			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
17 Indicate which actions the hospital facility took before initiating any of the collection actions checked in question 16 (check all that apply)			
a ☐ Notified patients of the financial assistance policy upon admission			
b ☐ Notified patients of the financial assistance policy prior to discharge			
c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d ☐ Documented its determination of whether a patient who applied for financial assistance under the financial assistance policy qualified for financial assistance			
e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

		Yes	No
18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**18**		
If "No," indicate the reasons why (check all that apply)			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility did not have a policy relating to emergency medical care			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

Charges for Medical Care

19 Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care (check all that apply)			
a ☐ The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility			
b ☐ The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility			
c ☐ The hospital facility used the Medicare rate for those services			
d ☐ Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**		
If "Yes," explain in Part VI			
21 Did the hospital facility charge any of its patients an amount equal to the gross charge for services provided to that patient?	**21**		
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

Name of Hospital Facility: COVENANT MEDICAL CENTER INC (REHAB)

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 4

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2010)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess all of the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Participation in the development of a community-wide community benefit plan			
d ☐ Participation in the execution of a community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8		
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care to low income individuals?	9		
If "Yes," indicate the FPG family income limit for eligibility for free care __%			

Part V Facility Information *(continued)*

		Yes	No
10 Used FPG to determine eligibility for providing *discounted* care to low income individuals?	10		
If "Yes," indicate the FPG family income limit for eligibility for discounted care __%			
11 Explained the basis for calculating amounts charged to patients?	11		
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☐ Income level			
b ☐ Asset level			
c ☐ Medical indigency			
d ☐ Insurance status			
e ☐ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
12 Explained the method for applying for financial assistance?	12		
13 Included measures to publicize the policy within the community served by the hospital facility?	13		
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☐ The policy was posted at all times on the hospital facility's web site			
b ☐ The policy was attached to all billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
f ☐ The policy was available upon request			
g ☐ Other (describe in Part VI)			
Billing and Collections			
14 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy that explained actions the hospital facility may take upon non-payment?	14		
15 Check all of the following collection actions against a patient that were permitted under the hospital facility's policies at any time during the tax year			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
16 Did the hospital facility engage in or authorize a third party to engage in any of the following collection actions during the tax year?	16		
If "Yes," check all collection actions in which the hospital facility or a third party engaged (check all that apply)			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
17 Indicate which actions the hospital facility took before initiating any of the collection actions checked in question 16 (check all that apply)			
a ☐ Notified patients of the financial assistance policy upon admission			
b ☐ Notified patients of the financial assistance policy prior to discharge			
c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d ☐ Documented its determination of whether a patient who applied for financial assistance under the financial assistance policy qualified for financial assistance			
e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

		Yes	No
18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**18**		
If "No," indicate the reasons why (check all that apply)			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility did not have a policy relating to emergency medical care			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

Charges for Medical Care

19 Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care (check all that apply)			
a ☐ The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility			
b ☐ The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility			
c ☐ The hospital facility used the Medicare rate for those services			
d ☐ Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**		
If "Yes," explain in Part VI			
21 Did the hospital facility charge any of its patients an amount equal to the gross charge for services provided to that patient?	**21**		
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, measured by total revenue per facility, from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? **27**

	Name and address	Type of Facility (Describe)
1	See Additional Data Table	
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
SCHEDULE H, PART I, LINE 3C		COVENANT USES FPG TO DETERMINE ELIGIBILITY

Identifier	ReturnReference	Explanation
SCHEDULE H, PART I, LINE 6A		COVENANT'S COMMUNITY BENEFIT REPORT IS MADE AVAILABLE AT COVENANTHEALTHCARE COM

Identifier	ReturnReference	Explanation
SCHEDULE H, PART I, LINE 7, COLUMN (F)		BAD DEBT EXPENSE REPORTED ON FORM 990, BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE RATIO OF COST-TO-CHARGE IS $33,104,095

Identifier	ReturnReference	Explanation
SCHEDULE H, PART I, LINE 7		THE BEST AVAILABLE INFORMATION WAS USED TO CALCULATE THE COST IN LINE 7 COST IS BASED ON THE COST-TO-CHARGE RATIO

Identifier	ReturnReference	Explanation
SCHEDULE H, PART III, LINE 4		FOOTNOTE TO AUDITED FINANCIAL STATEMENTS THE PROVISION FOR BAD DEBTS IS BASED UPON MANAGE MENT'S ASSESSMENT OF HISTORICAL AND EXPECTED NET COLLECTIONS CONSIDERING BUSINESS AND ECON OMIC CONDITIONS, TRENDS IN HEALTHCARE COVERAGE, AND OTHER COLLECTIONS INDICATORS PERIODIC ALLY THROUGHOUT THE YEAR, MANAGEMENT ASSESSES THE ADEQUACY OF THE ALLOWANCE FOR DOUBTFUL A CCOUNTS BASED UPON HISTORICAL WRITE-OFF EXPERIENCES AND CURRENT MARKET CONDITIONS THE RES ULT OF THIS REVIEW ARE THEN USED TO MAKE ANY MODIFICATIONS TO THE PROVISION FOR BAD DEBTS TO ESTABLISH AN APPROPRIATE ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES AFTER SATISFACTION OF AMOUNTS DUE FROM INSURANCE, COVENANT HEALTHCARE FOLLOWS ESTABLISHED GUIDELINES FOR PLACIN G CERTAIN PAST-DUE PATIENT BALANCES WITH COLLECTION AGENCIES COSTING METHODOLOGY BAD DEB T FROM AUDITED FINANCIAL STATEMENTS TIMES RCC ON WORKSHEET 2 SCHEDULE H, PART III, LINE 8 MEDICARE COST IS FROM MEDICARE COST REPORT SCHEDULE H, PART III, LINE 9B IT IS NOT OUR P OLICY TO PURSUE COLLECTION AGAINST PATIENTS KNOWN TO QUALIFY FOR CHARITY CARE OR OTHER FIN ANCIAL ASSISTANCE IN CERTAIN CASES IT MAY NOT BE EASILY DETERMINED WHETHER OR NOT A PATIE NT QUALIFIES FOR CHARITY OR FINANCIAL ASSISTANCE, HOWEVER, IF AFTER COLLECTION PRACTICES H AVE BEGUN IT LATER BECOMES KNOWN THAT A PATIENT QUALIFIES, THE COLLECTION EFFORTS CEASE C HARGES FOR MEDICAL CARE SCHEDULE H, PART V, LINE 19 THE HOSPITAL BILLS UNINSURED PATIENT G ROSS CHARGES LESS ANY APPLICABLE FINANCIAL ASSISTANCE GROSS CHARGES TO PATIENT SCHEDULE H , PART V, LINE 21 THE HOSPITAL CHARGES THE UNINSURED PATIENT GROSS CHARGES LESS ANY APPLIC ABLE FINANCIAL ASSISTANCE NEEDS ASSESSMENT SCHEDULE H, PART VI, LINE 2 COVENANT HEALTHCAR E WITH THE SAGINAW COUNTY HEALTH DEPARTMENT, SAGINAW SCHOOLS AND OTHER KEY PLAYERS TO DEVE LOP A COMMUNITY HEALTH IMPROVEMENT PLAN DATA FROM NUMEROUS SOURCES ARE UTILIZED TO PROVID E THE STATISTICAL FOUNDATION FOR THE PLAN THE METHOD USED TO DEVELOP THE PLAN FOLLOWS THE NATIONAL MODEL KNOWN AS MAPP - MOBILIZING FOR ACTION THROUGH PLANNING AND PARTNERSHIPS T HIS MODEL WAS DEVELOPED BY THE CENTERS FOR DISEASE CONTROL AND PREVENTION (CDC) AND THE NA TIONAL ASSOCIATION OF COUNTY AND CITY HEALTH OFFICIALS (NACCHO) THE FOUR MAPP ASSESSMENTS INCLUDED COMMUNITY THEMES AND STRENGTHS, LOCAL PUBLIC HEALTH SYSTEM, COMMUNITY HEALTH ASS ESSMENT, AND FORCES OF CHANGE PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE SCHEDULE H, PART VI, LINE 3 COVENANT COMMUNICATES OUR CHARITY CARE AND FINANCIAL ASSISTANCE POLICY VI A THE COVENANT WEBSITE, A LETTER TO THE GUARANTOR IF BENEFIT ELIGIBILITY IS NOT ESTABLISHE D, OR IN PERSON IF GUARANTOR INDICATES FINANCIAL NEED COMMUNITY INFORMATION SCHEDULE H, P ART VI, LINE 4 COVENANT HEALTHCARE IS LOCATED IN SAGINAW COUNTY AND CLOSE TO 90% OF INPATI ENT DISCHARGES ARE FROM PATIENT WITHIN THE COUNTY HOWEVER, COVENANT DOES REACH OUT INTO T HE SURROUNDING COUNTIES AND HAS RELATIONSHIPS WITH SEVERAL CRITICAL ACCESS HOSPITALS IN TH E REGION COVENANT CONSIDERS SIX COUNTIES (SAGINAW, BAY, MIDLAND, TUSCOLA, HURON, AND SANI LAC) AS ITS PRIMARY MARKET ANOTHER 14 COUNTIES IN THE REGION ARE CONSIDERED THE SECONDARY SERVICE AREA COVENANT HEALTHCARE IS LOCATED IN CBSA 40980 SAGINAW-SAGINAW TOWNSHIP NORTH WITHIN SAGINAW COUNTY, MICHIGAN AS OF THE 2010 CENSUS, SAGINAW COUNTY'S POPULATION WAS 2 00,169 THERE WERE 80,430 HOUSEHOLDS OUT OF WHICH 32 70% HAD CHILDREN UNDER THE AGE OF 18 LIVING WITH THEM, 50 20% WERE MARRIED COUPLES LIVING TOGETHER, 15 40% HAD A FEMALE HOUSEHO LDER WITH NO HUSBAND PRESENT, AND 30 60% WERE NON-FAMILIES IN THE COUNTY THE POPULATION W AS SPREAD OUT WITH 26 60% UNDER THE AGE OF 18, 9 00% FROM 18 TO 24, 27 60% FROM 25 TO 44, 23 20% FROM 45 TO 64, AND 13 50% WHO WERE 65 YEARS OF AGE OR OLDER THE MEDIAN AGE WAS 36 YEARS THE MEDIAN INCOME FOR A HOUSEHOLD IN THE COUNTY WAS $38,637, AND THE MEDIAN INCOME FOR A FAMILY WAS $46,494 THE PER CAPITA INCOME FOR THE COUNTY WAS $19,438 ABOUT 11 00% O F FAMILIES AND 13 90% OF THE POPULATION WERE BELOW THE POVERTY LINE, INCLUDING 20 70% OF T HOSE UNDER AGE 18 AND 9 50% OF THOSE AGE 65 OR OVER THE JOBLESS RATE IN CALENDAR YEAR 200 9 WAS 20 8% IN THE CITY OF SAGINAW, 12 5% IN SAGINAW COUNTY COMPARED TO 13 6% FOR THE STAT E OF MICHIGAN AS A WHOLE PROMOTION OF COMMUNITY HEALTH SCHEDULE H, PART VI, LINE 5 COVENA NT HEALTHCARE IS ACTIVELY INVOLVED IN COMMUNITY BUILDING INITIATIVES LEADERSHIP FROM THRO UGHOUT THE ORGANIZATION HOLD VOLUNTARY BOARD AND COMMITTEE POSITIONS IN COMMUNITY GROUPS A ND ORGANIZATIONS FOCUSED ON IMPROVING THE QUALITY OF LIFE IN THE REGION, PARTICULARLY AROU ND ISSUES OF COMMUNITY HEALTH ADDITIONALLY, THE ORGANIZATION CONDUCTS COMMUNITY OUTREACH AND SCREENING ACTIVITIES IN THE VARIOUS COMMUNITIES IN OUR REGION TO IMPACT HEALTH IN SUCH WAYS AS EARLY DISEASE DETECTION TO TRAUMA PREVENTION UNDER THE DIRECTION OF A VOLUNTEER COMMUNITY BOARD, COVENANT HEALTHCARE IS AN INTEGRAL PART OF THE COMMUNITIES IT SERVES THE COVENANT VISION IS TO CONSISTENTLY DELIVER ON A P

Identifier	ReturnReference	Explanation
SCHEDULE H, PART III, LINE 4		ROMISE OF CARING AND A COMMITMENT TO SERVICE GUIDED BY A SEPARATE VOLUNTEER BOARD, THE CO VENANT HEALTHCARE FOUNDATION ASSISTS THE MEDICAL CENTER IN CARRYING OUT ITS SERVICE MISSIO N THROUGH THE ACQUISITION OF PHILANTHROPIC FUNDS TO SERVE AS A PRIME RESOURCE IN THE DELIV ERY OF CARE TO THOSE COVENANT HEALTHCARE SERVES THE ORGANIZATION USES ITS SURPLUS FUNDS T O CONDUCT COMMUNITY OUTREACH AND SCREENING ACTIVITIES IN THE VARIOUS COMMUNITIES IN OUR RE GION TO IMPACT HEALTH IN SUCH WAYS AS EARLY DISEASE DETECTION TO TRAUMA PREVENTION AFFILI ATED HEALTH CARE SYSTEM SCHEDULE H, PART VI, LINE 6 COVENANT MEDICAL CENTER, INC IS NOT A PART OF AN AFFILIATED HEALTH SYSTEM STATE FILING OF COMMUNITY BENEFIT REPORT MICHIGAN

Additional Data

Software ID:
Software Version:
EIN: 38-3369438
Name: Covenant Medical Center Inc

Form 990 Schedule H, Part V Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

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? **27** Name and address	Type of Facility (Describe)
IRVING CAMPUS 600 IRVING SAGINAW,MI 48602	PM&R, OCC HLTH, EMPLOYEE WELLNESS
HOUGHTON CAMPUS 1000 HOUGHTON SAGINAW,MI 48602	LABORATORY
DR CASTILLO 6614 DIXIE HWY BRIDGEPORT TOWNSHIP,MI 48722	PHYSICIAN OFFICE
MED EXPRESS BAY CITY 2997 WILDER RD BAY CITY,MI 48706	URGENT CARE
MED EXPRESSBREAST IMAGING 5570 STATE STREET SAGINAW,MI 48602	URGENT CARE
CONDO 800 COOPER SAGINAW,MI 48602	PHYSICIAN OFFICE
COVENANT BREAST IMAGING 600 N MAIN FRANKENMUTH,MI 48734	URGENT CARE, IMAGING & PM&R
DR EASTONLAB 8767 GRATIOT SAGINAW,MI 48609	PHYSICIAN OFFICE
DR R WILLIAMS 3215 HALLMARK CT SAGINAW,MI 48602	PHYSICIAN OFFICE
VNA 500 S HAMILTON SAGINAW,MI 48602	HOME CARE
SIBM 3875 BAY ROAD SAGINAW TOWNSHIP,MI 48602	PHYSICIAN OFFICE
REGIONAL IMAGING CENTER 4717 NORTH GARFIELD AUBURN,MI 48611	IMAGING
VNA CARTWRIGHT CENTER 3443 HOSPITAL RD SAGINAW,MI 48602	HOME HEALTH
SAGINAW TOWNSHIP FAMILY PRACTICE 3875 BAY ROAD SAGINAW,MI 48602	PHYSICIAN OFFICE
DR CONSTAN & DR NUSRAT 3037 SILVERWOOD SAGINAW,MI 48602	PHYSICIAN OFFICE
DR NAHATA 3350 SHATTUCK SAGINAW,MI 48602	PHYSICIAN OFFICE
MACKINAW CAMPUS 5400 MACKINAW SAGINAW TOWNSHIP,MI 48602	HEALTHCARE OFFICE
ECC 900 COOPER AVE SAGINAW,MI 48602	ER-24 HOURS
DR JOHNSON 1430 N CENTER SAGINAW,MI 48638	PHYSICIAN OFFICE
DR A LAFLEUR 3400 N CENTER SAGINAW,MI 48603	PHYSICIAN OFFICE
DR PRESCOTT 335 E HOUGHTON WEST BRANCH,MI 48661	PHYSICIAN OFFICE
DR GRIMSHAW 8470 MAIN ST BIRCH RUN,MI 48415	PHYSICIAN OFFICE
COVENANT CARDIOLOGY 318 W WRIGHT SHEPARD,MI 48883	PHYSICIAN OFFICE, CARDIOLOGY
SAGINAW VALLEY PRIMARY CARE 2970 PIERCE SAGINAW,MI 48604	PHYSICIAN OFFICE, PRIMARY CARE FACILITY
DR NINAN 4705 TOWNE CENTRE SAGINAW,MI 48604	PHYSICIAN OFFICE
DR DE BEAUBIEN 4701 TOWNE CENTRE SAGINAW,MI 48604	PHYSICIAN OFFICE
SEBEWAING PRIMARY CARE 616 UNIONVILLE SEBEWAING,MI 48759	PHYSICIAN OFFICE

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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
Covenant Medical Center Inc

Employer identification number
38-3369438

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**		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**		
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply ☑ Compensation committee ☐ Written employment contract ☐ Independent compensation consultant ☑ Compensation survey or study ☐ Form 990 of other organizations ☑ Approval by the board or compensation committee			
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment from the organization or a related organization?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	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) SPENCER MAIDLOW	(i)	604,699	168,296	51,916	558,177	15,543	1,398,631	0
	(ii)	0	0	0	0	0	0	0
(2) MARK GRONDA	(i)	299,526	96,963	60,520	332,731	22,062	811,802	0
	(ii)	0	0	0	0	0	0	0
(3) EDWARD BRUFF	(i)	335,593	104,926	81,736	354,638	18,040	894,933	0
	(ii)	0	0	0	0	0	0	0
(4) CAROL STOLL	(i)	173,057	58,782	52,437	272,169	7,979	564,424	0
	(ii)	0	0	0	0	0	0	0
(5) DR JOHN KOSANOVICH	(i)	286,508	87,965	48,744	47,638	17,721	488,576	0
	(ii)	0	0	0	0	0	0	0
(6) TIM WENZEL	(i)	166,743	50,143	47,676	360,314	19,540	644,416	0
	(ii)	0	0	0	0	0	0	0
(7) DR SCOTT MARTIN	(i)	478,326	54,913	486	0	0	533,725	0
	(ii)	0	0	0	0	0	0	0
(8) DR JOHN MCCLURE	(i)	428,946	0	486,527	0	3,582	919,055	0
	(ii)	0	0	0	0	0	0	0
(9) DR FRANK SCHINCO	(i)	657,560	32,740	3,148	0	0	693,448	0
	(ii)	0	0	0	0	0	0	0
(10) DR ANTONIO WILLIAMS	(i)	552,670	0	600	0	3,344	556,614	0
	(ii)	0	0	0	0	0	0	0
(11) DR FIRAS ALANI	(i)	496,646	55,931	540	0	0	553,117	0
	(ii)	0	0	0	0	0	0	0
(12) DANIEL GEORGE	(i)	190,932	59,300	31,942	81,753	0	363,927	0
	(ii)	0	0	0	0	0	0	0
(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
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN	SCHEDULE J, PART I, LINE 4B	THE ORGANIZATION MAINTAINS A NONQUALIFIED SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN (SERP) FOR CERTAIN OF ITS EXECUTIVES THE SERP HAS BEEN ESTABLISHED FOR THESE EXECUTIVES BY THE ORGANIZATION, FOLLOWING APPROPRIATE BOARD LEVEL REVIEW IN A MANNER INTENDED TO COMPLY WITH THE REBUTTABLE PRESUMPTION OF REASONABLENESS PROVISION UNDER IRC SECTION 4958 SPENCER MAIDLOW - $271,775 MARK GRONDA - $4,805 EDWARD BRUFF - $119,059 JOHN KOSANOVICH - $47,638 TIM WENZEL - $112,979 DANIEL GEORGE - $81,753

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Covenant Medical Center Inc

Employer identification number
38-3369438

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	CITY OF SAGINAW HOSP FIN AUTH	38-6004647	786744GX4	04-07-2004	39,343,085	RETIRE 8/15/1991 BONDS		X		X		X
B	CITY OF SAGINAW HOSP FIN AUTH	38-6004647	786744HJ4	10-28-2010	76,448,883	RETIRE 7/7/99 AND 7/12/00 BONDS		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired				
2	Amount of bonds legally defeased				
3	Total proceeds of issue	39,983,609	76,458,097		
4	Gross proceeds in reserve funds	3,743,500	0		
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrow				
7	Issuance costs from proceeds	497,736	423,626		
8	Credit enhancement from proceeds	0	0		
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds				
11	Other spent proceeds	35,104,849	76,025,257		
12	Other unspent proceeds				
13	Year of substantial completion	2023	2030		

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X		X					
15	Were the bonds issued as part of an advance refunding issue?		X		X				
16	Has the final allocation of proceeds been made?	X		X					
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X					

Part III Private Business Use

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?								
2	Are there any lease arrangements that may result in private business use of bond-financed property?								

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?								
b	Are there any research agreements that may result in private business use of bond-financed property?								
c	Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶								
6	Total of lines 4 and 5								
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?								

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?	X			X				
2	Is the bond issue a variable rate issue?		X		X				
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X		X				
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?	X			X				
b	Name of provider	LEHMAN BROS SFI							
c	Term of GIC	32							
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X							
5	Were any gross proceeds invested beyond an available temporary period?		X		X				
6	Did the bond issue qualify for an exception to rebate?	X			X				

Part V Supplemental Information

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

Identifier	Return Reference	Explanation
INVESTMENT AMOUNTS INCLUDED IN PROCEEDS	SCHEDULE K, PART II, LINE 3	COLUMN A BOND 2004G -$39,983,609 - INCLUDES SALE PROCEEDS OF $39,343,085 PLUS DEBT SERVICE RESERVE FUND EARNINGS OF $640,524 37 COLUMN B BOND 2010H -$76,458,097 - INCLUDES SALE PROCEEDS OF $76,448,883 PLUS ESCROW ACCOUNT EARNINGS $9,213 83 $39,983,609 - INCLUDES SALE PROCEEDS OF $39,343,085 PLUS DEBT SERVICE RESERVE FUND EARNINGS OF $640,524 37

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

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

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2010

Open to Public Inspection

Name of the organization
Covenant Medical Center Inc

Employer identification number
38-3369438

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) STEPHANIE RUMMEL	FAMILY OF BOARD MEMBER	110,000	REPORTABLE COMP TO A FAMILY MB		No
(2) MARY PICKELMAN	FAMILY OF BOARD MEMBER	66,676	REPORTABLE COMP TO A FAMILY MB		No
(3) DR JAMIE ROSS	FAMILY OF BOARD MEMBER	255,018	REPORTABLE COMP TO A FAMILY MB		No
(4) CAROL STOLL	VICE PRESIDENT	164,677	COMPANY CARS AND REPAIRS		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation
FEES FOR SERVICES	SCHEDULE L, PART IV, COLUMN C	FEES FOR ALL SERVICES ARE AT ARM'S LENGTH MARKET RATES AND ARE CONTRACTED IN ACCORDANCE WITH THE HOSPITAL'S CONFLICT OF INTEREST POLICY

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SCHEDULE M (Form 990)

Department of the Treasury
Internal Revenue Service

NonCash Contributions

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Covenant Medical Center Inc

Employer identification number
38-3369438

Part I Types of Property

		(a) Check if applicable	(b) Number of Contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining oncash contribution amounts
1	Art—Works of art				
2	Art—Historical treasures				
3	Art—Fractional interests				
4	Books and publications				
5	Clothing and household goods				
6	Cars and other vehicles				
7	Boats and planes				
8	Intellectual property				
9	Securities—Publicly traded				
10	Securities—Closely held stock				
11	Securities—Partnership, LLC, or trust interests				
12	Securities—Miscellaneous				
13	Qualified conservation contribution—Historic structures				
14	Qualified conservation contribution—Other				
15	Real estate—Residential				
16	Real estate—Commercial				
17	Real estate—Other				
18	Collectibles				
19	Food inventory				
20	Drugs and medical supplies				
21	Taxidermy				
22	Historical artifacts				
23	Scientific specimens				
24	Archeological artifacts				
25	Other ▸ (EQUIP (SUPPORT ORG))	X	1	748,877	FMV
26	Other ▸ ( )				
27	Other ▸ ( )				
28	Other ▸ ( )				

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

		Yes	No
30a	During the year, did the organization receive by contribution any property reported in Part I, lines 1-28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period? **30a**		No
b	If "Yes," describe the arrangement in Part II		
31	Does the organization have a gift acceptance policy that requires the review of any non-standard contributions? **31**		No
32a	Does the organization hire or use third parties or related organizations to solicit, process, or sell non-cash contributions? **32a**		No
b	If "Yes," describe in Part II		
33	If the organization did not report revenues in column (c) for a type of property for which column (a) is checked, describe in Part II		

Part II

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

Identifier	Return Reference	Explanation

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Covenant Medical Center Inc

Employer identification number
38-3369438

Identifier	Return Reference	Explanation
SUPPLEMENTAL INFORMATION		DESCRIPTION OF CLASSES OF MEMBERS OR STOCKHOLDERS FORM 990, PART IV, LINE 6 COVENANT HEALT HCARE SY STEM IS THE SOLE CORPORATE MEMBER OF COVENANT MEDICAL CENTER DESCRIPTION OF CLASS ES OF PERSONS AND THE NATURE OF THEIR RIGHTS FORM 990, PART VI, LINE 7A THE CORPORATE MEMB ER COVENANT HEALTHCARE SY STEM MAY ELECT MEMBERS OF THE GOVERNING BODY DESCRIPTION OF DECI SIONS SUBJECT TO APPROVAL BY MEMBERS, STOCKHOLDERS OR OTHER PERSONS FORM 990, PART VI, LI NE 7B POWERS RESERVED BY THE SOLE MEMBER THE FOLLOWING POWERS SHALL BE RESERVED FROM THE HOSPITAL, AND/OR SHALL REQUIRE THE AFFIRMATIVE ACTION OF THE SOLE MEMBER (ACTING THROUGH I TS BOARD OF DIRECTORS) IN ORDER TO BE EFFECTIVE A ALL MATTERS REQUIRING ACTION BY THE MEM BER OF A NONPROFIT CORPORATION UNDER THE LAWS OF THE STATE OF MICHIGAN, B THE ELECTION OF THE BOARD OF DIRECTORS OF THE HOSPITAL, C APPROVAL OF THE HOSPITAL BOARD'S SELECTION, OR V OTE TO TERMINATE THE PRESIDENT/CEO OF THE CORPORATION, D APPROVAL OF THE INITIAL ARTICLES OF INCORPORATION AND BY LAWS OF THE CORPORATION, E APPROVAL OF THE AMENDMENT OF THE CORPORA TION'S ARTICLES OF INCORPORATION OR BY LAWS, F APPROVAL OF THE STATEMENT OF MISSION, VISION , VALUES, ROLES AND GOALS OF THE HOSPITAL, TOGETHER WITH ANY AMENDMENTS THERETO, H APPROVA L OF THE ANNUAL OPERATING AND CAPITAL EXPENDITURE BUDGETS AND FINANCIAL GUIDELINES OF THE HOSPITAL, I APPROVAL OF UNBUDGETED CAPITAL EXPENDITURES BY THE HOSPITAL IN EXCESS OF AN AN NUAL AGGREGATE PERCENTAGE OF THE TOTAL CAPITAL EXPENDITURE BUDGET FOR THE HOSPITAL AS ESTA BLISHED FROM TIME TO TIME BY RESOLUTION OF THE SOLE MEMBER, J APPROVAL OF ALL SECURED BORR OWINGS OF THE HOSPITAL, OTHER THAN BORROWINGS SECURED FROM THE SOLE MEMBER, K APPROVAL OF ALL UNSECURED BORROWINGS OF THE HOSPITAL, OTHER THAN FROM THE SOLE MEMBER, IN AN AMOUNT IN EXCESS OF $750,000 OR IN EXCESS OF AN ANNUAL AGGREGATE PERCENTAGE OF THE TOTAL ASSETS OF THE HOSPITAL AS ESTABLISHED FROM TIME TO TIME BY RESOLUTION OF THE SOLE MEMBER, L APPROVAL OF THE GUARANTEE BY THE HOSPITAL OF THE INDEBTEDNESS OF ANOTHER IN AN AMOUNT IN EXCESS OF A PERCENTAGE OF THE TOTAL ASSETS OF THE HOSPITAL AS ESTABLISHED FROM TIME TO TIME BY RESO LUTION OF THE SOLE MEMBER, M APPROVAL OF THE SALE, ALIENATION, EXCHANGE, LEASE OR OTHER DI SPOSITION OF ASSETS OF THE HOSPITAL IN AN UNBUDGETED AMOUNT IN EXCESS OF AN ANNUAL AGGREGA TE PERCENTAGE OF THE TOTAL ASSETS OF THE HOSPITAL AS ESTABLISHED FROM TIME TO TIME BY RESO LUTION OF THE SOLE MEMBER, N APPROVAL OF THE ESTABLISHMENT OF ANY SUBSIDIARIES OR AFFILIAT ES OF THE HOSPITAL, O APPROVAL OF THE ADOPTION, REVOCATION OR ABANDONMENT OF ANY PLAN OF D ISSOLUTION OF THE HOSPITAL, OR ANY SUBSIDIARY OR AFFILIATE OF THE HOSPITAL, P APPROVAL OF THE ADOPTION, REVOCATION OR ABANDONMENT OF ANY PLAN OF MERGER, CONSOLIDATION, SALE OF ALL OR SUBSTANTIALLY ALL OF THE ASSETS AND/OR PROPERTY OF THE HOSPITAL OR ANY SUBSIDIARY OR AF FILIATE OF THE HOSPITAL, OR ANY OTHER PLAN OF MAJOR CORPORATE CHANGE ADOPTED BY THE HOSPIT AL OR ANY SUBSIDIARY OR AFFILIATE OF THE HOSPITAL, AND Q APPROVAL OF THE SELECTION OF AUDI TORS BY THE HOSPITAL DESCRIBE THE PROCESS USED BY MANAGEMENT &/OR GOVERNING BODY TO REVIE W 990 FORM 990, PART VI, LINE 11B MANAGEMENT PRESENTS AND REVIEWS THE 990 WITH THE BOARD F OR ITS APPROVAL PRIOR TO FILING THE BOARD IS PROVIDED FINAL COPIES FOR REVIEW VIA THE INT ERNET, ONCE APPROVED BY THE BOARD, THE FINAL 990 IS ULTIMATELY FILED WITH THE IRS DESCRIP TION OF PROCESS TO MONITOR TRANSACTIONS FOR CONFLICTS OF INTEREST FORM 990, PART VI, LINE 12C THE ORGANIZATION REGULARLY AND CONSISTENTLY MONITORS AND ENFORCES COMPLIANCE WITH ITS CONFLICT OF INTEREST DISCLOSURE STATEMENTS TO ITS OFFICERS, DIRECTORS, TRUSTEES, AND KEY E MPLOYEES EACH PERSON COVERED BY THE POLICY IS REQUIRED TO SUBMIT AND AFFIRM IN WRITING TO THE CHIEF EXECUTIVE OFFICER AN ANNUAL CONFLICT OF INTEREST DISCLOSURE STATEMENT LISTING A LL FINANCIAL INTERESTS, FAMILY AND BUSINESS RELATIONSHIPS, AND POTENTIAL CONFLICTS OF INTE REST AND PROVIDE UPDATES TO THIS AS NECESSARY IN ADDITION, SUCH PERSONS HAVE AN OBLIGATIO N TO DISCLOSE THE EXISTENCE OF ANY FINANCIAL INTEREST AND ALL MATERIAL FACTS TO THE BOARD AND MEMBERS OF COMMITTEES WITH BOARD DELEGATED POWERS POTENTIAL CONFLICTS THAT ARE IDENTI FIED ARE BROUGHT TO THE ATTENTION OF THE CHAIRMAN AND VICE CHAIRMAN OF THE BOARD THE CHAI RMAN OF THE BOARD IS REQUIRED TO BE AWARE OF SUCH POTENTIAL CONFLICTS SO AS TO BE ABLE TO DETERMINE THE PROPER COURSE OF ACTION SHOULD A MATTER INVOLVING SUCH SITUATION ARISE THAT WOULD REQUIRE ACTION AFTER DISCLOSURE OF A POTENTIAL CONFLICT TO THE BOARD OR COMMITTEE, SUCH PERSON IS EXCUSED AND ALL OTHER REMAINING BOARD OR COMMITTEE MAKE A DETERMINATION OF WHETHER A CONFLICT EXISTS ANY PERSON WITH A POTENTIAL CONFLICT CAN MAKE A PRESENTATION TO THE BOARD OR COMMITTEE ON THE PROPOSED TRANSACTION, BUT MUST RECUSE HIMSELF FROM DELIBERA TION AND VOTING ON THE PROPOSED TRANSACTION OR ARRANGEMENT THE BOARD OR COMMITTEE SHALL E XPLORE WHETHER A MORE ADVANTAGEOUS TRANSACTION OR

Identifier	Return Reference	Explanation
SUPPLEMENTAL INFORMATION		AGREEMENT WITH REASONABLE EFFORTS CAN BE ENTERED INTO WITH A PERSON OR ENTITY THAT DOES NO T HAVE A CONFLICT OF INTEREST IF NO REASONABLE ALTERNATIVE EXISTS, THE BOARD OR COMMITTEE SHALL DECIDE WHETHER SUCH TRANSACTION IS IN THE BEST INTERESTS OF THE ORGANIZATION AND IS FAIR AND REASONABLE BEFORE MAKING ITS DECISION ON WHETHER OR NOT TO ENTER INTO THE TRANSA CTION IF THE BOARD HAS REASONABLE CAUSE TO BELIEVE THAT AN OFFICER, DIRECTOR, KEY EMPLOYE E, OR TRUSTEE FAILED TO DISCLOSE ACTUAL OR POSSIBLE CONFLICTS OF INTERESTS, IT SHALL INFOR M THE OFFICER, DIRECTOR, TRUSTEE, OR KEY EMPLOYEE OF THE BASIS FOR SUCH BELIEF AND AFFORD SAID PERSON AN OPPORTUNITY TO EXPLAIN THE ALLEGED FAILURE TO DISCLOSE CORRECTIVE ACTION W ILL BE TAKEN IF IT IS DETERMINED THAT A CONFLICT THAT WAS NOT DISCLOSED DOES EXIST OFFICE S & POSITIONS FOR WHICH PROCESS WAS USED, & YEAR PROCESS WAS BEGUN FORM 990, PART VI, LINE S 15A & 15B EXECUTIVE SALARY RANGES ARE ESTABLISHED THROUGH IN DEPTH EXTERNAL MARKET STUDI ES AND APPROVED BY THE COMPENSATION COMMITTEE THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS REVIEWS AND APPROVES COMPENSATION CHANGES FOR VICE PRESIDENTS, AS RECOMMENDED BY THE CEO THE COMPENSATION COMMITTEE RECOMMENDS ANNUALLY TO THE BOARD OF DIRECTORS A PERFO RMANCE RATING AND COMPENSATION CHANGES FOR THE CEO THE BOARD OF DIRECTORS ACTS ON ALL REC OMMENDATIONS FROM THE COMPENSATION COMMITTEE THIS PROCESS WAS LAST UNDERTAKEN IN 2010 AV AIL OF GOV DOCS, CONFLICT OF INTEREST POLICY & FIN STMTS GEN PUBLIC FORM 990, PART VI, LIN E 19 THE ORGANIZATION MAKES ITS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND FINAN CIAL STATEMENTS AVAILABLE TO THE GENERAL PUBLIC UPON REQUEST AVERAGE HOURS DEVOTED PER WE EK TO RELATED ORGANIZATIONS FORM 990, PART VII SPENCER MAIDLOW COVENANT HEALTHCARE SYSTEM - 4 HOURS, COVENANT HEALTHCARE FOUNDATION - 4 HOURS MARK GRONDA COVENANT HEALTHCARE SYST EM - 4 HOURS, COVENANT HEALTHCARE FOUNDATION - 4 HOURS EDWARD BRUFF COVENANT HEALTHCARE S YSTEM - 4 HOURS CAROL STOLL COVENANT HEALTHCARE SYSTEM - 4 HOURS DR JOHN KOSANOVICH COV ENANT HEALTHCARE SYSTEM - 4 HOURS DANIEL GEORGE COVENANT HEALTHCARE SYSTEM - 4 HOURS TIM WENZEL COVENANT HEALTHCARE SYSTEM - 4 HOURS RECONCILIATION OF NET ASSETS FORM 990, PART X I, LINE 5 UNREALIZED GAIN/LOSS - $14,891,410 PENSION ADJUSTMENT - $45,127,788 NET FOUNDATI ON TRANSFER - ($199,393) TOTAL $59,819,805

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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
Covenant Medical Center Inc

Employer identification number
38-3369438

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

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) COVENANT MEDICAL OFFICE II LLC 1447 N HARRISON SAGINAW, MI 48602	INACTIVE	MI	0	0	NA
(2) COVENANT MACKINAW OFFICE LLC 1447 N HARRISON SAGINAW, MI 48602	INACTIVE	MI	0	0	NA
(3) J & F HOLDINGS LLC 1447 N HARRISON SAGINAW, MI 48602 38-2640101	INACTIVE	MI	0	0	NA

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) COVENANT HEALTHCARE FOUNDATION 1447 N HARRISON SAGINAW, MI 48602 38-2572154	SUPPORT	MI	501(C)(3)	11c	CHS		
(2) VISITING NURSE SPECIAL SERVICES 502 S HAMILTON SAGINAW, MI 48602 38-2762248	NURSE VISITS	MI	501(C)(3)	9	CHS		
(3) COVENANT HEALTHCARE SYSTEM 1447 N HARRISON SAGINAW, MI 48602 38-3369443	HEALTHCARE	MI	501(C)(3)	11A	NA		

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? 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
(1) MACKINAW SURG CTR 5400 MACKINAW SAGINAW, MI48604 20-5257296	SURGICAL CTR	MI	NA	RELATED	379,123	1,742,716		No	0		No	50 000 %

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) COVENANT DEVELOPMENT CORP 1447 N HARRISON SAGINAW, MI48602 38-2640101	HEALTH SERVICES	MI	NA	C CORP			
(2) COVENANT MEDICAL CTR OFFICE CONDO ASSN 1447 N HARRISON SAGINAW, MI48602 37-1477767	CONDOMINIUM	MI	NA	C Corp	0	0	51 000 %
(3) COVENANT HLTH MACKINAW FCLTY CONDO ASSOC 1447 N HARRISON SAGINAW, MI48602 45-3327179	CONDOMINIUM	MI	NA	C Corp	838,074	152,818	100 000 %
(4) COVENANT SERVICES CORP 1447 N Harrison Saginaw, MI48602	HEALTHCARE	MI	NA	C Corp			

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	Yes	
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		No
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	Yes	
n Sharing of paid employees	1n	Yes	
o Reimbursement paid to other organization for expenses	1o		No
p Reimbursement paid by other organization for expenses	1p	Yes	
q Other transfer of cash or property to other organization(s)	1q		No
r Other transfer of cash or property from other organization(s)	1r		No

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) COVENANT HEALTHCARE FOUNDATION	M	778,877	
(2) COVENANT HEALTHCARE FOUNDATION	N	1,115,053	
(3) COVENANT HEALTHCARE FOUNDATION	P	1,202,239	
(4)			
(5)			
(6)			

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

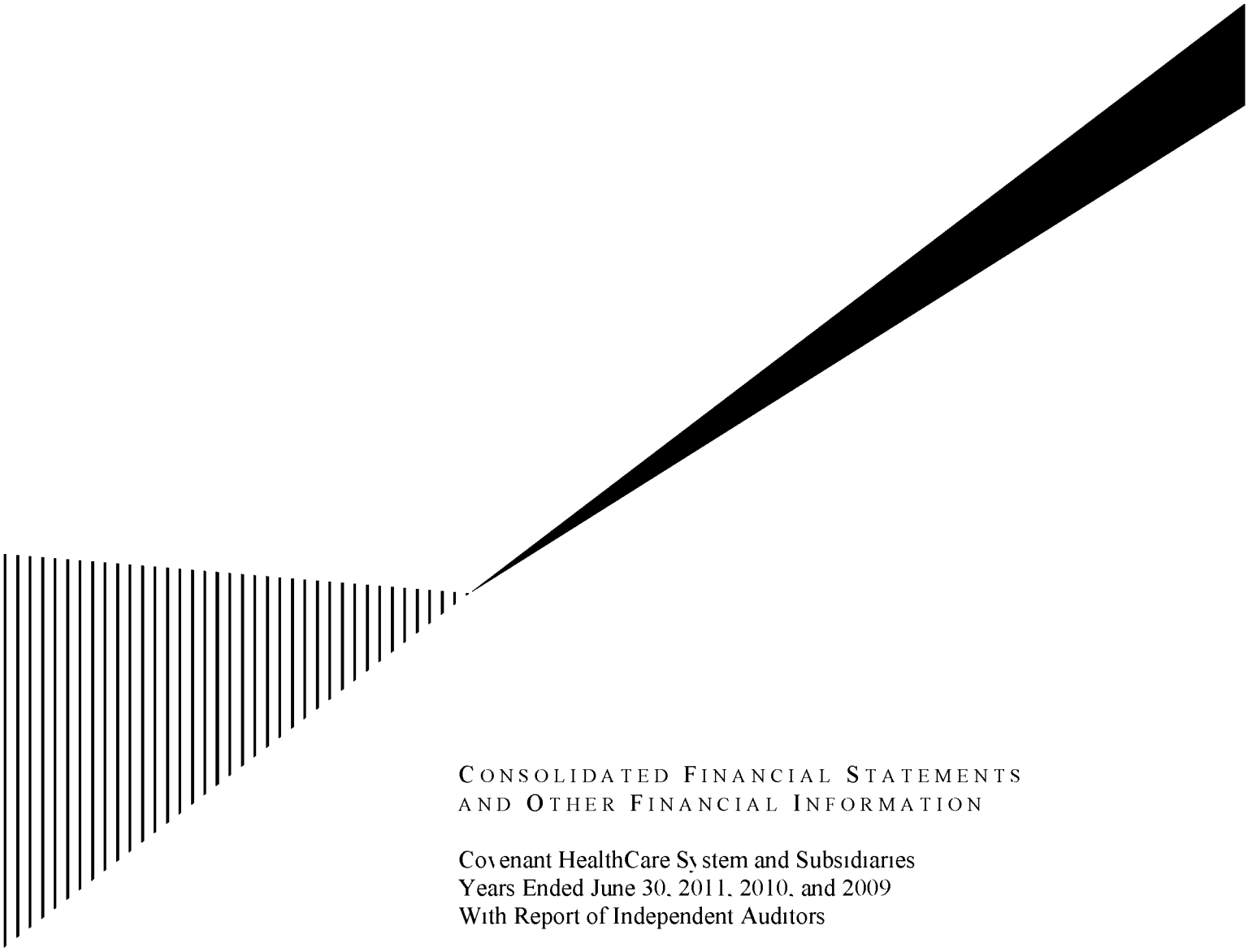
Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization See instructions regarding exclusion for certain investment partnerships

(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



CONSOLIDATED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

Covenant HealthCare System and Subsidiaries
Years Ended June 30, 2011, 2010, and 2009
With Report of Independent Auditors

Ernst & Young LLP

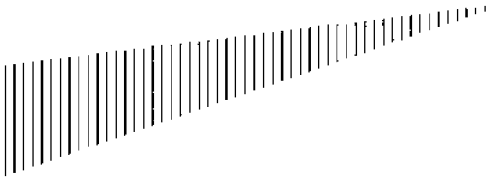
ERNST & YOUNG

Covenant HealthCare System and Subsidiaries

Consolidated Financial Statements and
Other Financial Information

Years Ended June 30, 2011, 2010, and 2009

Contents



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Report of Independent Auditors

The Board of Directors
Covenant HealthCare System

We have audited the accompanying consolidated balance sheets of Covenant HealthCare System and Subsidiaries (Covenant) as of June 30, 2011, 2010, and 2009, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended These financial statements are the responsibility of Covenant's management Our responsibility is to express an opinion on these financial statements based on our audits

We conducted our audits 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 Covenant'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 for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Covenant'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 audits provide a reasonable basis for our opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Covenant HealthCare System and Subsidiaries at June 30, 2011, 2010, and 2009, and the consolidated results of their operations and changes in net assets, and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States

Ernst & Young LLP

October 28, 2011

Covenant HealthCare System and Subsidiaries

Consolidated Balance Sheets

	June 30		
	2011	**2010**	**2009**
	(In Thousands)		
Assets			
Current assets			
Cash and cash equivalents *(Notes 4 and 5)*	**$ 13,374**	$ 17,217	$ 21,111
Net patient accounts receivable *(Note 3)*	**49,787**	52,165	51,711
Estimated third-party receivable	**320**	312	111
Current portion of funds held under bond agreements	**6,351**	6,371	7,475
Inventories	**11,990**	6,849	7,903
Prepaid expenses and other	**18,738**	9,191	11,588
Total current assets	**100,560**	92,105	99,899
Assets whose use is limited, less current portion *(Notes 4 and 5)*			
Funds held under bond agreements, less current portion	**3,750**	8,485	7,306
Temporarily or permanently restricted assets	**6,097**	5,024	4,319
Professional liability fund	**14,041**	13,328	15,858
	23,888	26,837	27,483
Other assets			
Investments *(Notes 4 and 5)*	**229,677**	194,056	155,790
Investments in unconsolidated affiliates *(Note 11)*	**9,809**	13,164	10,603
Other	**9,249**	4,446	2,425
	248,735	211,666	168,818
Property and equipment *(Note 6)*	**175,026**	175,556	184,858
Total assets	**$ 548,209**	$ 506,164	$ 481,058

	June 30		
	2011	**2010**	**2009**
	(In Thousands)		
Liabilities and net assets			
Current liabilities			
Accounts payable and accrued expenses	**$ 15,845**	$ 16,970	$ 15,932
Estimated third-party payable	**6,865**	10,379	13,016
Accrued compensation and related amounts	**24,634**	22,098	19,848
Accrued interest payable and other current liabilities	**8,022**	5,679	5,778
Current portion of long-term debt *(Notes 5 and 7)*	**4,910**	3,080	4,373
Total current liabilities	**60,276**	58,206	58,947
Noncurrent liabilities			
Long-term debt, less current portion *(Notes 5 and 7)*	**110,384**	118,614	119,256
Accrued postretirement obligation *(Note 10)*	**32,158**	33,248	29,271
Accrued pension obligation *(Note 9)*	**77,638**	131,334	81,037
Other noncurrent liabilities	**22,249**	20,383	26,370
Total noncurrent liabilities	**242,429**	303,579	255,934
Total liabilities	**302,705**	361,785	314,881
Net assets			
Unrestricted	**239,407**	139,355	161,858
Temporarily restricted	**5,428**	4,355	3,650
Permanently restricted	**669**	669	669
Total net assets	**245,504**	144,379	166,177
Total liabilities and net assets	**$ 548,209**	$ 506,164	$ 481,058

See accompanying notes

Covenant HealthCare System and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets

	Year Ended June 30		
	2011	**2010**	**2009**
	(In Thousands)		
Unrestricted revenue			
Net patient service revenue	**$ 497,694**	$ 482,273	$ 465,203
Investment income	**296**	649	585
Realized gains (losses)	**1,283**	896	(2,208)
Other-than-temporary losses	**–**	–	(763)
Other revenue	**21,357**	15,509	17,876
Total unrestricted revenue	**520,630**	499,327	480,693
Expenses			
Salaries and wages	**199,836**	190,752	184,627
Benefits	**55,898**	51,035	43,853
Professional fees	**5,934**	5,922	4,658
Supplies	**97,927**	98,350	100,172
Other purchased services	**51,503**	51,678	50,783
Other	**7,625**	6,449	6,230
Utilities	**6,032**	5,440	7,021
Insurance	**6,786**	4,996	5,507
Interest	**5,777**	6,879	7,072
Depreciation and amortization	**27,615**	28,043	26,146
Provision for uncollectible accounts	**33,109**	33,163	31,861
Total expenses	**498,042**	482,707	467,930
Income from operations	**22,588**	16,620	12,763
Nonoperating revenue (expenses)			
Investment income	**3,094**	4,260	2,500
Other-than-temporary losses	**–**	–	(7,895)
Realized and unrealized net gains (losses) on investments	**13,001**	11,055	(23,785)
Loss on refunding of long-term debt	**(2,221)**	–	–
Change in fair value and termination of interest rate swaps	**–**	3,126	(2,394)
Other nonoperating expense	**(672)**	(90)	(183)
	13,202	18,351	(31,757)
Excess (deficit) of revenue over expenses	**35,790**	34,971	(18,994)

Continued on next page

Covenant HealthCare System and Subsidiaries

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

	Year Ended June 30		
	2011	**2010**	**2009**
	(In Thousands)		
Unrestricted net assets			
Excess (deficit) of revenue over expenses	**$ 35,790**	$ 34,971	$ (18,994)
Change in unrealized appreciation in fair value of investments *(Note 4)*	**18,585**	(1,476)	(2,472)
Pension obligation adjustment	**45,090**	(55,988)	(53,882)
Other	**38**	(57)	–
Net assets released from restrictions for capital additions	**549**	47	2,443
Increase (decrease) in unrestricted net assets	**100,052**	(22,503)	(72,905)
Temporarily restricted net assets			
Contributions	**983**	1,017	973
Investment income (loss)	**308**	439	(970)
Change in unrealized appreciation in fair value of investments *(Note 4)*	**528**	(28)	(114)
Net assets released from restrictions for operating purposes	**(197)**	(676)	(785)
Net assets released from restrictions for capital additions	**(549)**	(47)	(2,443)
Increase (decrease) in temporarily restricted net assets	**1,073**	705	(3,339)
Increase (decrease) in net assets	**101,125**	(21,798)	(76,244)
Net assets at beginning of year	**144,379**	166,177	242,421
Net assets at end of year	**$ 245,504**	$ 144,379	$ 166,177

See accompanying notes

Covenant HealthCare System and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended June 30		
	2011	**2010**	**2009**
	(In Thousands)		
Operating activities			
Increase (decrease) in net assets	**$ 101,125**	$ (21,798)	$ (76,244)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities			
Depreciation and amortization	**27,615**	28,043	26,146
Provision for uncollectible accounts	**33,109**	33,163	31,861
Change in unrealized appreciation in fair value of investments	**(19,113)**	1,504	2,586
Pension obligation adjustment	**(45,128)**	56,045	53,882
Change in fair value and termination of interest rate swaps	**–**	(3,126)	2,394
Restricted contributions and investment income	**1,291**	1,348	3
Increase in accounts receivable	**(30,731)**	(33,617)	(33,283)
(Increase) decrease in inventories and other current assets	**(14,688)**	3,451	(2,701)
Increase (decrease) in investments classified as trading	**–**	26,233	(8,925)
Decrease in accrued pension and postretirement benefits	**(9,658)**	(1,771)	(1,642)
Increase in accounts payable and accrued liabilities	**3,754**	3,254	3,441
(Decrease) increase in estimated third-party payable	**(3,522)**	(2,838)	2,159
Increase (decrease) in other noncurrent liabilities	**1,866**	(2,926)	703
Net cash provided by operating activities	**45,920**	86,965	380
Investing activities			
Additions to property and equipment, net	**(27,085)**	(18,741)	(28,139)
Decrease (increase) in assets whose use is limited	**3,682**	(2,597)	2,028
(Decrease) increase in professional liability fund	**(713)**	2,530	4,495
(Increase) decrease in investments	**(15,435)**	(63,481)	40,245
Increase in other assets	**(1,448)**	(4,582)	(1,243)
Change in restricted net assets	**(1,073)**	(705)	3,339
Net cash (used in) provided by investing activities	**(42,072)**	(87,576)	20,725
Financing activities			
Issuance of long-term debt	**76,449**	–	–
Repayments of long-term debt	**(82,849)**	(11,129)	(4,467)
Issuance of note payable	**–**	9,194	–
Restricted contributions and investment income	**(1,291)**	(1,348)	(3)
Net cash used in financing activities	**(7,691)**	(3,283)	(4,470)
(Decrease) increase in cash and cash equivalents	**(3,843)**	(3,894)	16,635
Cash and cash equivalents at beginning of year	**17,217**	21,111	4,476
Cash and cash equivalents at end of year	**$ 13,374**	$ 17,217	$ 21,111

See accompanying notes

Covenant HealthCare System and Subsidiaries

Notes to Consolidated Financial Statements
(Dollars in Thousands)

June 30, 2011

1. Organization and Mission

Organization

Covenant HealthCare System (Covenant HealthCare or Covenant) is the sole corporate member of Covenant Medical Center, Inc (Medical Center), Covenant HealthCare Foundation (CHF), Covenant Development Corporation (CDC), and Visiting Nurse Special Services (VNSS)

Mission

Covenant HealthCare is organized exclusively for charitable, scientific, and educational purposes CDC is a for-profit corporation organized to further the health care services and needs of Covenant HealthCare Covenant HealthCare and its subsidiaries provide health care services to Saginaw County and surrounding areas

2. Significant Accounting Policies

Principles of Consolidation

All majority-owned corporations for which operating control is present are consolidated All significant intercompany account balances and transactions have been eliminated in consolidation Investments in entities where Covenant HealthCare owns less than 50% or does not have significant operational influence are recorded under the equity method of accounting

Cash and Cash Equivalents

Covenant HealthCare considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents

Financial Instruments

Carrying value of financial instruments classified as current assets and current liabilities approximates fair value The fair values of other financial instruments are disclosed in the appropriate footnotes

2. Significant Accounting Policies (continued)

Investments

Investments in equity securities with readily determinable fair values, investments in common trust funds that invest in marketable equity securities, and all investments in debt securities are measured at fair value using quoted market prices The realized gains and losses on investments is the difference between the proceeds received and the cost determined using the average method of investment valuation

Unrealized gains and losses on unrestricted investments considered available for sale and determined to be temporary are recorded as an addition to or deduction from unrestricted net assets

Covenant HealthCare has investments in certain limited partnerships, including private equity investments, real estate investments, and hedge funds, which are reported using the equity method of accounting The estimated fair value of the investments in limited partnerships, are based on valuations provided by the investment managers at June 30, 2011, 2010, and 2009 The components of the individual investments within these funds may not be readily determinable Because private equity investments, real estate partnerships, and hedge funds are not readily marketable, their estimated value is subject to uncertainty and may differ from the value that would have been used had a ready market for such investments existed Such a difference could be material Covenant HealthCare's recorded balance reflect net contributions to the partnership and an allocated share of realized and unrealized investment income and expenses

Patient Service Revenues and Receivables

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors Estimated settlements are recorded in the period related services are rendered and adjusted in future periods as final settlements are determined Management believes that adequate provision has been made in the consolidated financial statements for any adjustments that may result upon final settlement

2. Significant Accounting Policies (continued)

The majority of Covenant HealthCare's services are reimbursed under fixed price provisions of third-party payment programs (primarily Medicare, Medicaid, and Blue Cross and Blue Shield of Michigan) Under these provisions, payment rates for patient care are determined prospectively on various bases, and Covenant HealthCare's revenues are limited to such amounts Payments are also received for Covenant HealthCare's capital and medical education costs, subject to certain limits Additionally, Covenant HealthCare enters into agreements with commercial insurance carriers, certain health maintenance organizations, and preferred provider organizations The basis for payment under these agreements includes prospectively determined per diem rates and discounts from established charges

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term Management believes that it is in compliance with all applicable laws and regulations Compliance with such laws and regulations is subject to government review and interpretation as well as significant regulatory action, including fines, penalties, and possible exclusion from the Medicare and Medicaid programs

The provision for bad debts is based upon management's assessment of historical and expected net collections considering business and economic conditions, trends in health care coverage, and other collection indicators Periodically throughout the year, management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience and current market conditions The results of these reviews are used to make any modifications to the methodology for estimating the provision for bad debts and establishing the allowance for uncollectible receivables After satisfaction of amounts due from insurance, Covenant HealthCare follows established guidelines for placing certain past-due patient balances with collection agencies

Other Revenue

The American Recovery and Reinvestment Act of 2009 provides for Medicare and Medicaid incentive payments beginning in 2011 for eligible hospitals and professionals that adopt, implement and demonstrate meaningfully use of certified electronic health record (HER) technology Covenant's accounting policy is to recognize revenues related to the Medicare or Medicaid incentive payments as management completes attestations as to adoption, implementation and demonstrating meaningful use of certified EHR technology During the year ended June 30, 2011 Covenant recognized as other operating revenue $3,060 of Medicare

2. Significant Accounting Policies (continued)

incentive payments As of June 30, 2011 the state of Michigan had not approved funding of the meaningful use incentive plan accordingly, no revenue was recognized Covenant has incurred and will continue to incur both capital costs and operating expenses in order to implement certified EHR technology and meet meaningful use requirements These expenses are ongoing and are projected to continue over all stages of implementation of meaningful use The timing of recognizing the expenses will not correlate with the receipt of incentive payments and recognition of revenue There can be no assurance that we will be able to continue to demonstrate meaningful use of certified EHR technology in subsequent years

Inventories

Inventories are stated at the lower of cost or market, with cost determined on the first-in, first-out basis

Property and Equipment

Property and equipment, including amounts under capital lease, are stated at cost or estimated fair value at the date of donation, and are depreciated using the straight-line method over their estimated useful lives Estimated useful lives by asset category are as follows land improvements – 2 to 25 years, buildings – 20 to 40 years, and equipment – 3 to 20 years

Costs incurred in connection with the development and implementation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage Amounts capitalized are amortized over the useful life of the developed asset following project completion

Amortization

Bond issuance costs and bond discounts are amortized ratably over the term of the related debt issues

2. Significant Accounting Policies (continued)

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use has been limited by donors to a specific purpose, such as capital additions or research When a donor restriction expires, such as through expenditure for the restricted purpose, temporarily restricted net assets are reclassified as net assets released from restrictions for operating purposes and are included in unrestricted revenue, whereas net assets released from restrictions for long-lived assets are reported as an other increase in unrestricted net assets Pledges are recorded as increases in net assets when the pledge is made

Permanently restricted net assets are assets for which the donor has stipulated that the principal remains intact

Excess (Deficit) of Revenue Over Expenses

The consolidated statements of operations and changes in net assets include excess (deficit) of revenue over expenses Changes in unrestricted net assets, which are excluded from excess (deficit) of revenue over expenses, consistent with industry practice, include unrealized gains and losses on non-trading investments, contributions of long-lived assets (including assets acquired using contributions, which by donor restriction, were used for the purposes of acquiring such assets), and pension obligation adjustments

Charity Care

Covenant HealthCare provides health care services free of charge or at reduced rates to individuals who meet certain eligibility criteria, based on published income poverty guidelines Charity care may also be provided to other patients at the discretion of management

2. Significant Accounting Policies (continued)

Use of Estimates

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

Income Taxes

Covenant HealthCare and its subsidiaries, except for CDC, are Michigan nonprofit corporations and are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code CDC is a Michigan for-profit corporation

Recently Issued Accounting Standards

In August 2010, the FASB issued Accounting Standards Update (ASU) 2010-23, *Measuring Charity Care for Disclosure* The ASU amends ASC 954 and requires entities to use cost as the measurement basis for charity care disclosures, including both direct and indirect costs Entities also are required to disclose the method used to determine these costs, such as directly from a costing system or through an estimation process The guidance is effective for Covenant for the year ending June 30, 2012

In August 2010, the FASB issued ASU 2010-24, *Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries* The amendments in this ASU clarify that a health care entity may not net insurance recoveries against related claim liabilities In addition, the amount of the claim liability must be determined without consideration of insurance recoveries This ASU is effective for Covenant on July 1, 2011 Management is currently evaluating the impact the adoption of this pronouncement has had on Covenant's consolidated financial position and results of operations and changes in net assets

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

In July 2011, the FASB issued ASU 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and Allowance for Doubtful Accounts for Certain Health Care Entities* The ASU amends ASC 954 and requires health care entities to change the presentation of their statement of operations and changes in net assets by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue Entities also are required to enhance disclosures about their policies for recognizing revenue and assessing bad debts In addition, the guidance requires disclosure of qualitative and quantitative information about changes in the allowance for doubtful accounts The guidance is effective for Covenant for the year ending June 30, 2013, with early adoption permitted

3. Net Patient Accounts Receivable and Net Patient Service Revenue

Net patient accounts receivable are summarized as follows

	June 30		
	2011	**2010**	**2009**
Net patient accounts receivable			
Gross patient accounts receivable	**$ 191,105**	$ 184,497	$ 173,066
Allowances and advances under contractual arrangements	**(110,246)**	(103,680)	(98,387)
Allowance for uncollectible accounts	**(31,072)**	(28,652)	(22,968)
	$ 49,787	$ 52,165	$ 51,711

Patient service revenue excludes charity care adjustments of $8,920 in 2011, $8,972 in 2010, and $5,825 in 2009

Covenant HealthCare grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements Significant concentrations of accounts receivable at June 30, 2011, 2010, and 2009, include net amounts due from Medicare (38%, 36%, and 41%), Medicaid (14%, 18%, and 16%), Blue Cross (21%, 20%, and 19%), and other payors (27%, 26%, and 24%), respectively

(Dollars in Thousands)

3. Net Patient Accounts Receivable and Net Patient Service Revenue (continued)

Net patient service revenue consists of the following

	Year Ended June 30		
	2011	**2010**	**2009**
Gross patient service revenue	**$ 1,349,027**	$ 1,271,604	$ 1,205,281
Less contractual provisions and adjustments	**851,333**	789,331	740,078
Net patient service revenue	**$ 497,694**	$ 482,273	$ 465,203

Net patient service revenue for the years ended June 30, 2011, 2010, and 2009, included amounts from Medicare (44%, 45%, and 44%), Medicaid (16%, 16%, and 15%), and Blue Cross (21%, 22%, and 23%) programs

4. Investments

Investments, including cash and cash equivalents, are summarized at fair value as follows

	June 30		
	2011	**2010**	**2009**
Cash and cash equivalents	**$ 21,055**	$ 31,000	$ 24,029
Marketable equity securities	**466**	315	18,669
U S government securities	**10,101**	14,856	14,781
Fixed income mutual funds	**39,908**	37,572	23,979
Publicly traded mutual funds	**114,247**	81,192	30,860
Common trust funds	**28,647**	26,843	50,930
Limited partnerships	**16,978**	13,689	12,868
Hedge funds	**41,578**	39,014	35,743
	$ 272,980	$ 244,481	$ 211,859

(Dollars in Thousands)

4. Investments (continued)

Investment return is summarized as follows

	Year Ended June 30		
	2011	**2010**	**2009**
Interest and dividends	**$ 3,698**	$ 5,348	$ 2,115
Net realized gains (losses)	**14,284**	11,951	(34,651)
Change in unrealized gains and losses	**19,113**	(1,504)	(2,586)
Total investment return	**$ 37,095**	$ 15,795	$ (35,122)
Included in operating income	**$ 1,579**	$ 1,545	$ (2,386)
Included in nonoperating income	**16,095**	15,315	(29,180)
Reported separately as change in unrestricted net assets	**18,585**	(1,476)	(2,472)
Change in temporarily restricted net assets	**836**	411	(1,084)
Total investment return	**$ 37,095**	$ 15,795	$ (35,122)

Covenant invests in various financial instruments that are publicly and privately traded Financial instruments are exposed to various risks such as interest rate, market, and credit risks Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investments will occur in the near term, and that such change could materially affect the amounts reported in the consolidated statements of operations and changes in net assets

Covenant's management continually evaluates the available-for-sale investment portfolio and evaluates whether declines in fair values should be considered other than temporary Factored into this evaluation are general market conditions, the issuer's financial condition and near-term prospects, conditions in the issuer's industry, the recommendations of advisors, and length of time and extent to which the market value has been at less than cost

(Dollars in Thousands)

4. Investments (continued)

The gross unrealized gains and (losses) on marketable equity securities were $21,173 and $(0), respectfully, at June 30, 2011, $3,152 and $(4,970), respectfully, at June 30, 2010, and $0 and $(269), respectfully, at June 30, 2009

The following schedules summarize the fair value of available-for-sale investments that have gross unrealized gains (the amount by which fair value exceeds historical cost) and gross unrealized losses (the amount by which historical cost exceeds fair value) as of June 30, 2011, 2010, and 2009, respectively The schedules further segregate the securities that have been in a gross unrealized loss position as of June 30, 2011, 2010, and 2009, for less than 12 months and those for 12 months or longer As of June 30, 2011, Covenant did not have any securities in a loss position Covenant has the ability and intent to hold investments that are in a loss position until a recovery of fair value occurs

	June 30, 2010					
	Less Than 12 Months		12 Months or Longer		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Investments with unrealized losses						
Fixed income	$ 6,261	$ (85)	$ –	$ –	$ 6,261	$ (85)
Publicly traded mutual funds	43,361	(4,885)	–	–	43,361	(4,885)
Total investments in loss position	$ 49,622	$ (4,970)	$ –	$ –	$ 49,622	$ (4,970)

	June 30, 2009					
	Less Than 12 Months		12 Months or Longer		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Investments with unrealized losses						
Fixed income	$ –	$ –	$ 23,979	$ (236)	$ 23,979	$ (236)
Marketable equity securities	–	–	270	(33)	270	(33)
Total investments in loss position	$ –	$ –	$ 24,249	$ (269)	$ 24,249	$ (269)

4. Investments (continued)

ASC 820, *Fair Value Measurements and Disclosures*, establishes a three-level valuation hierarchy for disclosure of fair value measurements The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date The three levels are defined as follows

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets

- Level 2 – inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument

- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement

(Dollars in Thousands)

4. Investments (continued)

The following table presents the financial instruments carried at fair value by caption on the consolidated balance sheet by the ASC 820 valuation hierarchy defined above

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value at June 30, 2011
At June 30, 2011				
Assets				
Cash	**$ 21,055**	**$ –**	**$ –**	**$ 21,055**
Bonds				
Investment grade	**10,101**	**–**	**–**	**10,101**
Common stocks				
U S companies	**466**	**–**	**–**	**466**
Mutual funds				
U S large-cap	**54,258**	**–**	**–**	**54,258**
Fixed income	**39,908**	**–**	**–**	**39,908**
International fixed income	**7,321**	**–**	**–**	**7,321**
International companies	**37,324**	**–**	**–**	**37,324**
Real estate mutual fund	**15,344**	**–**	**–**	**15,344**
Total assets at fair value	**$ 185,777**	**$ –**	**$ –**	**$ 185,777**

(Dollars in Thousands)

4. Investments (continued)

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value at June 30, 2010
At June 30, 2010				
Assets				
Cash	$ 31,000	$ –	$ –	$ 31,000
Bonds				
Investment grade	14,856	–	–	14,856
Common stocks				
U S companies	315	–	–	315
Mutual funds				
U S large-cap	35,308	–	–	35,308
Fixed income	37,572	–	–	37,572
International fixed income	6,262	–	–	6,262
International companies	28,542	–	–	28,542
Real estate mutual fund	11,079	–	–	11,079
Total assets at fair value	$ 164,934	$ –	$ –	$ 164,934

(Dollars in Thousands)

4. Investments (continued)

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value at June 30, 2009
At June 30, 2009				
Assets				
Cash	$ 24,029	$ –	$ –	$ 24,029
Bonds				
Investment grade	14,781	–	–	14,781
Common stocks				
U S companies	18,669	–	–	18,669
Mutual funds				
U S large-cap	18,571	–	–	18,571
Fixed income	23,979	–	–	23,979
International companies	7,894	–	–	7,894
Real estate mutual fund	4,395	–	–	4,395
Total assets at fair value	$ 112,318	$ –	$ –	$ 112,318
Liabilities				
Interest rate swaps	$ –	$ (3,126)	$ –	$ (3,126)
Total liabilities at fair value	$ –	$ (3,126)	$ –	$ (3,126)

Following is a description of Covenant HealthCare's valuation methodologies for assets and liabilities measured at fair value Fair value for Level 1 is based upon quoted market prices Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets Inputs are obtained from various sources including market participants, dealers, and brokers

(Dollars in Thousands)

4. Investments (continued)

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

5. Fair Value of Financial Instruments

The following methods and assumptions were used in estimating fair value disclosures for financial instruments

Cash and cash equivalents The carrying amounts in the consolidated balance sheets for cash and cash equivalents approximate fair value

Marketable securities The fair values for marketable debt and equity securities are based on quoted market prices

Long-term debt The fair values for long-term debt are estimated using discounted cash flow analyses based on current borrowing rates for similar types of borrowing arrangements

The carrying amounts and corresponding fair values of investments are as follows

	June 30		
	2011	**2010**	**2009**
Cash and cash equivalents	**$ 21,055**	$ 31,000	$ 24,029
Investment securities			
Debt securities and fixed income mutual funds	**57,330**	58,690	38,760
Marketable equity securities and mutual funds	**107,392**	75,244	49,529
	$ 185,777	$ 164,934	$ 112,318

(Dollars in Thousands)

5. Fair Value of Financial Instruments (continued)

The carrying amounts and fair value of long-term debt are as follows

	June 30		
	2011	**2010**	**2009**
Carrying amount	**$ 113,389**	$ 121,259	$ 123,104
Fair value	**111,614**	122,559	121,542

6. Property and Equipment

Property and equipment consist of the following

	June 30		
	2011	**2010**	**2009**
Land and improvements	**$ 14,274**	$ 14,211	$ 13,320
Buildings	**204,492**	204,492	204,482
Equipment	**295,913**	272,295	253,990
	514,679	490,998	471,792
Accumulated depreciation and amortization	**(346,904)**	(319,595)	(295,674)
	167,775	171,403	176,118
Construction-in-progress	**7,251**	4,153	8,740
Property and equipment, net	**$ 175,026**	$ 175,556	$ 184,858

(Dollars in Thousands)

7. Long-Term Debt

Long-term debt consists of the following

	June 30		
	2011	**2010**	**2009**
City of Saginaw Hospital Finance Authority			
Hospital Revenue Refunding Bonds, Series 2010H	**$ 75,440**	$ –	$ –
Hospital Revenue and Refunding Bonds, Series 2004G	**30,595**	31,925	33,210
Hospital Revenue and Refunding Bonds, Series 2000F	–	47,970	47,970
Hospital Revenue and Refunding Bonds, Series 1999E	–	32,170	33,820
Healthcare Equipment Loan Program Notes Payable to Michigan State Hospital Finance Authority, repaid March 2010	–	–	7,999
Loan agreement	**7,354**	9,194	–
Obligations under capital lease	–	–	105
	113,389	121,259	123,104
Unamortized bond premium	**1,905**	435	525
	115,294	121,694	123,629
Less current portion	**4,910**	3,080	4,373
	$ 110,384	$ 118,614	$ 119,256

Covenant HealthCare entered into long-term loan agreements with the City of Saginaw Hospital Finance Authority. The loan agreements require debt payments sufficient to pay principal and interest on the bonds. Among other things, the loan agreements contain covenants that place restrictions on the amount of new debt that Covenant Healthcare can incur and the maintenance of minimum debt service coverage ratio

7. Long-Term Debt (continued)

On October 28, 2010, Covenant issued the 2010H bonds The 2010H bonds consist of $24,470 of serial bonds, which bear interest at 4 0% to 5 0% and $50,970 of term bonds, which bear interest at 5 0% The serial bonds mature in amounts from $1,675 in 2012 to $1,110 in 2021 The term bonds are subject to annual redemption in amounts ranging from $2,665 in 2022 to $3,430 in 2031 The bonds are secured by a pledge of gross revenue of Covenant HealthCare The proceeds from the 2010H bonds were used to refund the Series 1999E and 2000F bonds and to pay the expenses incurred in connection with the issuance of the Series 2010H bonds

The Series 2004G bonds consist of $11,110 of serial bonds, which bear interest at 4 5% to 5 0% and $19,485 of term bonds, which bear interest from 5 0% to 5 125% The serial bonds mature in amounts from $1,395 in 2012 to $3,375 in 2024 The term bonds are subject to annual redemption in amounts ranging from $1,800 in 2017 to $3,215 in 2023 The bonds are secured by a pledge of gross revenue of Covenant HealthCare The proceeds from the Series 2004G bonds were used to refund the Series 1991C and Series 1991D bonds, to pay the expenses incurred in connection with the issuance of the Series 2004G bonds, and to fully fund a debt-service reserve fund for the Series 2004G bonds

The Series 2000F bonds consist of $47,970 of term bonds, which bear interest at 6 5% In October 2010, the 1999E bonds were refunded as part of the 2010H bond issue

The Series 1999E bonds consist of a $1,750 serial bond and $30,420 of term bonds In October 2010, the 1999E bonds were refunded as part of the 2010H bond issue

A loan agreement, with an available balance of $10 3 million, was entered into on January 20, 2010 For the year ended June 30, 2010, draws were made in the amount of $9 2 million For the year ended June 30, 2011, payments were made in the amount of $1 9 million with no new draws made in 2011 During 2010, the interest rate on the note was at the 3-month London Interbank Offered Rate (LIBOR) plus 125 basis points, which at June 30, 2011, was 1 81% The agreement requires quarterly payments of $4,460 and has an expiration date of January 30, 2013

(Dollars in Thousands)

7. Long-Term Debt (continued)

In May 2004, Covenant HealthCare entered into an interest rate swap basis agreement whereby Covenant paid a floating rate using the Securities Industry and Financial Markets Association Index and received a floating rate based on LIBOR plus a specified number of basis points on a notional principal amount of $40,000 and a maturity of 15 years. the swap agreement was terminated in fiscal 2010 The interest rate swap is recorded at fair market value as another noncurrent liability of $738 at June 30, 2009 Changes in the value of the interest rate swap were recorded as nonoperating expense in the consolidated statement of operations and changes in net assets The mark-to-market adjustment was a $152 gain for the year ended June 30, 2009 In May 2010, the swap was terminated and resulted in a nonoperating loss of $108 for the year ended June 30, 2010

In May 2005, Covenant HealthCare entered into a forward-starting interest rate swap in which the counterparties agreed to make variable payments based on a market interest rate (index rate) The fair value of the hedge totaled $3,864 at June 30, 2009, and is included as an other noncurrent liability in the accompanying consolidated balance sheets Changes in the value of this interest rate swap are recorded as nonoperating revenue (expense) in the accompanying consolidated statements of operations and changes in net assets The mark-to-market adjustment resulted in a nonoperating loss of $2,546 for the year ended June 30, 2009 Covenant terminated the agreement in January 2010 and realized a gain of $399, which was included in nonoperating revenue

Future maturities of long-term debt by fiscal year are summarized as follows

Fiscal year	
2012	$ 4,910
2013	9,134
2014	3,790
2015	3,980
2016	4,175
Thereafter	87,400
	$ 113,389

(Dollars in Thousands)

7. Long-Term Debt (continued)

Interest paid was $5,739 in 2011, $6,842 in 2010, and $7,158 in 2009 Rental expense was $4,234 in 2011, $3,967 in 2010, and $4,152 in 2009

Future payments of noncancelable operating leases by fiscal year are summarized as follows

Fiscal year	
2012	$ 3,471
2013	3,154
2014	2,961
2015	2,448
2016	2,114
Thereafter	5,860
	$ 20,008

8. Professional and General Liability Losses

Covenant HealthCare maintains a self-insurance trust fund for medical malpractice claims Under terms of the trust agreements, trust assets may be used for payment of professional liability losses, related expenses, and the cost of administering the trusts, subject to certain retention limits Excess professional liability insurance coverage has been obtained in amounts deemed adequate by Covenant HealthCare to cover claims in excess of self-insured retention limits

Covenant HealthCare records its estimated liabilities for damages and costs that may be awarded on claims and unreported incidents Covenant HealthCare's estimates are based on historical experience, the evaluation of all known claims and certain incidents by Covenant's risk manager, and the evaluation of claims of substance by Covenant's professional liability legal counsel Estimated liabilities for known incidents that may result in the assertion of additional claims, and other claims that may be asserted arising from services provided to patients during the period are based upon projections by a consulting actuary The recorded loss reserves are $18,169 at June 30, 2011, $16,137 at June 30, 2010, and $18,748 at June 30, 2009 The loss reserves are discounted using a discount rate of 4% at June 30, 2011 While it is possible that settlement of asserted claims and claims that may be asserted in the future could result in liabilities in excess

8. Professional and General Liability Losses (continued)

of amounts for that Covenant HealthCare has provided, management believes that the excess liabilities, if any, would not materially affect the consolidated financial position of Covenant at June 30, 2011

9. Pension Benefits

Noncontributory Defined Benefit Pension Plan

Prior to February 2011, approximately 34% of Covenant HealthCare's employees were covered by noncontributory defined benefit pension plans sponsored by Covenant HealthCare Pension benefits under the plans are based on years of service and the employee's compensation during the last five years of employment

Covenant HealthCare recognizes the funded status (i e , the difference between the fair value of plan assets and the projected benefit obligation) of its pension plans in the consolidated balance sheets The annual adjustment to unrestricted net assets represents the net unrecognized actuarial losses and unrecognized prior service costs that will be subsequently recognized as net periodic pension cost Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension cost in the same periods will be recognized as a component of unrestricted net assets Those amounts will be subsequently recognized as a component of net periodic pension cost on the same basis as the amounts recognized in unrestricted net assets

Effective February 2011, Covenant HealthCare elected to freeze the pension benefits at the levels in place as of that date The freezing of the defined benefit program has been accounted for as a curtailment and resulted in a reduction in unrecognized actuarial losses of $27,991 in the consolidated statement of operations and changes in net assets for the year ended June 30, 2011

(Dollars in Thousands)

9. Pension Benefits (continued)

The following table sets forth the benefit obligation and assets of Covenant HealthCare's plans at June 30, 2011, 2010, and 2009, and components of net periodic benefit cost for the years then ended, and a reconciliation of the amounts recognized in the consolidated financial statements

	Year Ended June 30		
	2011	**2010**	**2009**
Change in benefit obligation			
Benefit obligation at beginning of year	**$ 287,341**	$ 226,298	$ 210,636
Service cost	**3,167**	4,923	4,989
Plan curtailment	**(27,991)**	–	–
Interest cost	**15,136**	15,439	14,810
Actuarial loss	**2,365**	48,753	3,297
Benefits paid	**(11,808)**	(8,072)	(7,434)
Benefit obligation at end of year	**268,210**	287,341	226,298
Change in plan assets			
Fair value of plan assets at beginning of year	**156,007**	145,261	180,684
Actual return on plan assets	**29,071**	11,049	(33,870)
Employer contributions	**17,302**	7,769	5,881
Benefits paid	**(11,808)**	(8,072)	(7,434)
Fair value of plan assets at end of year	**190,572**	156,007	145,261
Accrued benefit obligation	**$ 77,638**	$ 131,334	$ 81,037
Accumulated benefit obligation at end of year	**$ 266,448**	$ 257,124	$ 200,217

No plan assets are expected to be returned to Covenant during the fiscal year ended June 30, 2012

(Dollars in Thousands)

9. Pension Benefits (continued)

The prior service cost and actuarial loss included in unrestricted net assets and expected to be recognized in net periodic pension cost during fiscal year ended June 30, 2012, in total is $5,960 Included in unrestricted net assets at June 30, 2011, are the following amounts that have not yet been recognized in net periodic pension cost

	June 30		
	2011	**2010**	**2009**
Unrecognized prior service cost	**$ 95**	$ 105	$ 115
Unrecognized actuarial losses	**91,877**	135,557	83,400
Total	**$ 91,972**	$ 135,662	$ 83,515

	Year Ended June 30		
	2011	**2010**	**2009**
Components of net benefit cost			
Service cost	**$ 3,167**	$ 4,923	$ 4,989
Interest cost	**15,136**	15,439	14,810
Expected return on plan assets	**(16,302)**	(16,045)	(15,837)
Amortization of prior service cost	**10**	10	50
Amortization of actuarial loss	**5,285**	1,592	649
Defined benefit plan	**7,296**	5,919	4,661
Defined contribution plan	**5,421**	3,000	2,750
Total benefit cost	**$ 12,717**	$ 8,919	$ 7,411

The weighted average discount rate used to determine the benefit obligation was 5 60% at June 30, 2011, 5 56% at June 30, 2010 and 6 95% at June 30, 2009 The assumptions used to determine the net periodic benefit cost for Covenant HealthCare's plans are set forth below

	June 30		
	2011	**2010**	**2009**
Weighted average discount rate	**5.56%**	6 95%	7 15%
Weighted average rate of compensation increase	**3.25%**	3 25%	3 25%
Weighted average expected long-term rate of return on plan assets	**8.50%**	8 5%	8 5%

(Dollars in Thousands)

9. Pension Benefits (continued)

The investments of the plans are held by a trustee and managed in accordance with guidelines established by Covenant HealthCare The plan assets are invested in a well-diversified portfolio designed to maximize returns without assuming undue risk The plan uses investment managers specializing in each asset class Plan assets are largely comprised of domestic and international equity holdings, domestic and international fixed income holdings, common trust funds, limited partnerships, and hedge funds The performance of all managers and the aggregate asset allocation are formally reviewed on a quarterly basis

The expected long-term rate of return on plan assets is based on historical and projected rates of return for current and planned asset categories in the Plan's investment portfolio Assumed projected rates of return for each asset category were selected after analyzing historical experience and future expectations of the returns and volatility for assets of that category using benchmark rates Based on the target asset allocation among the asset categories, the overall expected rate of return for the portfolio was developed and adjusted for historical and expected experience of active portfolio management results compared to benchmark returns and for the effect of expenses paid from plan assets

The weighted average asset allocation and the target allocations for fiscal 2012, by asset category, are as follows

	Target Allocation	Percentage of Plan Assets June 30		
	2012	2011	2010	2009
Cash and cash equivalents	1 0%	**1.2%**	3 0%	0 9%
Marketable equity securities	0 0%	**3.2%**	3 6%	14 2%
Fixed income	39 0%	**40.6%**	21 5%	18 2%
Publicly traded mutual funds	42 0%	**39.0%**	42 3%	21 2%
Common trust funds	3 0%	**2.8%**	5 4%	20 0%
Limited partnerships	8 0%	**6.8%**	6 5%	6 9%
Hedge funds	7 0%	**6.4%**	17 7%	18 6%

(Dollars in Thousands)

9. Pension Benefits (continued)

Information about the expected cash flows for the plans follow

Expected employer contributions for fiscal 2012	$	13,549
Expected benefit payments		
2012	$	10,231
2013		10,960
2014		11,431
2015		11,944
2016		14,374
2017–2020		81,513

The contribution amount above includes amounts paid to the pension trust The benefit payment amounts above also reflect the total benefits expected to be paid from the pension trust

Effective January 1, 2000, Covenant HealthCare instituted a defined contribution plan covering approximately 64% of its employees Effective February 2011, all eligible Covenant employees are covered by the defined contribution plan Employees who meet eligibility requirements specified by the plan may contribute to the plan Covenant HealthCare matches the contributions of participating employees on the basis of percentages specified in the plan Covenant HealthCare may also make additional contributions to eligible employees at its discretion Expense under the defined contribution plan was $5,421, $3,000, and $2,750 for the years ended June 30, 2011, 2010, and 2009, respectively

(Dollars in Thousands)

9. Pension Benefits (continued)

The following table presents the financial instruments for pension funds carried at fair value as of June 30, 2011, by caption on the consolidated balance sheet by ASC 820 valuation hierarchy defined above

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value at June 30, 2011
June 30, 2011				
Assets				
Cash	$ 2,164	$ –	$ –	$ 2,164
Mutual funds				
U S large-cap	37,374	–	–	37,374
International	23,031	–	–	23,031
Fixed income	69,900	–	–	69,900
Real estate mutual fund	9,747	–	–	9,747
Other	13,860	–	–	13,860
Common trust funds				
International	–	5,280	–	5,280
Fixed income contracts	–	1,961	–	1,961
Real asset limited partnerships	–	–	8,425	8,425
Private equity limited partnerships	–	–	6,582	6,582
Hedge funds	–	–	12,248	12,248
Total assets at fair value	$ 156,076	$ 7,241	$ 27,255	$ 190,572

(Dollars in Thousands)

9. Pension Benefits (continued)

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value at June 30, 2010
June 30, 2010				
Assets				
Cash	$ 4,492	$ –	$ –	$ 4,492
Mutual funds				
U S large-cap	44,678	–	–	44,678
International	23,724	–	–	23,724
International fixed income	4,255	–	–	4,255
Fixed income	21,713	–	–	21,713
Real estate mutual fund	7,078	–	–	7,078
Common trust funds International	–	8,418	–	8,418
Fixed income contracts	–	2,189	–	2,189
Real asset limited partnerships	–	–	6,491	6,491
Private equity limited partnerships	–	–	5,358	5,358
Hedge funds	–	–	27,611	27,611
Total assets at fair value	$ 105,940	$ 10,607	$ 39,460	$ 156,007

(Dollars in Thousands)

10. Other Postretirement Employee Benefits

In addition to providing a pension plan, certain health care benefits are provided for retirees who meet eligibility requirements

The following table sets forth the combined benefit obligations, the assets of Covenant HealthCare's plan at June 30, 2011, 2010, and 2009, and components of net periodic benefit costs for the years then ended, and a reconciliation of the amounts recognized in the consolidated financial statements

	Year Ended June 30		
	2011	**2010**	**2009**
Change in benefit obligation			
Benefit obligation, beginning of year	**$ 33,248**	$ 29,271	$ 28,116
Interest cost	**1,800**	1,979	1,947
Actuarial loss (gain)	**(1,458)**	3,114	605
Benefits paid	**(1,432)**	(1,116)	(1,397)
Benefit obligation at end of year	**32,158**	33,248	29,271
Change in plan assets			
Fair value at beginning of year	**–**	–	–
Employer contributions	**1,432**	1,116	1,397
Benefits paid	**(1,432)**	(1,116)	(1,397)
Fair value at end of year	**–**	–	–
Accrued postretirement obligation	**$ 32,158**	$ 33,248	$ 29,271

(Dollars in Thousands)

10. Other Postretirement Employee Benefits (continued)

The actuarial income included in unrestricted net assets and expected to be recognized in net periodic postretirement cost during fiscal year ended June 30, 2012, is $182 Included in unrestricted net assets at June 30, 2011, are the following amounts that have not yet been recognized in net periodic pension cost

	Year Ended June 30		
	2011	**2010**	**2009**
Unrecognized prior service credit	**$ –**	$ –	$ 394
Unrecognized actuarial gain	**5,451**	4,052	7,519
Total	**$ 5,451**	$ 4,052	$ 7,913

	Year Ended June 30		
	2011	**2010**	**2009**
Components of net periodic benefit cost			
Service cost	**$ –**	$ –	$ –
Interest cost	**1,800**	1,979	1,947
Amortization of prior service credit	**–**	(394)	(631)
Amortization of actuarial gain	**(59)**	(353)	(443)
Net periodic benefit cost	**$ 1,741**	$ 1,232	$ 873

For measurement purposes, a 7 80% initial rate of increase in the per capita cost of covered health care benefits was assumed for 2011 The rate was assumed to decrease gradually to 4 5% in 2029 and remain level thereafter

(Dollars in Thousands)

10. Other Postretirement Employee Benefits (continued)

The health care cost trend rate assumptions have a significant effect on the amounts reported for the health care plans To illustrate, a one-percentage point change in assumed health care cost trend rates would have the following effects

	One-Percentage Point Increase	One-Percentage Point Decrease
Effect on total of service and interest cost components	$ 44	$ (39)

The assumptions used to determine the net periodic benefit cost are set forth below

	June 30		
	2011	**2010**	**2009**
Weighted average discount rate	**5.56%**	6 95%	7 15%

Information about the expected cash flows for the other postretirement benefit plans follow

Expected employer contributions 2012	$ 1,576
Expected benefit payments	
FY 2012	$ 2,235
FY 2013	2,254
FY 2014	2,208
FY 2015	2,173
FY 2016	2,218
FY 2017–2020	12,882

The contribution amount above includes amounts expected to be paid by Covenant HealthCare The benefit payment amounts above also reflect the total benefits expected to be paid from Covenant HealthCare's assets As part of Covenant's retiree health plan, $1,500 per year is provided to eligible participants, based on years of service, to be used for health related expenses after retirement This plan is frozen and has no new participants since January 2000 The plan participants also stopped accumulating years of service as of December 31, 2007

(Dollars in Thousands)

11. Investment in Unconsolidated Affiliates

Investments in entities where Covenant does not have operating control are recorded under the equity or cost method of accounting The following table summarizes Covenant's investments in unconsolidated affiliates

Entity/Affiliate	Investment Recorded in Consolidated Balance Sheet as of June 30		
	2011	**2010**	**2009**
Synergy Medical Education Alliance	**$ (20)**	$ 4,735	$ 3,326
Saginaw Radiation Oncology Center	**1,368**	1,384	1,126
Covenant HealthCare Partners Inc	**945**	896	840
MMR – Mobile Medical Response	**5,694**	4,669	4,136
Mackinaw Surgery Center	**1,743**	1,451	1,130
Saginaw Valley Endoscopy	**79**	29	45
	$ 9,809	$ 13,164	$ 10,603

Effect on consolidated excess (deficit) of revenues and gains over expenses and losses for the year ended June 30

Entity/Affiliate	Year Ended June 30		
	2011	**2010**	**2009**
Synergy Medical Education Alliance	**$ (490)**	$ 1,409	$ 1,337
Saginaw Radiation Oncology Center	**291**	258	485
Covenant HealthCare Partners Inc	**49**	56	44
MMR – Mobile Medical Response	**1,225**	633	814
Mackinaw Surgery Center	**379**	321	(32)
Saginaw Valley Endoscopy	**110**	39	49
	$ 1,564	$ 2,716	$ 2,697

(Dollars in Thousands)

11. Investment in Unconsolidated Affiliates (continued)

Synergy Medical Education is a joint venture owned 5% by Covenant HealthCare System Its services are providing medical education to medical residents in the area

Saginaw Radiation Oncology Center (SROC) is a joint venture owned 33% by Covenant HealthCare System Its services are providing high-quality cancer care to patients

Mobile Medical Response (MMR) is a joint venture owned 50% by Covenant HealthCare System Its services are providing emergency medical services to the area

Mackinaw Surgery Center is a joint venture owned 50% by Covenant HealthCare System Its services are providing surgical facility services to the area

Saginaw Valley Endoscopy is a joint venture owned 13% by Covenant HealthCare System Its services are providing endoscopy facility services to the area

Covenant has recorded a receivable in other current assets related to excess funding receivables, as defined in the Master Affiliation Agreement, from Synergy Medical Education in the amount of $2,670,000 In addition, Covenant has recorded a note receivable in other long term assets from Synergy Medical Education in the amount of $2,330,000

Following is a summary of the financial position and operating results of Covenants' investments accounted for under the equity method as of and for the year ended June 30

	June 30		
	2011	**2010**	**2009**
Assets	$ **37,237**	$ 31,936	$ 31,515
Liabilities	**15,958**	9,485	11,371
Equity	$ **21,279**	$ 22,451	$ 20,144

	Year Ended June 30		
	2011	**2010**	**2009**
Revenue	$ **65,779**	$ 61,670	$ 65,922
Expense	**65,394**	57,308	59,044
Net income	$ **385**	$ 4,362	$ 6,878

(Dollars in Thousands)

12. Functional Expenses

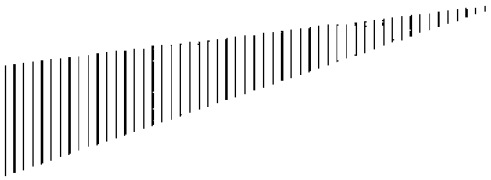
Covenant HealthCare fulfills the health requirements of residents within the communities it serves by providing, as its principal function, a complete array of health services Expenses relating to providing these services are as follows

	Year Ended June 30		
	2011	**2010**	**2009**
Health care services	**$ 449,397**	$ 440,598	$ 428,431
General and administrative	**48,645**	42,109	39,499
	$ 498,042	$ 482,707	$ 467,930

13. Subsequent Events

Covenant HealthCare evaluates subsequent events, which are events that occur after the balance sheet date but before the financial statements are issued or available to be issued, for recognition in the consolidated financial statements as of balance sheet date For the year ended June 30, 2011, Covenant evaluated the impact of subsequent events through October 28, 2011, representing the date on which the consolidated financial statements were available to be issued No recognized or non-recognized subsequent events were identified for recognition or disclosure in the consolidated balance sheets or the accompanying notes to the consolidated financial statements

Other Financial Information



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Report of Independent Auditors on Other Financial Information

The Board of Directors
Covenant HealthCare System

The audited consolidated financial statements of Covenant HealthCare System and Subsidiaries and our report thereon are presented in the preceding section of this report

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole The accompanying consolidating balance sheets and consolidating statements of operations and changes in unrestricted net assets as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the consolidated financial statements Such information has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole

Ernst & Young LLP

October 28, 2011

Covenant HealthCare System

Consolidating Balance Sheet

June 30, 2011

	Consolidated	Consolidating Adjustments	Obligated Group	Non-Obligated Group
		(In Thousands)		
Assets				
Current assets				
Cash and cash equivalents	$ 13,374	$ –	$ 11,812	$ 1,562
Net patient accounts receivable	49,787	–	49,787	–
Due from affiliates	–	(41)	41	–
Estimated third-party receivable	320	–	320	–
Current portion of funds held under bond agreements	6,351	–	6,351	–
Inventories	11,990	–	11,990	–
Prepaid expenses and other	18,738	–	18,284	454
Total current assets	100,560	(41)	98,585	2,016
Assets whose use is limited, less current portion				
Funds held under bond agreements, less current portion	3,750	–	3,750	–
Temporarily or permanently restricted assets	6,097	–	6,097	–
Professional liability fund	14,041	–	14,041	–
	23,888	–	23,888	–
Other assets				
Investments	229,677	–	216,833	12,844
Investments in unconsolidated subsidiaries	9,809	–	9,809	–
Other	9,249	–	7,010	2,239
	248,735	–	233,652	15,083
Property and equipment	175,026	–	171,303	3,723
Total assets	$ 548,209	$ (41)	$ 527,428	$ 20,822

	Consolidated	Consolidating Adjustments	Obligated Group	Non-Obligated Group
		(In Thousands)		
Liabilities and net assets				
Current liabilities				
Accounts payable and accrued expenses	$ 15,845	$ –	$ 15,170	$ 675
Estimated third-party payable	6,865	–	6,865	–
Accrued compensation and related amounts	24,634	–	24,634	–
Due to affiliates	–	(41)	–	41
Accrued interest payable and other current liabilities	8,022	–	8,022	–
Current portion of long-term debt	4,910	–	4,910	–
Total current liabilities	60,276	(41)	59,601	716
Noncurrent liabilities				
Long-term debt, less current portion	110,384	–	110,384	–
Accrued postretirement benefits	32,158	–	32,158	–
Accrued pension	77,638	–	77,638	–
Other noncurrent liabilities	22,249	–	22,249	–
Total noncurrent liabilities	242,429	–	242,429	–
Total liabilities	302,705	(41)	302,030	716
Net assets				
Unrestricted	239,407	–	219,301	20,106
Temporarily restricted	5,428	–	5,428	–
Permanently restricted	669	–	669	–
Total net assets	245,504	–	225,398	20,106
Total liabilities and net assets	$ 548,209	$ (41)	$ 527,428	$ 20,822

Covenant HealthCare System

Consolidating Statement of Operations and Changes in Unrestricted Net Assets

Year Ended June 30, 2011

	Consolidated	Consolidating Adjustments	Obligated Group	Non-Obligated Group
		(In Thousands)		
Unrestricted revenue				
Net patient service revenue	$ 497,694	$ (1,097)	$ 496,890	$ 1,901
Investment income	296	–	296	–
Realized gains	1,283	–	1,283	–
Other revenue	21,357	–	18,622	2,735
Total unrestricted revenue	520,630	(1,097)	517,091	4,636
Expenses				
Salaries and wages	199,836	–	198,514	1,322
Benefits	55,898	–	55,687	211
Professional fees	5,934	–	5,600	334
Supplies	97,927	–	97,769	158
Other purchased services	51,503	–	50,932	571
Other	7,625	(1,097)	8,382	340
Utilities	6,032	–	5,951	81
Insurance	6,786	–	6,782	4
Interest	5,777	–	5,725	52
Depreciation	27,615	–	27,445	170
Provision for uncollectible accounts	33,109	–	33,108	1
Total expenses	498,042	(1,097)	495,895	3,244
Income from operations	22,588	–	21,196	1,392
Nonoperating revenue (expenses)				
Investment income	3,094	–	2,665	429
Realized and unrealized net gains on investments	13,001	–	12,241	760
Loss on refunding	(2,221)	–	(2,221)	–
Other nonoperating expense	(672)	–	(672)	–
	13,202	–	12,013	1,189
Excess of revenue over expenses	35,790	–	33,209	2,581
Other changes in unrestricted net assets				
Change in unrealized appreciation in fair value of investments	18,585	–	17,772	813
Pension obligation adjustment	45,128	–	45,128	–
Net assets released from restrictions for capital additions	549	–	549	–
Increase in unrestricted net assets	$ 100,052	$ –	$ 96,658	$ 3,394

Covenant HealthCare System Obligated Group

Consolidating Balance Sheet

June 30, 2011

	Obligated Group	Adjustments	Covenant Medical Center	Covenant HealthCare Foundation
		(In Thousands)		
Assets				
Current assets				
Cash and cash equivalents	$ 11,812	$ –	$ 11,654	$ 158
Net patient accounts receivable	49,787	–	49,787	–
Estimated third-party receivable	320	–	320	–
Due from affiliates	41	(159)	200	–
Current portion of funds held under bond agreements	6,351	–	6,351	–
Inventories	11,990	–	11,990	–
Prepaid expenses and other	18,284	–	18,146	138
Total current assets	98,585	(159)	98,448	296
Assets whose use is limited, less current portion				
Funds held under bond agreements, less current portion	3,750	–	3,750	–
Temporarily or permanently restricted assets	6,097	–	–	6,097
Professional liability fund	14,041	–	14,041	–
	23,888	–	17,791	6,097
Other assets				
Investments	216,833	–	207,509	9,324
Investments in unconsolidated affiliates	9,809	–	9,809	–
Other	7,010	–	7,010	–
Total other assets	233,652	–	224,328	9,324
Property and equipment	171,303	–	171,303	–
Total assets	$ 527,428	$ (159)	$ 511,870	$ 15,717

	Obligated Group	Adjustments	Covenant Medical Center	Covenant HealthCare Foundation
		(In Thousands)		
Liabilities and net assets				
Current liabilities				
Accounts payable and accrued expenses	$ 15,170	$ –	$ 15,170	$ –
Estimated third-party payable	6,865	–	6,865	–
Accrued compensation and related amount	24,634	–	24,634	–
Due to affiliates	–	(159)	–	159
Accrued interest payable and other current liabilities	8,022	–	8,022	–
Current portion of long-term debt	4,910	–	4,910	–
Total current liabilities	59,601	(159)	59,601	159
Noncurrent liabilities				
Long-term debt, less current portion	110,384	–	110,384	–
Accrued postretirement benefits	32,158	–	32,158	–
Accrued pension	77,638	–	77,638	–
Other noncurrent liabilities	22,249	–	22,249	–
Total noncurrent liabilities	242,429	–	242,429	–
Total liabilities	302,030	(159)	302,030	159
Net assets				
Unrestricted	219,301	–	209,840	9,461
Temporarily restricted	5,428	–	–	5,428
Permanently restricted	669	–	–	669
Total net assets	225,398	–	209,840	15,558
Total liabilities and net assets	$ 527,428	$ (159)	$ 511,870	$ 15,717

Covenant HealthCare System Obligated Group

Consolidating Statement of Operations and Changes in Unrestricted Net Assets

Year Ended June 30, 2011

	Obligated Group	Covenant Medical Center	Covenant HealthCare Foundation
		(In Thousands)	
Unrestricted revenue			
Net patient service revenue	$ 496,890	$ 496,890	$ –
Investment income	296	296	–
Realized gains	1,283	1,283	–
Other revenue	18,622	17,944	678
Total unrestricted revenue	517,091	516,413	678
Expenses			
Salaries and wages	198,514	198,116	398
Benefits	55,687	55,591	96
Professional fees	5,600	5,576	24
Supplies	97,769	97,531	238
Other purchased services	50,932	50,884	48
Other	8,382	7,918	464
Utilities	5,951	5,950	1
Insurance	6,782	6,782	–
Interest	5,725	5,725	–
Depreciation	27,445	27,445	–
Provision for uncollectible accounts	33,108	33,104	4
Total expenses	495,895	494,622	1,273
Income (loss) from operations	21,196	21,791	(595)
Nonoperating revenue (expenses)			
Investment income	2,665	2,475	190
Realized and unrealized net gains on investments	12,241	11,906	335
Loss on refunding	(2,221)	(2,221)	–
Other nonoperating expense	(672)	(672)	–
	12,013	11,488	525
Excess (deficit) of revenue over expenses	33,209	33,279	(70)
Other changes in unrestricted net assets			
Change in unrealized appreciation in fair value of investments	17,772	16,860	912
Pension obligation adjustment	45,128	45,128	–
Net assets released from restrictions for capital additions	549	549	–
Increase in unrestricted net assets	$ 96,658	$ 95,816	$ 842

Covenant Healthcare System Non-Obligated Group

Consolidating Balance Sheet

June 30, 2011

	Non-Obligated Group	Adjustments	Covenant HealthCare System	Covenant Development Corporation	Visiting Nurse Special Services
			(In Thousands)		
Assets					
Current assets					
Cash and cash equivalents	$ 1,562	$ –	$ 30	$ 877	$ 655
Prepaid expenses and other	454	–	–	266	188
Total current assets	2,016	–	30	1,143	843
Noncurrent assets					
Investments	12,844	–	8,850	1,726	2,268
Other	2,239	(8,176)	8,176	2,239	–
Total noncurrent assets	15,083	(8,176)	17,026	3,965	2,268
Property and equipment	3,723	–	–	3,717	6
Total assets	$ 20,822	$ (8,176)	$ 17,056	$ 8,825	$ 3,117

	Non-Obligated Group	Adjustments	Covenant HealthCare System	Covenant Development Corporation	Visiting Nurse Special Services
			(In Thousands)		
Liabilities and net assets					
Current liabilities					
Accounts payable and accrued expenses	$ 675	$ –	$ –	$ 608	$ 67
Due to affiliates	41	–	–	41	–
Total current liabilities	716	–	–	649	67
Net assets					
Unrestricted	20,106	(8,176)	17,056	8,176	3,050
Total net assets	20,106	(8,176)	17,056	8,176	3,050
Total liabilities and net assets	$ 20,822	$ (8,176)	$ 17,056	$ 8,825	$ 3,117

Covenant HealthCare System Non-Obligated Group

Consolidating Statement of Operations and Changes in Unrestricted Net Assets

Year Ended June 30, 2011

	Non-Obligated Group	Adjustments	Covenant HealthCare System	Covenant Development Corporation	Visiting Nurse Special Services
			(In Thousands)		
Unrestricted revenue					
Net patient service revenue	$ 1,901	$ –	$ –	$ –	$ 1,901
Other revenue	2,735	789	1,636	310	–
Total revenue	4,636	789	1,636	310	1,901
Expenses					
Salaries and wages	1,322	–	–	259	1,063
Benefits	211	–	–	39	172
Professional fees	334	–	6	328	–
Supplies	158	–	–	101	57
Other purchased services	571	–	–	310	261
Other	340	–	–	209	131
Utilities	81	–	–	40	41
Insurance	4	–	–	3	1
Interest	52	15	–	37	–
Depreciation and amortization	170	–	–	162	8
Provision for uncollectible accounts	1	–	–	–	1
Total expenses	3,244	15	6	1,488	1,735
Income (loss) from operations	1,392	774	1,630	(1,178)	166
Nonoperating revenue (expenses)					
Investment income	429	–	173	88	168
Realized and unrealized net gains on investments	760	–	459	301	–
	1,189	–	632	389	168
Excess (deficit) of revenue over expenses	2,581	774	2,262	(789)	334
Other changes in unrestricted net assets					
Change in unrealized appreciation in fair value of investments	813	(425)	654	425	159
Increase (decrease) in unrestricted net assets	$ 3,394	$ 349	$ 2,916	$ (364)	$ 493

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