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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
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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 Community Memorial Hospital of Menomonee Falls Inc Doing Business As Number and street (or P O box if mail is not delivered to street address) W180 N8085 Town Hall Road Room/suite City or town, state or country, and ZIP + 4 Menomonee Falls, WI 53051	D Employer identification number 39-0987025
	F Name and address of principal officer Petasnick William D W180 N8085 Town Hall Road Menomonee Falls, WI 53051	E Telephone number (414) 777-0960
	H(a) Is this a group return for affiliates? ☐ Yes ☒ No	G Gross receipts \$ 312,995,448
	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.communitymemorial.com		
K Form of organization ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶	L Year of formation 1959	M State of legal domicile WI

Part I		Summary	
Activities & Governance	1 Briefly describe the organization’s mission or most significant activities To improve quality of life and meet the comprehensive needs of the community by providing high-quality, safe, cost-effective health services while serving our patients with compassionate, dignified and state-of-the art care		
	2 Check this box ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	16
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	10
	5 Total number of individuals employed in calendar year 2010 (Part V, line 2a)	5	1,554
	6 Total number of volunteers (estimate if necessary)	6	206
	7a	157,618	
	7b		
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	175,412,913	178,537,645
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	5,461,085	9,028,823
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	2,891,106	9,591,746
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	183,765,104	197,158,328
	Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	50,000
14 Benefits paid to or for members (Part IX, column (A), line 4)			0
15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)		64,859,051	68,218,146
16a Professional fundraising fees (Part IX, column (A), line 11e)			0
b Total fundraising expenses (Part IX, column (D), line 25) ▶232,396			
17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)		110,210,162	122,229,121
18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)		175,119,213	190,494,767
19 Revenue less expenses Subtract line 18 from line 12		8,645,891	6,663,561
Net Assets or Fund Balances		Beginning of Current Year	End of Year
	20 Total assets (Part X, line 16)	305,532,900	307,452,791
	21 Total liabilities (Part X, line 26)	178,937,983	161,666,607
	22 Net assets or fund balances Subtract line 21 from line 20	126,594,917	145,786,184

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

Sign Here		Signature of officer		2012-05-09	
		Jeffrey Van De Kreeke Sr VP Finance & CFO		Date	
Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check if self-employed ☐	PTIN
	Firm's name ▶ KPMG LLP				Firm's EIN ▶
	Firm's address ▶ 191 W Nationwide Blvd Suite 500 Columbus, OH 43215				Phone no ▶

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

Part IIIStatement of Program Service Accomplishments

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

1Briefly describe the organization’s mission

To improve quality of life and meet the comprehensive needs of the community by providing high-quality, safe, cost-effective health services Our exceptional employees, volunteers and dedicated medical staff work collaboratively to serve our patients with compassionate, dignified and state-of-the art care

2Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

If “Yes,” describe these new services on Schedule O

3Did the organization cease conducting, or make significant changes in how it conducts, any program services?

If “Yes,” describe these changes on Schedule O

4Describe 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 \$ 96,626,143 including grants of \$) (Revenue \$ 112,194,355)
	Inpatient Services Community Memorial Hospital was founded in 1964 by citizens of the community it serves and specializes in cardiovascular services, women's health, cancer care, and advanced surgical procedures Combining next-generation technology with personalized care, Community Memorial strives to enhance and improve the quality of life in Waukesha, Washington, Milwaukee and Ozaukee counties Community Memorial Hospital is approved for 237 beds of which 202 are staffed - and had 9,449 patient admissions and 43,164 patient days related to a wide range of inpatient services, including internal medicine, psychiatry, cardiology, general surgery, orthopedics, rehabilitation services, obstetrics and maternity care, pulmonary medicine, and other specialty care for the twelve months ended June 30, 2011 Community Memorial's heart surgery program is the third largest in southeastern Wisconsin The Heart and Vascular Center is staffed with experienced cardiac professionals utilizing the state-of-the-art technology to treat patients In 2008, surgeons began using the da Vinci Robotic Surgery system to perform minimally invasive procedures The growing demand for robotic-assisted laparoscopic surgery has been driven by improved outcomes such as less pain, shorter recovery time and fewer complications During fiscal year 2011, Community Memorial had 15,093 cardiac procedures In 2008, the Cancer Care Center at Community Memorial received the prestigious American College of Surgeons Commission on Cancer Outstanding Achievement Award, affirming its commitment to high-quality cancer care The award recognizes cancer programs that provide the highest quality care to cancer patients and is received by only 66 programs in the US annually During fiscal year 2011, Community Memorial had 554 cancer registry cases The Birthing Center at Community Memorial includes 13 specialty equipped rooms and provides the full spectrum of prenatal services for both normal and high-risk pregnancies Staffing is provided by leading obstetricians and board-certified neonatologists from the Medical College of Wisconsin During fiscal year 2011, Community Memorial had 987 births In addition to the cardiac, cancer care and birthing services noted above, the Hospital provided a variety of inpatient ancillary treatments and procedures during the fiscal year including but not limited to the following - Surgeries 3,648 - Laboratory Tests 426,453 - CT Scans 4,623 - Medical Imaging Exams 16,615 - MRI's 902 - Nuclear Medicine Scans 328 - Ultrasounds 3,012

4b	(Code) (Expenses \$ 52,792,830 including grants of \$) (Revenue \$ 61,298,706)
	Outpatient Services Community Memorial had 92,249 outpatient visits in the twelve months ended June 30, 2011 Community offers a wide variety of ancillary, specialty and subspecialty services including but not limited to the following - Allergy/Immunology - Cardiology - Clinical Genetics - Dermatology - Electrophysiology - Endocrinology - Family Practice - Gastroenterology - Gerontology - Gynecologic Oncology - Gynecology - Hand Surgery - Hematology - Infectious Disease - Internal Medicine - Interventional Radiology - Magnetic Resonance Imaging - Neonatology - Nephrology - Neurosurgery - Nuclear Medicine - Occupational Medicine - Oncology - Ophthalmology - Oral Surgery - Otolaryngology - Pathology - Pediatrics - Pedodontics - Perinatology - Periodontics - Physical Medicine and Rehabilitation - Plastic/Reconstructive Surgery - Podiatry - Psychiatry - Psychology - Pulmonary Medicine - Radiology - Radiation Oncology - Rheumatology - Thoracic Surgery - Urology - Vascular Surgery - Thoracic Surgery

4c	(Code) (Expenses \$ 4,344,591 including grants of \$) (Revenue \$ 5,044,583)
	Emergency Services Community Memorial's Emergency Department is a Level III Trauma Center and provides around-the-clock emergency care for adults and children throughout northern Waukesha, Milwaukee, and Washington counties During fiscal year 2011, the emergency department had 20,167 emergency visits, with patients receiving expert care from board-certified emergency physicians and specialists in trauma, neurosurgery, cardiology, orthopedics and others Community Memorial is accredited by the Joint Commission as a certified advanced Primary Stroke Center, demonstrating its ability to provide care from a multi-disciplinary team of neurologists, neurosurgeons, emergency department specialists, radiologists, pharmacists, technicians and more all working in a coordinated, collaborative system

4d	Other program services (Describe in Schedule O)
	(Expenses \$ including grants of \$) (Revenue \$)
4e	Total program service expenses\$ 153,763,564

Part IV

Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

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

Part V Statements Regarding Other IRS Filings and Tax Compliance			
Check if Schedule O contains a response to any question in this Part V ☐			
		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	271
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	2a	1,554
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	Yes
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a	No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c	No
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	No
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	No
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	0
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	No
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	No
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	No
9	Sponsoring organizations maintaining donor advised funds.		
a	Did the organization make any taxable distributions under section 4966?	9a	No
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	No
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	No
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	No
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	No

Part VI

Governance, Management, and Disclosure

For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.
Check if Schedule O contains a response to any question in this Part VI

Section A. Governing Body and Management

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

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

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

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filedWI

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.
David Dirksmeyer
N74W127501 Leatherwood Ct
Menomonee Falls, WI 53051
(414) 777-0960

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) Zorbini John Sr VP HR Froedtert Health	0 00						X	0	325,769	34,625
(2) White MD Michael G Director	1 00	X						0	0	0
(3) Turtenwald Robyn Director	1 00	X						0	0	0
(4) Templin Susan Director	1 00	X						0	0	0
(5) Stadelmann Douglas J Dir & Secretary	1 00	X		X				0	0	0
(6) Specht-Palmert Christine Director	1 00	X						0	0	0
(7) Shepherd MD Dennis W Director	1 00	X						0	0	0
(8) Sanders Paul A Sr VP, Clncl Svcs	50 00					X		321,330	0	38,353
(9) Pollard Dennis Dir & President	45 00	X		X				0	476,288	42,573
(10) Pieters Robert B Director	1 00	X						0	0	0
(11) Petasnick William D Director	1 00	X						0	1,302,731	726,685
(12) O'Connell Blaine J FH CFO	1 00			X				0	598,091	32,708
(13) Lux Teresa M Director	50 00	X						219,722	0	25,148
(14) Jacobson Catherine A FH CFO	1 00			X				0	426,832	5,511
(15) Hart Daniel Dir & Treasurer	1 00	X		X				0	0	0
(16) Hackett MD James G Director	1 00	X						0	0	0

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) Goldberg MD David F Director	50 00	X						227,769	0	32,202
(18) Freiberg Kerry J VP Extnl Affairs	50 00					X		214,276	0	33,200
(19) Evenson Rock E VP Pln & Prg Dvlp	50 00					X		257,460	0	38,619
(20) Ellis Sharon Q Director	1 00	X						0	0	0
(21) Debra McClure Nurse Anesthetist	50 00					X		273,650	0	17,231
(22) Bestor William E Former Pres/CEO	0 00					X		331,897	0	0
(23) Becker Richard C Dir & Chair	1 00	X		X				0	0	0
(24) Bast Ronald R Dir & Vice Chr	1 00	X		X				0	0	0
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								1,846,104	3,129,711	1,026,855

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▶51

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

Section B. Independent Contractors

1	Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization		
(A) Name and business address		(B) Description of services	(C) Compensation
Von Briesen & Roper 411 E Wisconsin Ave Ste 700 Milwaukee, WI 53201		Legal	563,505
Pyramid Healthcare Solutions PO Box 17389 Clearwater, FL 33762		HIM Outsourcing	632,546
Medical College of WI 8701 Watertown Plank Rd Milwaukee, WI 53206		Physicians	2,109,229
Critical Care Solutions N74W12501 Leatherwood Ct Menomonee Falls, WI 53051		Virtual ICU	543,749
Columbia St Marys 4425 N Port Washington Rd Glendale, WI 53212		Physicians	3,003,989
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 ▶16		

Part VIII

Statement of Revenue

		(A)	(B)	(C)	(D)	
		Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a Federated campaigns 1a					
	b Membership dues 1b					
	c Fundraising events 1c	114				
	d Related organizations 1d					
	e Government grants (contributions) 1e					
	f All other contributions, gifts, grants, and similar amounts not included above 1f					
	g Noncash contributions included in lines 1a-1f \$					
	h Total. Add lines 1a-1f	114				
	Program Service Revenue	2a Outpatient Revenue	Business Code 900099	61,298,706	61,298,706	
b Inpatient Revenue		900099	112,194,355	112,194,355		
c Emergency/Trauma Revenue		900099	5,044,584	5,044,584		
d						
e						
f All other program service revenue						
g Total. Add lines 2a-2f			178,537,645			
Other Revenue		3 Investment income (including dividends, interest and other similar amounts)				
			4,907,585	1,554,499		3,353,086
	4 Income from investment of tax-exempt bond proceeds		5,221		5,221	
	5 Royalties		0			
	6a Gross Rents	(i) Real 1,002,484	(ii) Personal			
	b Less rental expenses	466,390				
	c Rental income or (loss)	536,094				
	d Net rental income or (loss)		536,094	76,608	459,486	
	7a Gross amount from sales of assets other than inventory	(i) Securities 115,743,784	(ii) Other 3,704,889			
	b Less cost or other basis and sales expenses	112,535,123	2,797,533			
	c Gain or (loss)	3,208,661	907,356			
	d Net gain or (loss)		4,116,017		4,116,017	
	8a Gross income from fundraising events (not including \$ 114 of contributions reported on line 1c) See Part IV, line 18	a 79,260				
	b Less direct expenses b	38,074				
	c Net income or (loss) from fundraising events		41,186		41,186	
	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 Other Dept Operating Rev	561499	1,612,384	1,531,374	81,010		
b Dietary Revenue	561499	657,699			657,699	
c Corporate Allocated Rev	561000	6,505,710	6,505,710			
d All other revenue		238,673			238,673	
e Total. Add lines 11a-11d		9,014,466				
12 Total revenue. See Instructions		197,158,328	188,129,228	157,618	8,871,368	

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	47,500	47,500		
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	573,076		573,076	
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	62,736,084	57,850,946	4,740,110	145,028
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	0			
9	Other employee benefits	473,041	432,738	39,215	1,088
10	Payroll taxes	4,435,945	4,058,002	367,740	10,203
a	Fees for services (non-employees)				
	Management	282,000	282,000		
b	Legal	878,067	601,235	276,832	
c	Accounting	0			
d	Lobbying	0			
e	Professional fundraising services See Part IV, line 17	0			
f	Investment management fees	0			
g	Other	12,881,102	11,704,223	1,176,879	
12	Advertising and promotion	133,312	7,372	125,940	
13	Office expenses	36,044,982	35,575,911	461,501	7,570
14	Information technology	497,886	141,674	356,212	
15	Royalties	0			
16	Occupancy	4,418,475	3,603,708	803,279	11,488
17	Travel	65,691	30,305	34,489	897
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	116,108	97,359	18,629	120
20	Interest	2,211,530	1,803,724	402,056	5,750
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	7,362,794	6,005,095	1,338,556	19,143
23	Insurance	8,522	8,522		
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	State Hospital Assessment	5,472,253	5,472,253		
b	Provision for Uncollectable	4,810,000	4,810,000		
c	Dues & Subscriptions	308,295	107,308	200,238	749
d	Corporate Allocations	40,780,214	15,189,030	25,560,824	30,360
e	Clinic Practice Fee	5,898,963	5,898,963		
f	All other expenses	58,927	35,696	23,231	
25	Total functional expenses. Add lines 1 through 24f	190,494,767	153,763,564	36,498,807	232,396
26	Joint costs. Check here ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			539,468	1	7,300
	2	Savings and temporary cash investments			7,199,533	2	10,956,674
	3	Pledges and grants receivable, net				3	0
	4	Accounts receivable, net			20,690,343	4	27,698,357
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L				5	0
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions). Schedule L				6	0
	7	Notes and loans receivable, net			1,675,089	7	56,000
	8	Inventories for sale or use			3,726,241	8	3,880,289
	9	Prepaid expenses and deferred charges			3,131,291	9	2,556,770
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D.	10a	164,657,016			
	b	Less: accumulated depreciation	10b	85,345,915	85,642,186	10c	79,311,101
	11	Investments—publicly traded securities			134,375,008	11	127,517,832
	12	Investments—other securities. See Part IV, line 11				12	0
	13	Investments—program-related. See Part IV, line 11				13	0
	14	Intangible assets				14	0
	15	Other assets. See Part IV, line 11			48,553,741	15	55,468,468
16	Total assets. Add lines 1 through 15 (must equal line 34)			305,532,900	16	307,452,791	
Liabilities	17	Accounts payable and accrued expenses			12,113,961	17	13,245,503
	18	Grants payable				18	
	19	Deferred revenue			6,955	19	6,648
	20	Tax-exempt bond liabilities			69,223,820	20	66,424,522
	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			549,764	23	
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities. Complete Part X of Schedule D			97,043,483	25	81,989,934
	26	Total liabilities. Add lines 17 through 25			178,937,983	26	161,666,607
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			125,905,277	27	144,898,831
	28	Temporarily restricted net assets			689,640	28	887,353
	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			126,594,917	33	145,786,184
34	Total liabilities and net assets/fund balances			305,532,900	34	307,452,791	

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	197,158,328
2	Total expenses (must equal Part IX, column (A), line 25)	2	190,494,767
3	Revenue less expenses Subtract line 2 from line 1	3	6,663,561
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	126,594,917
5	Other changes in net assets or fund balances (explain in Schedule O)	5	12,527,706
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	145,786,184

Part XII Financial Statements and Reporting

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

		Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☒ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		No
b	Were the organization's financial statements audited by an independent accountant?	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both ☐ Separate basis ☒ Consolidated basis ☐ Both consolidated and separated basis		
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		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		No

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 Community Memorial Hospital of Menomonee Falls Inc	Employer identification number 39-0987025
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Part I

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

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

- 1

☐

A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 9

☐

An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10

☐

An organization organized and operated exclusively to test for public safety See**section 509(a)(4).**
- 11

☐

An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other
- e

☐

By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
- f

☐

If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box
- g

☐

Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

(i)

a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?

(ii)

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

(iii)

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

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

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

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

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (See instructions)					12	
13 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage		
14 Public Support Percentage for 2010 (line 6 column (f) divided by line 11 column (f))	14	
15 Public Support Percentage for 2009 Schedule A, Part II, line 14	15	
16a 33 1/3% support test—2010. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
b 33 1/3% support test—2009. If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
17a 10%-facts-and-circumstances test—2010. If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶		
b 10%-facts-and-circumstances test—2009. If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶		
18 Private Foundation If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions ▶		

Part III

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

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

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

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

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2010 (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from 2009 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2010. If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and stop here . The organization qualifies as a publicly supported organization 		
b 33 1/3% support tests—2009. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here . The organization qualifies as a publicly supported organization 		
20 Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions 		

Part IV

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

Facts And Circumstances Test

SCHEDULE D
(Form 990)

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 Community Memorial Hospital of Menomonee Falls Inc	Employer identification number 39-0987025
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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? YesNo	
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 YesNo	

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

1	Purpose(s) of conservation easements held by the organization (check all that apply) ☐ Preservation of land for public use (e g , recreation or pleasure) ☐ Preservation of an historically importantly land area ☐ Protection of natural habitat ☐ Preservation of a certified historic structure ☐ Preservation of open space
2	Complete lines 2a–2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year
a	Total number of conservation easements
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06
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? YesNo
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)? YesNo
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

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

	(a)Current Year	(b)Prior Year	(c)Two Years Back	(d)Three Years Back	(e)Four Years Back
1a Beginning of year balance	4,094,065	3,166,213	3,670,185		
b Contributions	1,398,548	904,863	484,004		
c Investment earnings or losses	623,704	384,524	-466,270		
d Grants or scholarships	374,633	304,571	353,150		
e Other expenditures for facilities and programs	1,066,388	56,965	168,686		
f Administrative expenses	340	-1	-130		
g End of year balance	4,674,956	4,094,065	3,166,213		

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶ 100.000 %

b

Permanent endowment ▶

c

Term endowment ▶

3a

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

(i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

b

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

3b

Yes

4

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

Part VI

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

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		724,692		724,692
b Buildings		95,689,233	35,793,919	59,895,314
c Leasehold improvements		2,096,307	1,715,708	380,599
d Equipment		33,151,773	26,607,724	6,544,049
e Other		32,995,011	21,228,564	11,766,447
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				79,311,101

Schedule D (Form 990) 2010

Part XI

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

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

Part XII

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

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

Part XIII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

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

Part XIV

Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information.

Identifier	Return Reference	Explanation
Part X	Part X FIN48 Footnote	Froedtert Health applies ASC No. 740, Income Taxes (formerly FIN 48), which clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements. ASC No. 740 prescribes a more-likely-than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken. Under ASC No. 740, tax positions are evaluated for recognition, derecognition, and measurement using consistent criteria and provide more information about the uncertainty in income tax assets and liabilities. As of June 30, 2011 and 2010, FH does not have an asset or liability recorded for unrecognized tax benefits.
Part XI, Line 8	Part XI, Line 8 Other Changes in Net Assets or Fund Balances	Pension Adjustment \$7174999 Change in Foundation Restricted Net Assets \$197713 Transfers to Affiliates \$ - 2503709 Capital Contributions \$ -1113204 Change in Foundation Unrestricted Net Assets \$ -1045499 Other \$ -10417
Part V, Line 4	Part V, Line 4 Intended uses of the endowment fund	The funds are held by Community Memorial Foundation of Menomonee Falls (CMF), a related organization. The board designated endowment was created to support long range financial needs of Community Memorial Hospital of Menomonee Falls, Inc. and its affiliates.

SCHEDULE G
(Form 990 or 990-EZ)

Supplemental Information Regarding
Fundraising or Gaming Activities

OMB No 1545-0047

2010

Open to Public
Inspection

Department of the Treasury
Internal Revenue Service

Complete if the organization answered "Yes" to Form 990, Part IV, lines 17, 18, or 19,
or if the organization entered more than \$15,000 on Form 990-EZ, line 6a.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

Name of the organization
Community Memorial Hospital of Menomonee
Falls Inc

Employer identification number
39-0987025

Part I Fundraising Activities. Complete if the organization answered "Yes" to Form 990, Part IV, line 17.

1

Indicate whether the organization raised funds through any of the following activities. Check all that apply.

a

☐

Mail solicitations

e

☐

Solicitation of non-government grants

b

☐

Internet and e-mail solicitations

f

☐

Solicitation of government grants

c

☐

Phone solicitations

g

☐

Special fundraising events

d

☐

In-person solicitations

2a

Did the organization have a written or oral agreement with any individual (including officers, directors, trustees or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services?

☐ Yes

☒ No

b

If "Yes," list the ten highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least \$5,000 by the organization. Form 990-EZ filers are not required to complete this table.

(i) Name and address of individual or entity (fundraiser)	(ii) Activity	(iii) Did fundraiser have custody or control of contributions?		(iv) Gross receipts from activity	(v) Amount paid to (or retained by) fundraiser listed in col (i)	(vi) Amount paid to (or retained by) organization
		Yes	No			
Total ▶						

3

List all states in which the organization is registered or licensed to solicit funds or has been notified it is exempt from registration or licensing.

Part II Fundraising Events.

Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than \$15,000 on Form 990-EZ, line 6a. List events with gross receipts greater than \$5,000.

Revenue			(a) Event #1	(b) Event #2	(c) Other Events	(d) Total Events
			Cheery Cherry Fall Fair	Special Event Projects	1	(Add col (a) through col (c))
			(event type)	(event type)	(total number)	
	1	Gross receipts	57,869	10,550	7,673	76,092
Direct Expenses	2	Less Charitable contributions				
	3	Gross income (line 1 minus line 2)	57,869	10,550	7,673	76,092
	4	Cash prizes				
	5	Non-cash prizes . . .				
	6	Rent/facility costs . . .	5,803			5,803
	7	Food and beverages . . .	4,120			4,120
	8	Entertainment				
	9	Other direct expenses .	9,902	8,318	6,021	24,241
	10	Direct expense summary Add lines 4 through 9 in column (d)				34,164
	11	Net income summary Combine lines 3 and 10 in column (d).				41,928

Part III Gaming.

Complete if the organization answered "Yes" to Form 990, Part IV, line 19, or reported more than \$15,000 on Form 990-EZ, line 6a.

Revenue			(a) Bingo	(b) Pull tabs/Instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming
						(Add col (a) through col (c))
Direct Expenses	1	Gross revenue				
	2	Cash prizes				
	3	Non-cash prizes				
	4	Rent/facility costs				
	5	Other direct expenses . . .				
	6	Volunteer labor	☐ Yes ☐ No %	☐ Yes ☐ No %	☐ Yes ☐ No %	
	7	Direct expense summary Add lines 2 through 5 in column (d)				
	8	Net gaming income summary Combine lines 1 and 7 in column (d)				

9 Enter the state(s) in which the organization operates gaming activities

a Is the organization licensed to operate gaming activities in each of these states? ☐ Yes ☐ No

b If "No," Explain

10a Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year? ☐ Yes ☐ No

b If "Yes," Explain

11

Does the organization operate gaming activities with nonmembers?

☐ Yes ☐ No

12

Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming?

☐ Yes ☐ No

13

Indicate the percentage of gaming activity operated in

a	The organization's facility	13a
b	An outside facility	13b

14

Provide the name and address of the person who prepares the organization's gaming/special events books and records

Name

Address

15a

Does the organization have a contract with a third party from whom the organization receives gaming revenue?

☐ Yes ☐ No

b

If "Yes," enter the amount of gaming revenue received by the organization \$ and the amount of gaming revenue retained by the third party \$

c

If "Yes," enter name and address

Name

Address

16 Gaming manager information

Name

Gaming manager compensation \$

Description of services provided

☐ Director/officer

☐ Employee

☐ Independent contractor

17

Mandatory distributions

a

Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license?

☐ Yes ☐ No

b

Enter the amount of distributions required under state law distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year \$

Part IV Complete this part to provide additional information for responses to question on Schedule G (see instructions.)

Identifier	ReturnReference	Explanation
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SCHEDULE H
(Form 990)

Hospitals

OMB No 1545-0047

2010

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, question 20.**

▶ **Attach to Form 990.** ▶ **See separate instructions.**

Name of the organization
Community Memorial Hospital of Menomonee Falls Inc

Employer identification number
39-0987025

Part IFinancial Assistance and Certain Other Community Benefits at Cost

1a

Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a

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 _____%

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 _____%

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

Yes

4

Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?

5a

Yes

5a

Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?

5b

No

b

If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?

5c

No

c

If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?

6a

Yes

6a

Does the organization prepare a community benefit report during the tax year?

6b

Yes

b

If "Yes," did the organization make it available to the public?

Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H

7Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			1,184,023		1,184,023	0 620 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			9,304,283	6,790,203	2,514,080	1 320 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			10,488,306	6,790,203	3,698,103	1 940 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	56	14,065	2,171,295	42,650	2,128,645	1 120 %
f Health professions education (from Worksheet 5)	6	693	917,077	2,000	915,077	0 480 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)	19	3,550	325,124	23,715	301,409	0 160 %
j Total Other Benefits	81	18,308	3,413,496	68,365	3,345,131	1 760 %
k Total. Add lines 7d and 7j	81	18,308	13,901,802	6,858,568	7,043,234	3 700 %

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

Cat No 50192T

Schedule H (Form 990) 2010

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
1Physical improvements and housing						
2Economic development	1		2,847		2,847	
3Community support	2		13,526		13,526	0 010 %
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building	2		32,035		32,035	0 020 %
7Community health improvement advocacy	1		2,688		2,688	
8Workforce development	1		83,639		83,639	0 040 %
9Other						
10Total	7		134,735		134,735	0 070 %

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1	No
2	Enter the amount of the organization's bad debt expense (at cost)	2	2,283,044
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	
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	46,789,974
6	Enter Medicare allowable costs of care relating to payments on line 5	6	58,562,176
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	-11,772,202
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used.		
☒ Cost accounting system ☐ Cost to charge ratio ☐ Other			

Section C. Collection Practices

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

Part IV

Management Companies and Joint Ventures

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

Section A. Hospital Facilities

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

0	Community Memorial Hospital W180 N8085 Town Hall Road Menomonee Falls, WI 53051
---	---

Other (Describe)

[illegible]

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

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

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

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

Part VI

Supplemental Information

Complete this part to provide the following information

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

Identifier	ReturnReference	Explanation
	Part V - Explanation of Number of Facility Type	Community Memorial Hospital is the only facility listed under this reporting of the IRS Form 990, Schedule H

Identifier	ReturnReference	Explanation
	Part VI - States Where Community Benefit Report Filed	WI

Identifier	ReturnReference	Explanation
	Part VI - Affiliated Health Care System Roles and Promotion	Every year, the Froedtert Health partners engage in a variety of outreach activities in collaboration with key leaders and organizations in their communities that help improve health and quality of life. Much more than the provision of charity care, the American Hospital Association defines community benefit as "promoting and protecting the health and well being of the entire community through responsive programs and services." Froedtert Health strategies are based on the unique needs of each of the communities that we serve. By conducting regular community needs assessments that monitor critical public health issues, and actively seeking community input, the FH partners have built important relationships with their local communities, and are committed to providing meaningful outreach programs that link each hospital to their neighbors and patients. In 2011 FY, Froedtert, Community Memorial and St. Joseph's Hospitals made significant investments in the health of their communities. Patients who couldn't pay for their medical care received more than \$40.7 million in uncompensated services. Beyond providing care for the poor, we contributed \$58.6 million to improve access to care, teach future healthcare professionals, develop new medical therapies and participate in local partnerships aimed at reducing health disparities. Froedtert Health members develop, and are held accountable for achieving, community benefit goals and strategies are based on the unique needs of each of their communities. By conducting regular community needs assessments that monitor critical public health issues, and actively seeking community input, the member partners have built important local relationships and are committed to providing meaningful outreach programs that link each hospital to their neighbors and patients. As a not-for-profit health system, Froedtert Health reinvests its surplus funds back into the community through programs to serve the poor and uninsured, teach future healthcare professionals, develop new medical therapies, manage chronic conditions like diabetes, health education and promotion initiatives, and participate in local partnerships aimed at reducing health disparities. For more information about Froedtert Health, visit www.froedterthealth.org

Identifier	ReturnReference	Explanation
	Part VI - Explanation Of How Organization Furthers Its Exempt Purpose	The Community Outreach Steering Committee (COSC) actualizes the mission of Community Memorial Hospital (CMH) through community benefit activities that improve the quality of life and enhance wellness resources which meet identified comprehensive health needs of the communities served. The Community Outreach Steering Committee is appointed annually by the hospital president and is advisory to the CMH Board and Administration. Membership appointments are made each June with members serving one year terms. The COSC meets quarterly and is composed of hospital and board representatives plus community members representing the various constituencies of the total service area. Functions include: -Provide a leadership role in advocating community wide responses to health care needs in the community - Facilitate and support community and health care partnerships -Envision, assess and guide new community benefit opportunities -Identify and describe unmet health needs -Promote universal access to health care -Determine allocation of the Community Outreach Services Fund -Annually submit a community benefit report, which describes the scope of community benefit provided directly and in collaboration with others

Identifier	ReturnReference	Explanation
	Part VI - Community Building Activities	To promote the health of our communities, Community Memorial Hospital participates in community building activities which are not included elsewhere on Schedule H. These activities include: 1. Economic Development: participation in local chamber of commerce boards focused on economic development. 2. Community Support: participation in local emergency preparedness and youth focused coalitions. 3. Coalition Building: participation in local community groups and coordination of fundraising for the local United Ways. 4. Community Health Improvement Advocacy: participation in creating the community health improvement plan with the local health department. 5. Workforce Development: diversity training that recruits health professionals in our traditionally underserved community.

Identifier	ReturnReference	Explanation
	Part VI - Community Information	Since its founding in 1964 by the citizens of the community it serves, Community Memorial Hospital (CMH) has focused on the emerging healthcare and wellness needs of over 400,000 people in the four county region of Waukesha, Washington, northwest Milwaukee, and Ozaukee Counties. Based on the US Census data, the population served by CMH is 77% Caucasian, 16% African American, 3% Asian, and 4% other races. 45% of households have a household income less than \$50,000. 7% of the population does not have a high school diploma with 28% whose highest education level is a high school diploma. 34% of the population has a Bachelor's Degree or higher education. The most common occupations for our population is 19% manufacturing, 15% sales/office and 13% health care. Today, CMH ranks as one of the top hospitals nationally based on surveys by the Joint Commission on Accreditation of Healthcare Organizations, which reviews all hospitals for safety and quality healthcare practices. The Hospital has 202 staffed beds and a medical staff of 657 physicians in 49 specialties, over 1,400 employees and 320 volunteers caring for 9,845 inpatients, 87,249 outpatients and 19,596 emergency visits in fiscal 2010. Based on demographic and community needs assessments, CMH has led area community based hospitals by establishing programs in hospital based day surgery, cardiac rehabilitation, and the "Right from the Start" birthing program which matches a personal obstetrics case manager with first time expectant mothers. CMH is accredited by Joint Commission, the Commission on Accreditation of Rehabilitation Facilities (CARF), the American Association of Cardiovascular & Pulmonary Rehabilitation, the American College of Radiology (ACR), the Intersocietal Commission for Accreditation of Echocardiography, the College of American Pathologists (CAP), the American College of Surgeons (ACS), and is licensed by the State of Wisconsin. And, eight area institutions of higher learning send students to CMH for clinical experiences in health care. CMH is more than a healthcare facility, it is a true community partner, joining forces with other organizations who share our vision and values. Our collaborative initiatives include outreach to youth, elderly and the underserved, satellite rehabilitation clinics offering outpatient therapy, community education in parenting and wellness topics, health screenings and support groups, a program for lab house calls to the homebound, and serving as the medical control center for five area Emergency Medical Service units. In July 2009, the American Diabetes Association acknowledged Community Memorial as having a Recognized Diabetes Self Management Education Program for outpatients. In January 2010, Community Memorial received the Gold Recognition as a Wellness Council of America Well Workplace organization, an award that recognizes quality and excellence in worksite health promotion. Also in 2010, the Cancer Care Center received Accreditation with Commendation from the American College of Surgeons - Commission on Cancer. Community Memorial was also recognized as a Quality Respiratory Care Recognition Hospital in 2010. Only 700 hospitals in the U.S. have been named a QRCR institution. The hospital received certification as a Level III Trauma Center in January 2010 and was awarded certification for its Stroke program from the Joint Commission in February 2010.

Identifier	ReturnReference	Explanation
	Part VI - Patient Education of Eligibility for Assistance	Community Memorial Hospital (CMH) has a Financial Counselor who performs outreach to all self pay patients. Contact may be in person or via phone call to patient. The patient is screened for eligibility for state/local programs and/or CMH's Financial Assistance program. Information regarding our financial assistance program is also available in our registration areas, in our ED, and is noted on our billing statements. In addition, during our billing call cycle, if a patient indicates they are unable to pay, they are screened for eligibility for Financial Assistance.

Identifier	ReturnReference	Explanation
	Part VI - Needs Assessment	In the February, 2011 a community health needs assessment was conducted for Froedtert Health Community Memorial Hospital (Menomonee Falls, WI) and Froedtert Health St Joseph's Hospital (West Bend, WI) by Community Outreach/Public Relations Department staff along with members from the CMH Community Outreach Steering Committee. The community needs assessment team consisted of the following individuals: Andy Dresang, Dianna Forrester, Kerry Freiberg, Jeff Hevey, Amy Maurer, Deb McCann, Geoff Mertens, Mandie Reedy, Timothy Smykal, Sally Slusser, Lisa Susen-Sullivan and John Wandschneider. The community health needs assessment findings are a compilation of state, county and community health assessments along with interviews from 35 different community informants ranging from school district representatives, public health officials, non-profit health and human service professionals, churches, police/fire departments, free clinics and business professionals throughout Waukesha and Washington Counties. This needs assessment is based upon available statistical data as well as anecdotal information from knowledgeable community informants. Since the assessment was prepared for guiding the CMH community outreach programs, the investigation focused on assessing the needs and service gaps as it pertains to the general population and the disadvantaged populations, i.e., people with disproportionate unmet health needs in the hospital's primary service area. The findings of the Assessment were summarized with the top four strategic priorities being identified as Access to Primary and Specialty Care, Chronic Disease Management, Prevention and Wellness and Mental Health. The Community Outreach Steering Committee re-affirmed the findings and through an interactive process establishing the strategic vision, goals and community outreach priorities for Fiscal Year 2012 through 2015.

Identifier	ReturnReference	Explanation
Number of Hospital Facility - 0	Part V, Line 21 - Charge Patients Amount Equal Gross Charge for Services	Patients who do not qualify for a self pay discount according to the policy

Identifier	ReturnReference	Explanation
Number of Hospital Facility - 0	Part V, Line 20 - Explanation of Eligible Assistance Patients Billed More Than Insurance Rates	Patient who may qualify for a financial assistance discount, but refuse to comply with the policy are not given a discount

Identifier	ReturnReference	Explanation
Number of Hospital Facility - 0	Part V, Line 19d - Other Billing Determination of Individuals Without Insurance	According to our self-pay discount policy

Identifier	ReturnReference	Explanation
Number of Hospital Facility - 0	Part V, Line 11h - Other Factors Used in Determining Amounts Charged Patients	Out of Pocket Maximum Discount

Identifier	ReturnReference	Explanation
Number of Hospital Facility - 0	Part V, Line 4 - List Other Hospital Facilities that Jointly Conducted Needs Assessment	In the February, 2011 a community health needs assessment was conducted for Froedtert Health Community Memorial Hospital (Menomonee Falls, WI) and Froedtert Health St Joseph's Hospital (West Bend, WI) by Community Outreach/Public Relations Department staff along with members from the CMH Community Outreach Steering Committee

Identifier	ReturnReference	Explanation
Number of Hospital Facility - 0	Part V, Line 3 - Account Input from Person Who Represent the Community	The community health needs assessment findings are a compilation of state, county and community health assessments along with interviews from 35 different community informants ranging from school district representatives, public health officials, non-profit health and human service professionals, churches, police/fire departments, free clinics and business professionals throughout Waukesha and Washington Counties. This needs assessment is based upon available statistical data as well as anecdotal information from knowledgeable community informants. Since the assessment was prepared for guiding the CMH community outreach programs, the investigation focused on assessing the needs and service gaps as it pertains to the general population and the disadvantaged populations, i.e., people with disproportionate unmet health needs in the hospital's primary service area. The findings of the Assessment were summarized with the top four strategic priorities being identified as Access to Primary and Specialty Care, Chronic Disease Management, Prevention and Wellness and Mental Health. The Community Outreach Steering Committee re-affirmed the findings and through an interactive process establishing the strategic vision, goals and community outreach priorities for Fiscal Year 2012 through 2015.

Identifier	ReturnReference	Explanation
	Part III, Line 9b - Provisions On Collection Practices For Qualified Patients	Collection policies are the same for all patients. Patients are screened for eligibility for financial assistance before collection procedures begin. If at any point in the collection process, documentation is received that indicates the patient is potentially eligible for financial assistance but has not applied for it, the account is referred back for a financial assistance review.

Identifier	ReturnReference	Explanation
	Part III, Line 8 - Explanation Of Shortfall As Community Benefit	Community Memorial Hospital believes that all of the \$11,772,202 shortfall should be considered as community benefit The IRS Community Benefit Standard includes the provision of care to the elderly and Medicare patients Medicare shortfalls must be absorbed by the hospital in order to continue treating the elderly in our community The hospital provides care regardless of this shortfall and thereby relieves the federal government of the burden of paying the full cost for Medicare beneficiaries

Identifier	ReturnReference	Explanation
	Part III, Line 4 - Bad Debt Expense	Line 1 - Community Memorial Hospital reports accounts receivable for services rendered at net realizable amounts from third-party payers, patients, and others. Community Memorial Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions and trends. Line 2 - The ratio of patient care cost to charges is applied to the bad debt attributable to patient accounts to calculate the estimated cost of bad debt attributable to patient accounts that is reported on line 2. Discounts and payments on patient accounts are recorded as an adjustment to revenue, not bad debt expense. Line 3 - As a not-for-profit, patient care is provided to all, regardless of ability to pay for that care. Making quality patient care available to all in our community, regardless of their economic means, qualifies bad debts as a community benefit.

Identifier	ReturnReference	Explanation
	Part I, Line 7 - Explanation of Costing Methodology	Charity Care and certain other community benefits costs were determined by using internal information to reduce the various activities to cost We try to present cost information consistently in the different venues that it appears

OMB No 1545-0047

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

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39-0987025

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

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

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

2	Enter total number of section 501(c)(3) and government organizations	10
3	Enter total number of other organizations	0

Part III

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

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

Part IV

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

Identifier	Return Reference	Explanation
Grantmaker's Description of How Grants are Used		Organizations submit grant requests to the Community Outreach Steering Committee (the Committee) On a quarterly basis the fund allocations are determined Each organization selected for funds receives an award letter detailing the expectations and conditions of the grant money In order to comply with applicable tax laws, regulations and the Community Outreach Services Fund policy, the Community Outreach Services Fund will provide grant support to organizations with the understanding that 1) Grant funds distributed will be used only for the purposes designated in the award letter 2) No funds will be used for any political campaign or to support attempts to influence legislation of any governmental body 3) If the organization loses exempt status, any unexpended funds will be returned to the Community Outreach Steering Committee 4) Adequate accounting records of the expenditures of funds will be maintained by your organization 5) This is a one time grant distribution Future funding requests will be considered on a case by case basis In addition, the Committee includes a "Final Report Form" with each organization's award letter The form requires the organization to provide a brief description of the activity and measurable outcomes/benefits, an expenditure report, and future plans The Committee requests that each organization submit the "Final Report Form" to the Committee within thirty days after the completion of the project for which the funds were intended or within a maximum of one year from the receipt of funds

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2010

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization
Community Memorial Hospital of Menomonee Falls Inc

Employer identification number
39-0987025

Part I Questions Regarding Compensation

	Yes	No
1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items ☐ First-class or charter travel ☐ Travel for companions ☐ Tax idemnification and gross-up payments ☐ Discretionary spending account ☐ Housing allowance or residence for personal use ☐ Payments for business use of personal residence ☒ Health or social club dues or initiation fees ☐ Personal services (e g , maid, chauffeur, chef)		
1b If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain		No
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?	Yes	
3 Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply ☒ Compensation committee ☒ Independent compensation consultant ☐ Form 990 of other organizations ☒ Written employment contract ☒ Compensation survey or study ☒ 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?	Yes	
b Participate in, or receive payment from, a supplemental nonqualified retirement plan?	Yes	
c Participate in, or receive payment from, an equity-based compensation arrangement? If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III		No
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?		No
b Any related organization? If "Yes," to line 5a or 5b, describe in Part III		No
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?		No
b Any related organization? If "Yes," to line 6a or 6b, describe in Part III		No
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	Yes	
8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III		No
9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?		No

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) Zorbini John	(i) (ii)	239,090	69,704	16,975	16,114	18,511	360,394	
(2) Sanders Paul A	(i) (ii)	255,890	48,347	17,093	15,503	22,850	359,683	
(3) Pollard Dennis	(i) (ii)	333,730	128,486	14,072	12,880	29,693	518,861	
(4) Petasnick William D	(i) (ii)	948,461	334,370	19,900	675,099	51,586	2,029,416	
(5) O'Connell Blaine J	(i) (ii)	454,374	125,145	18,572	15,925	16,783	630,799	
(6) Lux Teresa M	(i) (ii)	161,122	45,700	12,900	10,753	14,395	244,870	
(7) Jacobson Catherine A	(i) (ii)	218,832	208,000			5,511	432,343	
(8) Goldberg MD David F	(i) (ii)	222,769	5,000		12,720	19,482	259,971	
(9) Freiberg Kerry J	(i) (ii)	137,149	40,754	36,373	13,675	19,525	247,476	
(10) Evenson Rock E	(i) (ii)	151,619	36,009	69,832	15,572	23,047	296,079	
(11) Debra McClure	(i) (ii)	273,068		582	6,971	10,260	290,881	
(12) Bestor William E	(i) (ii)			331,897			331,897	
(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
Sch J, Part I, Line 7	Part I, Line 7 Non-Fixed payments not listed above	Certain management employees participate in an incentive compensation plan that includes some non-fixed elements. Upon the attainment of a certain financial threshold, incentive compensation is available for meeting identified goals in the areas of financial performance, operational efficiencies, quality improvements, customer satisfaction, strategic growth and partnership initiatives. In some cases the determination of whether a goal is met is absolute while others require a certain amount of discretion to determine if goal is met. In addition, the incentive compensation includes a purely discretionary component.
Sch J, Part I, Line 1b	Part I, Line 1b Reason for not following policy regarding payment provisions for expenses	Health club membership subsidy/discount is a benefits program applicable to all employees and is documented in the benefit program documents. Dining club membership is specified in the written employment contract which was approved by the Compensation Committee.
Sch J, Part I, Line 1a	Part I, Line 1a Relevant information in regards to selections on 1a	Discounted or subsidized health club membership is available to all employees. Dining Club membership for President used for business purposes. All amounts included in taxable compensation. Applicable severance payments are reflected in Schedule J, Part II.

Schedule L
(Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Community Memorial Hospital of Menomonee Falls Inc

Employer identification number
39-0987025

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Riteway Bus Services	See Sch O	55,852	Transportation Services		No
(2) Carrie Fitzgerald Hart	See Sch O	144,068	Employment		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
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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 Community Memorial Hospital of Menomonee Falls Inc	Employer identification number 39-0987025
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Identifier	Return Reference	Explanation
	Schedule L - Part IV (b)	Carrie Fitzgerald Hart - Husband, Daniel Hart, is a directorRite way Bus Services - Entity more than 35% owned by Ron Bast, director

Identifier	Return Reference	Explanation
	Part VII - Section A 1a, Column B	Approximate hours per week spent working on related entities Petasnick - 55 hoursPollard - 6 hoursZorbini - 50 hoursFreiberg - 1 hourJacobson - 55 hoursO'Connell - 55 hoursPieters - 1 hourEllis - 1 hourTemplin - 1 hourBecker - 1 hourHart - 1 hourBast - 3 hours

Identifier	Return Reference	Explanation
	Part VII - Section A 1a Columns C-F	Individuals listed as 'former' but receiving compensation during the year is due to the fact the individual is still employed by the organization, but is no longer in the role of director, officer, key employee, etc in the current year, but was reported as such on the organization's 990 in the previous five years

Identifier	Return Reference	Explanation
	Part IX 24a Corporate Allocations	Froedtert Health allocates its revenues and expenses to Froedtert Memorial Lutheran Hospital, Community Memorial Hospital of Menomonee Falls, St Joseph's Community Hospital and West Bend Clinic. The allocation is calculated by applying an allocation metric to each accounting unit at Froedtert Health, including a flat percentage, percentage of gross revenue to total, percentage of supply expense to total, etc. Each entity then receives its portion of the Froedtert Health allocation on a monthly basis.

Identifier	Return Reference	Explanation
	Part IV, Line 24	Even though the liability is on the books of Community Memorial Hospital of Menemonee Falls, this question was answered no, as Schedule K will be completed on the Form 990 of the parent corporation, Froedtert Health, Inc

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 19	Form 990, Part VI, Line 19 Other Organization Documents Publicly Available	Governing Documents, COI Policy and Financial Statements are available to the public through the corporate office upon request

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 15b	Form 990, Part VI, Line 15b Compensation Review and Approval Process for Officers and Key Employees	In establishing the compensation of the organizations CEO/Directors/Top Management, independent compensation consultants are utilized, compensation studies are completed to gather comparative data, and amounts are reviewed and approved by the Compensation Committee of the Board of Directors

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 12c	Form 990, Part VI, Line 12c Explanation of Monitoring and Enforcement of Conflicts	On an annual basis all officers, directors, trustees, key employees are required to complete a conflict of interest disclosure statement. The data is compiled, and the Vice President-Chief Compliance Officer (CCO), the Vice-President-General Counsel and/or delegate will review all forms and notifications to determine if any conflicts of interest exist in the disclosure documents. If it is determined that a conflict of interest exists, then the person making the disclosure shall be relieved of his/her obligations on behalf of a Froedtert Health affiliate with respect to the transaction or arrangement that creates the conflict of interest. A report of all conflicts of interest will be made by the CCO at least annually to the Finance Committee of the Board of Directors.

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 11	Form 990, Part VI, Line 11 Form 990 Review Process	Froedtert Health accounting staff prepare Form 990 which is reviewed by the Corporation's financial leaders and legal counsel. The 990 is then reviewed by KPMG, the Corporation's outside accounting firm. Next, the 990 is provided to the Corporation's Finance Committee and Board of Directors. Finally, the 990 is filed as required.

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 7a	Form 990, Part VI, Line 7a How Members or Shareholders Elect Governing Body	Froedtert Health, Inc , as the member of Community Memorial Hospital of Menomonee Falls, has the final approval of election of all board members

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 6	Form 990, Part VI, Line 6 Explanation of Classes of Members or Shareholder	Froedtert Health, Inc is the member of Community Memorial Hospital of Menomonee Falls

SCHEDULE R
(Form 990)

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2010

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

► 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.

Name of the organization
Community Memorial Hospital of Menomonee Falls Inc

Employer identification number
39-0987025

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) West Bend Surgery Center LLC 1710 Vogt Drive West Bend, WI 53095 39-1954169	Surgical Services	WI			West Bend Clinic Inc
(2) Horizon Ventures Limited LLC W180 N8085 Town Hall Road Menomonee Falls, WI 53051 39-1855822	Lessor of Medical Office Building	WI	600,000		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
See Additional Data Table							

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) FHHP LLC 9200 W Wisconsin Ave Milwaukee, WI53226 45-2221564	Health Care	WI	na	n/a				No			No	
(2) Fitness Development Associates LLC 9200 W Wisconsin Avenue Milwaukee, WI53226 39-1936497	Real Estate	WI	NA					No			No	
(3) Milwaukee Center of Diagnostic Imaging 5775 Wayzata Boulevard Suite 400 St Louis Park, MN55416 41-1748361	Health Care	WI	NA					No			No	
(4) FMLH MCW Real Estate Ventures LLC 9200 W Wisconsin Avenue Milwaukee, WI53226 26-0629591	Real Estate	WI	na					No			No	

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) Progressive Physician Network Inc 9200 W Wisconsin Ave Milwaukee, WI53226 27-0367127	Management Services	WI	Froedtert Health Inc	C			
(2) Kettle Moraine Anesthesiology Inc PO Box 8031 Appleton, WI54912 14-1842439	Health Care	WI	West Bend Clinic Inc	C			
(3) Community Ventures of Menomonee Falls W180N8085 Town Hall Road Menomonee Falls, WI53051 39-1635059	Inactive	WI	NA	C			100 000 %

Part V

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

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

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

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

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

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

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

e Loans or loan guarantees by other organization(s)

f Sale of assets to other organization(s)

g Purchase of assets from other organization(s)

h Exchange of assets

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

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

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

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

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

n Sharing of paid employees

o Reimbursement paid to other organization for expenses

p Reimbursement paid by other organization for expenses

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

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

1a

No

1b

Yes

1c

Yes

1d

No

1e

No

1f

No

1g

No

1h

No

1i

Yes

1j

No

1k

No

1l

Yes

1m

Yes

1n

Yes

1o

Yes

1p

Yes

1q

Yes

1r

Yes

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

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

Schedule R (Form 990) 2010

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

[illegible]

Part VII **Supplemental Information**

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

Identifier	Return Reference	Explanation
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Software ID: 10000105

Software Version: 2010v3.2

EIN: 39-0987025

Name: Community Memorial Hospital of Menomonee Falls Inc

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512 (b)(13) controlled organization	
						Yes	No
Froedtert Physician Partners Inc 9200 W Wisconsin Ave Milwaukee, WI 53226 27-2042610	Health Care Services	WI	501(c)(3)	3	Froedtert Health Inc		No
QHS 1 Inc N74 W12501 Leatherwood Court Menomonee Falls, WI 530514480 20-2636686	Health Care Services	WI	501(c)(3)	Ln 11, Type 1	Froedtert Health Inc		No
Froedtert Hospital Foundation Inc 9200 West Wisconsin Avenue Milwaukee, WI 532263596 39-1431192	Health, Welfare, Research and Education Promotion	WI	501(c)(3)	Ln 11, Type 1	Froedtert Memorial Lutheran Hospital		No
St Josephs Community Foundation Inc 3200 Pleasant Valley Road West Bend, WI 530953686 39-2034296	Health and Welfare Promotion	WI	510(c)(3)	Ln 11, Type 1	St Josephs Community Hospital Inc		No
West Bend Clinic Inc 1700 W Paradise Drive West Bend, WI 53095 39-2034294	Health Care Services	WI	501(c)(3)	3	Froedtert Health Inc		No
St Josephs Community Hospital Inc 3200 Pleasant Valley Road West Bend, WI 530953868 39-0806302	Hospital Care Services	WI	501(c)(3)	3	Froedtert Health Inc		No
Froedtert Memorial Lutheran Hospital Inc 9200 West Wisconsin Avenue Milwaukee, WI 532263522 39-6105970	Hospital	WI	501(c)(3)	3	Froedtert Health Inc		No
Community Memorial Foundation W180 N8085 Town Hall Road Menomonee Falls, WI 53051 39-1635057	Health and Welfare promotion	WI	501(c)(3)	Ln 11, Type 1	Community Memorial Hospital of MF		No
Community Outpatient Health Services W180 N8085 Town Hall Road Menomonee Falls, WI 53051 39-1743056	Outpatient Medical and Dental Services	WI	501(c)(3)	3	Community Memorial Hospital of MF		No
Froedtert Health Inc 9200 West Wisconsin Avenue Milwaukee, WI 532263596 39-2014409	Management Services	WI	501(c)(3)	Ln 11, Type 1	NA		No

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidated Financial Statements and Schedules

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

FROEDTERT HEALTH, INC. AND AFFILIATES

Table of Contents

	Page
Independent Auditors' Report	1
Consolidated Balance Sheets, June 30, 2011 and 2010	2
Consolidated Statements of Operations, Years ended June 30, 2011 and 2010	3
Consolidated Statements of Changes in Net Assets, Years ended June 30, 2011 and 2010	4
Consolidated Statements of Cash Flows, Years ended June 30, 2011 and 2010	5
Notes to Consolidated Financial Statements	6
Schedules	
1 Consolidating Balance Sheet Information, June 30, 2011	40
2 Consolidating Statement of Operations Information, Year ended June 30, 2011	44
3 Consolidating Statement of Changes in Net Assets Information, Year ended June 30, 2011	48



KPMG LLP
Suite 1500
777 East Wisconsin Avenue
Milwaukee, WI 53202-5337

Independent Auditors' Report

The Board of Directors
Froedtert Health, Inc.:

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

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

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

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information included in schedules 1 through 3 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and changes in net assets of the individual corporations. The consolidating information has been subjected to the auditing procedures applied in the audit 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.

KPMG LLP

Milwaukee, Wisconsin
September 16, 2011

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidated Balance Sheets

June 30, 2011 and 2010

(In thousands)

Assets	2011	2010
Current assets:		
Cash and cash equivalents	\$ 68,723	44,255
Assets whose use is limited	3,555	3,603
Patient accounts receivable, net of estimated uncollectibles of \$37,928 in 2011 and \$28,961 in 2010	166,144	141,911
Other receivables	9,184	14,377
Inventories	21,123	20,187
Collateral held for securities loaned	284,917	213,302
Prepays and other	10,962	12,899
Total current assets	564,608	450,534
Investments	819,813	692,649
Assets whose use is limited or restricted	71,943	83,700
Investments in unconsolidated affiliates	27,560	23,411
Property, plant, and equipment, net	561,333	537,271
Deferred financing costs and other assets, net	34,671	45,634
Total assets	\$ 2,079,928	1,833,199
Liabilities and Net Assets		
Current liabilities:		
Current installments of long-term debt	\$ 8,571	8,458
Accounts payable	17,197	25,811
Accrued expenses	120,886	113,019
Payable under securities lending agreement	286,719	216,884
Estimated settlements to third-party payors	5,144	1,926
Total current liabilities	438,517	366,098
Long-term debt, less current installments	486,115	457,154
Other long-term liabilities	71,865	97,117
Total liabilities	996,497	920,369
Net assets:		
Unrestricted	1,070,507	903,831
Noncontrolling interest in consolidated joint venture	1,125	732
Total unrestricted	1,071,632	904,563
Temporarily restricted	11,431	6,379
Permanently restricted	368	1,888
Total net assets	1,083,431	912,830
Total liabilities and net assets	\$ 2,079,928	1,833,199

See accompanying notes to consolidated financial statements.

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidated Statements of Operations

Years ended June 30, 2011 and 2010

(In thousands)

	<u>2011</u>	<u>2010</u>
Revenues:		
Net patient service revenue	\$ 1,288,749	1,173,014
Other operating revenue	57,378	50,254
Total revenues	<u>1,346,127</u>	<u>1,223,268</u>
Expenses:		
Salaries	453,714	393,097
Fringe benefits	112,690	101,156
Supplies	234,202	223,462
Contract services	124,336	117,225
Medical education	59,736	56,953
Provision for bad debts	57,387	52,670
Depreciation and amortization	52,608	54,612
Interest	20,579	19,574
Other	188,140	154,979
Total expenses	<u>1,303,392</u>	<u>1,173,728</u>
Operating revenues in excess of expenses	<u>42,735</u>	<u>49,540</u>
Nonoperating gains and losses:		
Investment income	40,415	22,537
Change in net unrealized gains and losses on investments	66,292	45,443
Change in fair value of interest rate swaps	5,756	(11,306)
Gain (loss) on disposal of property, plant, and equipment	584	(422)
Loss on early extinguishment of debt	—	(959)
Total nonoperating gains and losses, net	<u>113,047</u>	<u>55,293</u>
Revenues and gains in excess of expenses and losses	155,782	104,833
Other changes in unrestricted net assets:		
Contributions and net assets released from restrictions for property, plant, and equipment	595	228
Change in accrued pension benefits other than net periodic benefit costs	10,257	(19,268)
Other	435	1,101
Increase in unrestricted net assets	<u>167,069</u>	<u>86,894</u>
Unrestricted net assets at beginning of year	<u>904,563</u>	<u>817,669</u>
Unrestricted net assets at end of year	<u>\$ 1,071,632</u>	<u>904,563</u>

See accompanying notes to consolidated financial statements.

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2011 and 2010

(In thousands)

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Balance, June 30, 2009	\$ 817,669	5,331	1,888	824,888
Revenues and gains in excess of expenses and losses	104,833	—	—	104,833
Change in net unrealized gains and losses on investments	—	284	—	284
Restricted contributions	—	962	—	962
Restricted investment gain	—	203	—	203
Net assets released from restrictions for operations	—	(438)	—	(438)
Contributions and net assets released from restrictions for property, plant, and equipment	228	(228)	—	—
Change in accrued pension benefits other than net periodic benefit costs	(19,268)	—	—	(19,268)
Other	1,101	265	—	1,366
Increase in net assets	86,894	1,048	—	87,942
Balance, June 30, 2010	904,563	6,379	1,888	912,830
Revenues and gains in excess of expenses and losses	155,782	—	—	155,782
Change in net unrealized gains and losses on investments	—	400	—	400
Restricted contributions	—	3,815	—	3,815
Restricted investment gain	—	279	—	279
Net assets released from restrictions for operations	—	(435)	—	(435)
Contributions and net assets released from restrictions for property, plant, and equipment	595	(595)	—	—
Change in accrued pension benefits other than net periodic benefit costs	10,257	—	—	10,257
Reclassification of net assets based upon donor intent	—	1,520	(1,520)	—
Other	435	68	—	503
Increase in net assets	167,069	5,052	(1,520)	170,601
Balance, June 30, 2011	\$ 1,071,632	11,431	368	1,083,431

See accompanying notes to consolidated financial statements

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended June 30, 2011 and 2010

(In thousands)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities and gains and losses		
Increase in net assets	\$ 170,601	87,942
Adjustments to reconcile increase in net assets to net cash provided by operating activities and gains and losses		
Depreciation and amortization	52,608	54,612
Provision for bad debts	57,387	52,670
(Gain) loss on disposal of property, plant, and equipment	(584)	422
Equity (gain) loss in unconsolidated affiliates	(2,064)	1,296
Restricted contributions	(3,815)	(962)
Realized and unrealized gains on investments, net	(86,569)	(51,185)
Change in fair value of interest rate swap agreements	(5,756)	11,306
Loss on early extinguishment of debt	—	959
Change in accrued pension benefits other than net periodic benefit costs	(10,257)	19,268
Changes in assets and liabilities		
Patient accounts receivable	(81,620)	(50,712)
Estimated settlements to third-party payors	3,218	(74)
Accounts payable and accrued expenses	(747)	11,692
Other receivables	5,193	6,284
Inventories	(936)	(2,395)
Other assets and liabilities	1,649	9
Net cash provided by operating activities and gains and losses	<u>98,308</u>	<u>141,132</u>
Cash flows from investing activities		
Net additions to property, plant, and equipment	(40,166)	(42,266)
Proceeds from sales of property, plant, and equipment	3,624	1,707
Purchases of investments and assets whose use is limited or restricted	(717,915)	(929,578)
Proceeds from sales or maturities of investments and assets whose use is limited or restricted	687,345	734,945
Additional capital contributions in unconsolidated affiliates	(2,085)	(50)
Payment for settlement of interest rate swap agreement	—	(5,410)
Net cash used in investing activities	<u>(69,197)</u>	<u>(240,652)</u>
Cash flows from financing activities		
Repayments of long-term debt	(8,458)	(111,180)
Payments for deferred financing costs	—	(2,229)
Proceeds from issuance of long term debt, net of bond premium	—	192,587
Restricted contributions	3,815	962
Net cash (used in) provided by financing activities	<u>(4,643)</u>	<u>80,140</u>
Net change in cash and cash equivalents	24,468	(19,380)
Cash and cash equivalents		
Beginning of year	<u>44,255</u>	<u>63,635</u>
End of year	<u>\$ 68,723</u>	<u>44,255</u>
Supplemental cash flow disclosure		
Capital lease commitment for building	\$ 38,000	—

See accompanying notes to consolidated financial statements

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

(1) Organization and Summary of Significant Accounting Policies

Froedtert Health, Inc. (FH), formerly known as Froedtert & Community Health, Inc., is a nonstock, not-for-profit corporation organized to support and carry out the missions of Froedtert Memorial Lutheran Hospital, Inc. (FMLH); Community Memorial Hospital of Menomonee Falls, Inc. (CMH); St. Joseph's Community Hospital of West Bend, Inc. (SJCH); West Bend Clinic, Inc. (WBC); Froedtert Physician Partners, Inc. (FPP); and Progressive Physician Network, Inc. (PPN). FH is the sole corporate member of FMLH, CMH, SJCH, WBC, FPP, and PPN.

FMLH owns and operates an acute care hospital with 655 approved beds (of which 499 are currently staffed), clinics, and related operations in Wauwatosa, Wisconsin. FMLH is the sole corporate member of Froedtert Hospital Foundation, Inc. (Froedtert Foundation). The purpose of Froedtert Foundation is to raise money and to accept contributions for the purpose of developing philanthropic support for FMLH. Froedtert Foundation solicits, allocates, and dispenses funds exclusively for the maintenance, benefit, and support of FMLH programs, services, education, and capital improvements in accordance with priorities set by the Froedtert Foundation's board of directors and donor restrictions. Froedtert Surgery Center, LLC (FSC) is a Wisconsin limited liability company created as a joint venture among FMLH, Medical College of Wisconsin (MCW), and Advanced Healthcare S.C. (Advanced) to provide ambulatory surgery services. FMLH has a 50% ownership in FSC.

CMH owns and operates an acute care hospital with 237 approved beds (of which 202 are currently staffed) in Menomonee Falls, Wisconsin. CMH is the sole corporate member of Community Memorial Foundation of Menomonee Falls, Inc. (Community Memorial Foundation), which is a supporting organization of CMH. CMH is also the sole corporate member of Community Outpatient Health Services of Menomonee Falls, Inc. (COHS) and Horizon Ventures Limited, LLC (HVL). The purpose of Community Memorial Foundation is to raise money and to accept contributions for the purpose of developing philanthropic support for CMH. Community Memorial Foundation solicits, allocates, and dispenses funds exclusively for the maintenance, benefit, and support of CMH programs, services, education, and capital improvements in accordance with priorities set by the Community Memorial Foundation's board of directors and donor restrictions. COHS is a primary care clinic for the indigent. HVL was a Wisconsin limited liability company created to establish cost-effective delivery structures in joint venture relationships with other healthcare organizations. HVL was dissolved during fiscal year 2011 and the assets and liabilities of HVL were transferred to CMH.

SJCH owns and operates an acute care hospital with 70 approved and staffed beds in West Bend, Wisconsin. SJCH is the sole corporate member of St. Joseph's Community Foundation, Inc. (SJCF). The purpose of St. Joseph's Foundation is to support SJCH and promote health and welfare of persons residing in Washington County, Wisconsin, and the areas served by SJCH and WBC. St. Joseph's Foundation receives gifts and bequests, raises funds for specific projects or needs, administers and invests funds, and disburses payments exclusively to further the mission and purposes of FH, SJCH, and WBC.

WBC operates multispecialty clinics and an outpatient surgery center in West Bend, Wisconsin, and other satellite clinics in surrounding communities. WBC is the sole corporate member of West Bend Surgery Center, LLC (WBSC).

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

FPP operates multispecialty clinics in Menomonee Falls, Wisconsin, and other satellite clinics in the surrounding communities. In September 2010, FPP completed a transaction to purchase from another health system certain physician practice assets for \$1,200 and employ approximately 50 physicians and 400 staff and other clinicians.

PPN is an independent practice association, which contracts with health plans and other third-party payors to arrange for the provision of healthcare services by its physician members. PPN serves to support a network of healthcare professionals engaged in developing reproducible clinical and administrative processes that clinically integrate such professionals in a manner which improves patient health, enhances patient experiences, and reduces or controls the cost of healthcare in such professionals' shared communities.

The accompanying consolidated financial statements include the accounts of FH, FMLH, Froedtert Foundation, FSC, CMH, Community Memorial Foundation, COHS, HVL, SJCH, St. Joseph's Foundation, WBC, WBSC, FPP, and PPN.

At June 30, 2011, FH, FMLH, Froedtert Foundation, CMH, Community Memorial Foundation, SJCH, St. Joseph's Foundation, and WBC are members of the obligated group (Obligated Group) for the purposes of the issuance of bonds through the Wisconsin Health and Educational Facilities Authority (WHEFA) (note 6). The Obligated Group consists only of the members mentioned above and excludes FSC, COHS, HVL, WBSC, PPN, and FPP. Total combined assets of FSC, COHS, HVL, WBSC, PPN, and FPP, which are not members of the Obligated Group, were approximately \$49,363 at June 30, 2011. Total combined net assets of the same entities were approximately \$29,578 at June 30, 2011 and total combined revenues and gains less than expenses and losses approximate \$(7,904) for the year ended June 30, 2011.

The significant accounting policies of FH are as follows:

(a) Principles of Consolidation

The consolidated financial statements of FH have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. All significant intercompany accounts and transactions have been eliminated in consolidation.

(b) Net Assets

Net assets are classified as either permanently or temporarily restricted when the use of the assets is limited by outside parties or as unrestricted net assets when outside parties place no restrictions on the use of the assets or when the assets arise as a result of the operations of FH.

Unconditional promises to give cash and other assets to FH are reported at fair value at the date the promise is received. Pledges receivable to be collected after one year are discounted using a risk-free interest rate. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as operating revenue in the consolidated statements of operations if restricted for

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

operating purposes and as an increase to unrestricted net assets if restricted to purchase property, plant, and equipment. Gifts for which donors have not stipulated restrictions, as well as contributions for which donors have stipulated restrictions that are met within the same reporting period, are reported as other operating revenue. FH's temporarily restricted net assets are restricted for future construction and specific operations of FMLH, CMH, SJCH, and WBC. The permanently restricted net assets are endowment funds held by Froedtert Foundation and St. Joseph's Foundation, the principal of which may not be expended. During 2011, certain donors clarified their intentions for previously recorded gifts. Such reclassified amounts are reported as reclassification of net assets based upon donor intent in the accompanying consolidated statements of changes in net assets.

Interpretation of Relevant Law Governing Endowments

Effective for the year ended June 30, 2010, FH adopted Accounting Standards Codification (ASC) No. 958-205, *Not-for-Profit Entities Presentation of Financial Statements*. ASC 958-205 provides guidance on the net asset classification of donor restricted endowment funds for not-for-profit organizations and requires additional disclosure about endowment funds.

In July 2009, Wisconsin passed Uniform Prudent Management of Institutional Funds Act (UPMIFA) legislation. UPMIFA eliminates the historical dollar value threshold, an amount below which an organization could not spend from the endowment, and replaces it with guidelines that constitute prudent spending with preservation of the endowment. UPMIFA requires the establishment of a spending policy, which may result in the value of the endowment dropping below the historical dollar value threshold.

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

Endowment Spending Policy

Froedtert Foundation has a policy of appropriating for distribution each year, a percentage as determined periodically by the Froedtert Foundation board of the average fair market value of the assets of the endowment as of June 30 of the preceding 12 quarters. Over the duration of the investments, the Foundation anticipates that when offset against inflationary factors, this method of investing will maintain the purchasing power of the endowment assets that are required to be held in perpetuity as well as to provide additional purchasing power through new contributions and investment returns.

Endowment Investment Policy

Froedtert Foundation attempts to provide a predictable stream of funding to support its endowments while seeking to maintain the purchasing power of the endowment assets. The endowment's assets are commingled with the investment assets of the Foundation and for investment purposes are invested in a manner determined by the FH Investment Committee and in accordance with the FH investment policy. In order to satisfy the long term rate of return of the investment policy and

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

objectives, FH relies on a total return strategy in which investment returns are achieved through both realized and unrealized gains and losses and interest and dividend income.

(c) *Assets Whose Use is Limited or Restricted*

Assets whose use is limited or restricted include assets set aside by management for executive compensation agreements and for program development and physician recruitment, assets held by trustees under debt agreements, and assets whose use is restricted by donors. Assets whose use is limited are reported as unrestricted net assets. Assets whose use is restricted by donors are reported as temporarily restricted or permanently restricted net assets.

(d) *Revenues and Gains in Excess of Expenses and Losses*

The consolidated statements of operations include revenues and gains in excess of expenses and losses. Transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenue and expenses. Transactions incidental to the provision of healthcare services are reported as gains and losses. Changes in unrestricted net assets that are excluded from revenues in excess of expenses and gains and losses, consistent with industry practice, include contributions of property, plant, and equipment (including assets acquired using contributions that by donor restrictions were to be used for the purpose of acquiring such assets) and changes in accrued pension benefits other than net periodic benefit costs.

(e) *Net Patient Service Revenue*

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

(f) *Investments and Investment Income*

Investments, including assets whose use is limited or restricted, with readily determinable fair values, are stated at fair value generally based upon quoted market prices. Short-term investments include money market accounts and fixed income securities. Money market accounts and fixed income securities purchased with a maturity at date of purchase of three months or less are included in cash and cash equivalents on the balance sheet. Fixed income securities purchased with a maturity at date of purchase greater than three months but less than twelve months are included in investments on the balance sheet. Realized gains and losses, interest and dividends on short-term investments, and interest and dividends on funds held under debt agreements, to the extent not capitalized, are classified as other operating revenue in the statements of operations. Realized gains and losses, unrealized gains and losses on trading securities, and interest and dividends on long-term investments are classified as nonoperating gains and losses in the statements of operations. Unrealized gains and losses are included in revenues in excess of expenses and gains and losses as management considers all investments to be trading securities.

FH invests in various investment securities including mutual funds, U.S. government securities, corporate debt instruments, and common stocks. Investment securities are exposed to various risks,

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of FH's investments could occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Investments in joint ventures in which 20% to 50% interest is held are accounted for using the equity method of accounting. Investments in joint ventures with less than a 20% interest and for which FH does not exercise significant control are accounted for using the cost method. Investments in which greater than 50% interest is held are consolidated with the recording of noncontrolling interest in consolidated joint venture in net assets.

(g) *Inventories*

Inventories are stated at cost, which is not in excess of market value.

(h) *Property, Plant, and Equipment*

Property, plant, and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives. Buildings and equipment under capital leases are recorded at the net present value of future minimum lease payments. Equipment under capital leases and leasehold improvements are amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment or leasehold improvements.

Gifts of long-lived assets with explicit restrictions by donors that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

(i) *Long-Lived Assets*

FH periodically assesses the recoverability of long-lived assets (including property, plant, and equipment and intangibles) when indications of potential impairment, based on estimated, undiscounted future cash flows, exist. Management considers such factors as current results, trends, and future prospects, in addition to other economic factors, in determining whether there is an impairment of the asset. FH does not believe that there are any factors or circumstances indicating impairment of its long-lived assets for the years ended June 30, 2011 and 2010.

(j) *Costs of Borrowing*

Expenses incurred on the issuance of fixed rate long-term debt and the original issue premium or discount are deferred and amortized using the declining-balance method over the term of the debt. Expenses incurred on the issuance of variable rate debt are deferred and amortized using the straight-line method over the term of the underlying letter of credit for each issue.

Net interest costs incurred on borrowed funds during the period of construction are capitalized as a component of the cost of significant construction projects.

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

(k) Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include highly liquid investments purchased with a maturity at date of purchase of three months or less, excluding assets whose use is limited or restricted.

(l) Income Taxes

FH and its affiliates, except HVL, FSC, WBSC, and PPN are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. HVL, FSC, and WBSC are limited liability companies and are treated as partnerships for income tax purposes. Income and losses are passed through to their members. PPN is a nonstock corporation and earnings are subject to income tax.

FH applies ASC No. 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements. ASC No. 740 prescribes a more-likely than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken. Under ASC No. 740, tax positions are evaluated for recognition, derecognition, and measurement using consistent criteria and provide more information about the uncertainty in income tax assets and liabilities. As of June 30, 2011 and 2010, FH does not have an asset or liability recorded for unrecognized tax benefits.

(m) Derivative Instruments

FH accounts for derivatives and hedging activities in accordance with ASC No. 815, *Derivatives and Hedging*, which requires that all derivatives instruments be recorded as either assets or liabilities in the consolidated balance sheets at their respective fair values.

For hedging relationships, FH formally documents the hedging relationship and its risk management objective and strategy for undertaking the hedge, the hedging instrument, the item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed, and a description of the method of measuring ineffectiveness. This process includes linking all derivatives that are designated as cash-flow hedges to specific assets and liabilities in the consolidated balance sheets.

Effective in fiscal year 2009, FH discontinued hedge accounting prospectively for its outstanding interest rate swap agreements as management determined that designation of the derivatives as hedging instruments was no longer appropriate given overall credit market and interest rate conditions. FH continues to carry all of its derivatives at fair value and recognizes changes in their fair value as nonoperating gains and losses in the consolidated statements of operations.

(n) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(o) Reclassifications

Certain 2010 amounts have been reclassified to conform to the 2011 consolidated financial statement presentation, including a reclassification of realized gains on investments, net in the consolidated statement of cash flows that decreases operating activities and increases investing activities by \$5,742.

(p) New Accounting Pronouncements

In 2011, FH adopted guidance under ASC No. 810, *Consolidation*, for the presentation of noncontrolling interests, reporting it as a separate component of net assets and including a schedule reconciling beginning and ending balances of controlling and noncontrolling interests of net assets in the notes to the consolidated financial statements. The adoption of the guidance required a prior year reclassification of noncontrolling interest, but did not have a material impact on FH's consolidated financial statements.

In January 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-06, *Improving Disclosures about Fair Value Measurements* (ASU No. 2010-06). ASU No. 2010-06 amends ASC Subtopic 820-10, *Fair Value Measurements and Disclosure*, to provide additional disclosure requirements for transfers in and out of Levels 1 and 2 and for activity in Level 3 and to clarify certain other existing disclosure requirements. FH implemented ASU No. 2010-06 for the year ended June 30, 2011, except for the separate disclosures about Level 3 activities that will be effective for the year ending June 30, 2012.

In August 2010, the FASB issued ASU No. 2010-23, *Measuring Charity Care for Disclosure* (ASU No. 2010-23). ASU No. 2010-23 amends ASC Subtopic 954-605, *Revenue Recognition*, to require all organizations to use cost as the measurement basis for charity care disclosure requirements, and is effective for the year ending June 30, 2012.

In August 2010, the FASB issued ASU No. 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries* (ASU No. 2010-24). ASU No. 2010-24 clarifies that a healthcare entity should not net insurance recoveries against a related malpractice claim liability or similar liability, which is consistent with the guidance in Subtopic 210-20, *Balance Sheet - Offsetting*. The provisions of ASU No. 2010-24 are effective for the year ending June 30, 2012.

In July 2011, the FASB issued ASU No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Healthcare Entities* (ASU No. 2011-07). ASU No. 2011-07 requires certain healthcare entities to record the provision for bad debts associated with patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) and is effective for the year ending June 30, 2013, with early adoption permitted.

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

(2) Fair Value Measurements

FH applies the provisions of ASC No. 820, *Fair Value Measurements and Disclosures*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date. These provisions describe a fair value hierarchy that includes three levels of inputs to be used to measure fair value. The three levels are defined as follows as interpreted for use by FH:

- Level 1 – Inputs into fair value methodology are based on quoted market prices in active markets.
- Level 2 – Inputs into the fair value methodology are based on quoted prices for similar items, broker/dealer quotes, or models using market interest rates or yield curves. The inputs are generally seen as observable in active markets for similar items for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.
- Level 3 – Inputs into the fair value methodology are unobservable and significant to the fair value measurement.

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

- The carrying amount reported in the consolidated balance sheets for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, patient and other receivables, accounts payable, accrued expenses, and estimated settlements to third-party payors.
- Assets limited as to use, collateral held for securities loaned, and long term investments: common stocks, mutual funds, U.S. Treasury obligations, U.S. government agencies, and corporate bonds and notes are measured using quoted market prices; other observable inputs such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets at the reporting date multiplied by the quantity held. The carrying value equals fair value.
- Interest rate swaps: The fair value of interest rate swaps is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The value was determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and FH. The carrying value equals fair value.
- Fair value of total long-term debt was approximately \$495,371 and \$470,022 at June 30, 2011 and 2010, respectively, and is based upon borrowing rates currently available to FH for similar terms and average maturities.

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

The following table represents assets and liabilities that are measured at fair value on a recurring basis at June 30, 2011:

		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Total			
Assets:				
Cash and cash equivalents	\$ 68,723	62,348	6,375	—
Collateral held for securities loaned	284,917	126,845	158,072	—
Investments, excluding interest receivable of \$3,250:				
U.S. government securities	235,154	—	235,154	—
Marketable equity securities	325,340	325,340	—	—
Fixed income securities	227,098	—	227,098	—
Money market funds	28,971	—	28,971	—
Assets whose use is limited or restricted, excluding interest receivable of \$89:				
Cash and cash equivalents	11,942	10,889	1,053	—
U.S. government securities	6,729	—	6,729	—
Marketable equity securities	13,212	13,212	—	—
Fixed income securities	30,007	—	30,007	—
Money market funds and mutual funds	9,963	4,787	5,176	—
Other	2,226	—	924	1,302
Total assets	\$ 1,244,282	543,421	699,559	1,302
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Total			
Liabilities:				
Interest rate swap agreements	\$ 18,570	—	18,570	—
Total liabilities	\$ 18,570	—	18,570	—

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

The following table is a rollforward of assets whose use is limited that were classified by FH within Level 3 of the fair value hierarchy as defined above:

Fair value at June 30, 2010	\$	1,257
Gains/losses and investment income, net		165
Purchases, issuances, and write-offs, net		(120)
Transfers in and out of Level 3, net		—
Fair value at June 30, 2011	\$	<u>1,302</u>

The following table represents assets and liabilities that are measured at fair value on a recurring basis at June 30, 2010:

	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Assets:				
Cash and cash equivalents	\$ 44,255	32,728	11,527	—
Collateral held for securities loaned	213,302	70,560	142,742	—
Investments, excluding interest receivable of \$2,996:				
U.S. government securities	254,865	—	254,865	—
Marketable equity securities	243,928	243,928	—	—
Fixed income securities	150,930	—	150,930	—
Money market funds	39,930	—	39,930	—
Assets whose use is limited or restricted, excluding interest receivable of \$91:				
Cash and cash equivalents	16,614	15,569	1,045	—
U.S. government securities	8,296	—	8,296	—
Marketable equity securities	10,664	10,664	—	—
Fixed income securities	36,890	—	36,890	—
Money market funds and mutual funds	13,105	3,306	9,799	—
Other	1,285	—	28	1,257
Total assets	<u>\$ 1,034,064</u>	<u>376,755</u>	<u>656,052</u>	<u>1,257</u>

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Liabilities:				
Interest rate swap agreements	\$ <u>24,325</u>	<u>—</u>	<u>24,325</u>	<u>—</u>
Total liabilities	\$ <u>24,325</u>	<u>—</u>	<u>24,325</u>	<u>—</u>

The following table is a rollforward of assets whose use is limited that were classified by FH within Level 3 of the fair value hierarchy as defined above:

Fair value at June 30, 2009	\$ 1,277
Gains/losses and investment income, net	123
Purchases, issuances, and write-offs, net	175
Transfers in and out of Level 3, net	<u>(318)</u>
Fair value at June 30, 2010	\$ <u>1,257</u>

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

(3) Investments and Assets Whose Use is Limited or Restricted

Investments and assets whose use is limited or restricted are summarized as follows:

	June 30	
	2011	2010
At fair value:		
U.S. government securities	\$ 235,154	254,865
Marketable equity securities	325,340	243,928
Fixed income securities	227,098	150,930
Money market funds	28,971	39,930
Total investments at fair value	816,563	689,653
At cost:		
Interest receivable	3,250	2,996
Total investments	\$ 819,813	692,649
At fair value:		
Cash and cash equivalents	\$ 11,942	16,614
U.S. government securities	6,729	8,296
Marketable equity securities	13,212	10,664
Fixed income securities	30,007	36,890
Money market funds and mutual funds	9,963	13,105
Other	2,226	1,285
Total assets whose use is limited at fair value	74,079	86,854
At cost:		
Interest receivable	89	91
Pledges receivable	1,330	358
Total assets whose use is limited or restricted	\$ 75,498	87,303

Assets whose use is limited or restricted are summarized as follows:

	June 30	
	2011	2010
Assets whose use is limited or restricted:		
Under debt agreements (note 6)	\$ 32,717	45,601
By management:		
For executive compensation agreements	12,941	13,174
For program development and physician recruitment	10,000	10,000
By donors	18,494	17,238
Other	1,346	1,290
Total assets whose use is limited or restricted	\$ 75,498	87,303

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

Assets whose use is limited or restricted are classified as current assets to the extent they are available to meet current liabilities.

The composition of investment return on FH's cash and cash equivalents, investments, and assets whose use is limited or restricted is as follows:

	Year ended June 30	
	2011	2010
Included in other operating revenue:		
Interest and dividends on funds held under debt agreements and cash and cash equivalents	\$ 1,118	1,599
Net realized gains on funds held under debt agreements and cash and cash equivalents	2	42
Included in nonoperating gains and losses:		
Interest and dividends on investments and funds held under debt agreements	20,138	16,795
Realized gains on investments	20,277	5,742
Change in net unrealized gains and losses on investments	66,292	45,443
Change in fair value of interest rate swaps	5,756	(11,306)
Temporarily and permanently restricted net assets:		
Restricted investment income	279	203
Change in net unrealized gains and losses on investments	400	284
Total investment return	\$ 114,262	58,802

FH has entered into a securities lending agreement with a financial institution whereby fixed income and equity securities are loaned to third parties in exchange for cash collateral that exceeds the market value of the securities loaned. Collateral is marked to market daily to reflect changes in fair value of the securities loaned. FH invests the cash collateral in short-term investments. The fair market value of the securities loaned under this arrangement was approximately \$279,647 and \$212,445 at June 30, 2011 and 2010, respectively. The fair market value of the collateral received under this arrangement was approximately \$284,917 and \$213,302 at June 30, 2011 and 2010, respectively. Unrealized gains on the invested collateral were approximately \$1,778 and \$7,688 for the years ended June 30, 2011 and 2010, respectively, and are included as nonoperating gains and losses on the consolidated statements of the operations. The fair value of collateral was 101.9% and 100.4% of the fair value of securities loaned at June 30, 2011 and 2010, respectively.

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

(4) Property, Plant, and Equipment

Property, plant, and equipment are summarized as follows:

	June 30	
	2011	2010
Land and land improvements	\$ 16,351	16,513
Leasehold improvements	66,391	57,314
Buildings	488,082	489,690
Fixed equipment	107,362	103,021
Movable equipment	325,066	309,105
Construction in progress	51,182	14,570
Total property, plant, and equipment	1,054,434	990,213
Less accumulated depreciation and amortization	493,101	452,942
Property, plant, and equipment, net	\$ 561,333	537,271

Construction in progress at June 30, 2011 and 2010 relates to various software projects, construction of a cancer center at SJCH, and various other renovation projects at hospital and clinics campuses. Contractually committed costs for renovation and software projects totaled approximately \$27,384 at June 30, 2011. Capitalized interest costs were approximately \$1,346 and \$1,082 for the years ended June 30, 2011 and 2010, respectively.

(5) Land Lease Agreement

In 1980, FMLH entered into a land lease agreement with Milwaukee County to lease the land on which the hospital resides. The lease terms are for FMLH to pay one dollar annually through 2030, and a mutually agreed-upon amount in years 2031 through 2079. If the parties cannot mutually agree upon an amount, the annual rent will be determined as fair market value of the leased land times 10%. In December 1995, FMLH purchased certain assets of John L. Doyne Hospital (Doyne). As part of the purchase, FMLH entered into an amendment to the original land lease agreement to include the land previously used by Doyne. The lease payments on the new land lease are calculated as one dollar plus 5.25% of FMLH's annual operating cash flow, as defined in the agreement, for each of the years through 2020 and one dollar annually in years 2021 to 2079. The lease agreements are accounted for as operating leases. Lease expense has been recognized in accordance with the terms of the lease agreements amounting to \$8,607 and \$5,810 for the years ended June 30, 2011 and 2010, respectively. Cumulative amounts recognized under the lease agreements since the leases' inception in 1995 approximate \$63,198 through June 30, 2011. Payments under the lease agreements are made in the year subsequent to the year in which they relate.

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

(6) Long-Term Debt

Long-term debt is summarized as follows:

	June 30	
	2011	2010
Revenue bonds, Series 2001 – due in sinking fund installments annually, plus interest each year through 2030, ranging from 4.50% to 5.70% (effective rate of 5.23% and 5.30% for the years ended June 30, 2011 and 2010, respectively)	\$ 10,210	12,280
Revenue bonds, Series 2003 – due in sinking fund installments ranging from \$535 to \$4,690, plus interest each year through 2032, ranging from 5.75% to 6.00% (effective rate of 5.96% and 6.00% for the years ended June 30, 2011 and 2010, respectively)	47,620	48,155
Revenue bonds, Series 2005A – due in 2016 (effective rate of 5.35% and 4.20% for the years ended June 30, 2011 and 2010, respectively)	424	424
Revenue bonds, Series 2009A – annual principal payments range from \$1,290 in 2012 to \$9,535 in 2035. Interest rates variable based on market conditions (0.07% and 0.20% at June 30, 2011 and 2010, respectively, effective rate of interest 3.38% in 2011 and 3.36% in 2010)	93,590	94,050
Revenue bonds, Series 2009B – annual principal payments range from \$1,285 in 2012 to \$9,535 in 2035. Interest rates variable based on market conditions (0.04% and 0.13% at June 30, 2011 and 2010, respectively, effective rate of interest 3.34% in 2011 and 3.35% in 2010)	93,585	94,050
Revenue bonds, Series 2009C – annual principal payments range from \$2,835 in 2012 to \$22,885 in 2039, plus interest each year through 2039. Interest rates range from 4.00% to 5.25% (effective rate of interest of 5.09% in 2011 and 5.07% in 2010)	182,390	186,735
Capital lease obligations	62,819	25,039
Other	1,156	1,829
Total debt	491,794	462,562
Less:		
Current installments of long-term debt	8,571	8,458
Unamortized bond premium, net	(2,892)	(3,050)
Total long-term debt	\$ 486,115	457,154

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

On October 22, 2009, WHEFA issued \$187,390 of Series 2009C revenue bonds on behalf of the Obligated Group. The proceeds from the Series 2009C Bonds were used to refund the Series 2005 and 2005D bonds and to finance certain of the Obligated Groups projects. The refunding resulted in a loss on early extinguishment of debt of approximately \$959, which is included in nonoperating gains and losses in the 2010 consolidated statement of operations. Pursuant to the terms of the bond trust indentures, each obligated Group member is jointly and severally liable for the guaranty of principal and interest on the revenue bonds issued by WHEFA on behalf of the Obligated Group.

Under the terms of the Series 2001 and 2003 bond trust indentures and subsequent supplements to the indentures, CMH and SJCH are required to maintain certain deposits with a trustee. Such deposits are included with assets whose use is limited in the consolidated balance sheets (note 3). The Master Trust Indenture related to the Series 2003, 2005A, and 2009C and the reimbursement agreements related to the 2009A and 2009B bonds also place limits on the incurrence of additional borrowings and requires that the Obligated Group satisfy certain measures of financial performance as long as the bonds are outstanding.

The variable rate 2009A and 2009B Series bonds are backed by letters of credit expiring in February 2015. The bonds have put options that allow the holders to redeem the bonds prior to maturity. FH has an agreement with an underwriter to remarket any bonds redeemed as a result of the exercise of put options. If the bonds cannot be remarketed, the bank will draw on the letter of credit to purchase the bonds. The bank, pursuant to a reimbursement agreement, will demand payment from FH under an accelerated payment schedule for these purchased bonds, as shown in the table below.

The Series 2009A and 2009B bonds have variable interest rates with a maximum interest rate of 10%.

The Series 2009C bond trust indenture (the Indenture), subsequent supplements to the Indenture, and the reimbursement agreements related to the 2009A and 2009B bonds place limits on the incurrence of additional borrowings and requires that the Obligated Group satisfy certain measures of financial performance as long as the bonds are outstanding.

Cash payments for interest, net of amounts capitalized, were approximately \$19,849 and \$15,482 for the years ended June 30, 2011 and 2010, respectively.

Maturities on long-term debt and capital lease obligations if variable rate demand note principal payments are accelerated pursuant to the bank reimbursement agreement for each of the next five years and thereafter as follows:

2012	\$	8,571
2013		10,183
2014		11,961
2015		175,278
2016		5,841
Thereafter		279,960
	\$	<u>491,794</u>

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

Scheduled principal maturities on long-term debt and capital lease obligations for each of the next five years and thereafter are as follows:

2012	\$	8,571
2013		7,554
2014		9,777
2015		9,551
2016		11,131
Thereafter		445,210
	\$	<u>491,794</u>

FH has entered into capital leases for certain medical office space through the year 2032. The capital lease obligations were \$62,819 and \$25,000 at June 30, 2011 and 2010, respectively.

Future minimum lease payments under capital leases at June 30, 2011 are as follows:

2012	\$	2,962
2013		4,529
2014		6,567
2015		6,662
2016		6,795
Thereafter		111,673
Total minimum lease payments		<u>139,188</u>
Less amounts representing interest ranging from 7.56% to 11.17%		<u>76,369</u>
Present value of net minimum lease payments	\$	<u>62,819</u>

(7) Derivative Instruments and Hedging Activities

The derivative instruments used by FH are interest rate swap agreements that are used to convert variable rate interest on the long-term debt to fixed rate interest. The variable interest rate on the debt generally exposes FH to variability in cash flow in rising or declining interest rate environments. In converting variable rate interest to a fixed rate, the interest rate swap effectively reduces the variability of the cash flow of the debt.

(a) Objectives and Strategies

FH, at times, uses variable rate debt to finance its operations. The debt obligations expose FH to variability in interest payments due to changes in interest rates. Management believes that it is prudent to limit the variability of a portion of its interest payments. To meet this objective,

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

management entered into interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk.

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

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

(b) Risk Management Policies

FH assesses interest rate risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. FH maintains risk management control systems to monitor interest rate risk attributable to both the outstanding or forecasted debt obligations, as well as the offsetting hedge positions. The risk management control systems involve the use of analytical techniques, including cash flow sensitivity analysis, to estimate the expected impact of changes in interest rates on future cash flows.

FH does not use derivative instruments for speculative investment purposes.

(c) Transactions

Consistent with the objectives set forth above, the Obligated Group entered into interest rate swap agreements matched to its Series 2005D, 2009A, and 2009B revenue bonds. Under the terms of the interest rate swap agreements, the Obligated Group pays a fixed rate on the bonds and receives a variable rate of interest equal to 68% of the one-month (2005D) or three-month (2009A and 2009B) LIBOR index, reset weekly.

During fiscal year 2010, the Obligated Group terminated the 2005D interest rate swap with a termination payment of \$5,410. Upon termination, FH recorded a loss of \$1,109 in nonoperating gains and losses representing the change in fair value of the interest rate swap between June 30, 2009, and the date the swap was terminated.

The fair value of the interest rate swaps of approximately \$(18,570) and \$(24,325) is included in other long-term liabilities in the consolidated balance sheets at June 30, 2011 and 2010, respectively.

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

The interest rate swap agreements for the Obligated Group at June 30, 2011 consist of the following:

Type	Notional amount	Maturity date	Fixed pay rate	Variable pay rates at June 30,	
				2011	2010
2009A bonds	\$ 93,590,000	April 1, 2035	3.366	0.169	0.366
2009B bonds	93,585,000	April 1, 2035	3.366	0.169	0.366

Cash paid for monthly settlement under the interest rate swap agreements was \$5,919 and \$6,606 and is included within interest expense in the consolidated statements of operations. No cash was received under the interest rate swaps agreements during the years ended June 30, 2011 and 2010. There was no collateral required under the swap agreements as of June 30, 2011 and 2010 as the fair value of the agreements did not exceed \$25,000.

(8) Net Patient Service Revenue

A summary of the basis of reimbursement with major third-party payors follows:

Medicare – Inpatient acute care, most outpatient, and defined capital costs for services rendered to Medicare beneficiaries are paid at prospectively determined rates per case. These rates vary according to a payment classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services, medical education, and certain organ acquisition costs related to Medicare beneficiaries are paid based upon cost reimbursement methods, established fee screens, or a combination thereof. FMLH, CMH, and SJCH are reimbursed for cost reimbursement items at tentative rates with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The FMLH and CMH cost reports have been audited by the Medicare fiscal intermediary through December 31, 2006. The June 30, 2007 and June 30, 2009 SJH cost reports have been audited by the Medicare fiscal intermediary.

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed primarily based upon prospectively determined rates.

During 2009, the Economic Recovery Act was signed into Wisconsin law. The law includes a tax assessment on hospital revenues. During 2010, a tax assessment on ambulatory surgery center revenues was added. Funds collected under the tax are used to increase federal funding for the Wisconsin Medicaid program. FH recognized approximately \$48,466 and \$43,287 of increased Medicaid reimbursement and approximately \$31,375 and \$29,528 of tax expense as a result of the new law for the years ended June 30, 2011 and 2010, respectively. The increased Medicaid reimbursement and tax assessment expense are recorded in net patient service revenue and other expense, respectively, in the 2011 and 2010 consolidated statements of operations.

There are various other proposals at the federal and state levels that could, among other things, reduce reimbursement rates, modify reimbursement methods, or increase managed care penetration, including Medicare and Medicaid. The ultimate outcome of these proposals and other market changes cannot presently be determined.

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

The percentage of net patient service revenue applicable to services provided to Medicare and Medicaid, patients was approximately 38% and 37% for the years ended June 30, 2011 and 2010, respectively. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the near term. FH believes it is in compliance, in all material respects, with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations may be subject to future government review and interpretation. Noncompliance with such laws and regulations could result in repayments of amounts improperly reimbursed, substantial monetary fines, civil and criminal penalties, and exclusion from the Medicare and Medicaid programs.

In 2011 and 2010, FH received notices from the Medicare program requiring that they provide Medicare with documentation for claims to carry out the Recovery Audit Contract (RAC) program. FH is responding to these requests. Review of claims through the RAC program may result in a liability to the Medicare program and could have an adverse impact on FH's net patient service revenues. No amounts have been accrued as of June 30, 2011 and 2010 related to RAC program reviews.

FH, FMLH, CMH, SJCH, WBC, and FPP also have entered into reimbursement agreements with certain commercial insurance carriers and managed care organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

For the years ended June 30, 2011 and 2010, the consolidated statements of operations include approximately \$1,563 and \$5,327, respectively, as a decrease in net patient service revenue for changes in prior year estimates related to third-party contractual allowances and retroactive settlements with third-party payors.

(9) Concentration of Credit Risk

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

	June 30	
	2011	2010
Medicare	18%	16%
Medicaid	4	4
Managed care/contracted payor	52	53
Self-pay	20	22
Other	6	5
	100%	100%

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

(10) Charity Care

FH provides uncompensated care based on the cost of providing care to patients, in accordance with established policies. FH provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because FH does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amount of cost incurred for services and supplies furnished under FH's charity care policy was \$16,776 and \$10,870 for the years ended June 30, 2011 and 2010, respectively.

(11) Related Organizations and Other Significant Transactions

(a) *Unconsolidated Affiliates*

United/Dynacare, LLC is an independent diagnostic services provider of which FH has a 50% ownership interest. The investment in United/Dynacare, LLC of approximately \$11,384 and \$9,178 at June 30, 2011 and 2010, respectively, is included in investments in unconsolidated affiliates on the consolidated balance sheets. FH purchased services of approximately \$42,581 and \$38,666 from United/Dynacare, LLC for the years ended June 30, 2011 and 2010, respectively, which are included in contract services in the consolidated statements of operations.

Until September 30, 2009, FH had a 45% ownership interest in a joint venture, Wisconsin Renal Care Group, LLC (WRCG), with an unrelated party. Effective September 30, 2009, FH sold 10% of WRCG to MCW, leaving FH with 35% interest in WRCG. The investment in WRCG of approximately \$2,332 and \$2,438 at June 30, 2011 and 2010, respectively, is included in investments in unconsolidated affiliates on the consolidated balance sheets.

Menomonee Falls Ambulatory Surgery Center (MFASC) is a limited liability partnership formed to construct and operate an ambulatory surgery center on CMH's campus. Until June 2011, the partnership was between CMH and two nonaffiliated clinics, and CMH had a 15% interest in the equity and net income or loss of MFASC. Effective in June 2011, one of the unaffiliated clinics sold 35% of MFASC to CMH, leaving CMH with a 50% interest in MFASC. CMH's investment in MFASC was \$2,290 and \$575 at June 30, 2011 and 2010, respectively, included in investments in unconsolidated affiliates on the consolidated balance sheets.

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

The following represents summary financial data (unaudited) for all unconsolidated affiliates, including those described above:

	2011	2010
Current assets	\$ 44,287	38,322
Current liabilities	15,820	16,330
Working capital	28,467	21,992
Property and equipment, net	41,875	39,374
Other long-term assets	19,780	20,188
Long-term liabilities	23,660	24,042
Net assets	\$ 66,462	57,512
Revenues	\$ 160,844	157,657
Expenses	123,672	127,605
Excess of revenues over expenses	\$ 37,172	30,052

(b) United Hospital System, Inc.

FMLH entered into a membership and affiliation agreement with United Hospital System, Inc. (UHS), a not-for-profit corporation located in Kenosha, Wisconsin, in 2001 for the purpose of integrating activities in order to benefit the patients and communities served. FMLH records its investment in UHS of \$15,000 under the cost basis. The investment in UHS is noninterest bearing and unsecured. The investment is included in deferred financing costs and other assets on the consolidated balance sheets.

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

(c) Noncontrolling Interest in Consolidated Joint Venture

Changes in unrestricted net assets attributable to FH and to noncontrolling interest in consolidated joint venture for June 30 are as follows:

	Total	Controlling interest	Non controlling interest
Balance June 30, 2009	\$ 817,669	817,054	615
Revenues and gains in excess of expenses and losses	104,833	104,716	117
Contributions and net assets released from restrictions for property, plant, and equipment	228	228	—
Change in accrued pension benefits other than net periodic benefit costs	(19,268)	(19,268)	—
Other	1,101	1,101	—
Changes in net assets	86,894	86,777	117
Balance June 30, 2010	\$ 904,563	903,831	732
Revenues and gains in excess of expenses and losses	155,782	155,389	393
Contributions and net assets released from restrictions for property, plant, and equipment	595	595	—
Change in accrued pension benefits other than net periodic benefit costs	10,257	10,257	—
Other	435	435	—
Changes in net assets	167,069	166,676	393
Balance June 30, 2011	\$ 1,071,632	1,070,507	1,125

(12) Employee Benefit Plans

(a) Defined Contribution Plans

FMLH previously sponsored a defined contribution pension plan and a 403(b) thrift plan covering substantially all FMLH employees, which were frozen effective as of December 31, 2007.

Community Health Care Services of Menomonee Falls, Inc. (CHCS) previously sponsored a 403(b) thrift plan and a 401(a) plan, which were frozen effective as of December 31, 2007. Sponsorship of the CHCS 401(a) plan was transferred to FH and as of February 25, 2010 renamed the Froedtert & Community Health, Inc. Retirement Plan (F&CH Retirement Plan).

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

FH created a new 403(b) plan, the Froedtert & Community Health, Inc. 403(b) Plan (F&CH 403(b)) covering the employees of FH, FMLH, and CMH effective January 1, 2008, employees of SJCH and WBC effective January 1, 2010, and employees of FPP effective September 3, 2010. The F&CH 403(b) plan provides a nonelective employer contribution, which varies based on employee's service from 3% of pay for employees with less than 10 years of service to 5% of pay for employees with 26 or more years of service. The nonelective employer contribution is also provided for those employees that no longer qualify for future service in the CMH defined benefit plan. It also provides a matching employer contribution of 50% of the first 5% of pay deferred by an employee. FH's contributions to these plans are made annually. FH's pension expense for the plan was approximately \$19,312 and \$15,332 for the years ended June 30, 2011 and 2010, respectively.

SJCH had an elective tax-sheltered annuity program to provide retirement benefits to its employees. SJCH contributed 1.5 times each participating employee's contribution up to 4% or 6% of his or her annual earnings based upon job categories. Effective December 31, 2009 participation in the plan was frozen, and effective January 1, 2010 the plan merged into the F&CH 403(b) plan. Total retirement expense for the plan was approximately \$0 and \$553 for the years ended June 30, 2011 and 2010, respectively.

WBC sponsored a defined contribution plan covering substantially all of its employees. Contributions to the plan were based on employee contributions and employer-matching contributions and discretionary additional contributions made by WBC. Effective December 31, 2009 the plan was frozen, and assets were subsequently transferred to the F&CH Retirement Plan. Total retirement expense for the plan was approximately \$0 and \$362 for the years ended June 30, 2011 and 2010, respectively.

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

(b) Defined Benefit Plans

FMLH has a defined benefit plan (the FMLH Plan) that covers certain former Milwaukee County employees who became employees of FMLH. FMLH and United/Dynacare, LLC are responsible for funding 10% of the FMLH Plan, with Milwaukee County funding 90%. FMLH has recorded the difference between the projected benefit obligation and the fair market value of plan. There is a corresponding long-term receivable from United/Dynacare, LLC and Milwaukee County for their portion of the unfunded projected benefit obligation of \$11,992 and \$17,522 at June 30, 2011 and 2010, respectively, included in deferred financing costs and other assets, net in the consolidated balance sheets. FMLH's pension expense for the FMLH Plan was approximately \$1,105 and \$1,041 for the years ended June 30, 2011 and 2010, respectively.

		2011	2010
Change in pension benefit obligation:			
Pension benefit obligation at beginning of year	\$	52,065	41,661
Service cost		1,098	973
Interest cost		2,792	2,814
Actuarial (loss) gain		(2,192)	8,094
Expenses paid		(282)	(232)
Benefits paid		(1,408)	(1,245)
Pension benefit obligation at end of year	\$	<u>52,073</u>	<u>52,065</u>
Change in plan assets:			
Fair value of plan assets at beginning of year	\$	30,199	25,843
Actual return on plan assets		6,812	4,390
Employer contributions		2,911	1,443
Expenses paid		(282)	(232)
Benefits and expenses paid		(1,408)	(1,245)
Fair value of plan assets at end of year	\$	<u>38,232</u>	<u>30,199</u>

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

Data relative to the FMLH Plan for the years ended June 30, 2011 and 2010 follows:

	<u>2011</u>	<u>2010</u>
Reconciliation of funded status:		
Funded status	\$ (13,841)	(21,866)
Unrecognized actuarial loss	9,957	18,564
Unrecognized transition obligation	—	137
Unrecognized prior service cost	139	178
Net amount recognized at year-end	<u>\$ (3,745)</u>	<u>(2,987)</u>
Amounts recognized in the accompanying consolidated balance sheets:		
Accrued benefit liability	\$ (13,841)	(21,866)
Accumulated charge to unrestricted net assets	10,096	18,879
	<u>\$ (3,745)</u>	<u>(2,987)</u>
Net periodic pension cost is comprised of the following:		
Service cost	\$ 1,098	973
Interest cost on projected benefit obligation	2,792	2,814
Expected return on plan assets	(2,272)	(1,920)
Net amortization and deferral	176	271
Recognized actuarial loss	1,875	1,370
Net periodic pension cost	<u>\$ 3,669</u>	<u>3,508</u>
Assumptions used:		
Discount rate – benefit obligation	5.53%	5.46%
Discount rate – net periodic pension cost	5.46	6.89
Average rate of compensation increase:		
Benefit obligation	4.50	4.50
Net periodic pension cost	4.00	4.50
Expected return of plan assets	7.50	7.50

The long-term rate of return on assets reflects historical returns and future expectations for returns in each asset class, as well as targeted asset allocation percentages within the pension portfolio. FMLH's investment strategy is of a long-term nature and is intended to ensure that funds are available to pay benefits as they become due and to maximize total return at an appropriate level of investment risk.

The employer contribution for the FMLH Plan for the year ending June 30, 2012 is estimated to be \$1,860. The benefits expected to be paid in each year from 2012 through 2016 are expected to be \$2,118, \$2,289, \$2,497, \$2,694, and \$2,879, respectively. The aggregate benefits to be paid in the five years from 2017 through 2021 are expected to be \$17,017. The expected benefits to be paid are based on the same assumptions used to measure the projected benefit obligation at June 30, 2011.

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

The amounts that will be amortized from unrestricted net assets into net periodic benefit cost in fiscal year 2012 are estimated to be \$41.

The weighted average asset allocation of the pension plan at June 30, 2011 and 2010 follows:

	2011	2010
Equity securities	60%	59%
Debt securities	37	39
Cash and cash equivalents	3	2
Total	100%	100%

FMLH intends to provide an appropriate range on investment options that span the risk/return spectrum. The investment options will allow for construction of a portfolio consistent with plan circumstances, goals, time horizons, and tolerance for risk. Major asset classes to be offered include:

Asset class	Target percentage
Equity securities	50% – 70%
Debt securities	30% – 50%
Other	—%

CMH is the sponsor of a noncontributory, defined benefit pension plan (the CMH Plan), which covers substantially all employees of CMH who work at least 1,000 hours in a 12-consecutive month period. CMH funds the amount calculated by the CMH Plan's consulting actuary to meet the minimum Employee Retirement Income Security Act funding requirements. The CMH Plan uses the projected-unit-credit-cost actuarial method. The CMH Plan amortizes prior service cost on a straight-line basis over the average remaining service period of employees expected to receive benefits under the CMH Plan. Actuarial gains or losses are deferred to the extent that, as of the beginning of the year, the unrecognized net gain or loss does not exceed 10% of the greater of the projected benefit obligation or the fair value of plan assets. If recognition is required, the excess gain or loss is amortized in the same manner as the prior service cost.

Effective December 31, 2007, the CMH Plan no longer accepted new participants. No additional benefits will accrue for participants who have not attained age 40 or those with less than five years of vesting service as of December 31, 2007. Participation in a defined contribution plan was offered to participants who were affected by this change.

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

Data relative to the CMH Plan follows:

	June 30	
	2011	2010
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 74,599	53,098
Service cost	2,474	1,402
Interest cost	4,101	3,627
Actuarial loss	778	18,424
Expenses paid	(399)	(153)
Benefits paid	(1,886)	(1,799)
Projected benefit obligation at end of year	<u>79,667</u>	<u>74,599</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	37,990	32,600
Actual return on plan assets	9,004	5,287
Employer contributions	10,836	2,055
Expenses paid	(399)	(153)
Benefits paid	(1,886)	(1,799)
Fair value of plan assets at end of year	<u>55,545</u>	<u>37,990</u>
Reconciliation of funded status:		
Funded status	<u>(24,122)</u>	<u>(36,609)</u>
Net amount recognized at end of year	\$ <u><u>(24,122)</u></u>	\$ <u><u>(36,609)</u></u>
Amounts recognized in the accompanying consolidated balance sheets:		
Accrued pension liability	\$ <u>24,122</u>	<u>36,609</u>
Recognized accrued pension cost	\$ <u><u>24,122</u></u>	<u><u>36,609</u></u>

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

	June 30	
	2011	2010
Amounts not yet reflected in net periodic benefit costs and included as an accumulated reduction to unrestricted net assets:		
Prior service cost	\$ 238	283
Accumulated loss	24,787	31,917
Unrecognized pension costs	<u>\$ 25,025</u>	<u>32,200</u>
Net periodic pension cost consists of the following:		
Service cost	\$ 2,474	1,402
Interest cost	4,101	3,627
Expected return on plan assets	(3,314)	(3,256)
Net amortization and deferral	45	45
Recognized actuarial loss	2,218	—
Net periodic pension cost	<u>\$ 5,524</u>	<u>1,818</u>
Assumptions used:		
Discount rate for measurement of pension obligation	5.67%	5.57%
Discount rate for determining net periodic pension cost	5.57	6.95
Rate of increase in compensation levels	4.00	4.90
Expected long-term rate of return on assets	7.50	7.50

The long-term rate of return on assets reflects historical returns and future expectations for returns in each asset class, as well as targeted asset allocation percentages within the pension portfolio. CMH's investment strategy is of a long-term nature and is intended to ensure that funds are available to pay benefits as they become due and to maximize the investments' total return at an appropriate level of investment risk.

The minimum employer contributions for the CMH Plan for the year ending June 30, 2012 are estimated to be \$3,267. The benefits expected to be paid in each year from 2012 through 2016 are approximately \$2,279, \$2,508, \$2,761, \$2,987, and \$3,222, respectively. The aggregate benefits to be paid in the five years from 2017 through 2021 are approximately \$21,901. The expected benefits to be paid are based on the same assumptions used to measure the projected benefit obligation at June 30, 2011.

The amounts that will be amortized from unrestricted net assets into net periodic benefit cost in fiscal year 2012 are estimated to be \$45.

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

The weighted average asset allocation of the CMH Plan at June 30 follows:

	June 30	
	2011	2010
Equity securities	60%	59%
Debt securities	37	39
Other	3	2
Total	100%	100%

CMH intends to provide an appropriate range on investment options that span the risk/return spectrum. The investment options will allow for construction of a portfolio consistent with plan circumstances, goals, time horizons, and tolerance for risk. Major asset classes to be offered include:

Asset class	Target percentage
Equity securities	50% – 70%
Debt securities	30% – 50%
Other	—%

Fair Value Measurements

The following methods and assumptions were used by FH in estimating the fair value of its financial instruments of the FMLH and CMH defined benefit plans (the Plans):

- Fair values of the Plans' investments are estimated based on prices provided by its investment managers and its custodian bank. Fair value for cash and cash equivalents, corporate stocks, international stocks, U.S. government bonds, corporate bonds, municipal bonds, and mortgage-and asset-backed securities are measured using quoted market prices; other observable inputs such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets at the reporting date multiplied by quantity held.

Fair Value Hierarchy

The Plans adopted ASC Subtopic No. 715-20-50, *Defined Benefit Plans – Disclosure*, on July 1, 2009 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Subtopic No. 715-20-50 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

The following table presents the Plans' fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2011:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Plan assets				
Investments				
Cash and short-term investments consisting primarily of money market funds	\$ 2,869	—	2,869	—
Corporate stocks	33,936	33,936	—	—
Pooled equity funds	13,178	13,178	—	—
International equity funds	8,731	8,731	—	—
Corporate and foreign bonds	12,820	—	12,820	—
U S government securities	18,567	—	18,567	—
Annuity contract	3,875	—	—	3,875
Liabilities				
Accrued loss on securities on loan	(199)	—	—	(199)
Total	\$ 93,777	55,845	34,256	3,676

The following table is a rollforward of the Plan's assets and liabilities that were classified by FH within Level 3 of the fair value hierarchy as defined above:

Fair value at June 30, 2010	\$ 5,282
Gains/losses and investment income, net	470
Purchases, issuances, and write-offs, net	33
Disbursements, net	(2,109)
Fair value at June 30, 2011	\$ 3,676

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

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

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Plan assets				
Investments				
Cash and short-term investments consisting primarily of money market funds	\$ 1,326	—	1,326	—
Corporate stocks	23,180	23,180	—	—
Pooled equity funds	9,241	9,241	—	—
International equity funds	6,386	6,386	—	—
Corporate and foreign bonds	10,017	—	10,017	—
U S government securities	12,757	—	12,757	—
Annuity contract	5,715	—	—	5,715
Liabilities				
Accrued loss on securities on loan	(433)	—	—	(433)
Total	\$ 68,189	38,807	24,100	5,282

The following table is a rollforward of the Plan's assets and liabilities that were classified by FH within Level 3 of the fair value hierarchy as defined above:

Fair value at June 30, 2009	\$ 5,226
Gains/losses and investment income, net	2,124
Purchases, issuances, and write-offs, net	1
Disbursements, net	(2,069)
Fair value at June 30, 2010	<u>\$ 5,282</u>

(c) Postretirement Medical Plan

FMLH has an unfunded postretirement medical plan (the FMLH Medical Plan) that covers certain former Milwaukee County employees who became employees of FMLH. These employees had less than 15 years of vesting service and were not vested in Milwaukee County's postretirement medical benefit plan. FMLH is responsible for providing the postretirement benefit coverage for this

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

population if they achieve 15 years of vesting service (Milwaukee County & Froedtert combined) and they retire from FMLH.

The projected benefit obligation at June 30, 2011 and 2010 using a discount rate of 5.51% and 5.48% was \$3,521 and \$3,615, respectively, of which \$109 and \$115, respectively, are included in short-term liabilities and \$3,412 and \$3,500, respectively, are included in other long-term liabilities in the consolidated balance sheets.

(13) Professional Liability Insurance

FMLH, CMH, SJCH, WBC, and FPP have professional liability insurance for claim losses of less than \$1,000 per claim and \$3,000 per year for professional liability claims incurred during a policy year, regardless of when the claim is reported (claims-occurred basis). Losses in excess of these amounts are covered through the FMLH, CMH, SJCH, WBC, and FPP mandatory participation in the Injured Patients' and Families Compensation Fund of the State of Wisconsin.

(14) Commitments and Contingencies

(a) Leases

FH, FMLH, CMH, SJCH, WBC, FPP, and PPN lease equipment and office space under the terms of various operating leases. Rent expense for these leases was approximately \$26,287 and \$19,462 for the years ended June 30, 2011 and 2010, respectively, included in the consolidated statements of operations.

Future minimum operating lease payments, excluding the land lease with Milwaukee County (note 5), that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2011 are as follows:

2012	\$	11,189
2013		8,702
2014		5,512
2015		4,688
2016		4,528
Thereafter		23,338

FMLH has agreed to lease certain space to MCW through the year 2025 under an operating lease that calls for a base rent and additional rent allocated for the expenses incurred. Rental income of approximately \$7,066 and \$6,456 for space leased to MCW is included in other operating revenue for the years ended June 30, 2011 and 2010, respectively, in the consolidated statements of operations. Also included in other operating revenue for the years ended June 30, 2011 and 2010 was a total of \$3,620 and \$3,668, respectively, for certain other leased space to MCW and United/Dynacare, LLC. Future minimum lease revenue for the leases with MCW and United/Dynacare, LLC are \$2,871 for 2012, \$2,681 for 2013, \$1,733 for 2014 and 2015, and \$15,338 thereafter.

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(Dollar amounts in thousands)

(b) *Health Insurance*

FMLH, CMH, SJCH, WBC, and FPP have self-insured health plans that cover substantially all liability for health costs associated with claims for employees up to certain limits under a commercial stop-loss agreement. Provisions for self-insured health claims include the ultimate cost of claims reported and claims incurred but not reported as of the consolidated balance sheet dates. Included in other accrued expenses at June 30, 2011 and 2010 are estimated amounts payable for health insurance claims incurred as of such dates of approximately \$5,119 and \$5,089, respectively.

(c) *Regulatory Investigation and Other*

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

(d) *Litigation*

FH is subject to various legal proceedings and claims that are incidental to its normal business activities. In the opinion of FH, the amount of ultimate liability with respect to these actions will not materially affect the consolidated operations or net assets of FH.

(15) *Subsequent Events*

Subsequent events have been evaluated through September 16, 2011, which is the date the financial statements were available to be issued, noting no subsequent events requiring recording or disclosure in the financial statements or related notes to the financial statements.

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Balance Sheet Information

June 30, 2011

(In thousands)

Schedule I

	Froedtert Memorial Lutheran Hospital	Froedtert Hospital Foundation	Froedtert Surgery Center	Eliminations and consolidating entries	Consolidated Froedtert Memorial Lutheran Hospital
Assets					
Current assets					
Cash and cash equivalents	\$ 32,660	3,010	1,032	—	36,702
Assets whose use is limited	—	—	—	—	—
Patient accounts receivable, net	118,440	—	734	—	119,174
Other receivables	11,368	771	—	(332)	11,807
Inventories	14,010	—	522	—	14,532
Collateral held for securities loaned	244,010	—	—	—	244,010
Prepays and other	3,329	—	34	—	3,363
Total current assets	423,817	3,781	2,322	(332)	429,588
Investments	649,514	6,986	—	—	656,500
Assets whose use is limited or restricted	35,498	8,398	—	(18,915)	24,981
Investments in unconsolidated affiliates	1,165	—	—	(1,125)	40
Property, plant, and equipment, net	315,163	—	551	—	315,714
Deferred financing costs and other assets, net	29,059	—	—	—	29,059
Total assets	<u>\$ 1,454,216</u>	<u>19,165</u>	<u>2,873</u>	<u>(20,372)</u>	<u>1,455,882</u>
Liabilities and Net Assets					
Current liabilities					
Current installments of long-term debt	\$ 4,591	—	—	—	4,591
Accounts payable	38,217	250	275	(332)	38,410
Accrued expenses	44,208	—	348	—	44,556
Payable under securities lending agreement	245,554	—	—	—	245,554
Estimated settlements to third-party payors	4,944	—	—	—	4,944
Total current liabilities	337,514	250	623	(332)	338,055
Long-term debt, less current installments	304,342	—	—	—	304,342
Other long-term liabilities	34,822	—	—	—	34,822
Total liabilities	676,678	250	623	(332)	677,219
Net assets (deficit)					
Unrestricted	756,623	10,559	2,250	(2,250)	767,182
Noncontrolling interests in consolidated joint venture	—	—	—	1,125	1,125
Total unrestricted	756,623	10,559	2,250	(1,125)	768,307
Temporarily restricted	20,549	7,990	—	(18,549)	9,990
Permanently restricted	366	366	—	(366)	366
Total net assets	777,538	18,915	2,250	(20,040)	778,663
Total liabilities and net assets	<u>\$ 1,454,216</u>	<u>19,165</u>	<u>2,873</u>	<u>(20,372)</u>	<u>1,455,882</u>

See accompanying independent auditor's report.

FROEDTERT HEALTH, INC. AND AFFILIATES

Schedule I

Consolidating Balance Sheet Information

June 30, 2011

(In thousands)

	Community Memorial Hospital	Community Memorial Foundation	Community Outpatient Health Services	Horizon Ventures Limited	Eliminations and consolidating entries	Consolidated Community Memorial Hospital
Assets						
Current assets						
Cash and cash equivalents	\$ 11,737	240	56	—	—	12,033
Assets whose use is limited	2,495	—	—	—	—	2,495
Patient accounts receivable, net	27,111	—	—	—	—	27,111
Other receivables	1,535	12	113	—	(159)	1,501
Inventories	3,880	—	—	—	—	3,880
Collateral held for securities loaned	40,907	—	—	—	—	40,907
Prepays and other	2,138	—	—	—	—	2,138
Total current assets	89,803	252	169	—	(159)	90,065
Investments	106,765	2,306	—	—	—	109,071
Assets whose use is limited or restricted	19,833	2,498	—	—	—	22,331
Investments in unconsolidated affiliates	11,266	—	—	—	(4,891)	6,375
Property, plant, and equipment, net	79,311	—	—	—	—	79,311
Deferred financing costs and other assets, net	474	—	—	—	—	474
Total assets	\$ 307,452	\$ 5,056	169	—	(5,050)	307,627
Liabilities and Net Assets						
Current liabilities						
Current installments of long-term debt	\$ 3,016	—	—	—	—	3,016
Accounts payable	17,122	165	11	—	(159)	17,139
Accrued expenses	9,582	—	—	—	—	9,582
Payable under securities lending agreement	41,165	—	—	—	—	41,165
Estimated settlements to third-party payors	—	—	—	—	—	—
Total current liabilities	70,885	165	11	—	(159)	70,902
Long-term debt, less current installments	63,409	—	—	—	—	63,409
Other long-term liabilities	27,372	—	—	—	—	27,372
Total liabilities	161,666	165	11	—	(159)	161,683
Net assets (deficit)						
Unrestricted	144,899	4,004	158	—	(4,004)	145,057
Noncontrolling interests in consolidated joint venture	—	—	—	—	—	—
Total unrestricted	144,899	4,004	158	—	(4,004)	145,057
Temporarily restricted	887	887	—	—	(887)	887
Permanently restricted	—	—	—	—	—	—
Total net assets	145,786	4,891	158	—	(4,891)	145,944
Total liabilities and net assets	\$ 307,452	\$ 5,056	169	—	(5,050)	307,627

See accompanying independent auditor's report

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Balance Sheet Information

June 30, 2011

(In thousands)

Schedule 1

	St. Joseph's Community Hospital	St. Joseph's Community Foundation	Eliminations and consolidating entries	Consolidated St. Joseph's Hospital
Assets				
Current assets				
Cash and cash equivalents	\$ 7,634	918	—	8,552
Assets whose use is limited	767	—	—	767
Patient accounts receivable, net	9,640	—	—	9,640
Other receivables	342	235	(152)	425
Inventories	1,906	—	—	1,906
Collateral held for securities loaned	—	—	—	—
Prepays and other	1,084	4	—	1,088
Total current assets	21,373	1,157	(152)	22,378
Investments	24,148	30,094	—	54,242
Assets whose use is limited or restricted	8,010	7,422	—	15,432
Investments in unconsolidated affiliates	20	—	—	20
Property, plant, and equipment, net	66,277	—	—	66,277
Deferred financing costs and other assets, net	1,290	—	—	1,290
Total assets	<u>\$ 121,118</u>	<u>38,673</u>	<u>(152)</u>	<u>159,639</u>
Liabilities and Net Assets				
Current liabilities				
Current installments of long-term debt	\$ 713	—	—	713
Accounts payable	3,837	209	(152)	3,894
Accrued expenses	2,085	—	—	2,085
Payable under securities lending agreement	—	—	—	—
Estimated settlements to third-party payors	200	—	—	200
Total current liabilities	6,835	209	(152)	6,892
Long-term debt, less current installments	55,795	—	—	55,795
Other long-term liabilities	2,421	—	—	2,421
Total liabilities	65,051	209	(152)	65,108
Net assets (deficit)				
Unrestricted	55,891	38,084	—	93,975
Noncontrolling interests in consolidated joint venture	—	—	—	—
Total unrestricted	55,891	38,084	—	93,975
Temporarily restricted	176	378	—	554
Permanently restricted	—	2	—	2
Total net assets	56,067	38,464	—	94,531
Total liabilities and net assets	<u>\$ 121,118</u>	<u>38,673</u>	<u>(152)</u>	<u>159,639</u>

See accompanying independent auditor's report.

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Balance Sheet Information

June 30, 2011

(In thousands)

Schedule 1

Assets	West Bend Clinic	Froedtert Physician Partners	Progressive Physician Network	Froedtert Health, Inc. (Parent Only)	Eliminations and consolidating entries	Consolidated Froedtert Health, Inc.
Current assets						
Cash and cash equivalents	\$ 2,331	3,027	—	6,078	—	68,723
Assets whose use is limited	293	—	—	—	—	3,555
Patient accounts receivable, net	6,011	4,208	—	—	—	166,144
Other receivables	2,541	—	69	45,182	(52,341)	9,184
Inventories	784	21	—	—	—	21,123
Collateral held for securities loaned	—	—	—	—	—	284,917
Prepays and other	339	387	—	3,647	—	10,962
Total current assets	12,299	7,643	69	54,907	(52,341)	564,608
Investments	—	—	—	—	—	819,813
Assets whose use is limited or restricted	4,111	537	—	4,551	—	71,943
Investments in unconsolidated affiliates	—	—	—	21,125	—	27,560
Property, plant, and equipment, net	6,004	3,787	—	90,240	—	561,333
Deferred financing costs and other assets, net	1,765	—	—	2,083	—	34,671
Total assets	\$ 24,179	11,967	69	172,906	(52,341)	2,079,928
Liabilities and Net Assets						
Current liabilities						
Current installments of long-term debt	\$ —	—	—	251	—	8,571
Accounts payable	1,829	5,601	1,747	918	(52,341)	17,197
Accrued expenses	11,395	2,812	131	50,325	—	120,886
Payable under securities lending agreement	—	—	—	—	—	286,719
Estimated settlements to third-party payors	—	—	—	—	—	5,144
Total current liabilities	13,224	8,413	1,878	51,494	(52,341)	438,517
Long-term debt, less current installments	—	—	—	62,569	—	486,115
Other long-term liabilities	6,713	537	—	—	—	71,865
Total liabilities	19,937	8,950	1,878	114,063	(52,341)	996,497
Net assets (deficit)						
Unrestricted	4,242	3,017	(1,809)	58,843	—	1,070,507
Noncontrolling interests in consolidated joint venture	—	—	—	—	—	1,125
Total unrestricted	4,242	3,017	(1,809)	58,843	—	1,071,632
Temporarily restricted	—	—	—	—	—	11,431
Permanently restricted	—	—	—	—	—	368
Total net assets	4,242	3,017	(1,809)	58,843	—	1,083,431
Total liabilities and net assets	\$ 24,179	11,967	69	172,906	(52,341)	2,079,928

See accompanying independent auditor's report.

Schedule 2

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Statement of Operations Information

Year ended June 30, 2011

(In thousands)

	Froedtert Memorial Lutheran Hospital	Froedtert Hospital Foundation	Froedtert Surgery Center	Eliminations and consolidating entries	Consolidated Froedtert Memorial Lutheran Hospital
Revenues					
Net patient service revenue	\$ 910,221	—	6,846	—	917,067
Other operating revenue	24,873	2,776	—	(1,110)	26,539
Total revenues	935,094	2,776	6,846	(1,110)	943,606
Expenses					
Salaries	233,304	570	1,679	(570)	234,983
Fringe benefits	18,268	147	—	(147)	18,268
Supplies	169,811	17	1,579	—	171,407
Contract services	88,730	—	—	—	88,730
Medical education	59,736	—	—	—	59,736
Provision for bad debts	43,050	—	153	—	43,203
Depreciation and amortization	31,312	—	288	—	31,600
Interest	12,583	—	—	—	12,583
Other	98,357	1,011	2,361	—	101,729
Corporate allocations	133,514	—	—	—	133,514
Total expenses	888,665	1,745	6,060	(717)	895,753
Operating revenues in excess of (less than) expenses	46,429	1,031	786	(393)	47,853
Nonoperating gains and losses					
Investment income	30,540	404	—	—	30,944
Change in net unrealized gains and losses on investment	51,807	705	—	—	52,512
Change in fair value of interest rate swaps	4,749	—	—	—	4,749
Gain (loss) on disposal of equipment	121	—	—	—	121
Revenues and gains in excess (deficient) of expenses and losses	133,646	2,140	786	(393)	136,179
Other changes in unrestricted net assets					
Transfers (to) from affiliates	(3,436)	(595)	—	—	(4,031)
Contributions and net assets released from restriction for property, plant, and equipment	—	595	—	—	595
Change in accrued pension benefits other than net periodic benefit cost	3,082	—	—	—	3,082
Forgiveness of receivable from Foundation	(702)	702	—	—	—
Other	349	(53)	—	—	296
Increase (decrease) in unrestricted net assets	132,939	2,789	786	(393)	136,121
Unrestricted net assets (deficit) at beginning of year	623,684	7,770	1,464	(732)	632,186
Unrestricted net assets (deficit) at end of year	\$ 756,623	10,559	2,250	(1,125)	768,307

See accompanying independent auditors' report

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Statement of Operations Information

Year ended June 30, 2011

(In thousands)

	Community Memorial Hospital	Community Memorial Foundation	Community Outpatient Health Services	Horizon Ventures Limited	Eliminations and consolidating entries	Consolidated Community Memorial Hospital
Revenues						
Net patient service revenue	\$ 178,537	—	—	—	—	178,537
Other operating revenue	4,677	944	827	600	(1,342)	5,706
Total revenues	183,214	944	827	600	(1,342)	184,243
Expenses						
Salaries	63,253	—	122	—	(126)	63,249
Fringe benefits	4,909	—	—	—	—	4,909
Supplies	35,207	—	300	—	—	35,507
Contract services	10,050	—	—	—	—	10,050
Medical education	—	—	—	—	—	—
Provision for bad debts	4,810	—	—	—	—	4,810
Depreciation and amortization	7,392	—	—	209	—	7,601
Interest	2,213	—	—	5	—	2,218
Other	21,837	643	387	174	(344)	22,697
Corporate allocations	34,340	—	—	—	—	34,340
Total expenses	184,011	643	809	388	(470)	185,381
Operating revenues in excess of (less than) expenses	(797)	301	18	212	(872)	(1,138)
Nonoperating gains and losses						
Investment income	6,256	219	—	86	—	6,561
Change in net unrealized gains and losses on investment	8,549	351	—	187	—	9,087
Change in fair value of interest rate swaps	1,007	—	—	—	—	1,007
Gain (loss) on disposal of equipment	914	—	—	(6)	—	908
Revenues and gains in excess (deficient) of expenses and losses	15,929	871	18	479	(872)	16,425
Other changes in unrestricted net assets						
Transfers (to) from affiliates	4,013	(1,062)	—	(7,627)	16	(4,660)
Contributions and net assets released from restriction for property, plant, and equipment	—	—	—	—	—	—
Change in accrued pension benefits other than net periodic benefit cost	7,175	—	—	—	—	7,175
Forgiveness of receivable from Foundation	—	—	—	—	—	—
Other	(979)	4	—	4	1,043	72
Increase (decrease) in unrestricted net assets	26,138	(187)	18	(7,144)	187	19,012
Unrestricted net assets (deficit) at beginning of year	118,761	4,191	140	7,144	(4,191)	126,045
Unrestricted net assets (deficit) at end of year	\$ 144,899	4,004	158	—	(4,004)	145,057

See accompanying independent auditors' report

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Statement of Operations Information

Year ended June 30, 2011

(In thousands)

Schedule 2

	St. Joseph's Community Hospital	St. Joseph's Community Foundation	Eliminations and consolidating entries	Consolidated St. Joseph's Hospital
Revenues				
Net patient service revenue	\$ 77,348	—	—	77,348
Other operating revenue	3,356	317	—	3,673
Total revenues	80,704	317	—	81,021
Expenses				
Salaries	27,145	52	—	27,197
Fringe benefits	5,821	21	—	5,842
Supplies	13,571	19	—	13,590
Contract services	3,770	1	—	3,771
Medical education	—	—	—	—
Provision for bad debts	3,792	—	—	3,792
Depreciation and amortization	5,364	—	—	5,364
Interest	3,221	—	—	3,221
Other	7,333	127	—	7,460
Corporate allocations	7,966	—	—	7,966
Total expenses	77,983	220	—	78,203
Operating revenues in excess of (less than) expenses	2,721	97	—	2,818
Nonoperating gains and losses				
Investment income	1,137	1,773	—	2,910
Change in net unrealized gains and losses on investment	1,824	2,869	—	4,693
Change in fair value of interest rate swaps	—	—	—	—
Gain (loss) on disposal of equipment	(256)	—	—	(256)
Revenues and gains in excess (deficient) of expenses and losses	5,426	4,739	—	10,165
Other changes in unrestricted net assets				
Transfers (to) from affiliates	2,547	(23)	—	2,524
Contributions and net assets released from restriction for property, plant, and equipment	—	—	—	—
Change in accrued pension benefits other than net periodic benefit cost	—	—	—	—
Forgiveness of receivable from Foundation	(101)	101	—	—
Other	(1)	69	—	68
Increase (decrease) in unrestricted net assets	7,871	4,886	—	12,757
Unrestricted net assets (deficit) at beginning of year	48,020	33,198	—	81,218
Unrestricted net assets (deficit) at end of year	\$ 55,891	38,084	—	93,975

See accompanying independent auditors' report

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Statement of Operations Information

Year ended June 30, 2011

(In thousands)

	West Bend Clinic	Froedtert Physician Partners	Progressive Physician Network	Froedtert Health, Inc. (Parent Only)	Eliminations and consolidating entries	Consolidated Froedtert Health, Inc.
Revenues						
Net patient service revenue	\$ 73,254	42,543	—	—	—	1,288,749
Other operating revenue	1,091	220	65	208,195	(188,111)	57,378
Total revenues	74,345	42,763	65	208,195	(188,111)	1,346,127
Expenses						
Salaries	47,166	28,514	414	52,685	(494)	453,714
Fringe benefits	8,707	5,993	104	68,867	—	112,690
Supplies	5,379	4,226	20	4,101	(28)	234,202
Contract services	4,835	3,760	383	13,386	(579)	124,336
Medical education	—	—	—	—	—	59,736
Provision for bad debts	2,743	2,839	—	—	—	57,387
Depreciation and amortization	1,949	635	—	5,459	—	52,608
Interest	—	—	—	2,557	—	20,579
Other	8,406	6,849	161	46,014	(5,176)	188,140
Corporate allocations	6,014	—	—	—	(181,834)	—
Total expenses	85,199	52,816	1,082	193,069	(188,111)	1,303,392
Operating revenues in excess of (less than) expenses	(10,854)	(10,053)	(1,017)	15,126	—	42,735
Nonoperating gains and losses						
Investment income	—	—	—	—	—	40,415
Change in net unrealized gains and losses on investment	—	—	—	—	—	66,292
Change in fair value of interest rate swaps	—	—	—	—	—	5,756
Gain (loss) on disposal of equipment	(111)	(78)	—	—	—	584
Revenues and gains in excess (deficient) of expenses and losses	(10,965)	(10,131)	(1,017)	15,126	—	155,782
Other changes in unrestricted net assets						
Transfers (to) from affiliates	8,888	13,149	(270)	(15,600)	—	—
Contributions and net assets released from restriction for property, plant, and equipment	—	—	—	—	—	595
Change in accrued pension benefits other than net periodic benefit cost	—	—	—	—	—	10,257
Forgiveness of receivable from Foundation	—	—	—	—	—	—
Other	—	(1)	—	—	—	435
Increase (decrease) in unrestricted net assets	(2,077)	3,017	(1,287)	(474)	—	167,069
Unrestricted net assets (deficit) at beginning of year	6,319	—	(522)	59,317	—	904,563
Unrestricted net assets (deficit) at end of year	\$ 4,242	3,017	(1,809)	58,843	—	1,071,632

See accompanying independent auditors' report

FROEDTERT HEALTH, INC. AND AFFILIATES
Consolidating Statement of Changes in Net Assets Information
Year ended June 30, 2011
(In thousands)

	Froedtert Memorial Lutheran Hospital	Froedtert Hospital Foundation	Froedtert Surgery Center	Eliminations and consolidating entries	Consolidated Froedtert Memorial Lutheran Hospital
Unrestricted net assets					
Revenues in excess (deficient) of expenses and losses	\$ 133,646	2,140	786	(393)	136,179
Transfers (to) from affiliates	(3,436)	(595)	—	—	(4,031)
Net assets released from restrictions for property, plant, and equipment	—	595	—	—	595
Change in accrued pension benefits other than net periodic benefit costs	3,082	—	—	—	3,082
Forgiveness of receivable from Foundation	(702)	702	—	—	—
Other	349	(53)	—	—	296
Increase (decrease) in unrestricted net assets	132,939	2,789	786	(393)	136,121
Unrestricted net assets (deficit) at beginning of year	623,684	7,770	1,464	(732)	632,186
Unrestricted net assets (deficit) at end of year	<u>\$ 756,623</u>	<u>10,559</u>	<u>2,250</u>	<u>(1,125)</u>	<u>768,307</u>
Temporarily restricted net assets					
Change in net unrealized gains on investments	\$ —	369	—	—	369
Restricted contributions	2,000	1,560	—	—	3,560
Restricted investment gain	—	262	—	—	262
Net assets released from restrictions for operations	—	(283)	—	—	(283)
Net assets released from restrictions for property, plant, and equipment	—	(595)	—	—	(595)
Change in beneficial interest in foundations	5,675	—	—	(5,675)	—
Reclassification of net assets based upon donor intent	—	1,520	—	—	1,520
Other	—	53	—	—	53
Increase (decrease) in temporarily restricted net assets	7,675	2,886	—	(5,675)	4,886
Temporarily restricted net assets at beginning of year	12,874	5,104	—	(12,874)	5,104
Temporarily restricted net assets at end of year	<u>\$ 20,549</u>	<u>7,990</u>	<u>—</u>	<u>(18,549)</u>	<u>9,990</u>
Permanently restricted net assets					
Reclassification of net assets based upon donor intent	\$ (1,520)	(1,520)	—	1,520	(1,520)
Increase (decrease) in permanently restricted net assets	(1,520)	(1,520)	—	1,520	(1,520)
Permanently restricted net assets at beginning of year	1,886	1,886	—	(1,886)	1,886
Permanently restricted net assets at end of year	<u>\$ 366</u>	<u>366</u>	<u>—</u>	<u>(366)</u>	<u>366</u>

See accompanying independent auditors' report.

FROEDTERT HEALTH, INC. AND AFFILIATES
Consolidating Statement of Changes in Net Assets Information
Year ended June 30, 2011
(In thousands)

	Community Memorial Hospital	Community Memorial Foundation	Community Outpatient Health Services	Horizon Ventures Limited	Eliminations and consolidating entries	Consolidated Community Memorial Hospital
Unrestricted net assets						
Revenues in excess (deficient) of expenses and losses	\$ 15,929	871	18	479	(872)	16,425
Transfers (to) from affiliates	4,013	(1,062)	—	(7,627)	16	(4,660)
Net assets released from restrictions for property, plant, and equipment	—	—	—	—	—	—
Change in accrued pension benefits other than net periodic benefit costs	7,175	—	—	—	—	7,175
Forgiveness of receivable from Foundation	—	—	—	—	—	—
Other	(979)	4	—	4	1,043	72
Increase (decrease) in unrestricted net assets	26,138	(187)	18	(7,144)	187	19,012
Unrestricted net assets (deficit) at beginning of year	118,761	4,191	140	7,144	(4,191)	126,045
Unrestricted net assets (deficit) at end of year	<u>\$ 144,899</u>	<u>4,004</u>	<u>158</u>	<u>—</u>	<u>(4,004)</u>	<u>145,057</u>
Temporarily restricted net assets						
Change in net unrealized gains on investments	\$ —	31	—	—	—	31
Restricted contributions	—	211	—	—	—	211
Restricted investment gain	—	17	—	—	—	17
Net assets released from restrictions for operations	—	(77)	—	—	—	(77)
Net assets released from restrictions for property, plant, and equipment	—	—	—	—	—	—
Change in beneficial interest in foundations	197	—	—	—	(197)	—
Reclassification of net assets based upon donor intent	—	—	—	—	—	—
Other	—	15	—	—	—	15
Increase (decrease) in temporarily restricted net assets	197	197	—	—	(197)	197
Temporarily restricted net assets at beginning of year	690	690	—	—	(690)	690
Temporarily restricted net assets at end of year	<u>\$ 887</u>	<u>887</u>	<u>—</u>	<u>—</u>	<u>(887)</u>	<u>887</u>
Permanently restricted net assets						
Reclassification of net assets based upon donor intent	\$ —	—	—	—	—	—
Increase (decrease) in permanently restricted net assets	—	—	—	—	—	—
Permanently restricted net assets at beginning of year	—	—	—	—	—	—
Permanently restricted net assets at end of year	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

See accompanying independent auditors' report

FROEDTERT HEALTH, INC. AND AFFILIATES
Consolidating Statement of Changes in Net Assets Information
Year ended June 30, 2011
(In thousands)

	St. Joseph's Community Hospital	St. Joseph's Community Foundation	Eliminations and consolidating entries	Consolidated St. Joseph's Hospital
Unrestricted net assets				
Revenues in excess (deficient) of expenses and losses	\$ 5,426	4,739	—	10,165
Transfers (to) from affiliates	2,547	(23)	—	2,524
Net assets released from restrictions for property, plant, and equipment	—	—	—	—
Change in accrued pension benefits other than net periodic benefit costs	—	—	—	—
Forgiveness of receivable from Foundation	(101)	101	—	—
Other	(1)	69	—	68
Increase (decrease) in unrestricted net assets	7,871	4,886	—	12,757
Unrestricted net assets (deficit) at beginning of year	48,020	33,198	—	81,218
Unrestricted net assets (deficit) at end of year	<u>\$ 55,891</u>	<u>38,084</u>	<u>—</u>	<u>93,975</u>
Temporarily restricted net assets				
Change in net unrealized gains on investments	\$ —	—	—	—
Restricted contributions	14	30	—	44
Restricted investment gain	—	—	—	—
Net assets released from restrictions for operations	(6)	(69)	—	(75)
Net assets released from restrictions for property, plant, and equipment	—	—	—	—
Change in beneficial interest in foundations	—	—	—	—
Reclassification of net assets based upon donor intent	—	—	—	—
Other	—	—	—	—
Increase (decrease) in temporarily restricted net assets	8	(39)	—	(31)
Temporarily restricted net assets at beginning of year	168	417	—	585
Temporarily restricted net assets at end of year	<u>\$ 176</u>	<u>378</u>	<u>—</u>	<u>554</u>
Permanently restricted net assets				
Reclassification of net assets based upon donor intent	\$ —	—	—	—
Increase (decrease) in permanently restricted net assets	—	—	—	—
Permanently restricted net assets at beginning of year	—	2	—	2
Permanently restricted net assets at end of year	<u>\$ —</u>	<u>2</u>	<u>—</u>	<u>2</u>

See accompanying independent auditors' report

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Statement of Changes in Net Assets Information

Year ended June 30, 2011

(In thousands)

	West Bend Clinic	Froedtert Physician Partners	Progressive Physician Network	Froedtert Health, Inc. (Parent Only)	Eliminations and consolidating entries	Consolidated Froedtert Health, Inc.
Unrestricted net assets						
Revenues in excess (deficient) of expenses and losses	\$ (10,965)	(10,131)	(1,017)	15,126	—	155,782
Transfers (to) from affiliates	8,888	13,149	(270)	(15,600)	—	—
Net assets released from restrictions for property, plant, and equipment	—	—	—	—	—	595
Change in accrued pension benefits other than net periodic benefit costs	—	—	—	—	—	10,257
Forgiveness of receivable from Foundation	—	—	—	—	—	—
Other	—	(1)	—	—	—	435
Increase (decrease) in unrestricted net assets	(2,077)	3,017	(1,287)	(474)	—	167,069
Unrestricted net assets (deficit) at beginning of year	6,319	—	(522)	59,317	—	904,563
Unrestricted net assets (deficit) at end of year	\$ 4,242	3,017	(1,809)	58,843	—	1,071,632
Temporarily restricted net assets						
Change in net unrealized gains on investments	\$ —	—	—	—	—	400
Restricted contributions	—	—	—	—	—	3,815
Restricted investment gain	—	—	—	—	—	279
Net assets released from restrictions for operations	—	—	—	—	—	(435)
Net assets released from restrictions for property, plant, and equipment	—	—	—	—	—	(595)
Change in beneficial interest in foundations	—	—	—	—	—	—
Reclassification of net assets based upon donor intent	—	—	—	—	—	1,520
Other	—	—	—	—	—	68
Increase (decrease) in temporarily restricted net assets	—	—	—	—	—	5,052
Temporarily restricted net assets at beginning of year	—	—	—	—	—	6,379
Temporarily restricted net assets at end of year	\$ —	—	—	—	—	11,431
Permanently restricted net assets						
Reclassification of net assets based upon donor intent	\$ —	—	—	—	—	(1,520)
Increase (decrease) in permanently restricted net assets	—	—	—	—	—	(1,520)
Permanently restricted net assets at beginning of year	—	—	—	—	—	1,888
Permanently restricted net assets at end of year	\$ —	—	—	—	—	368

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