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

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493122009502

Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2010

Open to Public Inspection

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

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

C Name of organization
MERCY MEDICAL CENTER

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
701 10TH STREET SE

City or town, state or country, and ZIP + 4
CEDAR RAPIDS, IA 52403

D Employer identification number
42-0698295

E Telephone number
(319) 398-6107

G Gross receipts $ 322,256,772

F Name and address of principal officer
PHILIP PETERSON
701 10TH STREET SE
CEDAR RAPIDS,IA 52403

H(a) Is this a group return for affiliates? ☐ Yes ☑ No

H(b) Are all affiliates included? ☐ Yes ☐ No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶ 0928

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

J Website: ▶ WWW MERCYCARE ORG

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1900 | **M** State of legal domicile IA

Part I Summary

1 Briefly describe the organization's mission or most significant activities
TO CARE FOR THE SICK AND ENHANCE THE HEALTH OF THE COMMUNITIES WE SERVE, GUIDED BY THE SPIRIT OF THE SISTERS OF MERCY

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**	34
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	33
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	**5**	2,694
6	Total number of volunteers (estimate if necessary)	**6**	687
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	1,439,303
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	-154,501

		Prior Year	Current Year
Revenue			
8	Contributions and grants (Part VIII, line 1h)	7,157,145	3,118,270
9	Program service revenue (Part VIII, line 2g)	249,637,180	267,529,503
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	6,064,869	9,849,536
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	-2,188,342	-1,795,271
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	260,670,852	278,702,038
Expenses			
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	3,169,250	3,213,138
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	113,234,696	117,488,859
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	120,113,865	136,863,974
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	236,517,811	257,565,971
19	Revenue less expenses Subtract line 18 from line 12	24,153,041	21,136,067
Net Assets or Fund Balances		**Beginning of Current Year**	**End of Year**
20	Total assets (Part X, line 16)	420,370,403	465,167,371
21	Total liabilities (Part X, line 26)	166,162,089	160,509,805
22	Net assets or fund balances Subtract line 21 from line 20	254,208,314	304,657,566

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

****** | 2012-04-02
Signature of officer | Date

PHILIP PETERSON CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if self-employed ▶☐	PTIN
JOHN J ROMANO	JOHN J ROMANO			

Firm's name ▶ MCGLADREY & PULLEN LLP | Firm's EIN ▶

Firm's address ▶ 201 N HARRISON STREET SUITE 300
DAVENPORT, IA 528011999 | Phone no ▶ (563) 888-4000

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

TO CARE FOR THE SICK AND ENHANCE THE HEALTH OF THE COMMUNITIES WE SERVE, GUIDED BY THE SPIRIT OF THE SISTERS OF MERCY

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

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

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

If "Yes," describe these changes on Schedule O

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

4a (Code) (Expenses $ 231,800,988 including grants of $ 3,213,138) (Revenue $ 267,529,503)

THE MEDICAL CENTER PROVIDES MEDICAL HEALTH CARE, INCLUDING 24 HOURS A DAY, SEVEN DAYS A WEEK TRAUMA CENTER SERVICE, TO ALL PATIENTS ACCESSING THE SYSTEM, REGARDLESS OF RACE, CREED, SEX , NATIONAL ORIGIN, HANDICAP, AGE OR ABILITY TO PAY A PATIENT IS CLASSIFIED AS A CHARITY PATIENT BY REFERENCE TO CERTAIN ESTABILISHED POLICIES OF THE HOSPITAL ESSENTIALLY, THESE POLICIES DEFINE CHARITY SERVICES AS THOSE SERVICES FOR WHICH NO OR NOMINAL PAYMENT IS ANTICIPATED ADDITIONALLY, EACH HOSPITAL DEPARTMENT ACCEPTS ALL PATIENTS WHO ARE COVERED BY GOVERNMENTAL INDIGENT PROGRAMS SUCH INDIGENT PROGRAMS TYPICALLY REMIT AMOUNTS SUBSTANITALLY LESS THAN CHARGES THE FOLLOWING SUMMARIZES THE HOSPITAL'S CARE OF THE UNINSURED AND UNDERINSURED (DOLLARS IN THOUSANDS) COSTS IN EXCESS OF MEDICARE REIMBURSEMENT (COSTS OF PROVIDING THE SERVICES LESS THE AMOUNTS RECEIVED FROM MEDICARE) - $24,116,000, OTHER COMMUNITY BENEFITS (INCLUDES SUBSIDIZED HEALTH SERVICES, FINANCIAL CONTRIBUTIONS) - $4,195,000, FREE SERVICE (TO PATIENTS WHO MEET MERCY'S FREE-SERVICE GUIDELINES) - $5,074,000, COSTS IN EXCESS OF MEDICAID REIMBURSEMENT (COSTS OF PROVIDING THE SERVICES LESS THE AMOUNTS RECEIVED FROM MEDICAID) - $4,320,000, PHYSICIAN EDUCATION - $882,000 IN ADDITION, CHARITY CARE AND COMMUNITY SERVICE ARE PROVIDED THROUGH MANY REDUCED PRICE SERVICES AND FREE PROGRAMS OFFERED THROUGHOUT THE YEAR THESE PROGRAMS PROVIDE A BONA FIDE COMMUNITY HEALTH NEED, INCLUDING A A HEALTH NEWS PUBLICATION, THE MERCY TOUCH, DISTRIBUTED TO 66,000 HOUSEHOLDS IN 2011 AT A TOTAL COST OF OVER $54,000 B PUBLIC AND PROFESSIONAL EDUCATIONAL SEMINARS OFFERED ON TOPICS INCLUDING AGING, BACK AND NECK PAIN, BREAST FEEDING, DIABETES, DISC DISEASE, EATING DISORDERS, MIGRAINE HEADACHES, MULTIPLE SCLEROSIS, OSTEOPOROSIS, PMS, PARENTING, PARKINSON'S DISEASE, PRENATAL CARE, STROKES AND WELLNESS, SPECIALIZED CANCER SEMINARS FOR CLERGY, SOCIAL WORKERS, DENTAL HYGIENISTS NURSES, DENTISTS AND PHYSICIANS ARE ALSO FREQUENTLY OFFERED C HOSPITAL MEETING FACILITIES ARE FREQUENTLY USED WITHOUT CHARGE BY SUCH GROUPS AS KIDS FIRST, AMERICAN HEART ASSOCIATION, OVEREATERS ANONYMOUS, AL-ANON, CATHOLIC LAYMEN, UNITED WAY, CATHERINE MCAULEY CENTER FOR WOMEN, AND THE AMERICAN CANCER SOCIETY D CONTRIBUTIONS OF 109,300 HOURS TOWARD THE COMMON PURPOSE OF SERVING THE HEALTH CARE OF THE COMMUNITY THE VALUE OF THESE CONTRIBUTIONS WAS APPROXIMATELY $1,221,000 AND WAS GIVEN BACK THE THE COMMUNITY THROUGH LOWER COSTS

4b (Code) (Expenses $ including grants of $) (Revenue $)

4c (Code) (Expenses $ including grants of $) (Revenue $)

4d Other program services (Describe in Schedule O)
(Expenses $ including grants of $) (Revenue $)

4e **Total program service expenses** ▶ $ 231,800,988

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		
6	Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in term, permanent,or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	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, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b	Yes	
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c	Yes	
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a	Yes	
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, and program service activities outside the United States? *If "Yes," complete Schedule F, Parts I and IV*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Parts II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Parts III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I (see instructions)*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**	Yes	
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b–24d and complete Schedule K. If "No," go to line 25*	**24a**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**	Yes	
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	**34**	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	**35**	Yes	
a	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2* ☑ **Yes** ☐ **No**			
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	1a	274		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			1c Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	2a	2,694		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			2b Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)				
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			3a Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			3b Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			4a	No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?			5a	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			5b	No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			5c	
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			6a	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			6b	
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			7a	No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			7b	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			7c	No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?			7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			7g	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			7h	
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			8	
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?			9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?			9b	
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O			13a	
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?			14a	No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O*			14b	

Part VI **Governance, Management, and Disclosure** For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

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

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	34		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	33		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?		3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		5		No
6	Does the organization have members or stockholders?		6	Yes	
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?		7a	Yes	
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?		7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		No

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

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

Section C. Disclosure

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

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 ▶

KAY CRIST
701 10TH STREET SE
CEDAR RAPIDS, IA 52403
(319) 398-6107

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			
See Additional Data Table										

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			
See Additional Data Table										
1b **Sub-Total**										
c **Total from continuation sheets to Part VII, Section A**										
d **Total (add lines 1b and 1c)**								2,646,978	26,000	337,459

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 ▶ 40

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
HOSPITALIST MEDICINE PHYSICIANS 4535 DRESSLER RD NW CANTON, OH 44718	HEALTHCARE PROFESSIONAL SERVICES	2,902,367
VITAL SUPPORT SYSTEMS LLC 11191 AURORA AVENUE URBANDALE, IA 50322	HARWARE, SOFTWARE, AND I/S SUPPORT SERVI	1,766,329
OPN ARCHITECTS INC 200 FIFTH AVENUE SUITE 201 CEDAR RAPIDS, IA 52401	DESIGN SERVICES	1,729,944
PREFERRED MEDICAL DEPOSIT INC 10604 JUSTIN DRIVE DES MOINES, IA 50322	COLLECTION SERVICES	1,481,601
MERCY PHYSICIAN SERVICES 311 3RD AVENUE SE CEDAR RAPIDS, IA 52403	HEALTHCARE PROFESSIONAL SERVICES	783,111

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 ▶ 32

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns . . 1a					
	b Membership dues 1b					
	c Fundraising events 1c					
	d Related organizations . . . 1d	3,065,560				
	e Government grants (contributions) 1e					
	f All other contributions, gifts, grants, and similar amounts not included above 1f	52,710				
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a-1f . . . . . ▶		3,118,270			
Program Service Revenue		Business Code				
	2a PATIENT REVENUES	900099	218,439,402	218,439,402		
	b LABORATORY REVENUE	621500	48,348,033	46,919,382	1,428,651	
	c FITNESS CENTER REVENUE	900099	484,194	484,194		
	d FAMILY COUNSELING REVE	624100	257,874	257,874		
	e					
	f All other program service revenue					
	g **Total.** Add lines 2a–2f . . . . . ▶		267,529,503			
	3 Investment income (including dividends, interest and other similar amounts) . . . . . ▶		3,684,031			3,684,031
	4 Income from investment of tax-exempt bond proceeds . . ▶					
	5 Royalties . . . . . ▶					
		(i) Real	(ii) Personal			
	6a Gross Rents	1,681,577				
	b Less rental expenses	1,225,981				
	c Rental income or (loss)	455,596				
	d Net rental income or (loss) . . . . . ▶		455,596			455,596
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory	44,772,775	1,234,006			
	b Less cost or other basis and sales expenses	38,353,230	1,488,046			
	c Gain or (loss)	6,419,545	-254,040			
	d Net gain or (loss) . . . . . ▶		6,165,505			6,165,505
Other Revenue	8a Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . . a					
	b Less direct expenses . . . b					
	c Net income or (loss) from fundraising events . . ▶					
	9a Gross income from gaming activities See Part IV, line 19 . a					
	b Less direct expenses . . . . . b					
	c Net income or (loss) from gaming activities . . . ▶					
	10a Gross sales of inventory, less returns and allowances . a	2,547,836				
	b Less cost of goods sold . . b	2,487,477				
	c Net income or (loss) from sales of inventory . . ▶		60,359			60,359
	Miscellaneous Revenue	Business Code				
	11a MRI MR ASSOCIATES	621110	2,822,782	2,822,782		
	b PARTNERSHIP ORDINARY I	561000	10,652		10,652	
	c MRI JOINT VENTURE	621110	-5,144,660	-5,144,660		
	d All other revenue					
	e **Total.** Add lines 11a–11d . . . . . ▶		-2,311,226			
	12 **Total revenue.** See Instructions . . . ▶		278,702,038	263,778,974	1,439,303	10,365,491

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	3,213,138	3,213,138		
2 Grants and other assistance to individuals in the U S See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	1,823,601		1,823,601	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	85,653,095	78,052,526	7,600,569	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	7,883,816	7,050,268	833,548	
9 Other employee benefits	15,827,182	14,231,536	1,595,646	
10 Payroll taxes	6,301,165	5,620,093	681,072	
a Fees for services (non-employees) Management	57,763	57,763		
b Legal	276,799		276,799	
c Accounting	147,376		147,376	
d Lobbying	24,938	24,938		
e Professional fundraising services *See Part IV, line 17*				
f Investment management fees	162,821		162,821	
g Other	9,559,413	6,714,838	2,844,575	
12 Advertising and promotion	1,778,659	1,698,204	80,455	
13 Office expenses	55,178,121	52,995,870	2,182,251	
14 Information technology	6,829,500	6,808,216	21,284	
15 Royalties	65,910	65,910		
16 Occupancy	3,367,956	543,523	2,824,433	
17 Travel	269,473	155,167	114,306	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	32,708	32,708		
20 Interest	2,982,560	2,982,560		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	18,676,737	15,267,569	3,409,168	
23 Insurance	936,846	346	936,500	
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a BAD DEBT EXPENSE	19,374,587	19,374,587		
b REPAIRS	5,154,621	5,154,621		
c CONTRACTED SERVICES	4,755,409	4,755,409		
d EQUIPMENT RENTAL & MAIN	2,714,650	2,714,650		
e RESIDENCY EXPENSE	1,665,028	1,665,028		
f All other expenses	2,852,099	2,621,520	230,579	
25 **Total functional expenses.** Add lines 1 through 24f	257,565,971	231,800,988	25,764,983	0
26 **Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		503,844	1	629,158
	2	Savings and temporary cash investments		33,184,130	2	28,004,569
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		35,957,106	4	39,341,216
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Schedule L			6	
	7	Notes and loans receivable, net		2,859,486	7	2,172,243
	8	Inventories for sale or use		4,903,950	8	5,255,100
	9	Prepaid expenses and deferred charges		1,810,711	9	2,437,953
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 349,855,042			
	b	Less accumulated depreciation	10b 171,888,640	169,689,333	10c	177,966,402
	11	Investments—publicly traded securities		47,245,888	11	58,887,930
	12	Investments—other securities See Part IV, line 11		74,534,878	12	93,390,859
	13	Investments—program-related See Part IV, line 11		49,623,480	13	56,969,239
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		57,597	15	112,702
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		420,370,403	16	465,167,371
Liabilities	17	Accounts payable and accrued expenses		24,964,222	17	30,402,376
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		84,205,000	20	81,800,000
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities Complete Part X of Schedule D		56,992,867	25	48,307,429
	26	**Total liabilities.** Add lines 17 through 25		166,162,089	26	160,509,805
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		224,744,236	27	272,378,106
	28	Temporarily restricted net assets		7,089,893	28	9,394,869
	29	Permanently restricted net assets		22,374,185	29	22,884,591
		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		254,208,314	33	304,657,566
	34	Total liabilities and net assets/fund balances		420,370,403	34	465,167,371

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12) . . .	1	278,702,038
2	Total expenses (must equal Part IX, column (A), line 25)	2	257,565,971
3	Revenue less expenses Subtract line 2 from line 1	3	21,136,067
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	254,208,314
5	Other changes in net assets or fund balances (explain in Schedule O)	5	29,313,185
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	304,657,566

Part XII Financial Statements and Reporting

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

			Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☑ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? . .	2a		No
b	Were the organization's financial statements audited by an independent accountant?	2b	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	2c	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both ☐ Separate basis ☐ Consolidated basis ☑ Both consolidated and separated basis			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits . .	3b		

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493122009502

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
MERCY MEDICAL CENTER

Employer identification number
42-0698295

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 331/3% 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 331/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)

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

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

a ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - Other

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

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

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

	Yes	No
(i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization? **11g(i)**		
(ii) a family member of a person described in (i) above? **11g(ii)**		
(iii) a 35% controlled entity of a person described in (i) or (ii) above? **11g(iii)**		

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

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

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

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

Section A. Public Support

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

Section B. Total Support

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

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

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

Section C. Computation of Public Support Percentage

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

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

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

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

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

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

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

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

Section A. Public Support

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

Section B. Total Support

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

14 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2010** (line 10c column (f) divided by line 13 column (f))	17
18	Investment income percentage from **2009** Schedule A, Part III, line 17	18

19a **33 1/3% support tests—2010.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2009.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

20 **Private Foundation** If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions ▶☐

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

Facts And Circumstances Test

Additional Data

Software ID:
Software Version:
EIN: 42-0698295
Name: MERCY MEDICAL CENTER

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
KYLE SKOGMAN CHAIRMAN	1 00	X		X				0	0	0
TOM REED VICE CHAIRMAN	1 00	X		X				1,002	0	0
SISTER SHARI SUTHERLAND SECRETARY	1 00	X		X				0	0	0
EMMETT SCHERRMAN TREASURER	1 00	X		X				0	0	0
TIM CHARLES PRESIDENT & CEO	1 00	X		X				495,984	0	111,814
LYDIA BROWN MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
MICHELE BUSSE MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
JACK COSGROVE MEMBER BOARD OF TRUSTEES	1 00	X						747	0	0
BARRIE ERNST MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
TONY GOLOBIC MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
SISTER LUANN HANNASCH MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
DON HATTERY MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
JOE HLADKY MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
JAN KAZIMOUR MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
BARB KNAPP MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
LEE LIU MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
SISTER TERRY MALTBY MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
BRUCE MCGRATH MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
TOM MCINTOSH MD MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
CHERYLE MITVALSKY MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
DARREL MORF MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
DAVE NEUHAUS MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
RUE PATEL MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
FRED PILCHER MD MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
MARY QUASS MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
SISTER LAURA REICKS MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
JOHN RIFE MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
CHARLIE ROHDE MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
AL RUFFALO MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
JOHN SMITH MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
SISTER MAURITA SOUKUP MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
BOB VERHILLE MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
SISTER MARGARET WEIGEL MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
STEPHEN MAZE MD MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
PHILIP PETERSON EXECUTIVE VP & CFO	40 00			X				321,047	0	40,864
BETH HOULAHAN SENIOR VP PATIENT CARE SER	40 00				X			217,851	0	24,298
KARL KEELER EXECUTIVE VP & COO	40 00				X			226,646	0	23,506
KATHY KRUSIE SENIOR VP OF ADMIN & SUPPO	40 00				X			123,990	0	15,318
DR MARK VALLIERE SENIOR VP MEDICAL AFFAIRS	40 00				X			394,090	0	34,604
JEFFREY CASH SENIOR VP/CIO	40 00				X			225,447	0	39,039
LARRY DONALDSON SENIOR VP OF MANAGED CARE	40 00					X		158,641	0	9,200
HUI LI RADIATION PHYSICIST	40 00					X		214,354	0	18,420
DESMOND WATERS DIRECTOR, PHARMACY	40 00					X		138,083	0	14,798
LAURA REED OPERATIONAL DIRECTOR	40 00					X		131,310	0	16,081
A JAMES TINKER FORMER CEO	1 00						X	121,776	26,000	4,835

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493122009502

SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527

▶ Complete if the organization is described below.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

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

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

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

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

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

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

Name of the organization	Employer identification number
MERCY MEDICAL CENTER	42-0698295

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

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

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ $ _____

2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ $ _____

3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ $ _____

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

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

4 Did the filing organization file **Form 1120-POL** for this year? ☐ Yes ☐ No

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

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

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

A Check ☐ if the filing organization belongs to an affiliated group

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing Organization's Totals	(b) Affiliated Group Totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)		
c Total lobbying expenditures (add lines 1a and 1b)		
d Other exempt purpose expenditures		
e Total exempt purpose expenditures (add lines 1c and 1d)		
f Lobbying nontaxable amount Enter the amount from the following table in both columns		
g Grassroots nontaxable amount (enter 25% of line 1f)		
h Subtract line 1g from line 1a If zero or less, enter -0-		
i Subtract line 1f from line 1c If zero or less, enter -0-		

If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:
Not over $500,000	20% of the amount on line 1e
Over $500,000 but not over $1,000,000	$100,000 plus 15% of the excess over $500,000
Over $1,000,000 but not over $1,500,000	$175,000 plus 10% of the excess over $1,000,000
Over $1,500,000 but not over $17,000,000	$225,000 plus 5% of the excess over $1,500,000
Over $17,000,000	$1,000,000

j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? ☐ Yes ☐ No

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

Lobbying Expenditures During 4-Year Averaging Period

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

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

		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV	Yes		24,938
j	Total lines 1c through 1i			24,938
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A **Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).**

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

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

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

Part IV **Supplemental Information**

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

Identifier	Return Reference	Explanation
EXPLANATION OF OTHER LOBBYING ACTIVITIES	PART II-B, LINE 1I	21 4% OF MEMBERSHIP DUES TO THE IOWA HOSPITAL ASSOCIATION IS ATTRIBUTABLE TO LOBBYING ACTIVITIES, OR $24,938

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493122009502

SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
MERCY MEDICAL CENTER

Employer identification number
42-0698295

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

		(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year		
2	Aggregate contributions to (during year)		
3	Aggregate grants from (during year)		
4	Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit ☐ Yes ☐ No

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)
☐ Preservation of land for public use (e g , recreation or pleasure)
☐ Preservation of an historically importantly land area
☐ Protection of natural habitat
☐ Preservation of a certified historic structure
☐ Preservation of open space

2 Complete lines 2a–2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year

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

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

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

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

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

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

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i) Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

(ii) Assets included in Form 990, Part X ▶ $ _____

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items

a Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

b Assets included in Form 990, Part X ▶ $ _____

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

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

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

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

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

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

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

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

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

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

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

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

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance	27,886,845	26,505,127	29,036,036		
b Contributions	151,882	234,657	2,000		
c Investment earnings or losses	2,300,310	1,633,447	-2,532,909		
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses	543,500	486,386			
g End of year balance	29,795,537	27,886,845	26,505,127		

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

- a Board designated or quasi-endowment ▶ 13 060 %
- b Permanent endowment ▶ 76 800 %
- c Term endowment ▶ 10 140 %

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

		Yes	No
(i) unrelated organizations	3a(i)		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		12,728,692		12,728,692
b Buildings		225,488,869	109,044,699	116,444,170
c Leasehold improvements		2,730,133	1,875,320	854,813
d Equipment		108,907,348	60,968,621	47,938,727
e Other				
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				177,966,402

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

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A) COMMERCIAL PAPER & CASH	12,299,754	F
(B) MONEY MARKET FUNDS	11,438	F
(C) MUTUAL FUNDS, INVESTED IN CORP BONDS, LLPS & REAL ESTATE	81,079,667	F
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶	93,390,859	

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

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) INVESTMENT IN AFFILIATES	53,032,148	F
(2) DEFERRED FINANCING COSTS	569,091	C
(3) INVESTMENT IN CEDAR RAPIDS PHO	678,000	F
(4) SLEEP LAB JOINT VENTURE	1,123,000	F
(5) INVESTMENT IN MR ASSOCIATES	767,000	C
(6) INVESTMENT IN MEDICAL MALL	800,000	F
Total. *(Column (b) should equal Form 990, Part X, col (B) line 13)* ▶	56,969,239	

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

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

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
INTEREST RATE SWAP AGREEMENTS	7,198,573
PENSION LIABILITY	33,391,282
SELF INSURANCE RESERVES	6,588,140
THIRD PARTY SETTLEMENTS	1,016,732
NET EQUITY IN MERCY MEDICAL CENTER AUXILIARY	56,544
NET EQUITY IN MERCY MEDICAL CENTER FLOWER SHOP	56,158
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	48,307,429

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

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

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	278,702,038
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	257,565,971
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	21,136,067
4	Net unrealized gains (losses) on investments	4	13,231,280
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	16,081,905
9	Total adjustments (net) Add lines 4 - 8	9	29,313,185
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	50,449,252

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	307,130,348
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	13,231,280		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d	13,708,402		
e	Add lines **2a** through **2d**			2e	26,939,682
3	Subtract line **2e** from line **1**			3	280,190,666
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	-1,488,628		
c	Add lines **4a** and **4b**			4c	-1,488,628
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	278,702,038

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements			1	256,681,096
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	1,901,747		
e	Add lines **2a** through **2d**			2e	1,901,747
3	Subtract line **2e** from line **1**			3	254,779,349
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	2,786,622		
c	Add lines **4a** and **4b**			4c	2,786,622
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	257,565,971

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation
DESCRIPTION OF INTENDED USE OF ENDOWMENT FUNDS	PART V, LINE 4	MERCY HOSPITAL, CEDAR RAPIDS, IA ENDOWMENT FOUNDATION, INC , A RELATED ORGANIZATION, HOLDS THE ENDOWMENT FUNDS THE FOUNDATION'S ENDOWMENT FUNDS ARE USED FOR THE CANCER CENTER, NEUROSCIENCES, HOSPICE OF MERCY, HOSPICE HOUSE, PATIENT CARE, TRAUMA CENTER, ESPECIALLY FOR ME, FIT FAMILIES, HALLMAR, HUSTON FUND (RADIOLOGY), EDUCATIONAL SCHOLARSHIPS, LIPSKY EDUCATIONAL FUND, BENEFICIAL INTERESTS IN REMAINDER & PERPETUAL TRUSTS, WATTS LIBRARY, MERCY MEDICAL CENTER CAPITAL PROJECTS, AND GENERAL ENDOWMENT FUNDS TO BE USED AT THE BOARD OF DIRECTORS' DISCRETION
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	THE HOSPITAL IS A NOT-FOR-PROFIT AS DESCRIBED IN SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE AND IS EXEMPT FROM FEDERAL INCOME TAXES ON RELATED INCOME PURSUANT TO SECTION 501(A) OF THE CODE THE HOSPITAL FILES A FORM 990 (RETURN OF ORGANIZATION EXEMPT FROM INCOME TAX) ANNUALLY WHEN THIS RETURN IS FILED, IT IS HIGHLY CERTAIN THAT SOME POSITIONS TAKEN WOULD BE SUSTAINED UPON EXAMINATION BY THE TAXING AUTHORITIES, WHILE OTHERS ARE SUBJECT TO UNCERTAINTY ABOUT THE MERITS OF THE TAX POSITION TAKEN OR THE AMOUNT OF THE POSITION THAT WOULD ULTIMATELY BE SUSTAINED EXAMPLES OF TAX POSITIONS COMMON TO HOSPITALS INCLUDE SUCH MATTERS AS THE FOLLOWING THE TAX EXEMPT STATUS OF THE ENTITY, THE CONTINUED TAX EXEMPT STATUS OF BONDS ISSUED BY THE OBLIGATED GROUP, THE NATURE, THE CHARACTERIZATION AND TAXABILITY OF JOINT VENTURE INCOME AND VARIOUS POSITIONS RELATIVE TO POTENTIAL SOURCES OF UNRELATED BUSINESS INCOME (UBIT) UBIT IS REPORTED ON FORM 990T, AS APPROPRIATE THE BENEFIT OF A TAX POSITION IS RECOGNIZED IN THE FINANCIAL STATEMENTS IN THE PERIOD DURING WHICH, BASED ON ALL AVAILABLE EVIDENCE, MANAGEMENT BELIEVES THAT IT IS MORE LIKELY THAN NOT THAT THE POSITION WILL BE SUSTAINED UPON EXAMINATION, INCLUDING THE RESOLUTION OF APPEALS OR LITIGATION PROCESSES, IF ANY TAX POSITIONS ARE NOT OFFSET OR AGGREGATED WITH OTHER POSITIONS TAX POSITIONS THAT MEET THE "MORE LIKELY THAN NOT" RECOGNITION THRESHOLD ARE MEASURED AS THE LARGEST AMOUNT OF TAX BENEFIT THAT IS MORE THAN 50% LIKELY TO BE REALIZED ON SETTLEMENT WITH THE APPLICABLE TAXING AUTHORITY THE PORTION OF THE BENEFITS ASSOCIATED WITH TAX POSITIONS TAKEN THAT EXCEEDS THE AMOUNT MEASURED AS DESCRIBED ABOVE IS REFLECTED AS A LIABILITY FOR UNCERTAIN TAX BENEFITS IN THE ACCOMPANYING BALANCE SHEET ALONG WITH ANY ASSOCIATED INTEREST AND PENALTIES THAT WOULD BE PAYABLE TO THE TAXING AUTHORITIES UPON EXAMINATION AS OF JUNE 30, 2011 AND 2010, THERE WERE NO UNCERTAIN TAX BENEFITS IDENTIFIED AND RECORDED AS A LIABILITY FORMS 990 AND 990T FILED BY THE HOSPITAL ARE SUBJECT TO EXAMINATION BY THE INTERNAL REVENUE SERVICE (IRS) UP TO THREE YEARS FROM THE EXTENDED DUE DATE OF EACH RETURN
PART XI, LINE 8 - OTHER ADJUSTMENTS		CHANGE IN ADDITIONAL MINIMUM LIABILITY FOR RETIREMENT BENEFITS CHANGE IN INTEREST IN NET ASSETS OF FOUNDATION CHANGE IN FAIR VALUE OF INTEREST RATE SWAP AGREEMENTS BOOK/TAX DIFFERENCE IN PARTNERSHIP INCOME(LOSS) CHANGE IN INTEREST IN NET ASSETS OF AUXILIARY AND GIFT SHOP CONTRIBUTION REVENUE RECORDED AS A LIABILITY
PART XII, LINE 2D - OTHER ADJUSTMENTS		CHANGE IN FAIR VALUE OF INTEREST RATE SWAP AGREEMENTS 2,273,736 CHANGE IN UNRECOGNIZED FUNDED STATUS OF RETIREMENT PLAN 7,825,992 CHANGE IN INTEREST IN NET ASSETS OF MERCY MEDICAL CENTER FOUNDATION 6,628,816 GRANT TO MERCARE SERVICE CORPORATION INCLUDED WITH REVENUES - 2,500,000 BOOK/TAX DIFFERENCE IN PARTNERSHIP INCOME(LOSS) -304,102 OTHER CEDAR RAPIDS PHYSICIAN-HOSP ORG LC K-1 INCOME 46,380 AUXILIARY CONTRIBUTION EXPENSE INCLUDED IN REVENUE - 200,920 GRANT EXPENSE INCLUDED WITH REVENUE - 61,500
PART XII, LINE 4B - OTHER ADJUSTMENTS		CAFETERIA COST OF GOODS SOLD NETTED WITH REVENUES -1,844,160 LOSS ON SALE OF FIXED ASSETS - 60,763 AUXILIARY AND FLOWER SHOP REVENUE NOT INCLUDED IN AUDIT REPORT 32,535 RENTAL REVENUE IN EXPENSES ON REPORT 2,096 CONTRIBUTION REVENUE INCLUDED IN EXPENSE ON REPORT 3,176 RECLASSIFICATION OF EFY CONTRIBUTION REVENUE 378,488
PART XIII, LINE 2D - OTHER ADJUSTMENTS		CAFETERIA COST OF GOODS SOLD NETTED WITH REVENUES 1,844,160 LOSS ON SALE OF FIXED ASSETS 60,763 CONTRIBUTION REVENUE INCLUDED WITH EXPENSE ON REPORT -3,176
PART XIII, LINE 4B - OTHER ADJUSTMENTS		GRANT TO MERCYCARE SERVICE CORPORATION INCLUDED WITH REVENUES 2,500,000 ADDITIONAL BOOK/TAX DIFFERENCE IN PARTNERSHIP INCOME/(LOSS) 22,106 RENTAL REVENUE IN EXPENSES ON REPORT 2,096 AUXILIARY CONTRIBUTION EXPENSE INCLUDED IN REVENUE 200,920 GRANT EXPENSE INCLUDED WITH REVENUE 61,500

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493122009502

SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
MERCY MEDICAL CENTER

Employer identification number
42-0698295

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year			
	☐ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care	3a	Yes	
	☐ 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	3b	Yes	
	☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☑ Other 1000.000000000000 %			
c	If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		No
6a	Does the organization prepare a community benefit report during the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			5,073,963	0	5,073,963	2 130 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			15,931,675	11,612,345	4,319,330	1 810 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			21,005,638	11,612,345	9,393,293	3 940 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			951,253	0	951,253	0 400 %
f Health professions education (from Worksheet 5)			2,199,762	878,312	1,321,450	0 550 %
g Subsidized health services (from Worksheet 6)			9,358,162	7,109,098	2,249,064	0 940 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)			325,716	0	325,716	0 140 %
j **Total** Other Benefits			12,834,893	7,987,410	4,847,483	2 030 %
k **Total.** Add lines 7d and 7j			33,840,531	19,599,755	14,240,776	5 970 %

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

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing			19,509		19,509	0 010 %
2	Economic development			15,970		15,970	0 010 %
3	Community support						
4	Environmental improvements						
5	Leadership development and training for community members			264		264	0 %
6	Coalition building			189,769		189,769	0 080 %
7	Community health improvement advocacy						
8	Workforce development			4,327		4,327	0 %
9	Other						
10	**Total**			229,839		229,839	0 100 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense (at cost)	2	6,154,638		
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	95,598,663
6	Enter Medicare allowable costs of care relating to payments on line 5	6	118,714,706
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-23,116,043
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	1 MR ASSOCIATES LLP	PROVIDES MRI SERVICES	33 000 %	0 %	33 000 %
2	2 EASTERN IOWA SLEEP CENTER LLC	PROVIDES SLEEP STUDIES	33 000 %	0 %	33 000 %
3	3 CEDAR RAPIDS PHYSICIAN HOSPITAL ORGANIZATION	PROVIDES PAYOR CONTRACTING	38 000 %	0 %	62 000 %
4	4 PCI REGIONAL MED MALL LLC	REAL ESTATE	10 000 %	0 %	80 000 %
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

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

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

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	MERCY MEDICAL CENTER 701 10TH STREET SE CEDAR RAPIDS,IA 52403	X	X		X			X		

Part V **Facility Information** *(continued)*

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

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

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

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
		PART I, LINE 3C NOT APPLICABLE

Identifier	ReturnReference	Explanation
		PART I, LINE 6A NOT APPLICABLE

Identifier	ReturnReference	Explanation
		PART I, LINE 7 THE FOLLOWING COSTS ARE CALCULATED BASED ON THE COST TO CHARGE RATIO CALCULATED ON WORKSHEET 2 MEDICAID, FREE CLINIC SERVICES, CHARITY CARE, MEDICARE, AND BAD DEBTS

Identifier	ReturnReference	Explanation
		PART I, LINE 7G THE FOLLOWING PROGRAMS AND SERVICES ARE SUBSIDIZED BY MERCY MEDICAL CENTE R (MERCY) TO ADDRESS COMMUNITY HEALTH NEEDS IDENTIFIED THROUGH OUR COMMUNITY ASSESSMENT PR OCESS MERCY'S JOSLIN DIABETIC CENTER ONLY ONE OF EIGHT FACILITIES OF ITS KIND IN IOWA, ME RCY'S JOSLIN DIABETES CENTER (JOSLIN) PROVIDES DIABETES PATIENTS AND THEIR FAMILY MEMBERS WITH THE COMPREHENSIVE INFORMATION THEY NEED TO BETTER MANAGE THIS DISEASE AND DECREASE TH EIR RISK FOR COMPLICATIONS JOSLIN DIABETES CENTER TEAM MEMBERS INCLUDE AN ENDOCRINOLOGIST , NURSE EDUCATORS, DIETITIAN EDUCATORS, A PODIATRIST AND AN EXERCISE SPECIALIST DIABETES EDUCATION AND INSULIN MANAGEMENT SERVICES ARE PROVIDED FOR CHILDREN (TODDLER THROUGH ADOLE SCENTS) AND ADULTS (ALL AGES) MEDICAL DIABETES CARE IS PROVIDED FOR ADOLESCENTS AND ADULT S THE ESTIMATED NUMBER OF PATIENTS WITH DIABETES OR PRE-DIABETES IN THE PRIMARY SERVICE A REA IS 14,000 JOSLIN SERVED 1,279 PATIENTS THROUGH 4,465 PATIENT VISITS FROM JULY 2010-JU NE 2011 EACH SUMMER JOSLIN PLAYS A KEY ROLE IN A ONE-WEEK DIABETES CAMP HELD AT CAMP TANAG ER IN MOUNT VERNON FOR CHILDREN WITH DIABETES JOSLIN EXPERTS EDUCATE THE CAMP STAFF ABOUT DIABETES, AND PROVIDE NURSING AND DIETARY SUPPORT JOSLIN ALSO DONATES EQUIPMENT AND SUPP LIES USED AT THE CAMP FOR ONE WEEK CHILDREN WITH DIABETES CAN RELISH THE OPPORTUNITY TO BE WITH THEIR PEERS AND NOT FEEL "DIFFERENT " AS AN ADDED BONUS, PARENTS CAN RELAX AND REST ASSURED THAT THEIR CHILD IS IN A SAFE PLACE WHERE ANY SPECIAL NEEDS ARE SURE TO BE MET TH IS EXPERIENCE ENHANCES THE QUALITY OF LIFE FOR THESE CHILDREN AND CREATES LONG-LASTING MEM ORIES FOR THEM BEHAVIORAL HEALTH SERVICES MERCY SERVES PATIENTS WHO ARE IN A CRISIS STATE RELATED TO A MENTAL HEALTH, CHEMICAL DEPENDENCY OR CO-OCCURRING MENTAL HEALTH AND CHEMICA L DEPENDENCY DIAGNOSIS PATIENTS ORIGINATE FROM LINN COUNTY AND THE SECONDARY SERVICE AREA IN FY 2011, MERCY REPORTED 6,025 INPATIENT DAYS OTHER SERVICES INCLUDE THE ACCESS DEPAR TMENT WHICH PROVIDES TRIAGE IN THE EMERGENCY DEPARTMENT, CONSULTATIONS THROUGHOUT THE HOSP ITAL, AND PROVIDES A 24 HOUR CRISIS TELEPHONE LINE 2,578 CLIENTS ARE EVALUATED AND REFERR ED TO INPATIENT OR OUTPATIENT SERVICES IN ADDITION, MERCY HANDLED 3,165 CRISIS PHONE CALL S AND MADE THE APPROPRIATE OUTPATIENT/COMMUNITY REFERRALS OR ARRANGED TO BRING PATIENTS IN FOR EVALUATION IN THE EMERGENCY DEPARTMENT INDIVIDUALS EXPERIENCING MULTIPLE LIFE STRESS ORS ARE MOST VULNERABLE AND NEED BEHAVIOR HEALTH ASSISTANCE AND COPING MECHANISMS MANY IN DIVIDUALS ARE IMPACTED BY THE EFFECTS OF THE NATIONAL ECONOMIC DOWNTURN, AND BEHAVIOR HEAL TH SERVICES CONTINUES TO SERVE A ROLE IN PROVIDING MENTAL HEALTH AND CHEMICAL DEPENDENCY R ESOURCES TO A GROWING NUMBER OF PEOPLE WHO REQUIRE SUPPORT WHILE THE MISSION IS TO MEET TH E NEEDS OF THE PRIMARY SERVICE AREA AND SECONDARY SERVICE AREA PATIENTS, MERCY HAS BEEN IN CREASINGLY CALLED UPON TO MEET STATE-WIDE NEEDS AND HAS RECEIVED PATIENTS FROM AS FAR AWAY AS ILLINOIS TRANSPORTATION IS PROVIDED TO SAFELY SEND PATIENTS BACK TO THEIR HOME LOCATI ON WITHOUT RECEIVING REIMBURSEMENT FROM THE SENDING COUNTIES IOWA IS SUFFERING A SEVERE S HORTAGE OF MENTAL HEALTH BEDS, AND MENTAL HEALTH AND CHEMICAL DEPENDENCY RESOURCES THERE ARE LONG WAITING LISTS FOR PATIENTS TO BE SEEN BY PSYCHIATRISTS AND MENTAL HEALTH OR CHEMI CAL DEPENDENCY PROVIDERS THIS SAME POPULATION IS FREQUENTLY EITHER UNINSURED OR THEIR MEN TAL HEALTH BENEFITS ARE SEVERELY LIMITED OR CAPPED AT LOW LEVELS FOR A LIFETIME THE STATE OF IOWA AND LINN COUNTY ARE TARGETING PATIENTS WITH CO-OCCURRING DISORDERS AS A PARTICULA RLY DIFFICULT POPULATION TO TREAT AND HAVE HISTORICALLY POOR OUTCOMES AS PART OF THIS STA TE AND COUNTY WIDE INITIATIVE, THE BEHAVIORAL HEALTH UNIT IS PARTICIPATING IN DATA COLLECT ION, STAFF EDUCATION AND CONSISTENT TREATMENT INITIATIVES THAT HAVE BEEN IDENTIFIED AS EVI DENCED BASE BEST PRACTICE WHEN PATIENTS CANNOT AFFORD DISCHARGE MEDICATIONS, MERCY PROVID ES AN INITIAL 30-DAY SUPPLY TO PREVENT IMMEDIATE READMISSION DUE TO NONCOMPLIANCE BECAUSE OF FINANCIAL CONSTRAINTS THE STATE OF IOWA IS NOW FACING AN IMMINENT CHANGE IN HOW MENTAL HEALTH RESOURCES ARE BEING ADMINISTERED AND FUNDED UNDER NEW REFORM INITIATIVES, RESIDEN TIAL BEDS ARE CLOSING, THERE ARE WAITING LISTS FOR TREATMENT AND MEDICATION APPROVAL AND O UTPATIENT SERVICES ARE BEING CUT OR DOWNSIZED ALL OF THESE CHANGES WILL IMPACT LENGTH OF STAY, WHICH IN TURN IMPACTS BED AVAILABILITY AS TURNOVER SLOWS AND, PREDICTABLY, MAKES IT MORE DIFFICULT FOR PATIENTS TO REMAIN STABLE AND AVOID READMISSION THE BEHAVIORAL HEALTH DEPARTMENT IS IMPLEMENTING A PROGRAM IN AN EFFORT TO STABILIZE PATIENTS FOLLOWING DISCHARG E AND REDUCE READMISSIONS THROUGH A PSYCHIATRIC HOME HEALTH NURSE THE PROGRAM WAS LAUNCHE D IN APRIL AND HAS WORKED WITH 14 PATIENTS THUS FAR ONLY ONE OF THEM WAS READMITTED DURIN G HOME CARE FOLLOW-UP TWO MORE WERE READMITTED AFTER THEY HAD COMPLETED HOME CARE IN ADD ITION, THE HOME PSYCH NURSE HAS PROVIDED VALUABLE

Identifier	ReturnReference	Explanation
		RESOURCES TO THE MEDICAL PATIENTS WHO HAVE PSYCHIATRIC ISSUES AND ARE RECEIVING HOME HEALT H CARE BIRTHPLACE AND NEONATAL INTENSIVE CARE UNIT (NICU) MERCY'S NICU/BIRTHPLACE HAS A FAMILY-CENTERED CARE APPROACH THAT STARTS BEFORE BIRTH WITH EDUCATIONAL CLASSES AND CONTIN UES AFTER A FAMILY LEAVES THE HOSPITAL WITH THEIR BABY A DAY OR TWO AFTER DISCHARGE A MER CY HOME NURSE VISITS THE HOME THERE ALSO IS A WEEKLY BREASTFEEDING SUPPORT GROU P AVAILABL E TO NURSING MOTHERS AND NICU STAFF MEMBERS ARE AVAILABLE BY TELEPHONE 24-HOURS PER DAY M ERCY ALSO SUPPORTS A DEVELOPMENTAL CLINIC, WHICH FOLLOWS UP ON MERCY NICU BABIES AT REGULA R INTERVALS UP TO AGE 30 MONTHS THE PURPOSE OF THE OBSTETRIC HOME VISIT PROGRAM IS TO PRO VIDE SUPPORT AND EDUCATION TO PARENTS OF NEWBORNS AFTER THEIR DISCHARGE FROM THE HOSPITAL AND BEFORE THEIR FIRST VISIT TO THEIR HEALTHCARE PROVIDER AT APPROXIMATELY TWO WEEKS OF AG E WHEN MOTHER AND NEWBORNS STARTED DISCHARGING FROM THE HOSPITAL TWO OR THREE DAYS AFTER BIRTH, THERE WERE A NUMBER OF CASES WHERE BABIES AND SOMETIMES MOTHERS DEVELOPED SERIOUS M EDICAL CONDITIONS WHICH WERE NOT IDENTIFIED UNTIL THEY WERE SERIOUSLY COMPROMISED THE HOM E VISIT BY A NURSE IS SET UP TO PREVENT SUCH SITUATIONS ALL MOTHERS DISCHARGED FROM BIRTH PLACE ARE OFFERED A HOME VISIT IF THEY LIVE WITHIN A 30 MILE RADIUS, OR THEY ARE ENCOURAGE D TO RETURN TO THE HOSPITAL FOR AN IN HOSPITAL VISIT IF THEY LIVE BEYOND THAT THIS VISIT IS DONE WITHIN THE FIRST FEW DAYS THEY ARE HOME THE MOTHER AND BABY ARE ASSESSED WITH VIT AL SIGNS AND A WEIGHT CHECK ON THE BABY ANY CONCERNS OR ISSUES ARE CALLED TO THE PHYSICIA N AND FOLLOWED UP NUMBER SERVED IN CALENDAR YEAR 2010, 781 WERE BABIES BORN AT THE BIRTH PLACE SOME OF THE OUTCOMES ARE AS FOLLOWS -WEIGHT LOSS AND FEEDING PROBLEMS WERE IDENTIF IED, CARE PLANS DEVELOPED, AND FOLLOW-UP WAS DONE TO ASSURE EFFECTIVENESS -JAUNDICE WAS I DENTIFIED IN NEWBORNS, LABS DRAWN AND ORDERS RECEIVED TO PREVENT KERNICTERUS -MATERNAL VI TAL CHANGES WERE IDENTIFIED AND PHYSICIANS NOTIFIED WHEN NECESSARY -EDUCATION IS REINFORC ED AND DONE TO ASSURE A SAFE ENVIRONMENT FOR THE BABY AND MOM -SAFETY ISSUES WERE IDENTIF IED IN THE ENVIRONMENT AND CORRECTED WHEN NECESSARY - SIGNS AND SYMPTOMS OF POSTPARTUM DEP RESSION WERE IDENTIFIED AND ADDRESSEDPEDIATRICS CHILDREN AGES 17 AND UNDER EXPERIENCE A C ONTINUITY OF CARE TO REDUCE STRESS AND ENHANCE CARE MERCY PROVIDES AGE-APPROPRIATE VIDEO GAMES, MOVIES, AND BOOKS TO HELP CHILDREN RELAX, REST, AND RECUPERATE A PEDIATRIC CLINICA L NURSE SPECIALIST ASSISTS THE NURSES TO COORDINATE SERVICES FOR PATIENTS AND THEIR FAMILI ES MERCY'S FAST TRACK EMERGENCY DEPARTMENT ALSO OFFERS DISTRACTION KITS, MOVIES, ETC TO EASE CHILDREN'S CONCERNS WHEN THEY NEED CARE IN THE EMERGENCY ROOM

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) $19,374,587 OF BAD DEBT EXPENSE IS SUBTRACTED FOR PURPOSES OF COMPUTING THE PERCENTAGE IN PART I, LINE 7K, COLUMN F THE ORGANIZATION'S TOTAL COMMUNITY BENEFIT EXPENSE AS A PERCENTAGE OF TOTAL EXPENSES, LESS BAD DEBT, IS 14 21%, AND THE PERCENTAGE INCREASES TO 64 05% IF MEDICARE ALLOWABLE COSTS ARE INCLUDED IN TOTAL COMMUNTY BENEFIT EXPENSE

Identifier	ReturnReference	Explanation
		PART II COMMUNITY HEALTH IMPROVEMENT THROUGH COALITION BUILDING/COMMUNITY BOARD PARTICIPATION MERCY MEDICAL CENTER CONTRIBUTED TO THE ECONOMIC AND CIVIC HEALTH OF THE SURROUNDING COMMUNITY BY SERVING ON SEVERAL COMMUNITY AND AREA BOARDS MERCY ALSO SUPPORTED THE EFFORTS OF LOCAL ROTARY AND CHAMBER OF COMMERCE AS WELL AS ORGANIZATIONS ESTABLISHED TO INCREASE AWARENESS ON ECONOMIC GROWTH AND DIVERSITY EXAMPLES INCLUDE -UNITED WAY-CEDAR RAPIDS CHAMBER OF COMMERCE-MARION CHAMBER OF COMMERCE-DAYBREAK ROTARY-WAYPOINT KIDS BOARD-DIVERSITY FOCUS BOARD-FREEDOM FROM HUNGER PLANNING COMMITTEE-JUNIOR ACHIEVEMENT BOARD-KIRKWOOD COLLEGE ADVISORY BOARD-AGING SERVICES BOARD-HEALTHY LINN CARE NETWORK BOARD-AMERICAN CANCER ASSOCIATION BOARD-CATHERINE MCAULEY CENTER BOARDSR MARY LAWRENCE COMMUNITY CENTER RENOVATION PROJECT MERCY MEDICAL CENTER RENOVATED THE PENNYSAVER BUILDING TO BECOME THE SR MARY LAWRENCE COMMUNITY CENTER IN AN EFFORT TO PROVIDE OFFICE AND PROGRAMMING SPACE FOR LOCAL NONPROFITS GIRLS AND BOYS CLUB, GEMS OF HOPE, KIDS FIRST LAW CENTER, AND YOUNG PARENTS NETWORK PAY $1 PLUS THE COST OF THEIR UTILITIES AS RENT FOR THE YEAR THE MONEY THEY SAVE FROM OVERHEAD IS PUT BACK INTO THEIR OPERATIONS SO THEY CAN SERVE MORE WITHIN OUR COMMUNITY ENCOURAGING OUR YOUTH TEACHING HEALTHY LIFESTYLE HABITS IS PART OF MERCY'S COMMITMENT TO PREVENTION AS A PART OF HEALTH CARE IN 2011, MERCY TEAMED UP WITH MCKINLEY AND TAFT MIDDLE SCHOOLS' STAFF AND STUDENTS TO EDUCATE STUDENTS ON THE DANGERS OF TOBACCO USE AND THE GIMMICKS BIG TOBACCO CORPORATIONS USE TO LURE KIDS INTO TRYING TOBACCO PRODUCTS THE OPPORTUNITY FOR HIGH SCHOOL STUDENTS TO JOB SHADOW IS COORDINATED THROUGH THE WORKPLACE LEARNING CONNECTION THIS YEAR, STUDENTS EXPERIENCED SEVERAL DIFFERENT JOB SHADOW AREAS WITHIN 23 DEPARTMENTS AT MERCY, INCLUDING A BEHIND-THE-SCENES LOOK AT THE OPERATING ROOM WITH THE OPPORTUNITY TO TALK TO PROFESSIONALS ABOUT THEIR JOBS

Identifier	ReturnReference	Explanation
		PART III, LINE 4 PATIENT RECEIVABLES DUE DIRECTLY FROM THE PATIENTS ARE CARRIED AT THE ORIGINAL CHARGE FOR THE SERVICE PROVIDED LESS AMOUNTS COVERED BY THIRD-PARTY PAYORS AND LESS AN ESTIMATED ALLOWANCE FOR DOUBTFUL RECEIVABLES BASED ON A REVIEW OF ALL OUTSTANDING AMOUNTS ON A MONTHLY BASIS MANAGEMENT DETERMINES THE ALLOWANCE FOR DOUBTFUL ACCOUNTS BY IDENTIFYING TROUBLED ACCOUNTS, BY HISTORICAL EXPERIENCE APPLIED TO AN AGING OF ACCOUNTS AND BY CONSIDERING THE PATIENT'S FINANCIAL HISTORY, CREDIT HISTORY AND CURRENT ECONOMIC CONDITIONS THE HOSPITAL DOES NOT CHARGE INTEREST ON PATIENT RECEIVABLES PATIENT RECEIVABLES ARE WRITTEN OFF AS BAD DEBT EXPENSE WHEN DEEMED UNCOLLECTIBLE RECOVERIES OF RECEIVABLES PREVIOUSLY WRITTEN OFF ARE RECORDED AS A REDUCTION OF BAD DEBT EXPENSE WHEN RECEIVED

Identifier	ReturnReference	Explanation
		PART III, LINE 8 THE COSTS SHOWN FOR THE MEDICARE SHORTFALL ARE BASED ON TOTAL CHARGES OF ALL MEDICARE AND MEDICARE REPLACEMENT PATIENTS THE SHORTFALL IS CALCULATED BY MULTIPLYING THE TOTAL CHARGES BY THE COST TO CHARGE RATIO CALCULATED ON WORKSHEET 2, LESS PAYMENTS WE RECEIVED FOR THESE SERVICES THE MEDICARE COST REPORT IS NOT AN APPROPRIATE SOURCE TO DETERMINE THE COSTS FOR THESE PATIENTS MANY ITEMS, INCLUDING ALL OUTPATIENT SERVICES FOR PATIENTS WHO ARE COVERED BY A MEDICARE REPLACEMENT PLAN, AND MANY SERVICES SUCH AS LABORATORY, PHYSICAL AND OCCUPATIONAL THERAPY, AND OTHER SERVICES PAID ON A FEE FOR SERVICE BASIS, ARE NOT INCLUDED ON THE MEDICARE COST REPORT IN ADDITION, HOSPICE, HOME HEALTH, AND DIALYSIS SERVICES, ALTHOUGH INCLUDED IN THE MEDICARE COST REPORT, DO NOT SHOW THE COSTS AND PAYMENTS ASSOCIATED WITH THESE SERVICES FOR MEDICARE BENEFICIARIES FOR MERCY MEDICAL CENTER, 49 6% OF OUR GROSS CHARGES ARE FOR MEDICARE PATIENTS INCLUDING THOSE WITH MEDICARE REPLACEMENTS ANOTHER 6 7% OF OUR CHARGES ARE FOR PATIENTS WHO QUALIFY FOR MEDICAID COVERAGE NEITHER GOVERNMENT PROGRAM PAYS ENOUGH TO COVER THE COSTS OF THE SERVICES PROVIDED TO THESE PATIENTS IF WE DID NOT SERVE THE MEDICARE AND MEDICAID PATIENTS, ANOTHER FACILITY WOULD HAVE TO PROVIDE THE SERVICE OF THE 64,484 MEDICARE PATIENTS WHO WERE DISCHARGED DURING THE 2011 FISCAL YEAR, 13,240, OR 20 6%, HAD MEDICAID COVERAGE THIS DOES NOT REFLECT ANY OF THE PATIENTS WHOSE PRIMARY COVERAGE IS MEDICARE REPLACEMENT POLICY

Identifier	ReturnReference	Explanation
		PART III, LINE 9B MERCY MEDICAL CENTER UNDERSTANDS PATIENTS MAY NOT HAVE THE ABILITY TO PAY FOR SERVICES NOR RECOGNIZE THE OPPORTUNITY THEY MAY HAVE TO RECEIVE FINANCIAL ASSISTANCE TO AID IN THIS PROCESS, MERCY MEDICAL CENTER HAS IMPLEMENTED A PRESUMPTIVE CHARITY ELIGIBILITY PROGRAM (PCEP) PATIENTS WHO QUALIFY FOR THIS PROGRAM DO NOT HAVE TO COMPLETE PAPERWORK MERCY UTILIZES AN OUTSIDE VENDOR TO ASSIST IN DETERMINING A PATIENT'S FINANCIAL RISK MERCY MEDICAL CENTER USES BILLING AND COLLECTION RECOMMENDATIONS ESTABLISHED BY THE IOWA HOSPITAL ASSOCIATION THESE RECOMMENDATIONS INCLUDE -MERCY MEDICAL CENTER WILL PROVIDE TO ALL PATIENTS THE SAME INFORMATION CONCERNING SERVICES AND CHARGES - FOR A PATIENT WHO HAS AN APPLICATION PENDING FOR EITHER GOVERNMENT-SPONSORED COVERAGE OR MEDICAL CENTER'S FINANCIAL AID PROGRAM, MERCY WILL NOT KNOWINGLY SEND THAT PATIENT'S BILL TO A COLLECTION AGENCY BEFORE THE INITIAL ELIGIBILITY DETERMINATION HAS BEEN MADE -MERCY MEDICAL CENTER WILL REVIEW THE PATIENT'S RECORD TO DETERMINE IF REASONABLE EFFORTS WERE UNDERTAKEN TO ENSURE THAT FINANCIAL ASSISTANCE WAS OFFERED AND/OR IF FINANCIAL ASSISTANCE IS APPROPRIATE BEFORE ANY COLLECTION AGENCY ASSIGNMENT

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 IN ORDER TO ENSURE OUTREACH EFFORTS ARE TRULY REFLECTIVE OF CONTINUALLY CHANGING COMMUNITY HEALTH NEEDS, MERCY MEDICAL CENTER WORKED TO DEVELOP A FORMALIZED APPROACH TO CAPTURE THE COMMUNITY'S VOICE IN 2010, MERCY MEDICAL CENTER ESTABLISHED A COMMUNITY BENEFIT COMMITTEE OF THE BOARD COMPRISED OF COMMUNITY MEMBERS FROM LINN COUNTY THIS COMMITTEE WAS FORMED TO PROVIDE INSIGHT INTO ADDRESSING THE HEALTH NEEDS IDENTIFIED IN A HEALTH NEEDS ASSESSMENT AND PROVIDES GUIDANCE, SUPPORT, AND RECOMMENDATIONS FOR PROGRAM DEVELOPMENT HEALTHY LINN CARE NETWORK, A BRANCH OF LINN COUNTY PUBLIC HEALTH, COMPLETED A COMMUNITY HEALTH NEEDS ASSESSMENT IN 2011 A MIXED METHODOLOGY APPROACH WAS USED TO PROVIDE A COMPREHENSIVE OVERVIEW OF THE LOCAL SERVICE AREA DATA SOURCES WERE BOTH QUALITATIVE AND QUANTITATIVE AND INCLUDED IOWA DEPARTMENT OF PUBLIC HEALTH, VITAL STATISTICS OF IOWA, MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES, IOWA DEPARTMENT OF PUBLIC SAFETY, U S CENSUS, CDC BEHAVIORAL RISK FACTOR SURVEILLANCE SYSTEM, LINN COUNTY PUBLIC HEALTH, ENVIRONMENTAL PROTECTION AGENCY, IOWA DEPARTMENT OF EDUCATION, IOWA DEPARTMENT OF HUMAN SERVICES, PREVENT CHILD ABUSE IOWA AND THE IOWA YOUTH SURVEILLANCE REPORT MERCY PROVIDED REPRESENTATION ON THE COMMUNITY STEERING COMMITTEE MERCY ALSO REVIEWED THE RESULTS OF THE 6 CONTIGUOUS COUNTIES SURROUNDING LINN TO ASSESS THEIR REPORTED HEALTH NEEDS IN ADDITION, MERCY MEDICAL CENTER UNDERSTANDS THE NEED FOR ONGOING ASSESSMENT AND USES DATA AND INFORMATION OBTAINED FROM HOSPITAL CHARITY CARE CASES, COMMUNITY FREE CLINICS, SCHOOLS, UNITED WAY AND COUNTY HEALTH RANKING REPORTS TO MODIFY CURRENT ACTIVITIES AND CREATE NEW PROGRAMS TO ADDRESS HEALTH NEEDS ALL OF THIS INFORMATION WAS UTILIZED TO COMPLETE A COMMUNITY BENEFIT PLAN FOR THE HOSPITAL

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 MERCY MEDICAL CENTER IS COMMITTED TO -PROVIDING ACCESS TO QUALITY HEALTHCARE WITH COMPASSION, DIGNITY AND RESPECT FOR ALL THOSE WE SERVE, PARTICULARLY THE POOR AND UNDERSERVED,-CARING FOR ALL PERSONS, REGARDLESS OF THEIR ABILITY TO PAY FOR SERVICES,-ASSISTING PATIENTS WHO CANNOT PAY FOR PART OR ALL OF THE CARE THEY RECEIVE,-COMMUNICATING INFORMATION ABOUT FINANCIAL ASSISTANCE IN A CLEAR AND CONSISTENT MANNER -BALANCING NEEDED FINANCIAL ASSISTANCE FOR SOME PATIENTS WITH BROADER FISCAL RESPONSIBILITIES IN ORDER TO SUSTAIN VIABILITY AND PROVIDE THE QUALITY AND QUANTITY OF SERVICES FOR ALL WHO MAY NEED CARE IN THE COMMUNITY MERCY WILL NOTIFY PROSPECTIVE PATIENTS THAT THE HOSPITAL WILL PROVIDE, UPON REQUEST, AN ESTIMATED PRICE OR PRICE RANGE FOR THE CONTEMPLATED SERVICES COMMUNICATE THE AVAILABILITY OF FINANCIAL AID -PUBLICLY DISPLAYING BILLING AND COLLECTION POLICIES - MERCY DISPLAYS AND/OR MAKES AVAILABLE OUR BILLING AND COLLECTION POLICIES, INCLUDING DISCOUNT AND CHARITY CARE POLICIES BROCHURES LIST ALL AVAILABLE FINANCIAL RESOURCES -COMMUNICATION WITH PATIENTS - MERCY PROVIDES INFORMATION ON POLICIES WITHIN PATIENT REGISTRATION PACKETS FINANCIAL COUNSELORS ARE AVAILABLE SEVEN DAYS A WEEK, 24 HOURS A DAY, TO COMMUNICATE THESE POLICIES AND ASSIST PATIENTS IN APPLYING FOR PUBLIC AND PRIVATE PROGRAMS FOR WHICH THEY MAY QUALIFY AND THAT MAY ASSIST THEM IN OBTAINING AND PAYING FOR HEALTHCARE SERVICES MERCY MEDICAL CENTER EDUCATES STAFF MEMBERS WHO WORK CLOSELY WITH PATIENTS (INCLUDING THOSE WORKING IN PATIENT REGISTRATION AND ADMITTING, FINANCIAL ASSISTANCE, SOCIAL WORK, BILLING AND COLLECTIONS) ABOUT HOSPITAL BILLING, COLLECTION POLICIES AND PRACTICES, FINANCIAL ASSISTANCE, AND OUR COMMITMENT TO CARE FOR ALL PATIENTS WITH DIGNITY AND RESPECT REGARDLESS OF THEIR INSURANCE STATUS OR ABILITY TO PAY FOR SERVICES EDUCATION IS ALSO PROVIDED REGARDING FEDERAL, STATE AND LOCAL PUBLIC FINANCIAL ASSISTANCE PROGRAMS AND MERCY MEDICAL CENTER'S FINANCIAL ASSISTANCE PROGRAM -COMMUNICATIONS TO THE PUBLIC REGARDING FINANCIAL ASSISTANCE ARE WRITTEN IN CONSUMER-FRIENDLY TERMINOLOGY AND IN A LANGUAGE THAT THE PATIENT CAN UNDERSTAND -INFORMATION IS INCLUDED IN HOSPITAL BILLS ABOUT THE AVAILABILITY OF FINANCIAL ASSISTANCE AND HOW TO OBTAIN FURTHER INFORMATION AND APPLY FOR FINANCIAL ASSISTANCE -INFORMATION ON FINANCIAL ASSISTANCE POLICIES IS POSTED IN KEY PUBLIC AREAS WITH INSTRUCTIONS ON HOW TO APPLY OR OBTAIN FURTHER INFORMATION BROCHURES ARE ALSO AVAILABLE -PATIENTS ARE EDUCATED ABOUT THEIR RESPONSIBILITIES, THE POTENTIAL FINANCIAL OBLIGATIONS THEY MAY INCUR, THEIR OBLIGATIONS FOR COMPLETING ELIGIBILITY DOCUMENTATION, AND THE HOSPITAL'S BILL COLLECTION POLICIES -PATIENTS ARE REFERRED TO AND/OR PROVIDED WITH ASSISTANCE REGARDING APPLYING FOR MEDICAID, IOWA CARES, HEALTHY AND WELL KIDS IN IOWA (HAWKI), GENERAL ASSISTANCE AND/OR LOCAL COUNTY FUNDS FOR FUTURE CARE NEEDS MERCY ALSO HAS INTERPRETING SERVICES AVAILABLE FOR LIMITED ENGLISH PROFICIENCY PATIENTS WHO SPEAK OTHER LANGUAGES

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 MERCY MEDICAL CENTER SERVES A PRIMARY SERVICE AREA (PSA) OF LINN COUNTY AND A SECONDARY SERVICE AREA (SSA) OF 7 CONTIGUOUS COUNTIES (BENTON, BUCHANAN, CEDAR, DELAWARE, IOWA, JOHNSON AND JONES) 17 5% OF MERCY'S PATIENTS COME FROM THE SECONDARY SERVICE AREA (DATA FROM IOWA HOSPITAL ASSOCIATION) THE TOTAL POPULATION OF LINN COUNTY IN 2010 IS 211,226 THE TOTAL POPULATION OF BOTH PRIMARY AND SECONDARY SERVICE AREAS IS 462,398 BASED ON THE 2010 U S CENSUS, THE FOLLOWING FACTS PERTAIN TO PERSONS LIVING IN MERCY'S PSA & SSA -12 6% OF PERSONS ARE AGE 65 OR OLDER-81 3% OF PERSONS AGE 18 AND OLDER GRADUATED FROM HIGH SCHOOL-28 3% OF PERSONS AGE 18 AND OLDER HAVE A BACHELORS DEGREE OR HIGHER-MEDIAN HOUSEHOLD INCOME IS $62,211-11 7% OF THE POPULATION LIVE BELOW POVERTY LEVEL-AVERAGE PERSONS PER HOUSEHOLD IS 2 43-49 7% OF THE POPULATION ARE MALE-50 3% OF THE POPULATION ARE FEMALE-91 2% OF THE POPULATION ARE CAUCASIAN-3 3% OF THE POPULATION ARE AFRICAN AMERICAN-0 2% OF THE POPULATION ARE NATIVE AMERICAN-2 4% OF THE POPULATION ARE ASIAN, NATIVE HAWAIIAN, OR PACIFIC ISLANDER-2 9% OF THE POPULATION ARE HISPANIC

Identifier	ReturnReference	Explanation
		PART VI, LINE 6

Identifier	ReturnReference	Explanation
		PART VI, LINE 7 MERCY HOSPITAL, D/B/A MERCY MEDICAL CENTER (HOSPITAL), IS AN IOWA NOT-FOR-PROFIT CORPORATION THE HOSPITAL PROVIDES SERVICES FROM ITS FACILITY LOCATED IN CEDAR RAPIDS, IOWA THE ACCOMPANYING FINANCIAL STATEMENTS INCLUDE THE HOSPITAL'S INTEREST IN THE NET ASSETS OF THE MERCY HOSPITAL ENDOWMENT FOUNDATION, INC , D/B/A MERCY MEDICAL CENTER FOUNDATION (FOUNDATION) THE FOUNDATION WAS ESTABLISHED TO FOSTER SUPPORT AND ENCOURAGE THE ACTIVITIES AND PURPOSES OF THE HOSPITAL MERCYCARE SERVICE CORPORATION (PARENT), AN IOWA NOT-FOR-PROFIT CORPORATION, IS THE SOLE CORPORATE MEMBER OF THE HOSPITAL ANOTHER RELATED CORPORATION, MERCY CARE MANAGEMENT, INC (MCM), IS ALSO CONTROLLED BY THE PARENT

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

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493122009502

Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

▶ **Attach to Form 990**

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
MERCY MEDICAL CENTER

Employer identification number
42-0698295

Part I General Information on Grants and Assistance

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

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

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

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

1 (a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
See Additional Data Table							

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

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

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

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

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

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 ALL CHECKS ARE ISSUED DIRECTLY TO THE ORGANIZATION TO BE USED AT THEIR DISCRETION

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 42-0698295
Name: MERCY MEDICAL CENTER

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
MERCYCARE SERVICE CORPORATION701 10TH STREET SE CEDAR RAPIDS,IA 52403	42-1199429	501(C)(3)	2,500,000				FOR USE IN CONTINUING OPERATIONS
MERCY HOSPITAL CEDAR RAPIDS IA ENDOWMENT FOUNDATION701 10TH STREET SE CEDAR RAPIDS,IA 52403	51-0233180	501(C)(3)	282,420				FOR USE IN CONTINUING OPERATIONS
AGING SERVICES800 FIRST ST NW CEDAR RAPIDS,IA 52405	23-7085316	501(C)(3)	6,000				GENERAL SUPPORT
AMERICAN CANCER SOCIETY4080 1ST AVE NE STE 101 CEDAR RAPIDS,IA 52402	41-0724036	501(C)(3)	26,050				GENERAL SUPPORT
CEDAR RAPIDS HEALTHCARE ALLIANCE 600 7TH ST SE CEDAR RAPIDS,IA 52401	20-3178229	501(C)(3)	25,000				GENERAL SUPPORT
DIVERSITY FOCUS205 SECOND STREET SE CEDAR RAPIDS,IA 52401	20-3420207	501(C)(3)	11,500				GENERAL SUPPORT
ESPECIALLY FOR YOU701 10TH STREET SE CEDAR RAPIDS,IA 52403	42-0698295	501(C)(3)	20,000				GENERAL SUPPORT
HEALTHY LINN CARE NETWORKPO BOX 3026 CEDAR RAPIDS,IA 52406	42-1106819	501(C)(3)	42,500				GENERAL SUPPORT
JUVENILE DIABETES FOUNDATION1026 A AVENUE NE CEDAR RAPIDS,IA 52402	23-1907729	501(C)(3)	10,022				GENERAL SUPPORT
LINN COUNTY MEDICAL SOCIETY813 1ST AVENUE SE CEDAR RAPIDS,IA 52402	23-7410746	501(C)(6)	5,000				GENERAL SUPPORT
PRIORITY ONE424 1ST AVENUE NE CEDAR RAPIDS,IA 52401	42-0172900	501(C)(6)	20,000				GENERAL SUPPORT
WAYPOINT SERVICES FOR WOMEN & CHILDREN318 5TH STREET SE CEDAR RAPIDS,IA 52401	42-0680307	501(C)(3)	5,680				GENERAL SUPPORT

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
ALZHEIMER'S ASSOCIATION OF EAST CENTRAL IOWA1570 42ND AVENUE NE CEDAR RAPIDS,IA 52402	42-1333384	501(C)(3)	7,000				GENERAL SUPPORT
BOYS AND GIRLS CLUB OF CEDAR RAPIDS621 4TH AVENUE SE CEDAR RAPIDS,IA 52401	42-1434056	501(C)(3)	1,000				DONATED SPACE FOR OPERATIONS
ENTREPRENEURIAL DEVELOPMENT CENTER230 2ND STREET SE STE 212 CEDAR RAPIDS,IA 52401	42-1447565	501(C)(6)	20,000				CAPITAL CAMPAIGN
FOUR OAKS5400 KIRKWOOD BLVD SW CEDAR RAPIDS,IA 52404	42-0998726	501(C)(3)	10,000				GENERAL SUPPORT
HORIZONS819 5TH STREET SE CEDAR RAPIDS,IA 52401	42-1135083	501(C)(3)	5,000				CAPITAL CAMPAIGN CONTRIBUTIONS
JUNIOR LEAGUE OF CEDAR RAPIDS2100 1ST AVENUE NE CEDAR RAPIDS,IA 52402	42-6060212	501(C)(3)	5,670				CORPORATE EVENT SPONSORSHIP
CEDAR RAPIDS SYMPHONY 800 SECOND AVE SE CEDAR RAPIDS,IA 52401	42-0772544	501(C)(3)	15,000				GENERAL SUPPORT
IOWA HEALTHCARE COLLABORATIVE100 EAST GRAND STE 360 DES MOINES,IA 50309	20-3869767	501(C)(3)	20,000				GENERAL SUPPORT
MERCY PHYSICIAN ASSOCIATION FREE CLINIC311 THIRD AVE SE 4TH FLOOR CEDAR RAPIDS,IA 52401	42-1442443		8,453				DONATED STAFF HOURS
SISTERS OF MERCY1125 PRAIRIE DRIVE NE CEDAR RAPIDS,IA 52402	42-0680250	501(C)(3)	5,000				GENERAL SUPPORT
UNITED WAY OF EAST CENTRAL IOWA1030 5TH ST SE STE 100 CEDAR RAPIDS,IA 52403	42-0861239	501(C)(3)	8,070				GENERAL SUPPORT
UNIVERSITY OF IOWA FOUNDATION200 HAWKINS DRIVE IOWA CITY,IA 52242	42-0796760	501(C)(3)	10,000				GENERAL SUPPORT

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493122009502

Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
MERCY MEDICAL CENTER

Employer identification number
42-0698295

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items			
	☐ First-class or charter travel	☐ Housing allowance or residence for personal use		
	☑ Travel for companions	☐ Payments for business use of personal residence		
	☐ Tax idemnification and gross-up payments	☐ Health or social club dues or initiation fees		
	☐ Discretionary spending account	☐ Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement orprovision of all the expenses described above? If "No," complete Part III to explain	**1b**	Yes	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**	Yes	
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply			
	☑ Compensation committee	☑ Written employment contract		
	☑ Independent compensation consultant	☑ Compensation survey or study		
	☐ Form 990 of other organizations	☑ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment from the organization or a related organization?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**		No
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III	**8**		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	**9**		

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

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

Note. The sum of columns (B)(i)-(iii) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) TIM CHARLES	(i)	396,804	75,275	23,905	99,240	12,574	607,798	0
	(ii)	0	0	0	0	0	0	0
(2) PHILIP PETERSON	(i)	251,364	62,799	6,884	27,652	13,212	361,911	0
	(ii)	0	0	0	0	0	0	0
(3) BETH HOULAHAN	(i)	169,871	41,356	6,624	12,278	12,020	242,149	0
	(ii)	0	0	0	0	0	0	0
(4) KARL KEELER	(i)	160,230	39,450	26,966	14,076	9,430	250,152	0
	(ii)	0	0	0	0	0	0	0
(5) DR MARK VALLIERE	(i)	312,196	75,170	6,724	22,317	12,287	428,694	0
	(ii)	0	0	0	0	0	0	0
(6) JEFFREY CASH	(i)	181,541	37,286	6,620	26,073	12,966	264,486	0
	(ii)	0	0	0	0	0	0	0
(7) LARRY DONALDSON	(i)	120,147	12,118	26,376	0	9,200	167,841	0
	(ii)	0	0	0	0	0	0	0
(8) HUI LI	(i)	214,354	0	0	5,319	13,101	232,774	0
	(ii)	0	0	0	0	0	0	0
(9) DESMOND WATERS	(i)	134,112	3,971	0	0	14,798	152,881	0
	(ii)	0	0	0	0	0	0	0
(10) A JAMES TINKER	(i)	0	0	121,776	4,835	0	126,611	0
	(ii)	0	0	26,000	0	0	26,000	0
(11)								
(12)								
(13)								
(14)								
(15)								
(16)								

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
	PART I, LINE 1A	TRAVEL FOR COMPANIONS LIMITED TRAVEL FOR COMPANIONS ARE PAID BY THE ORGANIZATION ON BEHALF OF TOP MANAGEMENT THESE AMOUNTS ARE INCLUDED IN REPORTABLE COMPENSATION AS REPORTED ON FORM 990, PART VII AND SCHEDULE J, PART II
	PART I, LINE 4B	THE FOLLOWING INDIVIDUALS PARTICIPATED IN A SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN IN 2010 PHILIP PETERSON - $17,858, BETH HOULAHAN - $12,278, TIMOTHY CHARLES - $95,057, MARK VALLIERE - $22,317, KARL KEELER - $9,863, AND JEFFREY CASH - $19,603 THE DOLLAR AMOUNT REPRESENTS THE CURRENT YEAR CONTRIBUTION MADE BY THE ORGANIZATION ON BEHALF OF THE INDIVIDUALS TO THE PLAN IN 2010

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493122009502

Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
MERCY MEDICAL CENTER

Employer identification number
42-0698295

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	CITY OF CEDAR RAPIDS IOWA	42-6004336	150543AA4	04-10-2003	30,000,000	REIMBURSE HOSPITAL FOR COSTS OF ACQUIRING AND CONSTRUCTING FACILITIES		X		X		X
B	CITY OF CEDAR RAPIDS IOWA	42-6004336	150543AB2	11-17-2005	58,405,000	ADVANCE REFUND OF 1999 BONDS		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired				
2	Amount of bonds legally defeased				
3	Total proceeds of issue	30,000,000	58,405,000		
4	Gross proceeds in reserve funds				
5	Capitalized interest from proceeds	56,852,500	56,852,500		
6	Proceeds in refunding escrow				
7	Issuance costs from proceeds	1,288,620	1,552,500		
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	28,711,380			
11	Other spent proceeds				
12	Other unspent proceeds				
13	Year of substantial completion	2003	2005		

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

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

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X				
2	Is the bond issue a variable rate issue?		X		X				
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?	X		X					
b	Name of provider	UBS AG		UBS AG					
c	Term of hedge	29 000000000000		24 000000000000					
d	Was the hedge superintegrated?		X		X				
e	Was a hedge terminated?		X		X				
4a	Were gross proceeds invested in a GIC?		X		X				
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?		X		X				
6	Did the bond issue qualify for an exception to rebate?		X		X				

Part V Supplemental Information

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

Identifier	Return Reference	Explanation

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493122009502

Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
MERCY MEDICAL CENTER

Employer identification number
42-0698295

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? To	From	(c) Original principal amount	(d) Balance due	(e) In default? Yes	No	(f) Approved by board or committee? Yes	No	(g) Written agreement? Yes	No
(1) TIMOTHY CHARLES PERSONAL		X	75,000	43,929		No	Yes		Yes	
Total . . . . . ▶ $				43,929						

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

Part V **Supplemental Information**

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

Identifier	Return Reference	Explanation

efile GRAPHIC print - DO NOT PROCESS	As Filed Data -	DLN: 93493122009502

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
MERCY MEDICAL CENTER

Employer identification number
42-0698295

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 6		THE SOLE MEMBER OF MERCY MEDICAL CENTER IS MERCYCARE SERVICE CORPORATION, AN IOWA NONPROFIT CORPORATION THE SOLE MEMBER HAS THE EXCLUSIVE POWER TO APPOINT, AFTER CONSIDERATION OF ANY RECOMMENDATIONS FROM THE CORPORATION'S BOARD OF TRUSTEES, ANY TRUSTEE TO THE CORPORATION'S BOARD AND TO REMOVE ANY TRUSTEE FROM THE CORPORATION'S BOARD AT ANY TIME FOR ANY REASON

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7A		AS THE SOLE MEMBER OF MERCY MEDICAL CENTER, MERCYCARE SERVICE CORPORATION HAS THE EXCLUSIVE POWER TO APPOINT, AFTER CONSIDERATION OF ANY RECOMMENDATIONS FROM THE CORPORATION'S BOARD OF TRUSTEES, ANY TRUSTEE TO THE CORPORATION'S BOARD AND TO REMOVE ANY TRUSTEE FROM THE CORPORATION'S BOARD AT ANY TIME FOR ANY REASON

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7B		AS THE SOLE MEMBER OF MERCY MEDICAL CENTER, MERCYCARE SERVICE CORPORATION HAS THE POWER TO APPROVE THE FOLLOWING ACTIONS 1 AMEND, REPEAL, OR RESTATE THE ARTICLES OF INCORPORATION, 2 ANY MATTER DIRECTLY RELATED TO THE RELIGIOUS PRINCIPLES AND MORAL PHILOSOPHY OF THE SISTERS OF MERCY, 3 ADOPT OR CHANGE THE PHILOSOPHY AND MISSION OF THE CORPORATION, 4 SALE OF ALL OR SUBSTANTIALLY ALL OF THE ASSETS OF THE CORPORATION, AND MERGER OR CONSOLIDATION OF THE CORPORATION WITH ANOTHER ENTITY, 5 DISSOLUTION OF THE CORPORATION, 6 ADOPTION OR AMENDMENT TO LONG-TERM STRATEGIC PLANS, 7 ADOPTION OR AMENDMENT TO ANNUAL CAPITAL OR OPERATING BUDGETS, AND 8 APPOINTMENT OR REMOVAL OF THE CHIEF EXECUTIVE OFFICER OF THE CORPORATION

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11		THE 990 IS REVIEWED WITH THE EXECUTIVE COMMITTEE (SUBCOMMITTEE OF THE BOARD OF TRUSTEES) PRIOR TO FILING THE FORM THE COMMITTEE IS PROVIDED WITH GENERAL BACKGROUND INFORMATION REGARDING THE FORM 990, AND THE FORM ITSELF (INCLUDING ATTACHMENTS) IS REVIEWED UPON REQUEST, THE TAX RETURN WILL BE AVAILABLE FOR REVIEW BY THE BOARD OF TRUSTEES MEMBERS OF THE EXECUTIVE COMMITTEE AND MANAGEMENT ARE AVAILABLE TO ANSWER QUESTIONS FROM THE TRUSTEES ON THE RETURN

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	THE ORGANIZATION REQUIRES ALL DIRECTORS, OFFICERS, AND KEY EMPLOYEES, AS WELL AS EACH EMPLOYEE TO DISCLOSE ANY INTEREST IN, OBLIGATION OR DUTY TO, OR ACTIVITY FOR ANY CONCERN IN WHICH A DIRECTOR, OFFICER, KEY EMPLOYEE, OR EMPLOYEE OR THEIR FAMILY MEMBER MAY BE INVOLVED THAT MIGHT CREATE AN ACTUAL OR POTENTIAL CONFLICT OF INTEREST OR MIGHT HAVE THE APPEARANCE OF ADVERSELY AFFECTING THE DIRECTOR'S, OFFICER'S, KEY EMPLOYEE'S, OR EMPLOYEE'S JUDGMENT OR ACTIONS IN PERFORMING HIS/HER DUTIES TOWARDS MERCY ALL DIRECTORS, OFFICERS, KEY EMPLOYEES, AND EMPLOYEES SHALL FILE AN INITIAL CONFLICT OF INTEREST REPORT UPON HIRE AND SHALL BE REQUIRED TO FILE AN UPDATED REPORT IMMEDIATELY IF ANY CHANGES OCCUR WHICH RESULT IN A CONFLICT OF INTEREST OR FINANCIAL INTEREST ALL DIRECTORS, OFFICERS, KEY EMPLOYEES, AND EMPLOYEES (SUPERVISOR AND ABOVE), PHYSICIANS, AND ANY EMPLOYEE IN A POSITION TO INFLUENCE A PURCHASE DECISION SHALL RE-SUBMIT A CONFLICT OF INTEREST DISCLOSURE STATEMENT, WITH ANY NECESSARY CHANGES, EACH YEAR AND IMMEDIATELY IF ANY ADDITIONAL CONFLICTING OR FINANCIAL INTEREST ARISE ALL BOARD MEMBERS SHALL SUBMIT IN WRITING A CONFLICT OF INTEREST DISCLOSURE STATEMENT LISTING ALL FINANCIAL AND CONFLICTING INTERESTS THE STATEMENT SHALL BE RESUBMITTED WITH ANY NECESSARY CHANGES EACH YEAR AND AS ANY ADDITIONAL CONFLICTING OR FINANCIAL INTEREST ARISE

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	COMPENSATION OF THE ORGANIZATION'S TOP MANAGEMENT IS SET BY THE COMPENSATION COMMITTEE THE COMMITTEE USES RSM MCGLADREY, INC FOR THE REVIEW OF SALARIES AND COMPARES THEM TO COMPARABLE ENTITIES IN THE REGION THIS PROCESS WAS LAST COMPLETED ON SEPTEMBER 28, 2011

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

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED GAINS ON INVESTMENTS 13,231,280 CHANGE IN ADDITIONAL MINIMUM LIABILITY FOR RETIREMENT BENEFITS 7,825,992 CHANGE IN INTEREST IN NET ASSETS OF FOUNDATION 6,628,816 CHANGE IN FAIR VALUE OF INTEREST RATE SWAP AGREEMENTS 2,273,736 BOOK/TAX DIFFERENCE IN PARTNERSHIP INCOME(LOSS) -235,616 CHANGE IN INTEREST IN NET ASSETS OF AUXILIARY AND GIFT SHOP -32,535 CONTRIBUTION REVENUE RECORDED AS A LIABILITY -378,488 TOTAL TO FORM 990, PART XI, LINE 5 29,313,185

Identifier	Return Reference	Explanation
	FORM 990, PART XI, LINE 2C	MERCY MEDICAL CENTER'S GOVERNING BOARD ENGAGES THE INDEPENDENT ACCOUNTANTS TO PERFORM THE AUDIT IN ADDITION, THE AUDITORS REVIEW THE MANAGEMENT LETTER WITH THE GOVERNING BOARD

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493122009502

SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
MERCY MEDICAL CENTER

Employer identification number
42-0698295

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) MERCY HOSPITAL CEDAR RAPIDS IA ENDOWMENT FOUNDATION INC 701 10TH STREET SE CEDAR RAPIDS, IA 52403 51-0233180	FUNDRAISING FOR MERCY MEDICAL CENTER	IA	501(C)(3)	11B/II	N/A	Yes	
(2) MERCYCARE SERVICE CORPORATION 701 10TH STREET SE CEDAR RAPIDS, IA 52403 42-1199429	HEALTHCARE OVERSIGHT	IA	501(C)(3)	11C/III-FI	N/A		No

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) MR ASSOCIATES LLP 1455 SHERMAN ROAD HIAWATHA, IA52233 42-1260463	MEDICAL IMAGING	IA	N/A	RELATED	2,801,396	2,022,299		No		Yes		33 000 %

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) MERCY CARE MANAGEMENT INC PO BOX 786 CEDAR RAPIDS, IA52406 42-1198970	MEDICAL CLINICS	IA	MERCYCARE SERVICE CORPORATION	C	955,484	82,416,652	100 000 %
(2) MERCY PHYSICIANS ASSOCIATES (SUB OF MERCY CARE MANAGEMENTINC) PO BOX 786 CEDAR RAPIDS, IA52406 42-1442443	MEDICAL SERVICES	IA	MERCY CARE MANAGEMENT INC	C	20,457,461	157,289,809	100 000 %
(3) MERCY PHYSICIAN SERVICES (SUB OF MERCY CARE MANAGEMENTINC) PO BOX 786 CEDAR RAPIDS, IA52406 42-1442442	SUPPORT SERVICES	IA	MERCY CARE MANAGEMENT INC	C	-23,555,963	18,159,464	100 000 %

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

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

		Yes	No
1 During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity	1a	Yes	
b Gift, grant, or capital contribution to other organization(s)	1b	Yes	
c Gift, grant, or capital contribution from other organization(s)	1c	Yes	
d Loans or loan guarantees to or for other organization(s)	1d		No
e Loans or loan guarantees by other organization(s)	1e		No
f Sale of assets to other organization(s)	1f		No
g Purchase of assets from other organization(s)	1g		No
h Exchange of assets	1h		No
i Lease of facilities, equipment, or other assets to other organization(s)	1i	Yes	
j Lease of facilities, equipment, or other assets from other organization(s)	1j		No
k Performance of services or membership or fundraising solicitations for other organization(s)	1k		No
l Performance of services or membership or fundraising solicitations by other organization(s)	1l		No
m Sharing of facilities, equipment, mailing lists, or other assets	1m		No
n Sharing of paid employees	1n		No
o Reimbursement paid to other organization for expenses	1o		No
p Reimbursement paid by other organization for expenses	1p	Yes	
q Other transfer of cash or property to other organization(s)	1q		No
r Other transfer of cash or property from other organization(s)	1r		No

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

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

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

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

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

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 42-0698295
Name: MERCY MEDICAL CENTER

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

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(1)	MERCY HOSPITAL CEDAR RAPIDS IA ENDOWMENT FOUNDATION	B	282,420	FMV - CASH
(2)	MERCY HOSPITAL CEDAR RAPIDS IA ENDOWMENT FOUNDATION	C	2,759,307	FMV - CASH
(3)	MERCYCARE SERVICE CORPORATION	B	2,500,000	FMV - CASH
(4)	MERCY CARE MANAGEMENT INC	A	456,000	FMV - CASH
(5)	MERCYCARE SERVICE CORPORATION	C	306,253	FMV - CASH
(6)	MERCY HOSPITAL CEDAR RAPIDS IA ENDOWMENT FOUNDATION	P	489,997	FMV - CASH
(7)	MERCY HOSPITAL CEDAR RAPIDS IA ENDOWMENT FOUNDATION	I	1	FMV - CASH

Mercy Medical Center

Financial Report
June 30, 2011

Contents

McGladrey

Independent Auditor's Report

To the Audit Committee
Mercy Medical Center
Cedar Rapids, Iowa

We have audited the accompanying balance sheets of Mercy Hospital d/b/a Mercy Medical Center as of June 30, 2011 and 2010, and the related statements of operations and changes in net assets and cash flows for the years then ended These financial statements are the responsibility of the Hospital's management Our responsibility is to express an opinion on these financial statements based on our audits

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mercy Medical Center as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

McGladrey & Pullen, LLP

Davenport, Iowa
September 30, 2011

Mercy Medical Center

Balance Sheets
June 30, 2011 and 2010
(Dollars in Thousands)

Assets	**2011**	2010
Current Assets		
Cash and cash equivalents	**$ 28,634**	$ 33,688
Investments	**2,090**	2,185
Patient accounts receivable, net of allowance for uncollectible accounts 2011 $11,172, 2010 $9,527 and contractual allowances 2011 $70,057, 2010 $48,867	**35,347**	30,283
Other receivables, net	**3,420**	5,591
Notes receivable, current portion	**87**	83
Inventories	**5,255**	4,904
Prepaid expenses and other	**2,438**	1,811
Total current assets	**77,271**	78,545
Assets Limited as to Use		
Board-designated for capital improvements	**122,295**	97,510
Self-insurance trust funds	**19,532**	16,292
Under bond indentures, held by trustee	**11**	11
	141,838	113,813
Property and Equipment		
Land and improvements	**15,459**	13,209
Buildings	**225,489**	212,304
Furniture and equipment	**98,081**	95,168
Construction in progress	**10,826**	6,217
	349,855	326,898
Less accumulated depreciation	**171,889**	157,208
	177,966	169,690
Other Assets		
Investments	**8,351**	5,782
Investments and interest in affiliated entities		
Foundation	**53,033**	46,403
Others	**3,367**	2,604
Notes receivable and other	**2,659**	2,859
Deferred financing costs, net	**569**	617
	67,979	58,265
	$ 465,054	$ 420,313

See Notes to Financial Statements

Liabilities and Net Assets	2011	2010
Current Liabilities		
Current maturities of long-term debt	**$ 2,500**	$ 2,405
Accounts payable	**14,632**	11,913
Accrued payroll obligations	**11,630**	11,006
Other accrued expenses	**4,139**	2,045
Estimated settlement due to third-party payors	**1,017**	1,103
Total current liabilities	**33,918**	28,472
Long-Term Liabilities		
Long-term debt, less current portion	**79,300**	81,800
Self-insurance reserves	**6,588**	5,831
Liability for retirement benefits	**33,391**	40,530
Interest rate swap agreements	**7,199**	9,472
Total long-term liabilities	**126,478**	137,633
Total liabilities	**160,396**	166,105
Commitments and Contingencies (Notes 8 and 11)		
Net Assets		
Unrestricted - Hospital	**251,625**	207,805
Unrestricted - Foundation	**20,753**	16,939
Total unrestricted	**272,378**	224,744
Temporarily restricted - Foundation	**9,395**	7,090
Permanently restricted - Foundation	**22,885**	22,374
	304,658	254,208
	$ 465,054	$ 420,313

Mercy Medical Center

Statements of Operations and Changes in Net Assets
Years Ended June 30, 2011 and 2010
(Dollars in Thousands)

	2011	2010
Revenue		
Net patient service revenue	**$ 259,739**	$ 241,459
Other	**9,008**	9,133
	268,747	250,592
Expenses		
Salaries	**89,956**	85,570
Supplies and other	**88,287**	75,593
Payroll taxes and employee benefits	**29,688**	29,557
Depreciation and amortization	**20,677**	18,848
Professional fees	**1,946**	1,630
Provision for bad debts	**19,375**	17,418
Utilities	**3,710**	3,996
Loss on disposition of property and equipment	**61**	321
Interest	**2,983**	2,903
	256,683	235,836
Income from operations	**12,064**	14,756
Nonoperating revenue, net		
Investment income	**9,324**	5,871
Change in fair value of interest rate swap agreements	**2,273**	(3,783)
Contribution from affiliated organization	**-**	792
Grant income, chiller plant	**-**	4,057
Other, primarily rental income	**454**	403
	12,051	7,340
Excess of revenue over expenses before impact of flood	**24,115**	22,096
Impact of flood	**-**	1,091
Excess of revenue over expenses	**24,115**	23,187
Change in unrealized gains and losses on investments	**13,231**	8,900
Change in unrecognized funded status of retirement plan	**7,826**	479
Change in interest in net assets of Foundation	**3,814**	1,726
Net transfers (to) affiliated organizations	**(1,352)**	(1,532)
Increase in unrestricted net assets	**47,634**	32,760
Change in temporarily restricted net assets, increase in interest in net assets of Foundation	**2,305**	1,864
Change in permanently restricted net assets, increase in interest in net assets of Foundation	**511**	293
Increase in net assets	**50,450**	34,917
Net assets		
Beginning	**254,208**	219,291
Ending	**$ 304,658**	$ 254,208

See Notes to Financial Statements

Mercy Medical Center

Statements of Cash Flows
Years Ended June 30, 2011 and 2010
(Dollars in Thousands)

	2011	2010
Cash Flows from Operating Activities		
Increase in net assets	**$ 50,450**	$ 34,917
Adjustments to reconcile increase in net assets		
to net cash provided by operating activities		
Depreciation	**20,629**	18,799
Amortization	**48**	49
Forgiveness of physician and employee advances	**427**	443
Change in unrealized (gains) on investments	**(13,231)**	(8,900)
Change in interest in net assets of Foundation	**(6,630)**	(3,883)
Earnings in (excess of) less than distributions from		
affiliated organizations	**37**	685
Noncash contribution from affiliated organization	**-**	(792)
Change in fair value of interest rate swap agreements	**(2,273)**	3,783
Realized (gains) on investments, including		
other-than-temporary impairment losses	**(6,417)**	(3,748)
Loss on disposal of property and equipment	**61**	476
Change in funded status of retirement plan	**(7,139)**	1,034
Transfers to (from) affiliated organizations	**1,352**	1,532
(Increase) in		
Patient and other receivables	**(2,982)**	(1,361)
Inventories and prepaid expenses	**(978)**	(1,484)
Increase (decrease) in		
Accounts payable, accrued expenses and		
self-insurance reserves	**4,558**	(894)
Due to third-party payors	**(86)**	663
Net cash provided by operating activities	**37,826**	41,319
Cash Flows from Investing Activities		
Proceeds from sale of property and equipment	**1,234**	33
Purchase of property and equipment	**(28,564)**	(19,128)
Purchase of investments and assets limited as to use	**(56,130)**	(13,687)
Proceeds from sale of investments and assets limited as to use	**44,479**	13,730
Advances on notes receivable and other	**(441)**	(444)
Collections on notes receivable	**299**	299
Net cash (used in) investing activities	**(39,123)**	(19,197)
Cash Flows from Financing Activities		
Payments on long-term debt	**(2,405)**	(2,145)
Transfers from (to) affiliated organizations	**(1,352)**	(1,532)
Net cash (used in) financing activities	**$ (3,757)**	$ (3,677)

(Continued)

Mercy Medical Center

Statements of Cash Flows (Continued)
Years Ended June 30, 2011 and 2010
(Dollars in Thousands)

	2011	2010
Net increase (decrease) in cash and cash equivalents	**$ (5,054)**	$ 18,445
Cash and cash equivalents		
Beginning	**33,688**	15,243
Ending	**$ 28,634**	$ 33,688
Supplemental Disclosure of Cash Flow Information, cash payments for interest, excluding capitalized interest 2011 $41, 2010 $35	**$ 2,973**	$ 2,586
Supplemental Disclosures of Noncash Investing and Financing Activities		
Increase (decrease) in accounts payable related to construction in progress	**(1,636)**	672
Contribution of investment in MR Associates, LLP from affiliated organization	**-**	792

See Notes to Financial Statements

Mercy Medical Center

Notes to Financial Statements

Note 1. Organization and Significant Accounting Policies

Organization:

Mercy Hospital, d/b/a Mercy Medical Center (Hospital), is an Iowa not-for-profit corporation The Hospital provides services from its facility located in Cedar Rapids, Iowa The accompanying financial statements include the Hospital's interest in the net assets of the Mercy Hospital Endowment Foundation, Inc , d/b/a Mercy Medical Center Foundation (Foundation) The Foundation was established to foster support and encourage the activities and purposes of the Hospital

Mercycare Service Corporation (Parent), an Iowa not-for-profit corporation, is the sole corporate member of the Hospital Another related corporation, Mercy Care Management, Inc (MCM), is also controlled by the Parent The financial position and results of operations of the Parent and MCM are not included in the accompanying financial statements

Significant accounting policies:

Accounting estimates The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period Actual results could differ from those estimates Estimates that are particularly susceptible to significant changes in the near term and which require significant judgments by management include the allowance for uncollectible accounts, estimated third-party payor settlements and self-insurance reserves

Cash and cash equivalents Cash and cash equivalents include investments in highly liquid marketable securities with a maturity of three months or less Certain temporary cash investments internally designated as long-term investments are excluded from cash and cash equivalents

Patient receivables Patient receivables, where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third-party payors

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

Receivables or payables related to estimated settlements on various risk contracts that the Hospital participates in are reported as third-party payor receivables or payables

Note 1. Organization and Significant Accounting Policies (Continued)

Notes receivable and other assets The notes receivable consist primarily of a note receivable bearing interest at 4 75% due in monthly installments of approximately $13,470 with final installment of approximately $1,800,000 due December 2014 The note receivable arose from the sale of land and a building and the note is due from an unrelated third-party Other noncurrent assets also include approximately $618,700 and $732,600 as of June 30, 2011 and 2010, respectively, of physician and employee advances that may be forgiven over a period of one to five years

Inventories Inventories, which consist primarily of medical and pharmaceutical supplies, are stated at the lower of cost or market The inventories are reported on the first-in, first-out basis

Assets limited as to use Assets limited as to use include investments set aside by the Board of Trustees for future capital improvements over which the Board retains control and may, at its discretion, subsequently use for other purposes, assets held for self-insurance trust funds and assets held by trustee under indenture agreements

Investments Investments in equity securities with readily determinable fair values, all investments in debt securities and alternative investments, which primarily include limited partnerships, are measured at fair value in the balance sheets Investment income or loss, including realized gains and losses on investments, other-than-temporary impairment losses, interest and dividends, is included in excess of revenue over expenses Change in unrealized gains and losses on investments, which are considered temporary, are excluded from excess of revenue over expenses but is included as a change in net assets

Investment income, except for income earned on bond-related, trustee-held investments and self-insurance investments which are included in other operating revenue, is reported as nonoperating revenue Investment income included as other operating revenue was $762,000 and $515,000 for the years ended June 30, 2011 and 2010, respectively

Investments and interest in affiliated entities Investments and interest in affiliated entities represent the Hospital's interest in the net assets of the Foundation, its 38% interest in Cedar Rapids PHO (CRPHO), and its one-third interest in Eastern Iowa Sleep Center, LLC The investment in CRPHO and Eastern Iowa Sleep Center, LLC, are recorded on the equity method with changes in the Hospital's interest in these entities recorded as other operating revenue in the statements of operations

As of June 30, 2009, the Hospital also held a 5% interest in Wellmark Health Plan of Iowa, which was recorded at cost The Hospital sold its 5% interest to Wellmark Health Plan of Iowa during the year ended June 30, 2010 and recognized a gain of approximately $5,700,000 which is included in investment income on the accompanying statement of operations and changes in net assets for the year ended June 30, 2010

Effective July 1, 2009, MCM contributed its ownership interest of 33% of Magnetic Resonance Associates, LLP (MR Associates, LLP) to the Hospital This contribution income totaling $792,000 was recorded as nonoperating revenue in the accompanying financial statements for the year ended June 30, 2010

During the year ended June 30, 2011, the Hospital made an initial capital contribution of $800,000 in PCI Regional Medical Mall, LLC Based on terms of the operating agreement, the Hospital has agreed to guarantee 10% of PCI Regional Medical Mall, LLC's debt, provided that the Hospital's guarantee amount shall not exceed $3,200,000

Note 1. Organization and Significant Accounting Policies (Continued)

Property and equipment Property and equipment acquisitions are recorded at cost Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method Interest cost incurred during the period of construction of capital assets is capitalized as a component of the costs of acquiring those assets Capitalized interest was approximately $41,000 and $35,000 for the years ended June 30, 2011 and 2010, respectively

Deferred financing costs Deferred financing costs are being amortized over the term of the related debt using the interest method

Derivative financial instruments The Hospital's derivative financial instruments consist of interest rate swap agreements which are carried at fair value The Hospital has elected not to use hedge accounting

Temporarily and permanently restricted net assets The Hospital is required to report information regarding its financial position and activities according to three classes of net assets unrestricted net assets, temporarily restricted net assets and permanently restricted net assets The three classes are based on the presence or absence of donor-imposed restrictions The Hospital's restricted net assets consist of interest in net assets of the Foundation that are restricted by donor intent Temporarily restricted net assets include net assets restricted by donors to a specific time period or purpose Permanently restricted net assets have been restricted by donors to be maintained in perpetuity Also see Note 14 for additional information on restricted net assets

Excess of revenue over expenses The statements of operations and changes in net assets include excess of revenue over expenses Excess of revenue over expenses, consistent with industry practice, excludes unrealized gains and losses on investments which are considered temporary, permanent transfers of assets to and from affiliates for other than goods and services and for capital acquisitions, contributions of long-lived assets, including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets, and change in unrecognized funded status of retirement plan

Fair value of financial instruments Financial instruments are described as cash or contractual obligations or rights to pay or to receive cash The fair value for certain financial instruments approximates the carrying value because of the short-term maturity of these instruments which include cash and cash equivalents, receivables, notes receivable, accounts payable, accrued liabilities, estimated third-party payor settlements and other current liabilities The fair value of the liability for retirement benefits approximates carrying value as the Plan's assets are recorded at fair value and the projected benefit obligation is discounted to present value A portion of the Hospital's investments and assets limited as to use are carried at fair value on the balance sheets based on quoted market prices The alternative investments primarily include limited partnerships The carrying amount for limited partnerships are recorded at fair value, which is based primarily on historical investment returns and nonfinancial data of the underlying investees The interest rate swap agreements are also carried at fair value on the balance sheets based on quotations from the counterparty to the swap agreements Based on borrowing rates currently available to the Hospital with similar terms and maturities, the fair value of the long-term debt approximates $76,088,000 and $78,003,000 as of June 30, 2011 and 2010, respectively

Fair value measurements The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements, which applies to all assets and liabilities that are measured and reported on a fair value basis See Note 5 for additional information

Note 1. Organization and Significant Accounting Policies (Continued)

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

Charity care The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates Because the Hospital does not pursue collection of these amounts, they are not reported as revenue

Grant income, chiller plant The Hospital was the recipient of a grant of approximately $4,057,000 which was restricted to be used for the construction of the chiller plant The grant proceeds were received and expended for their intended purpose during the year ended June 30, 2010

Income taxes The Hospital is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code

The Hospital files a Form 990 (Return of Organization Exempt from Income Tax) annually When this return is filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the tax position taken or the amount of the position that would ultimately be sustained Examples of tax positions common to hospitals include such matters as the following the tax exempt status of the entity, the continued tax exempt status of bonds issued by the obligated group, the nature, the characterization and taxability of joint venture income and various positions relative to potential sources of unrelated business taxable income (UBIT) UBIT is reported on Form 990T, as appropriate The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes that it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any

Tax positions are not offset or aggregated with other positions Tax positions that meet the "more likely than not" recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely to be realized on settlement with the applicable taxing authority The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for uncertain tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination As of June 30, 2011 and 2010, there were no uncertain tax benefits identified and recorded as a liability

Forms 990 and 990T filed by the Hospital are subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return

Subsequent events The Hospital has evaluated subsequent events through September 30, 2011, the date on which the financial statements were issued

Reclassifications Certain items on the balance sheet for the year ended June 30, 2010 have been reclassified to be consistent with classification adopted for the year ended June 30, 2011 The reclassifications had no effect on net assets

Note 1. Organization and Significant Accounting Policies (Continued)

New and pending accounting guidance In May 2009, the FASB issued an accounting standard on *Not-for-Profit Entities: Mergers and Acquisitions* (formerly SFAS No 164). This standard determines whether a combination is a merger or an acquisition, applies the carryover method in accounting for a merger, applies the acquisition method in accounting for an acquisition, including determining which of the combining entities is the acquirer, and determines what information to disclose to enable users of financial statements to evaluate the nature and financial effects of a merger or an acquisition This standard also amends an accounting standard on *Goodwill and Other Intangible Assets* (formerly SFAS No 142), to make it fully applicable to not-for-profit entities This amendment requires that any goodwill of the Hospital, if any, cease to be amortized, but must be tested for impairment at the "reporting unit" level, a new concept for not-for-profit entities The Hospital applied this new guidance to its acquisition of an oncology physician practice during the year ended June 30, 2011

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-06, *Fair Value Measurements and Disclosures Topic* (Topic 820) *Improving Disclosures about Fair Value Measurements.* ASU 2010-06 improves the disclosures and increases the transparency in financial reporting of fair values in the footnotes of financial statements Certain provisions of this ASU are effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2009 and other provisions of this ASU are effective for financial statements issued for fiscal years and interim periods beginning after December 31, 2010, with early adoption encouraged During the year ended June 30, 2011, the Hospital adopted certain provisions of the ASU that were effective for the Hospital The remaining provisions are effective for the Hospital's fiscal year ending June 30, 2012

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

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

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

Note 1. Organization and Significant Accounting Policies (Continued)

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

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

Note 2. Net Patient Service Revenue

The Hospital derives patient revenue primarily from patients covered under the Medicare and Medicaid programs, agreements with commercial insurers and managed care organizations, as well as from private pay patients The basis for payment under agreements with commercial insurers and managed care organizations includes prospectively determined rates, discounts from established charges and allowable costs

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and other for services rendered Approximately 94% and 93% of the Hospital's revenue from patient services in 2011 and 2010, respectively, is derived from the Medicare, Medicaid, Blue Cross and CRPHO programs A summary of the payment arrangements with major third-party payors follows

Medicare The Hospital is paid for inpatient acute care services rendered to Medicare program beneficiaries under prospectively determined rates-per-discharge These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors Outpatient services are paid at prospectively determined rates based on an Ambulatory Patient Classification (APC) System The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary The Hospital's Medicare cost reports have been finalized by the Medicare fiscal intermediary through June 30, 2007

Medicaid Inpatient acute care services rendered under the Medicaid program are paid at prospectively determined rates-per-discharge These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors Outpatient services rendered to Medicaid program beneficiaries after July 1, 1997 are based on a combination of prospectively set payments based on Medicare and Medicaid determined fee schedules or a cost-based payment methodology based on Ambulatory Patient Groups (APG) APG rates are based on a blend of hospital-specific and statewide average costs reported by each hospital for costs associated with routine and ancillary care per Medicaid outpatient visit The Hospital's Medicaid cost reports have been finalized by the fiscal intermediary through June 30, 2007

Note 2. Net Patient Service Revenue (Continued)

Other agreements The Hospital has also entered into payment agreements with certain preferred provider organizations, health maintenance organizations and local employers The basis for payment to the Hospital under these agreements includes discounts from established charges, prospectively determined per diem rates and prospectively determined rates per discharge

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

	2011	2010
	(Dollars in Thousands)	
Gross patient service revenue	$ 736,553	$ 654,406
Less discounts, allowances and estimated contractual adjustments under third-party reimbursement programs	476,814	412,947
Net patient service revenue	$ 259,739	$ 241,459

Contractual adjustment expense for the years ended June 30, 2011 and 2010 includes the effect of a change in the amount of the estimated contractual adjustments under third-party reimbursement programs and retroactive adjustments based on final settlements of cost reports The effect of these changes in estimate are a decrease in contractual adjustment expense of approximately $100,000 and $108,000 for the years ended June 30, 2011 and 2010, respectively

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

The Hospital's additional reimbursement for the year ended June 30, 2011 has been recorded in the accompanying financial statements Total reimbursement revenue recognized by the Hospital related to this Program amounted to approximately $2,123,000 for the year ended June 30, 2011, which is recorded as a reduction of contractual adjustment expense Total assessments incurred by the Hospital related to this Program amounted to approximately $1,912,000 for the year ended June 30, 2011, which is included in other operating expenses

Note 3. Charity, Indigent Care and Community Service

The Hospital provides medical health care, including 24 hours a day, seven days a week Trauma Center service, to all patients accessing the system, regardless of race, creed, sex, national origin, handicap, age or ability to pay A patient is classified as a charity patient by reference to certain established policies of the Hospital Essentially, these policies define charity services as those services for which no or nominal payment is anticipated Additionally, each Hospital department accepts all patients who are covered by governmental indigent programs Such indigent programs typically remit amounts substantially less than charges

Note 3. Charity, Indigent Care and Community Service (Continued)

The following summarizes the Hospital's charity care, indigent care (i e , Medicaid) and provision for bad debts, a substantial portion of which relates to patient receivables that may have qualified for charity care under the Hospital's policies.

	2011	2010
	(Dollars in Thousands)	
Charity care provided at established charges	$ 17,403	$ 18,126
Provision for bad debts	$ 19,375	$ 17,418
Estimated costs and expenses in providing these services	$ 11,080	$ 11,294
Medicaid revenue at established charges	$ 50,153	$ 45,257
Expected Medicaid payments	11,612	13,195
Government shortfall relating to Medicaid programs	$ 38,541	$ 32,062
Estimated costs and expenses in providing Medicaid services	$ 15,110	$ 14,380

In addition, charity care and community service are provided through many reduced price services and free programs offered throughout the year These programs provide a bona fide community health need, including (unaudited)

- A health news publication, The Mercy Touch, distributed to approximately 66,000 and 55,200 households in 2011 and 2010 at the total cost of over $54,000 and $59,000 for the years ended June 30, 2011 and 2010, respectively
- Two jointly sponsored medical educational programs in conjunction with St Luke's Hospital which provided for the education of 20 and 22 Family Practice Residents for the years ended June 30, 2011 and 2010, respectively, and 28 and 34 Radiological Technology students for each of the years ended June 30, 2011 and 2010, respectively The expense incurred by the Hospital was $1,665,000 and $1,525,000 for the years ended June 30, 2011 and 2010, respectively
- Public and professional educational seminars which are offered on topics including chronic back and neck pain, prenatal education, breast feeding, diabetes, eating disorders, osteoporosis, crohns/colitis, cardiovascular disease and wellness Specialized cancer seminars for social workers, dental hygienists, nurses, dentists and physicians are also frequently offered
- Hospital meeting facilities which are frequently used without charge by such groups as the Variety Club, Arthritis Foundation, American Heart Association, Iowa Breast Cancer Foundation, Healthy Linn Network Advisory Committee, Overeaters Anonymous, Catholic Laymen, United Way, Catherine McAuley Center for Women, the American Cancer Society, M S Support Group, Hawkeye Area Down Syndrome Association, and ARC of East Central Iowa
- Contributions of 109,300 and 110,100 hours toward the common purpose of serving the health care of the community for the years ended June 30, 2011 and 2010, respectively The value of these contributions was approximately $1,221,000 and $1,200,000 for the years ended June 30, 2011 and 2010, respectively, and was given back to the community through lower costs

Note 4. Assets Limited as to Use and Investments

Assets limited as to use as of June 30, 2011 and 2010 consist of the following

	2011	2010
	(Dollars in Thousands)	
Board-designated for capital improvements		
Commercial paper and cash	$ 1,356	$ 1,266
Equity securities	50,005	39,618
Fixed income	37,670	35,325
Limited partnerships	33,264	21,301
	122,295	97,510
Self-insurance trust fund		
Commercial paper and cash	503	251
Equity securities	8,883	6,958
Fixed income	7,092	6,548
Balanced fund	2,117	1,865
Limited partnerships	937	670
	19,532	16,292
Under bond indentures, held by trustee, money market funds	11	11
Total assets limited as to use	$ 141,838	$ 113,813

Investments, including those classified as current and noncurrent on the accompanying balance sheets, as of June 30, 2011 and 2010 consist of the following

	2011	2010
	(Dollars in Thousands)	
Cash and cash equivalents	$ 379	$ 1,243
Fixed income		
U S government securities	5,548	2,988
Corporate bonds	3,745	2,969
Foreign securities	769	767
	$ 10,441	$ 7,967

Investment income (loss), which is presented as a component of nonoperating revenue, net, consists of the following for the years ended June 30, 2011 and 2010

	2011	2010
	(Dollars in Thousands)	
Realized gains (losses)	$ 6,417	$ (975)
Realized gain on sale of Wellmark Health Plan of Iowa investment	-	5,700
Other-than-temporary impairment (losses)	-	(977)
Dividend and interest income	2,907	2,123
	$ 9,324	$ 5,871

Note 4. Assets Limited as to Use and Investments (Continued)

Investment securities are regularly evaluated for impairment The Hospital considers factors affecting the investment, factors affecting the industry the investment operates within, and general debt and equity market trends The Hospital considers the length of time an investment's fair value has been below carrying value, the near term prospects for recovery to carrying value, and the intent and ability to hold the investment until maturity or market recovery is realized When a determination is made that a decline in fair value below the cost basis is other than temporary, the related investment is written down to its estimated fair value and the other-than-temporary loss is included as a component of investment income (loss), similar to realized losses, which are included in excess of revenue over expenses The total loss recognized as a result of management's analysis was approximately none and $977,000 for the years ended June 30, 2011 and 2010, respectively

Unrealized losses and fair value, aggregated by investment category and length of time individual securities have been in a continuous unrealized loss position, as of June 30, 2011 and 2010, are summarized as follows (dollars in thousands)

	Continuous Unrealized Losses Existing for Less Than 12 Months		Continuous Unrealized Losses Existing for Greater Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			June 30, 2011			
Equity securities, international	$ -	$ -	$ 1,766	$ 168	$ 1,766	$ 168
Balanced fund	-	-	2,117	37	2,117	37
Limited partnerships, invested primarily in real estate	3,453	20	-	-	3,453	20
	$ 3,453	$ 20	$ 3,883	$ 205	$ 7,336	$ 225
			June 30, 2010			
Equity securities						
Domestic	$ -	$ -	$ 8,917	$ 736	$ 8,917	$ 736
International	18,273	2,402	2,858	476	21,131	2,878
Balanced fund	-	-	1,865	99	1,865	99
Limited partnerships, invested primarily in real estate	-	-	336	20	336	20
	$ 18,273	$ 2,402	$ 13,976	$ 1,331	$ 32,249	$ 3,733

Note 5. Fair Value Measurements

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

Level 1 Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date

Level 2 Significant other observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data

Level 3 Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability

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

Investments in equity securities, U S government securities, corporate bonds, foreign issues and mutual funds traded on a national securities exchange are valued at the last reported sales price on the day of valuation These financial instruments are classified as level 1 in the fair value hierarchy

Investments in limited partnerships and hedge funds are valued at fair value based on the applicable percentage ownership of the underlying funds' net assets as of the measurement date, as determined by the Hospital In determining fair value, the Hospital utilizes valuations provided by the underlying investment funds The underlying investment funds value securities and other financial instruments on a fair value basis of accounting The estimated fair values of certain investments of the underlying investment funds, which may include private placements and other securities for which prices are not readily available, are determined by the managers of the respective other investment fund and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments The fair value of the Hospital's investments in funds generally represents the amount the Hospital would expect to receive if it were to liquidate its investments in funds excluding any redemption charges that may apply Investments in funds are classified as level 3 in the fair value hierarchy

Interest rate swaps for which quotations are not readily available are valued using pricing models, quoted prices of securities with similar characteristics or discounted cash flows These financial instruments are classified as level 2 in the fair value hierarchy

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

Note 5. Fair Value Measurements (Continued)

Assets and liabilities recorded at fair value on a recurring basis:

The following tables summarize assets measured at fair value on a recurring basis as of June 30, 2011 and 2010, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (dollars in thousands)

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	June 30, 2011			
Assets Limited as to Use and Investments				
Equity securities				
Domestic	$ 28,258	$ 28,258	$ -	$ -
International	30,630	19,512	-	11,118
Fixed income				
Corporate bonds	21,436	21,436	-	-
U S Treasury Inflation Protected Securities (TIPS)	9,734	9,734	-	-
Global/foreign securities	18,106	6,179	-	11,927
U S government securities	5,548	5,548	-	-
Balanced fund	2,117	2,117	-	-
Limited partnerships, invested primarily in				
Hedge funds	12,485	3,597	-	8,888
Private equity funds	4,777	-	-	4,777
Real estate	16,939	7,372	-	9,567
	$ 150,030	$ 103,753	$ -	$ 46,277
Interest rate swap liability	$ (7,199)	$ -	$ (7,199)	$ -

Note 5. Fair Value Measurements (Continued)

	Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	June 30, 2010			
Assets Limited as to Use and Investments				
Equity securities				
Domestic	$ 19,503	$ 19,503	$ -	$ -
International	27,073	8,800	-	18,273
Fixed income				
Corporate bonds	19,328	19,328	-	-
U S Treasury Inflation Protected Securities (TIPS)	13,130	13,130	-	-
Global/foreign securities	13,151	2,346	-	10,805
U S government securities	2,988	2,988	-	-
Balanced fund	1,865	1,865	-	-
Limited partnerships, invested primarily in				
Hedge funds	8,079	-	-	8,079
Private equity funds	4,198	-	-	4,198
Real estate	9,694	670	-	9,024
	$ 119,009	$ 68,630	$ -	$ 50,379
Interest rate swap liability	$ (9,472)	$ -	$ (9,472)	$ -

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

Note 5. Fair Value Measurements (Continued)

The following tables present additional information about assets and liabilities measured at fair value on a recurring basis for which the Hospital has utilized level 3 inputs to determine fair value

	Equity Securities	Fixed Income	Limited Partnerships	Total
		2011		
Balance, beginning	$ 18,273	$ 10,805	$ 21,301	$ 50,379
Total gains or losses (realized/unrealized) included in earnings	2,117	922	2,797	5,836
Purchases, sales, issuances, and settlements, net	(9,272)	200	(866)	(9,938)
Balance, ending	$ 11,118	$ 11,927	$ 23,232	$ 46,277
Total gains or losses included in earnings attributable to the change in unrealized gains or losses relating to financial instruments still held at June 30, 2011	$ 551	$ 922	$ 2,725	$ 4,198
		2010		
Balance, beginning	$ 17,258	$ 10,074	$ 21,010	$ 48,342
Total gains or losses (realized/unrealized) included in earnings	533	771	271	1,575
Purchases, sales, issuances, and settlements, net	482	(40)	20	462
Balance, ending	$ 18,273	$ 10,805	$ 21,301	$ 50,379
Total gains or losses included in earnings attributable to the change in unrealized gains or losses relating to financial instruments still held at June 30, 2010	$ 577	$ 756	$ 380	$ 1,713

Management has determined fair value of investments classified within level 3 of the valuation hierarchy by comparing investment returns to the returns of the funds based on the audited financial statements obtained for the funds Gains and losses included in earnings for the period above are reported in nonoperating income in the statement of operations

Note 5. Fair Value Measurements (Continued)

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

	June 30, 2011				
	Fair Value		Unfunded	Redemption	Redemption
	2011	2010	Commitment	Frequency	Notice Period
Investments					
Equity securities, international (A)	$ 11,118	$ 18,273	$ -	Semi-monthly	Trade Date minus 5 Days
Fixed income, global/foreign securities (B)	11,927	10,805	-	Monthly	Trade Date minus 10 Days
Limited partnerships, invested primarily in					
Hedge funds (C)	553	260	-	(C)	(C)
Hedge funds (C)	8,335	7,819	-	Quarterly	95 Days
Private equity funds (D)	4,777	4,198	2,376	(D)	(D)
Real estate (E)	9,567	9,024	1,063	(E)	(E)
	$ 46,277	$ 50,379	$ 3,439		

(A) These funds invest in international equity securities that are all exchange traded in countries outside of the USA These funds can be redeemed semi-monthly (twice per month) at the net asset value per share based on the fair value of the underlying assets The fair values of these investments have been estimated using the net asset value per share of the investments provided by the fund manager

(B) These funds invest in marketable securities that are all exchange traded in countries outside of the USA These funds can be redeemed at the month-end net asset value per share based on the fair value of the underlying assets The fair values of these investments have been estimated using the net asset value per share of the investments provided by the fund manager

(C) This investment is a hedge fund of funds The investments within this fund utilize the following strategies hedged equity, market dependent, event driven and market independent The fund is valued monthly However, redemptions can only be made as indicated above or distributions will be received as the underlying investments of the funds are liquidated over time

(D) The partnerships in this category consist of funds that invest in the following types of investments in the USA and outside of the USA venture capital partnerships, buyout partnerships, mezzanine/subordinated debt partnerships, restructuring/distressed debt partnerships and special situation partnerships Distributions will be received as the underlying investments of the funds are liquidated over time The fair value of this investment has been estimated using the net asset value provided by the fund manager

(E) The fund invests in multi-family, industrial, retail and office properties in targeted metropolitan areas within the continental USA Distributions will be received as the underlying investments of the funds are liquidated over time The fair value of this investment has been estimated using the net asset value per share of the investment provided by the fund manager

Note 6. Long-Term Debt

The Hospital's long-term debt as of June 30, 2011 and 2010 is summarized as follows

	2011	2010
	(Dollars in Thousands)	
Revenue bonds, Series 2005 (A)(C)	$ 54,200	$ 56,230
Revenue bonds, Series 2003 (B)(C)	27,600	27,975
	81,800	84,205
Less current maturities	2,500	2,405
	$ 79,300	$ 81,800

(A) In November 2005, $58,405,000 of Series 2005 hospital facility revenue bonds (2005 Bonds) were issued by the City of Cedar Rapids, Iowa on behalf of the Hospital to advance refund existing Series 1999 hospital facility revenue bonds with maturity dates after August 2009 and pay certain expenses incurred in connection with the 2005 Bonds The 2005 Bonds mature in varying annual amounts ranging from $2,100,000 to $3,760,000 through August 2029 and bear variable interest at the Auction Rate (0 175% as of June 30, 2011)

A portion of the proceeds of the 2005 Bonds, together with funds available under the prior bond indenture, have been deposited into certain reserve funds and invested in United States government obligations, the maturing principal of and interest paid on which will be sufficient to pay, when due, the principal and interest on the refunded bonds Based on the opinion of legal counsel, the Series 1999 refunded bonds are deemed to have been legally defeased, therefore, the deposited funds and the bonds are no longer included on the Hospital's financial statements

(B) In May 2003, $30,000,000 of Series 2003 hospital facility revenue bonds (2003 Bonds) were issued by the City of Cedar Rapids, Iowa on behalf of the Hospital to reimburse the Hospital for the costs of acquiring and constructing certain health care facilities and to pay certain expenses incurred in connection with the 2003 Bonds The 2003 Bonds mature in varying annual amounts ranging from $400,000 to $5,700,000 through August 2032 and bear variable interest at the Auction Rate (0 543% as of June 30, 2011)

(C) The Bonds are secured by the unrestricted receivables of the Hospital Under the Master Indenture and Loan Agreements, the Hospital is subject to certain covenants, including the achievement of certain financial ratios, as well as restrictions on transfers of assets, insurance and additional debt

The Hospital has a revolving line of credit with a bank under which it may borrow up to an aggregate of $10,000,000 The Hospital had no outstanding borrowings under this agreement as of June 30, 2011 and 2010 The agreement expires March 5, 2012 The line of credit is uncollateralized

Maturities of long-term debt over the next five years and thereafter are as follows (dollars in thousands)

Year ending June 30	
2012	$ 2,500
2013	2,590
2014	2,660
2015	2,765
2016	2,865
Thereafter	68,420
	$ 81,800

Note 7. Derivative Instruments, Interest Rate Swap Agreements

The Hospital maintains an interest-rate risk-management strategy that uses interest rate swap derivative instruments to minimize significant, unanticipated earnings fluctuations caused by interest-rate volatility The Hospital's specific goal is to lower (where possible) the cost of its borrowed funds

The Hospital entered into interest rate swap agreements to reduce the impact of changes in interest rates on its variable rate revenue bonds The interest rate swaps are utilized to manage interest rate exposure over the period of the interest rate swaps The change in the fair value of these swap agreements is included in nonoperating revenue in the accompanying statements of operations and changes in net assets The interest settlements received by the Hospital or paid to the counterparty are included as a component of interest expense

As of June 30, 2011 and 2010, the fair value of the derivatives was recorded within long-term liabilities on the balance sheets

The interest rate swap agreements changed the Hospital's interest rate exposure on revenue bonds to a fixed rate as described below as of June 30, 2011 and 2010

The Hospital's interest rate swap agreements as of June 30, 2011 and 2010 are summarized as follows

Notional Amount		Termination Date	June 30, 2011 Fixed Rate	June 30, 2011 Variable Rate	Fair Value of Swap Asset (Liability) 2011	Fair Value of Swap Asset (Liability) 2010
					(Dollars in Thousands)	
$ 27,600,000	(A)	August 2032	3 48%	0 897%	$ (2,391)	$ (3,535)
54,200,000	(B)	August 2029	3 28	0 108	(4,808)	(5,937)
					$ (7,199)	$ (9,472)

(A) Effective April 10, 2003 and as amended on September 14, 2006, the Hospital is a party to an interest rate swap agreement with an original notional amount of $30,000,000 The notional amount of the swap decreases as the outstanding balance of the Series 2003 Bonds decrease Under this arrangement, the Hospital pays a fixed rate of 3 48% and the counterparty pays a floating rate equal to 67% of the five-year swap rate less an applicable credit spread (0 897% and 1 360% as of June 30, 2011 and 2010, respectively), both of which are applied to the notional principal amount

(B) Effective November 17, 2005, the Hospital is a party to an interest rate swap agreement with an original notional amount of $58,405,000 The notional amount of the swap decreases as the outstanding balance of the Series 2005 Bonds decreases Under this arrangement, the Hospital pays a fixed rate of 3 275% and the counterparty pays a floating rate equal to 67% of the LIBOR (0 108% and 0 220% as of June 30, 2011 and 2010, respectively), both of which are applied to the notional principal amount

Note 7. Derivative Instruments, Interest Rate Swap Agreements (Continued)

The following table summarizes the amounts recorded in the Hospital's financial statements for derivative instruments as of June 30, 2011 and 2010 (dollars in thousands)

		Fair Value	
	Financial Statement Location	2011	2010
Liability derivatives, interest rate contracts	Long-term liabilities	$ 7,199	$ 9,472
Change in fair value	Nonoperating revenue (expense)	2,273	(3,783)

The net settlements recorded for derivative instruments in the Hospital's statements of operations increased interest expense for the years ended June 30, 2011 and 2010 by approximately $3,246,000 and $2,738,000, respectively

Note 8. Self-Insurance and Contingent Liabilities

Professional and general liability insurance:

The Hospital is self-insured for professional and general liability claims It is the Hospital's policy to transfer, to a trust, amounts determined by an actuary to be sufficient to pay future losses Current coverage under the self-insurance arrangement is $10,000,000 per claim and $20,000,000 in annual aggregate

The Hospital is involved in litigation arising in the ordinary course of business Claims alleging malpractice have been asserted against the Hospital and are currently in various stages of litigation Additional claims may also be asserted against the Hospital arising from services provided to patients through June 30, 2011 Losses from asserted claims and from unasserted claims identified under the Hospital's incident reporting system are accrued based on estimates that incorporate the Hospital's past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors As of June 30, 2011 and 2010, the Hospital has recorded a liability which is included in self-insurance reserves of approximately $5,080,000 and $4,703,000, respectively, for estimated professional and general liability costs The provision related to this program was $377,000 and $12,500 for the years ended June 30, 2011 and 2010, respectively

Health insurance:

The Hospital offers its employees three options for employee group health insurance coverage The Hospital is self-insured for all options The self-insured claims are processed through the respective plan administrators In addition, the Hospital has purchased stop-loss insurance coverage for claims in excess of $150,000 per occurrence During the years ended June 30, 2011 and 2010, employee health insurance expenses related to all plans totaled approximately $12,705,000 and $11,642,000, respectively The Hospital has recorded a current liability totaling approximately $1,134,000 and $1,151,000 as of June 30, 2011 and 2010, respectively, for open claims and claims incurred but not reported

Note 8. Self-Insurance and Contingent Liabilities (Continued)

Worker's compensation insurance:

The Hospital is self-insured for its worker's compensation insurance The self-insured claims are processed through a plan administrator In addition, the Hospital has purchased stop-loss insurance coverage for claims in excess of $450,000 per year per occurrence and $1,000,000 in the aggregate During the years ended June 30, 2011 and 2010, worker's compensation insurance expenses totaled approximately $1,651,000 and $1,920,000, respectively The Hospital has recorded a liability, which is included in self insurance reserves of approximately $1,509,000 and $1,128,000 as of June 30, 2011 and 2010, respectively, for open claims and claims incurred but not reported

Conditional asset retirement obligations:

The Conditional Asset Retirement Obligation Topic of the FASB Accounting Standards Codification clarifies when an entity is required to recognize a liability for a conditional asset retirement obligation, specifically as it relates to its legal obligation to perform asset retirement activities, such as asbestos removal, on its existing properties Over the past 10 years, management has systematically renovated, replaced or newly constructed the majority of the physical plant facilities, resulting in a relatively small portion of the facility with any remaining hazardous material Management of the Hospital believes that there is an indeterminate settlement date for the asset retirement obligations because the range of time over which the Hospital may settle the obligation is unknown and does not believe that the estimate of the liability related to these asset retirement activities is a material amount as of June 30, 2011 and 2010

Debt guarantee of affiliated organizations:

In 2007 the Hospital made an initial investment in Eastern Iowa Sleep Center, LLC, which commenced operations in fiscal year 2008 In August 2007 the Hospital, for no consideration, agreed to guarantee one-third of the Sleep Center's bank obligations, provided that the Hospital's guarantee amount shall not exceed $990,000 The Hospital can be required to perform on the guarantee only in the event of nonpayment of the debt by the Sleep Center Management evaluates the Hospital's exposure to loss at each balance sheet date and provides accruals for such as deemed necessary No accrual was deemed necessary as of June 30, 2011 and 2010

In August 2011 the Hospital, for no consideration, agreed to guarantee 10% of the PCI Regional Medical Mall, LLC bank obligations, provided that the Hospital's guarantee amount shall not exceed $3,200,000 The Hospital can be required to perform on the guarantee only in the event of nonpayment of the debt by the Medical Mall Management evaluates the Hospital's exposure to loss at each balance sheet date and provides accruals for such as deemed necessary No accrual was deemed necessary as of June 30, 2011

Note 8. Self-Insurance and Contingent Liabilities (Continued)

Laws and regulations:

The health care industry is subject to numerous laws and regulations of federal, state and local governments Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received While the Hospital is subject to similar regulatory reviews, management believes that the outcome of any such regulatory review will not have a material adverse effect on the Hospital's financial position

CMS RAC Program:

Congress passed the Medicare Modernization Act in 2003, which among other things established a demonstration of The Medicare Recovery Audit Contractor (RAC) program The RAC's identified and corrected a significant amount of improper overpayments to providers In 2006, Congress passed the Tax Relief and Health Care Act of 2006 which authorized the expansion of the RAC program to all 50 states CMS is in the process of rolling out this program nationally As such, the Hospital may be subject to such an audit at some time in the future The final impact of this program cannot be quantified at this time

Health care reform:

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

Current economic conditions:

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

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

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

Note 9. Employee Retirement Plans

The Hospital sponsors a defined contribution employee plan Employees are eligible to participate in the plan upon reaching age 21 and completion of one year of employment Each participant can make voluntary contributions to the plan and the Hospital will contribute an amount equal to 50% of participant contributions up to 4% of compensation Expense incurred by the Hospital under this plan is $1,201,000 and $798,000 for the years ended June 30, 2011 and 2010, respectively Effective July 1, 2006, the Hospital expanded the defined contribution plan for new employees, whereby the Hospital will contribute 4% of compensation to the Plan The expense incurred by the Hospital under this expanded plan is approximately $2,569,000 and $937,000 for the years ended June 30, 2011 and 2010, respectively

The Hospital's noncontributory defined benefit pension plan (Plan) covers substantially all Hospital employees based on years of service and the employee's compensation during the consecutive three-year period prior to the employee's last month of service The Hospital's policy is to fund the Plan at an amount at least equal to the actuarially calculated funding level Effective July 1, 2006 current participants in the defined benefit pension plan were given the option to remain in the defined benefit pension plan, or to elect to move to the defined contribution plan, at which time their benefits in the defined benefit pension plan were frozen at current levels

Effective July 1, 2010, the Board of Trustees adopted a resolution to freeze the defined benefit pension plan for its remaining participants Under terms of the freeze, employees with at least 15 years of service and age 45 or older are receiving enhanced contributions under the defined contribution plan There was no curtailment gain or loss as a result of this plan election

The Compensation – Retirement Benefits Topic of the FASB Accounting Standards Codification requires balance sheet recognition of the overfunded or underfunded status of pension and postretirement benefit plans Actuarial gains and losses, prior service costs or credits and any remaining transition assets or obligations, must be recognized in the changes in unrestricted net assets

As a result, the Hospital has recognized the underfunded status of the defined benefit pension plan in the accompanying balance sheets as of June 30, 2011 and 2010 The accrual for the defined benefit pension plan liability is based on a comparison of the fair value of plan assets to the Plan's projected benefit obligation

Note 9. Employee Retirement Plans (Continued)

The Plan is measured annually at June 30 Information about the Plan follows

	2011	2010
	(Dollars in Thousands)	
Projected benefit obligation, beginning of year	$ (108,317)	$ (96,582)
Service cost	-	(3,330)
Interest cost	(6,311)	(5,999)
Actuarial (loss)	(2,497)	(4,412)
Benefits paid	2,390	2,006
Projected benefit obligation, end of year	(114,735)	(108,317)
Fair value of plan assets	81,344	67,787
Funded status, benefit obligation in excess of plan assets	$ (33,391)	$ (40,530)
Rollforward of accrued benefit		
Accrued benefit on balance sheet, beginning of year	$ (40,530)	$ (39,496)
Return on plan assets	12,497	7,040
Hospital contributions	3,450	5,666
Change in plan liability	(8,808)	(13,740)
Accrued benefit on balance sheet, end of year	$ (33,391)	$ (40,530)
Components of net periodic pension cost (income), which is included as a component of excess of revenue over expenses on the accompanying combined statements of operations and changes in net assets, consist of		
Service cost	$ -	$ 3,330
Interest cost	(6,311)	5,999
Expected return on plan assets	(5,483)	(5,094)
Amortization of unrecognized net loss	3,322	2,971
Amortization of unrecognized prior service cost (credit)	(27)	(27)
	$ (8,499)	$ 7,179
Amounts not yet recognized as components of net periodic pension cost		
Net actuarial loss	$ 32,948	$ 40,800
Prior service cost (credit)	(143)	(169)
Unrecognized amounts, end of year	32,805	40,631
Unrecognized amounts, beginning of year	40,631	41,110
Current year change	$ (7,826)	$ (479)
Assumptions used in computations		
In computing ending obligations		
Discount rate	5 75%	5 90%
Rate of compensation increase	3 75	3 75
In computing expected return on assets	8 10	8 40

Note 9. Employee Retirement Plans (Continued)

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

The fair values of the Hospital's defined benefit pension plan assets as of June 30, 2011 and 2010 by asset category, segregated by the level of the valuation inputs within the fair value hierarchy as described in Note 5, are as follows (dollars in thousands)

		Fair Value Measurement Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	June 30, 2011			
Plan assets				
Equity securities				
Domestic	$ 15,503	$ 7,556	$ -	$ 7,947
International	19,082	19,082	-	-
Fixed income				
U S Treasury Inflation Protected Securities (TIPS)	13,331	6,565	-	6,766
Global/foreign securities	9,182	2,548	-	6,634
Limited partnerships, invested primarily in				
Real estate	10,336	3,804	-	6,532
Hedge funds	8,079	1,442	-	6,637
Private equity funds	4,587	-	-	4,587
	80,100	$ 40,997	$ -	$ 39,103
Other plan assets, cash and cash equivalents	1,244			
Total plan assets	$ 81,344			
	June 30, 2010			
Plan assets				
Equity securities				
Domestic	$ 11,045	$ 3,882	$ -	$ 7,163
International	15,563	3,925	-	11,638
Fixed income				
U S Treasury Inflation Protected Securities (TIPS)	13,355	6,561	-	6,794
Global/foreign securities	7,063	-	-	7,063
Limited partnerships, invested primarily in				
Real estate	7,223	1,768	-	5,455
Hedge funds	7,260	1,046	-	6,214
Private equity funds	3,869	-	-	3,869
	65,378	$ 17,182	$ -	$ 48,196
Other plan assets, cash and cash equivalents	2,409			
Total plan assets	$ 67,787			

Note 9. Employee Retirement Plans (Continued)

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

The following table presents additional information about the defined benefit pension plan assets measured at fair value on a recurring basis for which the Hospital has utilized level 3 inputs to determine fair value

	Equity Securities	Fixed Income	Limited Partnerships	Total
		2011		
Balance, beginning	$ 18,801	$ 13,857	$ 15,538	$ 48,196
Total gains or losses (realized/unrealized) included in earnings	309	499	929	1,737
Purchases, sales, issuances and settlements, net	(11,163)	(956)	1,289	(10,830)
Balance, ending	$ 7,947	$ 13,400	$ 17,756	$ 39,103
		2010		
Balance, beginning	$ 16,688	$ 15,867	$ 14,202	$ 46,757
Total gains or losses (realized/unrealized) included in earnings	184	623	603	1,410
Purchases, sales, issuances and settlements, net	1,929	(2,633)	733	29
Balance, ending	$ 18,801	$ 13,857	$ 15,538	$ 48,196

Note 9. Employee Retirement Plans (Continued)

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

	Fair Value		June 30, 2011 Unfunded	Redemption	Redemption
	2011	2010	Commitment	Frequency	Notice Period
Investments					
Equity securities					
Domestic (A)	$ 7,947	$ 7,163	$ -	Semi-monthly	Trade Date minus 5 Days
International (B)	-	11,638	-	Semi-monthly	Trade Date minus 5 Days
Fixed income					
U S Treasury Inflation Protected Securities (TIPS) (C)	6,766	6,794	-	Semi-monthly	Trade Date minus 10 Days
Global/foreign securities (D)	6,634	7,063	-	Monthly	Trade Date minus 10 Days
Limited partnerships, invested primarily in					
Hedge fund (E)	6,637	6,214	-	Quarterly	95 Days
Private equity funds (F)	4,587	3,869	2,304	(F)	(F)
Real estate (G)	6,532	5,455	1,477	(G)	(G)
	$ 39,103	$ 48,196	$ 3,781		

(A) These funds invest in equities that are all exchange traded in the United States of America These funds can be redeemed semi-monthly (twice per month) at the net asset value per share based on the fair value of the underlying assets The fair values of these investments have been estimated using the net asset value per share of the investments provided by the fund manager

(B) These funds invest in international equity securities that are all exchange traded in countries outside of the USA These funds can be redeemed semi-monthly at the net asset value per share based on the fair value of the underlying assets The fair values of these investments have been estimated using the net asset value per share of the investments provided by the fund manager

(C) Treasury Inflation Protected Securities, or TIPS, provide protection against inflation The principal of a TIPS increases with inflation and decreases with deflation, as measured by the Consumer Price Index When a TIPS matures, we will receive the adjusted principal or original principal, whichever is greater The value of a TIPS is estimated using net asset value of the investment as provided by the fund manager

(D) These funds invest in marketable securities that are all exchange traded in countries outside of the USA These funds can be redeemed at the month end net asset value per share based on the fair value of the underlying assets The fair values of these investments have been estimated using the net asset value per share of the investments provided by the fund manager

(E) This investment is a hedge fund of funds The investments within this fund utilize the following strategies hedged equity, market dependent, event driven and market independent The fund is valued monthly However, redemptions can only be made as indicated above

Note 9. Employee Retirement Plans (Continued)

(F) The partnerships in this category consist of funds that invest in the following types of investments in the USA and outside of the USA venture capital partnerships, buyout partnerships, mezzanine/subordinated debt partnerships, restructuring/distressed debt partnerships and special situation partnerships Distributions will be received as the underlying investments of the funds are liquidated over time The fair value of this investment has been estimated using the net asset value provided by the fund manager

(G) The fund invests in multi-family, industrial, retail and office properties in targeted metropolitan areas within the continental USA Distributions will be received as the underlying investments of the funds are liquidated over time The fair value of this investment has been estimated using the net asset value per share of the investment provided by the fund manager

The following summarizes target asset allocations as of June 30, 2009 and major asset categories as of June 30, 2011 and 2010

	Target Allocation	2011	2010
Equity securities	38%	43%	39%
Fixed income	27	28	30
Real estate	15	12	11
Other	20	17	20
	100%	100%	100%

The Hospital's objective is to maintain adequate levels of diversification among plan assets The Hospital monitors the allocation on an ongoing basis and will reallocate plan assets accordingly

The Hospital expects to contribute approximately $3,450,000 to its pension plan during the year ending June 30, 2012

The benefit payments are expected to be paid as follows (dollars in thousands)

Year ending June 30	
2012	$ 2,692
2013	2,924
2014	3,257
2015	3,475
2016	4,164
2017 to 2020	30,252
	$ 46,764

Note 10. Transactions with Affiliated Organizations

MCM pays $215,000 of annual rent expense to the Hospital for the land occupied by the Physicians Clinic of Iowa and Internist Associates of Iowa and $241,000 for clinical and office space rental

During the year ended June 30, 2011, MCM sold a parcel of property to the Hospital for an amount in excess of the carrying value of the property Because MCM and the Hospital are related parties under common control, the excess of the sale price over the carrying value of the property of $193,277 is recorded as a net asset transfer to affiliated organizations

The Foundation transferred funds of approximately $1,341,000 and $968,000 for the years ended June 30, 2011 and 2010, respectively, to the Hospital for capital acquisitions The Foundation contributed approximately $1,204,000 and $1,302,000 for the years ended June 30, 2011 and 2010, respectively, to the Hospital for Cancer Care, Hospice operations and Neuroscience, which are included in other operating revenue In addition, the Foundation contributed approximately $214,000 and $69,000 to the Hospital during the years ended June 30, 2011 and 2010, respectively, to offset operating expenses, which is included within operating income

During each fiscal year 2011 and 2010, the Hospital transferred $2,500,000 to Mercycare Service Corporation The transfers are included in net transfers to affiliated organizations on the accompanying statements of operations and changes in net assets

Mercycare Service Corporation provided funding to Mercy Medical Center for community support in the amount of $306,000 and $307,000 for the years ended June 30, 2011 and 2010, respectively

Condensed financial data of the Foundation as of and for the years ended June 30, 2011 and 2010 is as follows

	2011	2010
	(Dollars in Thousands)	
Assets		
Investments, at fair value	$ 48,904	$ 43,221
Other, primarily interest in trusts	4,577	3,838
	$ 53,481	$ 47,059
Total liabilities	$ 448	$ 656
Net assets		
Unrestricted	$ 20,753	16,939
Temporarily restricted	9,395	7,090
Permanently restricted	22,885	22,374
	53,033	46,403
	$ 53,481	$ 47,059
Contributions	$ 2,338	$ 2,663
Investment income (losses)	7,780	4,248
Operating expenses	(729)	(689)
Contributions and transfers to affiliate	(2,759)	(2,339)
Change in net assets	$ 6,630	$ 3,883

Note 10. Transactions with Affiliated Organizations (Continued)

The temporarily restricted net assets are restricted for various health care services with a significant amount restricted for Cancer Care and Hospice

Approximately one-half of the income earned from the permanently restricted net assets is unrestricted, with the remaining income earned to be used primarily for cancer treatment

The Foundation's investments as of June 30, 2011 and 2010 consist of the following

	2011	2010
	(Dollars in Thousands)	
Mutual funds, invested primarily in		
Equities	$ 13,331	$ 10,663
Fixed income	9,208	9,343
Corporate bonds	2,499	2,007
Real estate	1,482	1,045
Other	1,657	1,032
Hedge funds	1,004	1,325
Common trust funds	17,814	15,612
Investments measured at fair value	46,995	41,027
Money market funds	1,909	2,194
	$ 48,904	$ 43,221

The following tables summarize the Foundation's assets which are measured at fair value, segregated by the level of the valuation inputs within the fair value hierarchy, described in Note 5, utilized to measure fair value (dollars in thousands)

	Fair Value	Level 1	Level 2	Level 3
	June 30, 2011			
Investments	$ 46,995	$ 28,177	$ -	$ 18,818
Interest in trusts	3,522	-	-	3,522
	$ 50,517	$ 28,177	$ -	$ 22,340
	June 30, 2010			
Investments	$ 41,027	$ 24,090	$ -	$ 16,937
Interest in trusts	3,118	-	-	3,118
	$ 44,145	$ 24,090	$ -	$ 20,055

Note 10. Transactions with Affiliated Organizations (Continued)

The following table presents additional information about the Foundation's assets measured at fair value on a recurring basis for which the Foundation has utilized level 3 inputs to determine fair value

	2011	2010
	(Dollars in Thousands)	
Balance, beginning	$ 20,055	$ 18,763
Total gains or losses (realized/unrealized) included in earnings	1,941	1,007
Purchases, sales, issuances and settlements, net	(60)	269
Change in beneficial interest in trusts	404	16
Balance, ending	$ 22,340	$ 20,055

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

	Fair Value		June 30, 2011 Unfunded	Redemption	Redemption
	2011	2010	Commitment	Frequency	Notice Period
Investments					
Hedge Funds					
Commercial Real Estate (A)	$ 213	$ 166	$ -	Quarterly	60 Days
Absolute Return (B)	791	1,159	-	(B)	(B)
Common Trust Funds					
Capital Guardian US Invest Grade F I TXT 2554 (C)	7,788	7,748	-	(C)	(C)
Capital Guardian Global Equity TXT 2555 (D)	10,026	7,864	-	(D)	(D)
	$ 18,818	$ 16,937	$ -		

(A) This hedge fund invests in real estate (retail, office, residential, and land) and real estate partnerships (office, industrial/warehouse and land) in targeted metropolitan areas within the continental USA This fund can be redeemed (all or any portion of the shares owned) on a quarterly basis by giving written notice at least sixty days prior to the end of the quarter for which the request is to be effective The fund may redeem or decline to redeem, all or any portion of the shares held any investor with Board approval Shares are redeemed at the per share net asset value of the fund as of the effective date of each redemption, which is the last business day of the quarter in which the redemption occurred The fund will endeavor to honor redemption requests within twenty days after the end of the applicable quarter The fair value of this investment has been estimated using the net asset value per share of the investment provided by the fund manager

Note 10. Transactions with Affiliated Organizations (Continued)

(B) The fund seeks to provide investors with access to a diversified multi-strategy investment portfolio designed to achieve stable, long-term, nonmarket directional positive returns with low relative volatility Effective December 11, 2008, the fund suspended redemptions Effective January 1, 2010, a restructure occurred whereby shareholders were offered the option to exchange their interest for a continuing fund or to remain invested in the fund as it commences an orderly liquidation of its portfolio The Foundation chose the liquidation option Under this option, it is estimated that investors will receive approximately 62%-65% of their net asset value as of June 30, 2009 in cash distributions on a semi-annual basis through mid-2013 The remaining 35%-38% will be received subsequent to mid-2013 During the year ended June 30, 2011 and 2010, the Foundation received a distribution of $473,288 and $131,365, respectively The Foundation has no unfunded commitments as of June 30, 2011 The fair value of this investment has been estimated using the net asset value per share of the investment provided by the fund manager

(C) This fund's investment objectives are to seek high total return consistent with the conservation of capital by investing primarily in marketable fixed-income securities, denominated in U S dollars The fund's investments include fixed-income securities, U S government obligations, and corporate securities Redemptions of units may be effected only the first business day following a valuation date using the unit value determined at the end of that valuation date The redemption value is generally as of the date of the redemption and not the request date The fair value of this investment has been estimated using the net asset value per share of the investment provided by the fund manager

(D) This fund's investment objectives are to seek growth of capital and future income through investments in a portfolio comprised of equity securities of U S issuers, ADRs (American Depositary Receipts) for securities of non-U S issuers, and securities whose principal markets are outside the U S The fund's investments primarily consist of common stock Redemptions of units may be effected only the first business day following a valuation date using the unit value determined at the end of that valuation date The redemption value is generally as of the date of the redemption and not the request date The fair value of this investment has been estimated using the net asset value per share of the investment provided by the fund manager

Investment and interest in affiliated entities consists of the following as of June 30, 2011 and 2010

	2011	2010
	(Dollars in Thousands)	
Foundation	$ 53,033	$ 46,403
MR Associates, LLP	766	809
CRPHO	678	601
PCI Regional Medical Mall, LLC	800	-
Eastern Iowa Sleep Center, LLC	1,123	1,194
	$ 56,400	$ 49,007

Note 11. Commitments and Contingencies

The Hospital has operating lease agreements for equipment, office space and land which expire through 2040 Future annual minimum lease payments due under noncancelable agreements as of June 30, 2011 are as follows (dollars in thousands)

Year ending June 30	
2012	$ 416
2013	343
2014	236
2015	133
2016	73
Thereafter	506
	$ 1,707

Total operating lease expense was approximately $760,000 and $747,000 for the years ended June 30, 2011 and 2010, respectively

The Hospital has signed commitments for the construction of a new cancer center totaling approximately $23,370,000 of which approximately $18,278,000 is remaining as of June 30, 2011 The remaining commitments related to this project will be funded with cash from operations

Note 12. Functional Expenses

The Hospital provides general health care services to residents within its geographic location Expenses related to providing these services for the years ended June 30, 2011 and 2010 are as follows

	2011	2010
	(Dollars in Thousands)	
Healthcare services	$ 205,814	$ 186,636
General and administrative	50,869	49,200
	$ 256,683	$ 235,836

Note 13. Concentrations of Credit Risk

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

	2011	2010
Medicare	46 5%	44 3%
Medicaid	7 4	5 7
Blue Cross	19 2	17 6
Other third-party payors	12 8	14 5
Patients	14 1	17 9
	100 0%	100 0%

As of June 30, 2011, the Hospital had deposits exceeding the federal depository insurance limits in one major financial institution Management believes the credit risk related to these deposits is minimal

Note 14. Endowments

The Foundation's endowments consist of various donor-restricted endowment funds and funds designated by the Board of Directors to function as quasi-endowments Net assets associated with endowment funds, including funds designated by the Board of Directors to function as quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions

The Board of Directors of the Foundation has interpreted the State of Iowa's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as recommending the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary As a result of this Interpretation, the Foundation classifies as permanently net restricted assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with direction of the applicable donor gift instrument at the time the accumulation is added to the fund and (d) changes in the value of the Foundation's share of trust assets in perpetual trusts The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net asset until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted funds

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specific period(s) Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least 5% over the long term Actual returns in any given year may vary from this amount

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends) The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objective within prudent risk constraints

The Foundation has a policy of appropriating for distribution each year a maximum of 5% of the two year (8 quarters) rolling average of the market value of each endowment fund, although (absent donor stipulations) they are not required to appropriate any amount for distribution In establishing this policy, the Foundation considered the long-term expected return on its endowment Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average of the long-term rate of inflation

Note 14. Endowments (Continued)

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration Deficiencies of this nature, which are reported in unrestricted net assets, were approximately $22,000 and $2,318,000 as of June 30, 2011 and 2010, respectively These deficiencies resulted from unfavorable market fluctuations The Foundation reported these losses as a reduction of the Foundation's unrestricted, for general use, net assets

The endowment net asset composition by type of fund consisted of the following as of June 30, 2011 and 2010 (dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
		June 30, 2011		
Donor-restricted funds	$ (22)	$ 3,020	$ 22,885	$ 25,883
Board-designated (quasi) endowment funds	3,913	-	-	3,913
	$ 3,891	$ 3,020	$ 22,885	$ 29,796
		June 30, 2010		
Donor-restricted funds	$ (2,318)	$ 2,189	$ 22,374	$ 22,245
Board-designated (quasi) endowment funds	3,324	-	-	3,324
	$ 1,006	$ 2,189	$ 22,374	$ 25,569

Note 14. Endowments (Continued)

Changes in endowment net assets for the years ended June 30, 2011 and 2010 consisted of the following (dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
		2011		
Endowment net assets, beginning of year	$ 1,006	$ 2,189	$ 22,374	$ 25,569
Investment return				
Investment income	1,012	747	24	1,783
Change in net unrealized gain	1,873	628	84	2,585
	2,885	1,375	108	4,368
Contributions	-	-	152	152
Appropriation of endowment funds for expenditures	-	(544)	-	(544)
Change in estimate of beneficial interest in trusts	-	-	251	251
Endowment net assets, end of year	$ 3,891	$ 3,020	$ 22,885	$ 29,796
		2010		
Endowment net assets, beginning of year	$ (78)	$ 1,305	$ 22,081	$ 23,308
Net asset reclassification from nonendowment temporarily restricted	-	-	37	37
Endowment net assets after reclassification	(78)	1,305	22,118	23,345
Investment return				
Investment income	237	616	3	856
Change in net unrealized gain	847	754	3	1,604
	1,084	1,370	6	2,460
Contributions	-	-	235	235
Appropriation of endowment funds for expenditures	-	(486)	-	(486)
Change in estimate of beneficial interest in trusts	-	-	15	15
Endowment net assets, end of year	$ 1,006	$ 2,189	$ 22,374	$ 25,569