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Form 990  Department of the Treasury Internal Revenue Service	Return of Organization Exempt From Income Tax Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation) The organization may have to use a copy of this return to satisfy state reporting requirements	OMB No 1545-0047 2010 Open to Public Inspection
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A For the 2010 calendar year, or tax year beginning 07-01-2010 and ending 06-30-2011		
B Check if applicable <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> 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 301 St Paul Place City or town, state or country, and ZIP + 4 Baltimore, MD 21202	D Employer identification number 52-0591658 E Telephone number (410) 332-9000 G Gross receipts \$ 415,667,358
	F Name and address of principal officer THOMAS MULLEN 301 ST PAUL PLACE BALTIMORE, MD 21202	H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) H(c) Group exemption number ▶
	I Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () ◀(insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527	
	J Website: ▶ www.mdmercy.com	
	K Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶	
L Year of formation 1949		M State of legal domicile MD

Part I		Summary	
Activities & Governance	1 Briefly describe the organization's mission or most significant activities Grounded in a vision of God's healing love for all people, we are committed to providing healthcare for persons of every creed, color, and economic and social condition in Balt City, Central MD and beyond		
	2 Check this box <input checked="" type="checkbox"/> 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 7
	4 Number of independent voting members of the governing body (Part VI, line 1b)		4 1
	5 Total number of individuals employed in calendar year 2010 (Part V, line 2a)		5 3,403
6 Total number of volunteers (estimate if necessary)		6 154	
7a Total unrelated business revenue from Part VIII, column (C), line 12		7a 677,832	
b Net unrelated business taxable income from Form 990-T, line 34		7b -435,788	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year 10,673,654	Current Year 12,148,485
	9 Program service revenue (Part VIII, line 2g)	361,778,126	384,499,547
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	3,206,570	4,780,746
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	11,860,031	12,493,868
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	387,518,381	413,922,646
	Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0
14 Benefits paid to or for members (Part IX, column (A), line 4)		0	0
15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)		166,554,477	179,590,535
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)		184,825,680	211,635,638
18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)		351,380,157	391,226,173
19 Revenue less expenses Subtract line 18 from line 12		36,138,224	22,696,473
Net Assets or Fund Balances	Beginning of Current Year		End of Year
	20 Total assets (Part X, line 16)	798,086,962	815,479,823
	21 Total liabilities (Part X, line 26)	552,550,779	540,093,894
	22 Net assets or fund balances Subtract line 21 from line 20	245,536,183	275,385,929

Part II Signature Block					
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.					
Sign Here	***** Signature of officer			2012-05-11 Date	
	John Topper SR VP/CFO/TREASURER Type or print name and title				
Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	PTIN
	Firm's name ▶ COHEN RUTHERFORD KNIGHT PC				Firm's EIN ▶
	Firm's address ▶ 6903 ROCKLEDGE DRIVE SUITE 500 BETHESDA, MD 208171800				Phone no ▶ (301) 828-1008
May the IRS discuss this return with the preparer shown above? (see instructions) <input type="checkbox"/> Yes <input type="checkbox"/> No					

Part IIIStatement 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

MERCY IS DEDICATED TO CARRYING FORWARD THE 136 - YEAR TRADITION OF THE SISTER'S HEALING MINISTRY IN BALTIMORE GROUNDED IN A VISION OF GOD'S HEALING LOVE FOR ALL PEOPLE, WE ARE COMMITTED TO PROVIDING HEALTHCARE FOR PERSONS OF EVERY CREED, COLOR, AND ECONOMIC AND SOCIAL CONDITION IN BALTIMORE CITY, CENTRAL MARYLAND AND BEYOND IN THE TRADITION OF CATHOLIC HEALTHCARE AND OF THE SISTERS OF MERCY, WE CONTINUE OUR SPECIAL COMMITMENT TO POOR AND UNDERSERVED PERSONS MERCY IS DRIVEN BY ITS MISSION TO SERVE AND WILL REMAIN STEADFAST IN ITS COMMITMENT TO UPHOLD ITS HIGHEST STANDARDS FOR CARE, ITS COMMITMENT OT THE POOR AND ITS COMMITMENT OT BALTIMORE WE ARE HERE TO PROVIDE EXCELLENT HEALTHCARE, WITH COMPASSION AND RESPECT, TO ALL WHO COME TO US FOR HELP

2

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

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

Yes

No

3

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

If "Yes," describe these changes on Schedule O

Yes

No

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 \$ 302,019,621 including grants of \$) (Revenue \$ 396,315,583)

To provide healthcare to patients without regard to ability to pay Mercy strives to provide excellent clinical services across the life span within a community of compassionate care Mercy Medical Center (MMC) has 226 licensed beds and had 17,455 inpatient admissions for the fiscal year ending JunE 30,2011 Mercy Medical Center's primary service area (PSA) which comprises 17 ZIP codes in Baltimore City, accounts for almost 60% of its total admissions The key demographic characteristics of the PSA are as follows 64% of the population is black 59% of patients served by MMC are members of a racial or ethnic minority 66% are women 51% are Medicaid and/or Medicare beneficiaries 12% of the population is 65 year in age and older The median household income of the population is \$35,656 40% of Baltimore City households reported a income of less than \$30,000 Three times as many families living in Baltimore City had income that was below the poverty level compared to all familes in Maryland Within the hospital's 17 zip codes that comprise the PSA 35% of families live beLOW the federal poverty level definition Due to its location in center city, MMC cares for many of the at-risk, low income population in the communities that immediately surround the hospital This is best evidenced by the large percentage of emergency room visits by Medicaid, uninsured, and Medicare patients Medicaid covered and uninsured patients accounted for more than 50% of FY2011 emergency room visits In FY 2011, the supportive housing program provided a comprehensive range coueseling services and community resource linkages to 207 clients These services incurred a direct costs of \$568,441 during FY 2011, or abouT \$3,000 per client MMC delivered more babies, 2,886, than any other hospital in Baltimore City in FY 2011 Of these babies, 10 6% were of low birth weight and 13 7% were premature 60% of the patients who delivered babies at MMC were either Medicaid beneficiaries or uninsured/self pay This population is especially linked with low birth weight and prematurity due to poverty that closely related to unhealthy lifestyles, particularly, poor nutrition and inadequate prenatal care

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 \$ 302,019,621

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)? <i>If "Yes," complete Schedule A.</i> 	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? <i>If "Yes," complete Schedule C, Part I.</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? <i>If "Yes," complete Schedule C, Part II.</i>	4	No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III.</i>	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? <i>If "Yes," complete Schedule D, Part I.</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? <i>If "Yes," complete Schedule D, Part II.</i> 	7	No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> 	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? <i>If "Yes," complete Schedule D, Part IV.</i> 	9	No
10	Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> 	10	No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> 	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? <i>If "Yes," complete Schedule D, Part VII.</i> 	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? <i>If "Yes," complete Schedule D, Part VIII.</i> 	11c	No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX.</i> 	11d	Yes
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> 	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)? <i>If "Yes," complete Schedule D, Part X.</i> 	11f	No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> 	12a	No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> 	12b	Yes
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>	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? <i>If "Yes," complete Schedule F, Parts I and IV.</i> 	14b	Yes
15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U.S.? <i>If "Yes," complete Schedule F, Parts II and IV.</i> 	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.? <i>If "Yes," complete Schedule F, Parts III and IV.</i> 	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? <i>If "Yes," complete Schedule G, Part I (see instructions).</i>	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? <i>If "Yes," complete Schedule G, Part II.</i>	18	No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>	19	No
20a	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> 	20a	Yes
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions).	20b	Yes

Part IV

Checklist of Required Schedules (continued)

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

<div>Part V</div> <div>Statements Regarding Other IRS Filings and Tax Compliance</div> <div>Check if Schedule O contains a response to any question in this Part V</div>			Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a359		
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b0		
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.	2a3,403		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes	
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a	Yes	
b	If "Yes," enter the name of the foreign country: CJ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.			
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b		
7 Organizations that may receive deductible contributions under section 170(c).				
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d		
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	Yes	
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	1a7		
b	Enter the number of voting members included in line 1a, above, who are independent	1b1		
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		No
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		No
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		

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	MD
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. <input type="checkbox"/> Own website <input checked="" type="checkbox"/> Another's website <input checked="" type="checkbox"/> 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.	JOHN TOPPER 301 ST PAUL PLACE Baltimore, MD 21202 (410) 332-9313

Part VII

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) THOMAS MULLEN CHAIR, EX OFFICIO	15.0	X		X				0	1,252,959	33,264
(2) SAMUEL MOSKOWITZ EXEC VP/VICE CHAIR	34.0	X		X				1,277,842	0	31,571
(3) SCOTT SPIER md SECRETARY	33.5	X		X				464,124	0	33,006
(4) JOHN TOPPER SR VP & CFO/TREASURER	15.0	X		X				0	450,343	28,015
(5) SUSAN FINLAYSON SR VP/DIRECTOR	38.0	X						423,685	0	18,807
(6) TOM MALIA DIRECTOR	40.0	X						0	0	0
(7) MICHAEL MULLANE SR VICE PRESIDENT CLINICAL PRG	25.0	X						131,353	0	2,199
(8) JUDITH WEILAND SENIOR VP	15.0					X		374,620	0	11,058
(9) ROBERT EDWARDS SENIOR VP	10.0					X		586,613	0	31,690
(10) JAMES LEVY MD PHYSICIAN	40.0					X		284,553	0	41,735
(11) WILMA A S ROWE MD PRESIDENT MEDICAL STAFF	39.0					X		658,186	0	32,154
(12) GARY MICHAEL senior vp marketing/planning	37.0					X		279,082	0	30,877
(13) AMY FREEMAN EXE VP/SECRETARY	0.0						X	634,642	0	6,735

Part VII

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	126
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Section B. Independent Contractors

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

Form **990** (2010)

Part VIII

Statement of Revenue

					(A)	(B)	(C)	(D)			
					Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512, 513, or 514			
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a								
	b	Membership dues	1b								
	c	Fundraising events	1c								
	d	Related organizations	1d	7,540,143							
	e	Government grants (contributions)	1e	918,655							
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	3,689,687							
	g	Noncash contributions included in lines 1a-1f \$		1,794,963							
	h	Total. Add lines 1a-1f							12,148,485		
	Program Service Revenue	2a				Business Code					
PATIENT REVENUE				383,891,547	383,891,547						
b		PEDIATRIC REVENUE				608,000	608,000				
c											
d											
e											
f		All other program service revenue									
g		Total. Add lines 2a–2f			384,499,547						
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)				4,937,899			4,937,899		
	4	Income from investment of tax-exempt bond proceeds . . .				0					
	5	Royalties				0					
	6a	Gross Rents			(i) Real	(ii) Personal					
					1,562,362						
		b	Less rental expenses			1,561,545					
		c	Rental income or (loss)			817					
	d	Net rental income or (loss)			817	70,033	-69,216				
	7a	Gross amount from sales of assets other than inventory			(i) Securities	(ii) Other					
						26,014					
		b	Less cost or other basis and sales expenses								183,167
		c	Gain or (loss)								-157,153
	d	Net gain or (loss)			-157,153				-157,153		
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18									
		a									
		b	Less direct expenses								
	c	Net income or (loss) from fundraising events . . .			0						
	9a	Gross income from gaming activities See Part IV, line 19 . . .			a						
		b	Less direct expenses			b					
		c	Net income or (loss) from gaming activities . . .			0					
	10a	Gross sales of inventory, less returns and allowances									
a											
b		Less cost of goods sold									
c	Net income or (loss) from sales of inventory . . .			0							
Miscellaneous Revenue				Business Code							
11a	MANAGEMENT FEE			561000	6,041,107	5,886,227	154,880				
	b	TELEVISION SERVICE			20,707	20,707					
	c	CAFETERIA REVENUE			2,023,368	2,023,368					
	d	All other revenue			4,407,869	3,815,701	592,168				
	e	Total. Add lines 11a–11d			12,493,051						
12	Total revenue. See Instructions			413,922,646	396,315,583	677,832	4,780,746				

Part IX Statement of Functional Expenses

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the U S See Part IV, line 21	0			
2	Grants and other assistance to individuals in the U S See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	6,730,335	0	6,730,335	0
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0	0	0	0
7	Other salaries and wages	144,254,310	118,052,248	26,202,062	0
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	4,310,015	3,305,781	1,004,234	0
9	Other employee benefits	13,679,816	10,492,418	3,187,398	0
10	Payroll taxes	10,616,059	8,142,517	2,473,542	0
a	Fees for services (non-employees)				
	Management	1,809,158	0	1,809,158	0
b	Legal	821,966	14,534	807,432	0
c	Accounting	434,124	168,769	265,355	0
d	Lobbying	0	0	0	0
e	Professional fundraising services See Part IV, line 17	0			0
f	Investment management fees	263,159	0	263,159	0
g	Other	24,968,761	17,564,826	7,403,935	0
12	Advertising and promotion	1,153,781	1,152,459	1,322	0
13	Office expenses	83,416,804	78,661,330	4,755,474	0
14	Information technology	905,863	905,863	0	0
15	Royalties	0	0	0	0
16	Occupancy	10,087,858	9,135,621	952,237	0
17	Travel	438,302	272,270	166,032	0
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0	0	0	0
19	Conferences, conventions, and meetings	276,650	75,588	201,062	0
20	Interest	13,225,930	13,225,930	0	0
21	Payments to affiliates	0	0	0	0
22	Depreciation, depletion, and amortization	25,796,379	0	25,796,379	
23	Insurance	6,607,661	5,466,854	1,140,807	
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	REPAIRS AND MAINT	9,169,712	8,106,597	1,063,115	0
b	OTHER	5,793,174	4,082,607	1,710,567	0
c	DONATIONS	131,677	131,677	0	0
d	BAD DEBT	23,061,732	23,061,732	0	0
e	GARAGE TOWNE PARK EXPENSES	1,559,040	0	1,559,040	0
f	All other expenses	1,713,907		1,713,907	0
25	Total functional expenses. Add lines 1 through 24f	391,226,173	302,019,621	89,206,552	0
26	Joint costs. Check here <input checked="" type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			58,933,702	1	68,806,766
	2	Savings and temporary cash investments				2	
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			21,652,316	4	19,105,826
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L			75,000	5	0
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions). Schedule L				6	
	7	Notes and loans receivable, net			201,120	7	474,045
	8	Inventories for sale or use			5,477,366	8	6,739,569
	9	Prepaid expenses and deferred charges			3,196,298	9	3,449,102
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a	721,853,773			
	b	Less: accumulated depreciation	10b	209,343,451	453,850,721	10c	512,510,322
	11	Investments—publicly traded securities			144,993,940	11	34,283,252
	12	Investments—other securities. See Part IV, line 11			51,670,718	12	111,719,734
	13	Investments—program-related. See Part IV, line 11				13	
	14	Intangible assets				14	
	15	Other assets. See Part IV, line 11			58,035,781	15	58,391,207
	16	Total assets. Add lines 1 through 15 (must equal line 34)			798,086,962	16	815,479,823
Liabilities	17	Accounts payable and accrued expenses			48,512,885	17	55,267,656
	18	Grants payable				18	
	19	Deferred revenue				19	
	20	Tax-exempt bond liabilities			440,856,541	20	441,277,062
	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			63,181,353	25	43,549,176
	26	Total liabilities. Add lines 17 through 25			552,550,779	26	540,093,894
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets			210,431,026	27	245,850,569
	28	Temporarily restricted net assets			33,981,727	28	28,411,930
	29	Permanently restricted net assets			1,123,430	29	1,123,430
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> 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			245,536,183	33	275,385,929
	34	Total liabilities and net assets/fund balances			798,086,962	34	815,479,823

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	413,922,646
2	Total expenses (must equal Part IX, column (A), line 25)	2	391,226,173
3	Revenue less expenses Subtract line 2 from line 1	3	22,696,473
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	245,536,183
5	Other changes in net assets or fund balances (explain in Schedule O)	5	7,153,273
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	275,385,929

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

SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2010

Open to Public
Inspection

Name of the organization Mercy Medical Center	Employer identification number 52-0591658
--	--

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

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

- 1

☐

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

☐

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

☒

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other
- e

☐

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

☐

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

☐

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

(i)

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

(ii)

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

(iii)

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

☐

Provide the following information about the supported organization(s)

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

Part II

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

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

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

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

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

Part III

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

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

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

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

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

Part IV

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

SCHEDULE D
(Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2010

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

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

Name of the organization
Mercy Medical Center

Employer identification number
52-0591658

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? <div>YesNo</div>	
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? <div>YesNo</div>	

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
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06

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

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

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

YesNo

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

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

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)?

YesNo

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

Part III

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

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

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

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

▶ \$

(ii) Assets included in Form 990, Part X

▶ \$

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

a Revenues included in Form 990, Part VIII, line 1

▶ \$

b Assets included in Form 990, Part X

▶ \$

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

Cat No 52283D

Schedule D (Form 990) 2010

Part III

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

3

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

a

☐ Public exhibition

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
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

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

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

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

(i)

unrelated organizations

3a(i)

☐ Yes

☐ No

(ii)

related organizations

3a(ii)

☐ Yes

☐ No

b

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

3b

☐ Yes

☐ No

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		8,067,791		8,067,791
b Buildings		523,331,831	91,921,563	431,410,268
c Leasehold improvements				
d Equipment		164,443,806	117,421,888	47,021,918
e Other		26,010,345		26,010,345
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				512,510,322

Part XI

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

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

Part XII

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

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

Part XIII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

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

Part XIV

Supplemental Information

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

Identifier	Return Reference	Explanation
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Additional Data

Software ID:

Software Version:

EIN: 52-0591658

Name: Mercy Medical Center

Form 990, Schedule D, Part IX, - Other Assets

(a) Description	(b) Book value
INTEREST IN MERCY HEALTH FOUND	28,450,574
DUE FROM RELATED ENTITIES	14,064,786
OTHER RECEIVABLES	2,628,978
DEPOSITS	733,200
DEFERRED FINANCING COSTS	2,666,971
OTHER CURRENT ASSETS	302,160
OTHER ASSETS	193,408
INVEST UNCONSOLID SUBS	868,380
DEFERRED COMP PLAN ASSETS	6,647,882
CARDINAL SHEHAN SEC DEPOSIT	1,834,868

Form 990, Schedule D, Part X, - Other Liabilities

1 (a) Description of Liability	(b) Amount
CONSTRUCTION RETAINAGE	780,113
POST RETIREMENT OBLIGATION	6,818,511
DEFERRED COMPENSATION	6,647,876
MERRILL LYNCH SWAP	22,788,921
MALPRACTICE TAIL LIABILITY	327,536
CARDINAL DEPOSIT	2,056,383
RETIREMENT ANNUITY PLAN OBLIGA	3,129,836
ESTIMATED TAIL LIAB GIC	1,000,000

1

(i) Method of valuation
(book, FMV, appraisal, other)

3 Enter total number of other organizations or entities

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

[illegible]

Part IV Foreign Forms

- 1

Was the organization a U S transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926 (see instructions for Form 926)*

☒ Yes ☐ No
- 2

Did the organization have an interest in a foreign trust during the tax year? *If " Yes," the organization may be required to file Form 3520 and/or Form 3520-A. (see instructions for Forms 3520 and 3520-A)*

☐ Yes ☒ No
- 3

Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons with respect to Certain Foreign Corporations. (see instructions for Form 5471)*

☒ Yes ☐ No
- 4

Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see instructions for Form 8621)*

☒ Yes ☐ No
- 5

Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons with respect to Certain Foreign Partnerships. (see instructions for Form 8865)*

☐ Yes ☒ No
- 6

Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see instructions for Form 5713).*

☐ Yes ☒ No

Part V

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

Identifier	Return Reference	Explanation
PART I, LINE 3		AMONG THE AMOUNTS INDICATED AS FOREIGN INVESTMENTS IN PART I WAS MERCY MEDICAL CENTER'S OWNERSHIP INTEREST IN GREENLEAF INSURANCE COMPANY, LTD ("GREENLEAF"), A CAYMAN ISLAND CORPORATION. GREENLEAF IS A WHOLLY-OWNED SUBSIDIARY OF MERCY MEDICAL CENTER THAT PROVIDES DIRECT COVERAGE FOR PROFESSIONAL, MALPRACTICE, AND COMPREHENSIVE GENERAL LIABILITY FOR MERCY MEDICAL CENTER AND ITS ASSOCIATED HEALTH CARE FACILITIES. AS OF THE END OF THE 2010 TAX YEAR, THE VALUE OF MERCY MEDICAL CENTER'S OWNERSHIP IN GREENLEAF WAS \$12,547,000.

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
52-0591658

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	Yes	
1b	If "Yes," is it a written policy?	Yes	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year <div><input type="checkbox"/> Applied uniformly to all hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div> <div><input type="checkbox"/> Generally tailored to individual hospitals</div>		
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year a Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <div><input type="checkbox"/> 100% <input type="checkbox"/> 150% <input checked="" type="checkbox"/> 200% <input type="checkbox"/> Other _____%</div> b Does the organization use FPG to determine eligibility for providing <i>discounted</i> care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care <div><input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input checked="" type="checkbox"/> 400% <input type="checkbox"/> Other _____%</div> c If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care 4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	Yes	
5b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?		No
5c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?		
6a	Does the organization prepare a community benefit report during the tax year?	Yes	
6b	If "Yes," did the organization make it available to the public?	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H		

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			10,440,830		10,440,830	2 840 %
b Unreimbursed Medicaid (from Worksheet 3, column a)						
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			10,440,830		10,440,830	2 840 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			3,988,308	13,023	3,975,285	1 080 %
f Health professions education (from Worksheet 5)			13,818,636		13,818,636	3 760 %
g Subsidized health services (from Worksheet 6)			4,635,649	261,073	4,374,576	1 190 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)			1,696,122		1,696,122	0 460 %
j Total Other Benefits			24,138,715	274,096	23,864,619	6 490 %
k Total. Add lines 7d and 7j			34,579,545	274,096	34,305,449	9 330 %

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		12,000		12,000	
2	Economic development		968,623	490,938	477,685	0 130 %
3	Community support		20,192		20,192	
4	Environmental improvements					
5	Leadership development and training for community members		304,133		304,133	0 080 %
6	Coalition building					
7	Community health improvement advocacy		214,085		214,085	0 060 %
8	Workforce development					
9	Other					
10	Total		1,519,033	490,938	1,028,095	0 270 %

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1	No
2	Enter the amount of the organization's bad debt expense (at cost)	2	19,970,443
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	111,617,975
6	Enter Medicare allowable costs of care relating to payments on line 5	6	89,544,621
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	22,073,354
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		
<input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other			

Section C. Collection Practices

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

Part IV

Management Companies and Joint Ventures

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

Schedule H (Form 990) 2010

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

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

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

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

Part VI

Supplemental Information

Complete this part to provide the following information

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

Identifier	ReturnReference	Explanation
MARYLAND HOSPITAL ASSOCIATION UNIFIED MARYLAND HOSPITAL RESPONSES	PART I, LINES 7A, 7B AND 7F	7A CHARITY CARE AT COST AND 7F HEALTH PROFESSIONS EDUCATION ARE EXPLAINED IN THE FOLLOWING MARYLAND'S REGULATORY SYSTEM CREATES A UNIQUE PROCESS FOR HOSPITAL PAYMENT THAT DIFFERS FROM THE REST OF THE NATION THE HEALTH SERVICES COST REVIEW COMMISSION, (HSCRC) DETERMINES PAYMENT THROUGH A RATE SETTING PROCESS ALL PAYORS, INCLUDING GOVERNMENTAL PAYORS, PAY THE SAME AMOUNT FOR THE SAME SERVICES DELIVERED AT THE SAME HOSPITAL MARYLAND'S UNIQUE ALL PAYOR SYSTEM INCLUDES A METHOD FOR REFERENCING UNCOMPENSATED CARE IN EACH PAYORS' RATES, WHICH DOES NOT ENABLE MARYLAND HOSPITALS TO BREAKOUT ANY OFFSETTING REVENUE RELATED TO UNCOMPENSATED CARE 7B UNREIMBURSED MEDICAID IS EXPLAINED IN THE FOLLOWING MARYLAND'S REGULATORY SYSTEM CREATES A UNIQUE PROCESS FOR HOSPITAL PAYMENT THAT DIFFERS FROM THE REST OF THE NATION THE HEALTH SERVICES COST REVIEW COMMISSION, (HSCRC) DETERMINES PAYMENT THROUGH A RATE SETTING PROCESS ALL PAYORS, INCLUDING GOVERNMENTAL PAYORS, PAY THE SAME AMOUNT FOR THE SAME SERVICES DELIVERED AT THE SAME HOSPITAL MARYLAND'S UNIQUE ALL PAYOR SYSTEM INCLUDES A METHOD FOR REFERENCING UNCOMPENSATED CARE IN EACH PAYORS' RATES, WHICH DOES NOT ENABLE MARYLAND HOSPITALS TO BREAKOUT ANY DIRECTED OFFSETTING REVENUE RELATED TO UNCOMPENSATED CARE COMMUNITY BENEFIT EXPENSES ARE EQUAL TO MEDICAID REVENUES IN MARYLAND, AS SUCH, THE NET EFFECT IS ZERO THE EXCEPTION TO THIS IS THE IMPACT ON THE HOSPITAL OF ITS SHARE OF THE MEDICAID ASSESSMENT IN RECENT YEARS, THE STATE OF MARYLAND HAS CLOSED FISCAL GAPS IN THE STATE MEDICAID BUDGET BY ASSESSING HOSPITALS THROUGH THE RATE SETTING SYSTEM The Maryland Medicaid assessment for Mercy Medical Center for the 2010 tax year was \$989,402

Identifier	ReturnReference	Explanation
PART I, LINE 3C		<p>FINANCIAL ASSISTANCE WILL BE PROVIDED AT NO CHARGE OR AT A REDUCED CHARGE TO PATIENTS WHO ARE UNABLE TO PAY BASED ON A SLIDING SCALE THAT WILL BE APPLIED FOR INCOMES UP TO APPROXIMATELY 400% ABOVE THE HHS POVERTY GUIDELINES. THE POVERTY GUIDELINES ARE ISSUED EACH YEAR BY THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS). IN ORDER TO QUALIFY FOR FINANCIAL ASSISTANCE, A PATIENT MUST BE A U.S. CITIZEN OR PERMANENT LEGAL RESIDENT WHO QUALIFIES UNDER AT LEAST ONE OF THE FOLLOWING CONDITIONS:</p> <p>1. A PATIENT WITH FAMILY INCOME AT OR BELOW 200% OF THE FEDERAL POVERTY LEVEL, WITH LESS THAN \$10,000 IN HOUSEHOLD MONETARY ASSETS QUALIFIES FOR FULL FINANCIAL ASSISTANCE IN THE FORM OF FREE MEDICALLY NECESSARY CARE.</p> <p>2. A PATIENT NOT OTHERWISE ELIGIBLE FOR MEDICAID OR CHIP WHO IS A BENEFICIARY/RECIPIENT OF A MEANS-TESTED SOCIAL SERVICES PROGRAM, INCLUDING BUT NOT NECESSARILY LIMITED TO THE FOLLOWING PROGRAMS, IS DEEMED ELIGIBLE FOR FINANCIAL ASSISTANCE IN THE FORM OF FREE MEDICALLY NECESSARY CARE, PROVIDED THAT THE PATIENT SUBMITS PROOF OF ENROLLMENT WITHIN 30 DAYS UNLESS THE PATIENT OR THE PATIENT'S REPRESENTATIVE REQUESTS AN ADDITIONAL 30 DAYS.</p> <p>A) HOUSEHOLDS WITH CHILDREN IN THE FREE OR REDUCED LUNCH PROGRAM.</p> <p>B) SUPPLEMENTAL NUTRITIONAL ASSISTANCE PROGRAM (SNAP).</p> <p>C) LOW-INCOME-HOUSEHOLD ENERGY ASSISTANCE PROGRAM.</p> <p>D) PRIMARY ADULT CARE PROGRAM (PAC), UNTIL SUCH TIME AS INPATIENT BENEFITS ARE ADDED TO THE PAC BENEFIT PACKAGE.</p> <p>E) WOMEN, INFANTS, AND CHILDREN (WIC).</p> <p>3. A PATIENT WITH FAMILY INCOME AT OR BELOW 400% OF FEDERAL POVERTY LEVEL, WITH LESS THAN \$10,000 IN HOUSEHOLD MONETARY ASSETS QUALIFIES FOR PARTIAL FINANCIAL ASSISTANCE IN THE FORM OF REDUCED-COST MEDICALLY NECESSARY CARE. THE AMOUNT OF FINANCIAL ASSISTANCE IN THIS CASE IS BASED ON A SLIDING SCALE OF INCOME AND SHOWN IN THE ATTACHED TABLE AND OTHER FACTORS.</p> <p>4. A PATIENT WITH (I) FAMILY INCOME AT OR BELOW 500% OF FEDERAL POVERTY LEVEL, (II) WITH MEDICAL DEBT INCURRED WITHIN THE 12-MONTH PERIOD PRIOR TO APPLICATION THAT EXCEEDS 25% OF FAMILY INCOME FOR THE SAME PERIOD, AND (III) WITH LESS THAN \$10,000 IN HOUSEHOLD MONETARY ASSETS WILL QUALIFY FOR PARTIAL FINANCIAL ASSISTANCE IN THE FORM OF REDUCED-COST MEDICALLY NECESSARY CARE. THE AMOUNT OF FINANCIAL ASSISTANCE IN THIS CASE IS BASED ON A SLIDING SCALE OF INCOME, AMOUNT OF MEDICAL DEBT, AND OTHER FACTORS.</p> <p>A) AN ELIGIBLE PATIENT OR ANY IMMEDIATE FAMILY MEMBER OF THE PATIENT LIVING IN THE SAME HOUSEHOLD SHALL REMAIN ELIGIBLE FOR REDUCED-COST MEDICALLY NECESSARY CARE WHEN SEEKING SUBSEQUENT CARE AT MERCY MEDICAL CENTER DURING THE 12-MONTH PERIOD BEGINNING ON THE DATE ON WHICH THE REDUCED-COST MEDICALLY NECESSARY CARE WAS INITIALLY RECEIVED.</p> <p>B) TO AVOID AN UNNECESSARY DUPLICATION OF MERCY MEDICAL CENTER'S DETERMINATIONS OF ELIGIBILITY FOR FINANCIAL ASSISTANCE, A PATIENT ELIGIBLE FOR CARE UNDER PARAGRAPH 4A SHALL INFORM THE HOSPITAL OF HIS OR HER ELIGIBILITY FOR THE REDUCED-COST MEDICALLY NECESSARY CARE.</p> <p>5. AN UNINSURED PATIENT WITH FAMILY INCOME BETWEEN 200% AND 500% OF FEDERAL POVERTY LEVEL WHO REQUESTS ASSISTANCE QUALIFIES FOR A PAYMENT PLAN.</p> <p>6. A HOMELESS PATIENT QUALIFIES FOR FINANCIAL ASSISTANCE.</p> <p>7. A DECEASED PATIENT, WITH NO PERSON DESIGNATED AS DIRECTOR OF FINANCIAL AFFAIRS, OR NO ESTATE NUMBER ON FILE AT THE APPLICABLE REGISTRARS OF WILLS DEPARTMENT, QUALIFIES FOR FINANCIAL ASSISTANCE.</p> <p>8. A PATIENT WHO HAS A REMAINING BALANCE AFTER MEDICAL ASSISTANCE QUALIFIES FOR FINANCIAL ASSISTANCE.</p> <p>9. MERCY MEDICAL CENTER MAY ELECT TO GRANT PRESUMPTIVE CHARITY CARE TO PATIENTS BASED ON INFORMATION GATHERED DURING A DEBT COLLECTION PROCESS. FACTORS INCLUDE PROPENSITY TO PAY, SCORING, ELIGIBILITY AND PARTICIPATION IN OTHER FEDERAL PROGRAMS, AND OTHER RELEVANT INFORMATION.</p> <p>10. A PATIENT WHO DOES NOT QUALIFY UNDER THE PRECEDING CATEGORIES MAY STILL APPLY FOR FINANCIAL ASSISTANCE, AND MERCY MEDICAL CENTER WILL REVIEW THE APPLICATION AND MAKE A DETERMINATION ON A CASE-BY-CASE BASIS AS TO ELIGIBILITY FOR FINANCIAL ASSISTANCE. FACTORS THAT WILL BE CONSIDERED INCLUDE:</p> <p>A) FIXED INCOME SUCH AS SOCIAL SECURITY, RETIREMENT OR DISABILITY WITH NO ADDITIONAL INCOME SOURCES AVAILABLE.</p> <p>B) MEDICAL EXPENSES AND/OR</p> <p>C) EXPENSES RELATED TO NECESSITIES OF LIFE COMPARED TO INCOME.</p> <p>IN DETERMINING ELIGIBILITY, THE SIZE OF THE PATIENT'S BILL RELATIVE TO THE PATIENT'S ABILITY TO PAY WILL BE CONSIDERED. FINANCIAL ASSISTANCE WILL BE GRANTED FOR NECESSARY HOSPITAL SERVICES AND IT WILL BE PROVIDED TO THOSE WHO PROPERLY DOCUMENT ELIGIBILITY AND COOPERATE WITH MERCY MEDICAL CENTER'S FINANCIAL ASSISTANCE APPLICATION PROCESS WITHIN TWO BUSINESS DAYS FOLLOWING A PATIENT'S INITIAL REQUEST FOR FINANCIAL ASSISTANCE SERVICES, APPLICATION FOR MEDICAL ASSISTANCE, OR BOTH. THE FACILITY MUST MAKE A DETERMINATION OF PROBABLE ELIGIBILITY. NOTICE OF THE AVAILABILITY OF FINANCIAL ASSISTANCE IS TO BE POSTED IN THE ADMISSIONS OFFICE, BUSINESS OFFICE, AND EMERGENCY AREAS OF THE HOSPITAL. SUCH NOTICE IS POSTED IN ENGLISH, SPANISH AND/OR ANY OTHER LANGUAGE THAT WILL BE UNDERSTANDABLE.</p>

Identifier	ReturnReference	Explanation
PART I, LINE 3C		E TO TARGET POPULATIONS OF PATIENTS UTILIZING HOSPITAL SERVICES INDIVIDUAL NOTICE OF THE AVAILABILITY OF FINANCIAL ASSISTANCE, THE POTENTIAL FOR MEDICAID ELIGIBILITY, AND THE AVAILABILITY OF ASSISTANCE FROM OTHER GOVERNMENT FUNDED PROGRAMS SHALL BE PROVIDED TO EACH PERSON WHO SEEKS SERVICES IN THE HOSPITAL AT THE TIME OF COMMUNITY OUTREACH EFFORTS, PRENATAL SERVICES, PREADMISSION, OR ADMISSION SUCH NOTICE WILL BE PRINTED IN ENGLISH, SPANISH, AND /OR ANY OTHER LANGUAGE THAT WILL BE UNDERSTANDABLE TO TARGET POPULATIONS OF PATIENTS UTILIZING HOSPITAL SERVICES MERCY MEDICAL CENTER WILL MAKE AN EFFORT TO PROVIDE THE FINANCIAL ASSISTANCE APPLICATION, POLICIES, PROCEDURES, AND INFORMATION AVAILABLE IN ENGLISH, SPANISH , AND/OR ANY OTHER LANGUAGE THAT WILL BE UNDERSTANDABLE TO TARGET POPULATIONS OF PATIENTS UTILIZING HOSPITAL SERVICES

Identifier	ReturnReference	Explanation
PART I, LINE 6A		Community Benefit report is made available on another's website, specifically the website for the Maryland HSCRC MERCY MEDICAL CENTER PREPARES ITS COMMUNITY BENEFIT REPORT ANNUALLY AND ITS MADE AVAILABLE TO THE PUBLIC

Identifier	ReturnReference	Explanation
PART I, LINE 7G		THERE ARE NO COSTS REPORTED THAT ARE ATTRIBUTABLE TO A PHYSICIAN CLINIC

Identifier	ReturnReference	Explanation
PART I, LINE 7, COLUMN F		THE BAD DEBT EXPENSE AS REPORTED ON FORM 990, PART IX, IS \$23,061,732

Identifier	ReturnReference	Explanation
PART I, LINE 7		IN TABLE 7, A COST-TO-CHARGE RATIO WAS USED IN ALL CALCULATIONS

Identifier	ReturnReference	Explanation
PART III, LINE 4		THE COST OF BAD DEBTS ON LINE 2 AND 3 OF SCHEDULE H WAS DETERMINED BASED ON THE COST TO CHARGE RATIO FORM MERCY MEDICAL CENTER'S ANNUAL FILING WITH THE HSCRC

Identifier	ReturnReference	Explanation
PART III, LINE 8		THE COSTING SOURCE IS THE MEDICARE COST REPORT AND THE METHODOLOGY IS Medicare ALLOWABLE COST TO Medicare REVENUES RECEIVED

Identifier	ReturnReference	Explanation
PART III, LINE 9B		ONCE THE COLLECTION PROCESS HAS BEGUN, THE ORGANIZATION CONTINUES TO MONITOR WHETHER THE PATIENT QUALIFIES FOR CHARITY CARE UNDER THE FINANCIAL ASSISTANCE POLICY IF THE ORGANIZATION DETERMINES THAT A PATIENT QUALIFIES FOR FINANCIAL ASSISTANCE, INCLUDING ONCE THE COLLECTION PROCESS HAS BEGUN, THE ORGANIZATION WILL APPROVE THE PATIENT FOR CHARITY CARE ONCE CHARITY CARE HAS BEEN APPROVED, THERE IS NO FURTHER ATTEMPT MADE BY THE ORGNANIZATION TO COLLECT COLLECTION EFFORTS WILL BE STOPPED AT ANY TIME DURING THE COLLECTION PROCESS IF THE PATIENT QUALIFIES FOR CHARITY CARE UNDER THE FINANCIAL ASSISTANCE POLICY FURTHERMORE, IF A PATIENT'S FINANCIAL SITUATION CHANGES AT ANY POINT DURING THE COLLECTION PROCESS, THE PATIENT MAY QUALIFY FOR FINANCIAL ASSISTANCE AT SUCH POINT

Identifier	ReturnReference	Explanation
PART V		MERCY MEDICAL CENTER (MMC) IS A LICENCED HOSPITAL MMC PROVIDES INPATIENT, OUTPATIENT AND EMERGENCY CARE SERVICES PRIMARILY FOR THE CITIZENS OF THE BALTIMORE METROPOLITAN AREA

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT	PART VI, QUESTION 2	MERCY MEDICAL CENTER EMPLOYED A MULTI-PRONGED APPROACH IN IDENTIFYING COMMUNITY NEEDS THESE APPROACHES ARE AS FOLLOWS 1 ACCESSING EXISTING DATA SOURCES ON HEALTH CARE STATUS IN PRIMARY SERVICE AREA(PSA) AS PREVIOUSLY REFERENCED, "BALTIMORE CITY'S HEALTH STATUS REPORT 2008" WAS THE MAIN STATISTICAL DOCUMENT THAT PROVIDED THE HOSPITAL WITH KEY DATA ON THE MOST CRITICAL HEALTH CARE CONDITIONS AFFECTING THE POPULATION ACCESSED AND REVIEWED OTHER STATE OF MARYLAND HEALTH CARE DATA BASES RELATED TO HEALTH CARE NEEDS OF COMMUNITIES THAT MERCY MEDICAL CENTER SERVES IN ITS PSA PUBLICATIONS AND DATA AVAILABLE FROM ORGANIZATIONS IN WHICH MERCY MEDICAL CENTER PHYSICIAN AND ADMINISTRATIVE LEADERSHIP ARE ACTIVE PARTICIPANTS AND MEMBERS SUCH AS B'MORE FOR HEALTHY BABIES, JOURNEY HOME, FAMILY CRISIS CENTER OF BALTIMORE, AND BALTIMORE HOMELESS SERVICES, AMOUNG OTHERS 2 PARTNERSHIPS, WORKGROUPS, AND MEMBERSHIP IN ORGANIZATIONS THROUGH THE WORKGROUPS AND PARTNERSHIPS THAT HAVE BEEN ESTABLISHED WITH KEY ORGANIZATIONS SUCH AS HEALTH CARE FOR THE HOMELESS, BALTIMORE HOMELESS SERVICES, THE WEINBERG HOUSING AND RESOURCE CENTER, MAYOR'S OFFICE ON EMEGENCY MANAGEMENT, SEX AND FAMILY CRIMES DIVISION OF THE BALTIMORE CITY POLICE DEPARTMENT, TURN AROUND HOUSE OF RUTH, FAMILY CRISIS CENTER OF BALTIMORE, DOMESTIC VIOLENCE COORDINATING COUNCIL, B'MORE FOR HEALTHY BABIES AND FAMILY HEALTH CENTERS OF BALTIMORE, THE HOSPITAL RECEIVED SIGNIFICANT INPUT AND FEEDBACK ON THE HEALTH CARE NEEDS OF ITS IMMEDIATE SURROUNDING NEIGHBORHOODS AND COMMUNITIES THIS WAS ACHIEVED THROUGH REGULAR MEETINGS AND DISCUSSIONS THROUGHOUT FY11 THROUGH PARTICIPATION OF THE HOSPITAL'S EXECUTIVE LEADERSHIP TEAM IN BUSINESS FORUMS SUCH AS THE DOWNTOWN PARTNERSHIP AND MEMBERSHIP IN OTHER ORGANIZATIONS, SIGNIFICANT FEEDBACK AND INFORMATION ON HEALTH CARE NEEDS AND GAPS WAS ALSO GATHERED 3 MERCY HEALTH SERVICES MISSION AND COPORATE ETHICS COMMITTEE THE MISSION AND COPORATE ETHICS COMMITTEE OF THE BOARD OF TRUSTEES MEETS REGULARLY TO REVIEW AND COORDINATE ISSUES RELATED TO MISSION INTEGRATION AND COORDINATION THIS BOARD COMMITTEE IS INFORMED AND CLEARLY UNDERSTANDS THE SCOPE AND DEPTH OF THE HOSPITAL'S COMMUNITY BENEFIT AND INITIATIVES IN SUMMARY, THROUGH A QUANTITATIVE ASSESSMENT OF NEEDS BASED ON REVIEW OF CURRENT DATA SOURCES AND ACTIVE PARTICIPANTS IN SEVERAL COMMUNITY BASED ORGANIZATIONS, MERCY MEDICAL CENTER WAS ABLE TO DETERMINE AND PRIORITIZE ITS COMMUNITY NEED FOCUS PLANNING IS UNDERWAY TO PERFORM A FORMAL COMMUNITY NEEDS ASSESSMENT BY JUNE 30, 2013

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	PART VI, QUESTION 3	<p>MERCY ATTEMPTS TO BE VERY PROACTIVE IN COMMUNICATING ITS CHARITY CARE POLICY AND FINANCIAL ASSISTANCE CONTACT INFORMATION TO PATIENTS. THE CHARITY CARE POLICY AND FINANCIAL ASSISTANCE CONTACT INFORMATION IS POSTED IN ALL ADMISSIONS AREAS, INCLUDING THE EMERGENCY ROOM. A COPY OF THE POLICY AND FINANCIAL ASSISTANCE CONTACT INFORMATION IS ALSO PROVIDED TO PATIENTS OR THEIR FAMILIES DURING THE PRE-ADMISSION, PRE-SURGERY AND ADMISSIONS PROCESS. MERCY UTILIZES A THIRD PARTY, AS WELL AS IN-HOUSE FINANCIAL COUNSELING STAFF, TO CONTACT AND SUPPORT PATIENTS IN UNDERSTANDING AND COMPLETING THE FINANCIAL ASSISTANCE REQUIREMENTS. THEY ALSO DISCUSS WITH PATIENTS OR THEIR FAMILIES THE AVAILABILITY OF VARIOUS GOVERNMENT BENEFITS AND ASSIST PATIENTS WITH UNDERSTANDING THE QUALIFICATIONS FOR SUCH PROGRAMS. EVEN AFTER THE PATIENT IS DISCHARGED, EACH BILLING STATEMENT CONTAINS AN OVERVIEW OF MERCY'S FINANCIAL ASSISTANCE POLICY, A PATIENT'S RIGHTS AND OBLIGATIONS, AND CONTACT NUMBERS FOR FINANCIAL ASSISTANCE, FINANCIAL COUNSELING, AND MARYLAND MEDICAID. FOLLOW-UP PHONE CALLS BY HOSPITAL BILLING/COLLECTION STAFF MADE TO PATIENTS WITH UNPAID BALANCES ALSO STRESS THE AVAILABILITY OF FINANCIAL ASSISTANCE AND CHARITY CARE AVAILABILITY. MERCY MEDICAL CENTER PROVIDES AND PROMOTES HEALTH SERVICES FOR THE PEOPLE OF BALTIMORE OF EVERY CREED, RACE, ECONOMIC, AND SOCIAL CONDITION. IN THE SPIRIT OF THE SISTERS OF MERCY WHO ARE ITS SPONSORS, MERCY CONTINUES A SPECIAL COMMITMENT TO THE UNDERSERVED AND THE UNINSURED. CONSISTENT WITH THIS MISSION, IT HAS BEEN THE POLICY OF MERCY MEDICAL CENTER TO ACCEPT, WITHIN THE LIMITS OF ITS FINANCIAL RESOURCES, ALL PATIENTS WHO REQUIRE ITS SERVICES, WITHOUT REGARD TO THEIR ABILITY TO PAY FOR SUCH SERVICES. EMERGENCY CARE WILL BE RENDERED TO ALL PATIENTS WITHOUT REGARD TO THE LIMITATION OF FINANCIAL RESOURCES. THIS POLICY, HOWEVER, DOES NOT PRECLUDE AN ATTEMPT TO REVIEW 1. THE PATIENT'S ABILITY TO PAY 2. THE AVAILABILITY OF INSURANCE BENEFITS 3. THE ELIGIBILITY OF MEDICAL ASSISTANCE FOR THE PATIENT.</p>

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION	PART VI, QUESTION 4	<p>LOCATED IN THE HEART OF DOWNTOWN BALTIMORE, MERCY MEDICAL CENTER DRAWS PATIENTS FROM THE GREATER BALTIMORE METROPOLITAN AREA FOR ITS LONGSTANDING TRADITION OF COMPASSIONATE CARE, COMMITMENT TO QUALITY AND PATIENT SAFETY, AS WELL AS ITS PRIMARY CARE AND SPECIALIST PHYSICIANS. MERCY MEDICAL CENTER'S PRIMARY SERVICE AREA WHICH COMPRISES 17 ZIP CODES IN BALTIMORE CITY, ACCOUNTS FOR 60% OF ITS TOTAL ADMISSIONS. KEY DEMOGRAPHIC CHARACTERISTICS OF THE PSA ARE AS FOLLOWS:</p> <p>POPULATION 1. THE PSA 2009 POPULATION IS 535,038. 2. PSA POPULATION GROWTH IS PROJECTED TO DECLINE BY 1.2% FROM 2009 TO 2014. THIS IS IN CONTRAST TO A 3.1% PROJECTED GROWTH FOR THE STATE OF MARYLAND. 3. SINCE 1990, THE DISTRIBUTION OF BALTIMORE CITY RESIDENTS HAS SHIFTED TOWARDS OLDER AGE GROUPS WITH A 6% INCREASE IN THE 40 YEARS AND OLDER POPULATION. THIS TREND OF AN INCREASING OLDER POPULATION GROWTH IS EXPECTED THROUGH 2020.</p> <p>ETHNICITY AND AGE 1. 64% BLACK, 32% CAUCASIAN IN PSA. BALTIMORE CITY'S BLACK POPULATION HAS INCREASED BY 5% SINCE 1990. 2. APPROXIMATELY 59% OF PATIENTS SERVED BY MERCY MEDICAL CENTER ARE MEMBERS OF A RACIAL OR ETHNIC MINORITIES, 66% ARE WOMEN AND 51% ARE MEDICAID AND/OR MEDICARE BENEFICIARIES. 3. 12% OF THE POPULATION IS 65 YEARS IN AGE AND OLDER.</p> <p>INCOME 1. PSA MEDIAN HOUSEHOLD INCOME \$35,656. 2. 40% OF BALTIMORE CITY HOUSEHOLDS REPORTED AN INCOME OF LESS THAN \$30,000. THIS IS ONLY 44% OF THE STATEWIDE MEDIAN INCOME OF \$68,080. 3. THREE TIMES AS MANY FAMILIES LIVING IN BALTIMORE CITY HAD INCOME THAT WAS BELOW THE POVERTY LEVEL COMPARED TO ALL FAMILIES IN MARYLAND.</p> <p>OF NOTE, THE MAJOR COMMUNITY BENEFIT PROGRAMS THAT ARE IDENTIFIED IN QUESTION #4 DIRECTLY ADDRESS KEY HEALTH CARE NEEDS OF THE POPULATION IN MERCY MEDICAL CENTER'S PSA. KEY FINDINGS FROM THE "BALTIMORE CITY HEALTH STATUS REPORT 2008": BALTIMORE CITY VS. STATE OF MARYLAND ON KEY HEALTH OUTCOME MEASURES:</p> <p>1. OVERALL MORTALITY RATE: BALTIMORE IS 37% HIGHER. 2. LIFE EXPECTANCY: BALTIMORE IS 8% LOWER. 3. INFANT MORTALITY: BALTIMORE IS 41% HIGHER. 4. LOW BIRTH WEIGHT: BALTIMORE IS 36% HIGHER. 5. TEEN BIRTH RATE: BALTIMORE IS TWICE AS HIGH. 6. HIV/AIDS MORTALITY: BALTIMORE IS FIVE TIMES HIGHER.</p> <p>AS SHOWN BY THESE SELECT INDICATORS, THERE IS A SIGNIFICANT HEALTH STATUS DISPARITY BETWEEN BALTIMORE CITY'S RESIDENTS AND THE REST OF THE STATE OF MARYLAND. DUE TO ITS LOCATION IN CENTER CITY, MERCY MEDICAL CENTER CARES FOR MANY OF THE AT-RISK, LOW INCOME POPULATION IN THE COMMUNITIES THAT IMMEDIATELY SURROUND THE HOSPITAL. THIS IS BEST EVIDENCED BY THE LARGE PERCENTAGE OF EMERGENCY ROOM VISITS BY THE MEDICAID, UNINSURED, AND MEDICARE PATIENTS.</p> <p>MERCY MEDICAL CENTER'S COMMUNITY BENEFIT SERVICE AREA (CBSA) IS DEFINED BY 15 OF THE 17 PSA ZIP CODES. THESE ZIP CODES WERE IDENTIFIED AND DETERMINED BASED ON EMERGENCY DEPARTMENT (ED) VISITS DURING FY11.</p> <p>KEY DEMOGRAPHIC CHARACTERISTICS OF THE CBSA ARE AS FOLLOWS:</p> <p>1. THE CBSA POPULATION IS 487,000. 2. 53% FEMALE AND 32% MALE. 3. 90% BLACK OR AFRICAN AMERICAN, 5% WHITE, 5% ALL OTHER. 4. MEDIAN HOUSEHOLD INCOME \$21,000. 5. PERCENTAGE OF HOUSEHOLDS WITH INCOME BELOW FEDERAL POVERTY GUIDELINES 43%. 6. ESTIMATE PERCENTAGE OF UNINSURED PEOPLE 39%. 7. PERCENTAGE OF MEDICAID RECIPIENTS 30%.</p> <p>MEDICAID COVERED AND UNINSURED PATIENTS ACCOUNTED FOR MORE THAN 50% OF THE FY11 EMERGENCY ROOM VISITS.</p> <p>1. BALTIMORE CITY'S LARGEST HOMELESS SHELTER AT GUILFORD AVENUE IS WITHIN THREE BLOCKS OF THE HOSPITAL. 2. MERCY MEDICAL CENTER PROVIDES ALL OF THE MEDICAL STAFF (PHYSICIANS AND NURSING PERSONNEL) FOR HEALTHCARE FOR THE HOMELESS (HCH), A FEDERALLY QUALIFIED HEALTH CENTER, WHICH DELIVERS OUTPATIENT CARE TO A LARGE NUMBER OF HOMELESS PERSONS IN BALTIMORE CITY. THE HCH CLINIC IS LOCATED TWO BLOCKS FROM THE HOSPITAL.</p>

Identifier	ReturnReference	Explanation
COMMUNITY BUILDING ACTIVITIES	PART VI, QUESTION 4	MERCY SUPPORTIVE HOUSING PROGRAM THE SUPPORTIVE HOUSING PROGRAM AT MERCY MEDICAL CENTER HAS A STAFF OF EIGHT EXPERIENCED HUMAN SERVICES PERSONNEL WHO WORK IN CONJUNCTION WITH OTHER HOMELESS AND HUMAN SERVICES PROVIDERS TO COORDINATE SERVICES FOR HOMELESS FAMILIES AND FAMILIES AT RISK FOR HOMELESSNESS THE PROGRAM'S GOAL IS TO HOUSE HOMELSS FAMILIES AND TO PROVIDE SUPPORTIVE SERVICES FOR A DEFINED PERIOD TO PREVENT A RETURN TO HOMELESSNESS IN FY 2011, THE SUPPORTIVE HOUSING PROGRAM AT MERCY PROVIDED A COMPREHENSIVE RANGE OF COUNSELING SERVICES AND COMMUNITY RESOURCE LINKAGES TO 207 CLIENTS THESE SERVICES INCURRED DIRECT COSTS OF \$568,441 DURING FY2011, OR ABOUT \$3,000 PER CLIENT MERCY FAMILY VIOLENCE RESPONSE PROGRAM THE MERCY FAMILY VIOLENCE RESPONSE PROGRAM WAS DEVELOPED BY A MULTIDISCIPLINARY STAFF TASK FORCE AT MERCY MEDICAL CENTER TO PROVIDE CRISIS INTERVENTION AND SAFETY PLANNING FOR VICTIMS OF FAMILY VIOLENCE (DOMESTIC VIOLENCE, CHILD ABUSE, ELDER AND VULNERABLE ADULT ABUSE) AND SEXUAL ASSAULT WHO COME TO MERCY MEDICAL CENTER AND ITS PHYSICIANS FOR TREATMENT THIS PROGRAM IMPROVES BALTIMORE'S COORDINATED COMMUNITY RESPONSE TO VICTIMS OF VIOLENCE, AND CREATES AN ALERT WORKFORCE AT MERCY MEDICAL CENTER, SKILLED AT IDENTIFYING AND RESPONDING TO VICTIMS OF FAMILY VIOLENCE DUE TO ITS LOCATION WITHIN THREE BLOCKS OF THE CITY'S LARGEST HOMELESS SHELTER AT GUILFORD AVENUE AND CLOSE PROXIMITY TO HCH, MERCY MEDICAL CENTER'S ER RECEIVES MANY VISITS FORM HOMELESS PERSONS WITH DECADES OF EXPERIENCE IN PROVIDING EMERGENT AND URGENT CARE TO POOR AND HOMELESS POPULATIONS, THE HOSPITAL HAS ESTABLISHED KEY SERVICES FOR THE MEDICALLY UNDERSERVED INCLUDING THE FOLLOWING A FULL TIME SOCIAL WORKER IS A PART OF THE ER TEAM TO COORDINATE CARE AND OTHER SERVICES FOR HOMELESS PATIENTS WHO ARRIVE AT THE ER ER PHYSICIANS AND NURSES MAKE VISITS TO BALTIMORE CITY SHELTERS TO PROVIDE THE FOLLOWING SERVICES 1 ADMINISTRATION OF FLU VACCINATIONS TO RESIDENTS 2 PRESENTATIONS ON PARASITES AND INFECTIOUS DISEASE 3 INFECTIOUS DISEASE PREVENTION THE FORENSIC NURSE EXAMINER PROGRAM (FNE) IS HOUSED AT THE HOSPITAL'S ER AND PROVIDES 24/7 CARE TO PATIENTS WHO ARE VICTIMS OF SEXUAL, DOMESTIC, CHILD, ELDER AND INSTITUTIONAL VIOLENCE FORENSIC NURSES PROVIDE COMPREHENSIVE FORENSIC MEDICAL INTERVIEWS, MEDICAL ASSESSMENTS, AND EVIDENCE COLLECTION, AND ASSURE CRISIS INTERVENTION TO AN EVER INCREASING VOLUME OF UNDERSERVED PATIENTS DURING FY 2011, THE FNE PROGRAM CONDUCTED 554 EXAMINATIONS AND IS THE DESIGNATED SITE FOR PATIENTS IN BALTIMORE CITY LOW BIRTH WEIGHT PROGRAM - DEPARTMENT OF OBSTETRICS MERCY MEDICAL CENTER DELIVERED MORE BABIES, 2,886 THAN ANY OTHER HOSPITAL IN BALTIMORE CITY IN FY 2011 OF THESE BABIES, 10 6% WERE OF LOW BIRTH WEIGHT AND 13 7% WERE PREMATURE LOW BIRTH WEIGHT AND PREMATUREITY ARE INTERTWINED AND CORRELATED AS CITED IN QUESTION #2, LOW BIRTH WEIGHT IS A KEY HEALTH STATUS INDICATOR THAT IS MEASURED AND TRACKED BY THE BALTIMORE CITY DEPARTMENT OF HEALTH THAT MUST BE DECREASED IN INCIDENCE THE HOSPITAL HAS TAKEN A LEADERSHIP ROLE THROUGH ITS ACTIVE PARTICIPATION IN "B'MORE FOR HEALTHY BABIES", A LONG TERM INITIATIVE LED BY THE MAYOR'S OFFICE AND MANAGED BY THE BALTIMORE CITY HEALTH DEPARTMENT TO REDUCE THE INCIDENTS OF LOW BIRTH WEIGHT DR ROBERT ATLAS, CHAIRMAN OF MERCY MEDICAL CENTER'S DEPARTMENT OF OBSTETRICS AND GYNECOLOGY, HAS A LEADERSHIP ROLE WITHIN THIS WORKGROUP THE GOALS OF "B'MORE FOR HEALTHY BABIES" ARE REDUCTION IN THE FOLLOWING 1 RATE OF PRE-TERM BIRTHS BY AT LEAST 10% 2 RATE OF LOW BIRTH WEIGHT INFANTS BY AT LEAST 10% 3 THE NUMBER OF DEATHS FROM UNSAFE SLEEP BY AT LEAST 10% OF NOTE, 60% OF THE PATIENTS WHO DELIVERED BABIES AT MERCY MEDICAL CENTER WERE EITHER MEDICAID BENEFICIARIES OR UNINSURED/SELF PAY THIS POPULATION IS ESPECIALLY LINKED WITH LOW BIRTH RATE AND PREMATUREITY DUE TO POVERTY THAT CLOSELY RELATES TO UNHEALTHY LIFESTYLES, PARTICULARLY, POOR NUTRITION AND INADEQUATE PRENATAL CARE IN ORDER TO ENSURE 24/7 COVERAGE FOR ITS OBSTERICAL PATIENTS, REGARDLESS OF THEIR ABILITY TO PAY, MERCY MEDICAL CENTER PROVIDED \$1,397,137 IN PHYSICIAN SUBSIDY FOR THIS SPECIALTY DETERMINING THE NEEDS IN THE COMMUNITY TO BE ADDRESSED SINCE THE INCEPTION OF COMMUNITY BENEFIT REPORTING TO THE HSCRC, MERCY MEDICAL CENTER HAS CONSISTENTLY RANKED AMONG THE TOP FIVE HOSPITALS IN THE STATE OF MARYLAND IN TERMS OF THE PERCENTAGE OF OPERATING REVENUE DEVOTED TO COMMUNITY NEEDS PROGRAMS

Identifier	ReturnReference	Explanation
PROMOTION OF COMMUNITY HEALTH	PART VI, QUESTION 5	<p>ACCESS TO CARE FOR AT-RISK, UNDERSERVED POPULATIONS HAS LONG BEEN A CORNERSTONE MISSION FOR MERCY MEDICAL CENTER MAJOR PROGRAMS TO SERVE THIS NEED INCLUDE OUR FUNDING OF DIRECT PHYSICIAN CHARITY CARE ACROSS ALL SPRECIALTIES AND THE PHARMACY CHARITY FUND TO PATIENTS WHO ARE UNINSURED AND UNABLE TO PAY IN ADDITION, THE FAMILY HEALTH CENTERS OF BALTIMORE (FCHB) IS A FEDERALLY QUALIFIED HEALTH CENTER (FQHC), WHICH RECEIVES SIGNIFICANT FINANCIAL SUPPORT FROM THE HOSPITAL FCHB, WITH A CLINIC LOCATED ADJACENT TO THE MERCY CAMPUS, LARGELY SERVES THE MEDICAID AND UNINSURED POPULATIONS IN SURROUNDING COMMUNITIES BASED UPON THE NEEDS ASSESSMENT, MERCY MEDICAL CENTER IDENTIFIED THREE KEY AREAS OF FOCUS FOR "MISSION DRIVEN HEALTH SERVICES" IN FY 2011 THEY ARE AS FOLLOWS HOMELESSNESS THE NEED TO RESPOND TO AND ACTIVELY SUPPORT THE MEDICAL PROFESSIONAL NEEDS OF ORGANIZATIONS THAT SERVE THE HOMELESS POPULATION OF BALTIMORE EMERGENCY SERVICES AS PROVIDED THROUGH THE EMERGENCY DEPARTMENT, GIVEN THE LARGE PERCENTAGE OF POOR AND UNINSURED PATIENTS WHO ACCESS THIS SERVICE LOW BIRTH WEIGHT MERCY MEDICAL CENTER DELIVERS MORE BABIES TO WOMEN AT OR BELOW THE POVERTY LINE THAN ANY OTHER HOSPITAL IN BALTIMORE A SIGNIFICANT PERCENTAGE (>10%) OF THESE BIRTHS ARE PREMATURE AND OF LOW BIRTH WEIGHT ALL OF THESE PROGRAMS ARE INTERTWINED AS THEY SHARE A COMMON THREAD IN THAT THE UNDERSERVED AND POOR POPULATIONS OF BALTIMORE ARE THE PRIMARY RECIPIENTS OF MEDICAL SERVICES PROVIDED BY MERCY MEDICAL CENTER ON AND OFF ITS CAMPUS</p> <p>HOMELESSNESS THE NUMBER OF PEOPLE EXPERIENCING HOMELESSNESS HAS GROWN STEADILY OVER THE PAST 20 YEARS IN BALTIMORE AND THROUGHOUT THE ENTIRE NATION THIS NUMBER IS EXPECTED TO CONTINUE TO RISE GIVEN THE DETERIORATING ECONOMIC CONDITIONS LOCALLY AND NATIONALLY THAT CAUSE HIGH UNEMPLOYMENT, LOSS OF HOMES, REDUCED FEDERAL ASSISTANCE TO MEDICAID AND OTHER SAFETY NET PROGRAMS BALTIMORE'S HOMELESS POPULATION EXTENDS GREATLY BEYOND THOSE WHO CAN FIND BEDS IN CITY AND OTHER NONPROFIT RUN SHELTERS MERCY MEDICAL CENTER IS DIRECTLY INVOLVED IN THE PROVISION OF MEDICAL SERVICES TO THE HOMELESS POPULATION THROUGH THREE AREAS HEALTH CARE FOR THE HOMELESS HEALTH CARE FOR THE HOMELESS (HCH) WAS ESTABLISHED IN 1985 AND PROVIDES ADULT, PEDIATRIC, AND GERIATRIC MEDICAL CARE, DENTAL CARE, MENTAL HEALTH, HIV SERVICES, SOCIAL WORK AND CASE MANAGEMENT, ADDICTION TREATMENT, OUTREACH, PRISON RE-ENTRY, SUPPORTIVE HOUSING, AND ACCESS TO EDUCATION AND EMPLOYMENT IN 2011, HCH SAW 17,421 PATIENTS A THREEFOLD INCREASE FROM THE PRIOR YEAR PRIMARILY DUE TO ITS NEW LOCATION AND EXPANDED PROGRAMS SINCE ITS INCEPTION IN 1985 (A 25-YEAR PARTNERSHIP), MERCY MEDICAL CENTER HAS DIRECTLY EMPLOYED AND PROVIDED ALL OF THE PHYSICIAN AND NURSING STAFF TO HCH FOR MEDICAL SERVICES WHILE THE HOSPITAL IS REIMBURSED FOR THE DIRECT COSTS OF ITS EMPLOYED CLINICIANS FORM HCH, INDIRECT AND OTHER NON COMPENSATED COSTS CONTRIBUTED TO HCH WERE \$1,297,938 IN FY 2011 THE HOSPITAL EMPLOYS AND PROVIDES FOUR PRIMARY CARE PHYSICIANS, TWO NURSE PRACTITIONERS, ONE PHYSICIAN ASSISTANT, AND THREE REGISTERED NURSES TO WORK AT HCH MERCY MEDICAL CENTER, THROUGH ITS SOLE MEMBER, MHS, IS GOVERNED BY A COMMUNITY BOARD COMPRISED OF CIVIC LEADERS WHO ARE COMMITTED TO AND REPRESENT THE HEALTHCARE NEEDS OF THE COMMUNITY MERCY MEDICAL CENTER EXTENDS MEDICAL STAFF PRIVILEGES TO ALL QUALIFIED PHYSICIANS FOR ALL OF ITS DEPARTMENTS ALL FINANCIAL SURPLUSES MERCY MEDICAL CENTER GENERATES ARE USED EXCLUSIVELY TO FURTHER THE MISSION OF THE ORGANIZATION MERCY SUPPORTIVE HOUSING PROGRAM THE SUPPORTIVE HOUSING PROGRAM AT MERCY MEDICAL CENTER HAS A STAFF OF EIGHT EXPERIENCED HUMAN SERVICES PERSONNEL WHO WORK IN CONJUNCTION WITH OTHER HOMELESS AND HUMAN SERVICE PROVIDERS TO COORDINATE SERVICES FOR HOMELESS FAMILIES AND FAMILIES AT RISK FOR HOMELESSNESS THE PROGRAM'S GOAL IS TO HOUSE HOMELESS FAMILIES AND TO PROVIDE SUPPORTIVE SERVICES FOR A DEFINED PERIOD TO PREVENT A RETURN TO HOMELESSNESS IN FY 2011, THE SUPPORTIVE HOUSING PROGRAM AT MERCY PROVIDED A COMPREHENSIVE RANGE COUNSELING SERVICES AND COMMUNITY RESOURCE LINKAGES TO 207 CLIENTS THESE SERVICES INCURRED DIRECT COSTS OF \$477,629 DURING FY 2011, OR ABOUT \$3,000 PER CLIENT MERCY FAMILY VIOLENCE RESPONSE PROGRAM THE MERCY FAMILY VIOLENCE RESPONSE PROGRAM WAS DEVELOPED BY A MULTIDISCIPLINARY STAFF TASK FORCE AT MERCY MEDICAL CENTER TO PROVIDE CRISIS INTERVENTION AND SAFETY PLANNING FOR VICTIMS OF FAMILY VIOLENCE (DOMESTIC VIOLENCE, CHILD ABUSE, ELDER AND VULNERABLE ADULT ABUSE) AND SEXUAL ASSAULT WHO COME TO MERCY MEDICAL CENTER AND ITS PHYSICIANS FOR TREATMENT THIS PROGRAM IMPROVES BALTIMORE'S COORDINATED COMMUNITIY RESPONSE TO VICTIMS OF VIOLENCE, AND CREATES AN ALERT WORKFORCE AT MERCY MEDICAL CENTER, SKILLED AT IDENTIFYING AND RESPONDING TO VICTIMS OF FAMILY VIOLENCE</p>

Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE SYSTEM	PART VI, QUESTION 6	<p>KEY MERCY HEALTH SERVICES (MHS)</p> <p>PARTNERSHIPS/WORK GROUPS Mercy Medical Center is a part of an affiliated health care system, which includes a number of organizations that are under the common governance of Mercy Health Services. These affiliated organizations work together to provide a range of healthcare services to their communities. Among Mercy Medical Center's affiliates are Saint Paul Place Specialists, Inc. ("SPPS"), Maryland Family Care, Inc. ("MFC"), and Stella Maris, Inc. ("SM"). SPPS provides specialty physician services to patients of Mercy Medical Center's inpatient services and outpatient clinics and to other members of the community throughout Central Maryland and beyond. During the 2010 tax year, SPPS provided several community benefit activities. First, SPPS provided \$1,926,771 of charity care to patients seen by SPPS physicians. Second, SPPS incurred direct and indirect unreimbursed costs of \$3,458,657 as a result of providing physician services to patients in the Emergency Department of Mercy Medical Center. Third, SPPS provides an antepartum diagnostic physician subsidy with a net cost of \$6,658 to SPPS. Finally, SPPS physicians undertake disease and prevention research at an unreimbursed cost to SPPS of \$583,985. SM owns and operates a nursing home, a residential and home hospice service and a home health agency. During the 2010 tax year, SM provided \$471,000 of charity care to its patients. MFC provides primary care services on the campus of Mercy Medical Center, throughout Baltimore City, and in Anne Arundel and Baltimore Counties. Additionally, MFC employs a number of physicians to serve as hospitals, who care for patients admitted to Mercy Medical Center. During the 2010 tax year, MFC provided \$81,116 of charity care to patients seen by MMC physicians.</p> <p>GROUP NAME HEALTH CARE FOR THE HOMELESS PURPOSE AND MMC PARTICIPATION</p> <p>HCH PROVIDES HEALTH-RELATED SERVICES TO REDUCE THE INCIDENCE AND BURDENS OF HOMELESSNESS. ITS HEADQUARTERS/CLINIC IS LOCATED THREE BLOCKS FROM MERCY. CATHERINE KELLY, DIRECTOR OF COMMUNITY OUTREACH AT MERCY, SERVES ON THE HCH BOARD OF DIRECTORS.</p> <p>GROUP NAME BALTIMORE HOMELESS SERVICES PURPOSE AND MMC PARTICIPATION</p> <p>A PROGRAM WITHIN THE MAYOR'S OFFICE OF HUMAN SERVICES RESPONSIBLE FOR MANAGING THE CONTINUUM OF CARE OF PROVIDED TO THE CITY'S HOMELESS POPULATION.</p> <p>MERCY SUPPORTIVE HOUSING PROGRAM PROVIDES HOUSING COUNSELING AND CASE MANAGEMENT FOR HOMELESS FAMILIES UNDER GRANTS FROM THIS AGENCY.</p> <p>GROUP NAME THE WEINBERG HOUSING AND RESOURCE CENTER PURPOSE AND MMC PARTICIPATION</p> <p>BALTIMORE CITY'S FACILITY PROVIDING 274 EMERGENCY SHELTER BEDS AND 25 BEDS FOR THE MEDICALLY FRAGILE AS WELL AS PROGRAMS AND SERVICES FOR THE HOMELESS.</p> <p>MERCY EMPLOYEES ASSIST WITH THE PROGRAM.</p> <p>GROUP NAME MAYOR'S OFFICE ON EMERGENCY MANAGEMENT PURPOSE AND MMC PARTICIPATION</p> <p>MERCY SERVES ON THE EMERGENCY PREPAREDNESS TASK FORCE FOR BALTIMORE CITY.</p> <p>GROUP NAME SEX AND FAMILY CRIMES DIVISION OF THE BALTIMORE CITY POLICE DEPARTMENT PURPOSE AND MMC PARTICIPATION</p> <p>MERCY'S FORENSIC NURSE EXAMINER PROGRAM WORKS COLLABORATIVELY WITH THE BALTIMORE CITY POLICE DEPARTMENT.</p> <p>MERCY PROVIDES THE FORENSIC NURSE EXAMINER PROGRAM IN THE METROPOLITAN AREA.</p> <p>GROUP NAME TURN AROUND, HOUSE OF RUTH PURPOSE AND MMC PARTICIPATION</p> <p>MERCY'S FAMILY VIOLENCE RESPONSE PROGRAM WORKS WITH TURN AROUND, HOUSE OF RUTH, AND OTHER ORGANIZATIONS.</p> <p>MERCY ALSO IS TAKING A LEADERSHIP ROLE IN ESTABLISHING HOSPITAL-BASED FAMILY VIOLENCE RESPONSE PROGRAMS AT OTHER MARYLAND HOSPITALS.</p> <p>GROUP NAME FAMILY CRISIS CENTER OF BALTIMORE (FCCB) PURPOSE AND MMC PARTICIPATION</p> <p>FCCB IS A MAJOR REFERRAL PARTNER TO MERCY'S FORENSIC NURSE EXAMINER AND SUPPORTIVE HOUSING PROGRAMS.</p> <p>GROUP NAME DOMESTIC VIOLENCE COORDINATING COUNCIL PURPOSE AND MMC PARTICIPATION</p> <p>COLLEEN MOORE, COORDINATOR OF MERCY'S FAMILY VIOLENCE RESPONSE PROGRAM, SERVES ON THE ORGANIZATION'S STEERING COMMITTEE.</p> <p>GROUP NAME B'MORE FOR HEALTHY BABIES (BHB) PURPOSE AND MMC PARTICIPATION</p> <p>BHB IS A COALITION OF PHYSICIANS AMONG BALTIMORE CITY'S MAJOR HOSPITALS THAT ADDRESSES WAYS TO REDUCE INFANT MORTALITY, PREMATURITY AND LOW BIRTH WEIGHT.</p> <p>ROBERT ATLAS, M.D., CHAIRMAN OF THE DEPARTMENT OF OBSTETRICS AND GYNECOLOGY AT MERCY AND A RECOGNIZED EXPERT IN AT-RISK PREGNANCY IS A LEADER WITHIN BHB.</p> <p>GROUP NAME FAMILY HEALTH CENTERS OF BALTIMORE (FCHB) PURPOSE AND MMC PARTICIPATION</p> <p>SAMUEL MOSKOWITZ, MERCY'S EXECUTIVE VICE PRESIDENT AND CHIEF OPERATING OFFICER SERVES ON THE BOARD OF DIRECTORS OF FCHB, A FEDERALLY QUALIFIED HEALTH CENTER THAT SERVES CENTRAL AND SOUTH BALTIMORE CITY.</p>

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

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2010

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization
Mercy Medical Center

Employer identification number
52-0591658

Part I

Questions Regarding Compensation

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

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) THOMAS MULLEN	(i)	0	0	0	0	0	0	
	(ii)	723,183	106,500	423,276	11,025	22,239	1,286,223	262,774
(2) AMY FREEMAN	(i)	108,941	0	525,701	0	6,735	641,377	521,363
	(ii)	0	0	0	0	0	0	
(3) SAMUEL MOSKOWITZ	(i)	458,879	46,200	772,763	7,350	24,221	1,309,413	703,350
	(ii)	0	0	0	0	0	0	
(4) SCOTT SPIER md	(i)	370,785	37,300	56,039	11,025	21,981	497,130	
	(ii)	0	0	0	0	0	0	
(5) JOHN TOPPER	(i)	0	0	0	0	0	0	
	(ii)	361,341	35,500	53,502	7,350	20,665	478,358	
(6) SUSAN FINLAYSON	(i)	303,860	23,250	96,575	7,350	11,457	442,492	
	(ii)	0	0	0	0	0	0	
(7) JUDITH WEILAND	(i)	285,987	20,700	67,933	7,350	3,708	385,678	16,233
	(ii)	0	0	0	0	0	0	
(8) ROBERT EDWARDS	(i)	274,263	20,775	291,575	11,025	20,665	618,303	250,675
	(ii)	0	0	0	0	0	0	
(9) JAMES LEVY MD	(i)	247,153	29,400	8,000	14,700	27,035	326,288	
	(ii)	0	0	0	0	0	0	
(10) WILMA A S ROWE MD	(i)	463,163	195,023	0	8,683	23,471	690,340	
	(ii)	0	0	0	0	0	0	
(11) GARY MICHAEL	(i)	225,393	16,875	36,814	10,229	20,648	309,959	
	(ii)	0	0	0	0	0	0	
(12)								
(13)								
(14)								
(15)								
(16)								

Part III

Supplemental Information

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

Identifier	Return Reference	Explanation
NONQUALIFIED RETIREMENT PLAN	SCH J LINE 4B	The Corporation maintained a nonqualified plan of deferred compensation for certain employees. The Plan only permitted deferrals (that is, no contributions were made by the Corporation). Due to the changes in tax laws, the plan was terminated and participating employees are being paid and taxed on the withdrawals from their accounts. Schedule J reports the amounts distributed, which amounts were reflected as contributions in prior periods. The following individuals received distributions from the nonqualified deferred compensation plan in the following amounts: THOMAS MULLEN \$262,774 SAMUEL MOSKOWITZ \$703,350 AMY FREEMAN \$521,363 JUDITH WEILAND \$ 16,233 ROBERT EDWARDS \$250,675.
NON-FIXED PAYMENTS	SCH J LINE 7	The Compensation Committee approves non-fixed payments for management based on the degree of meeting corporate priorities established by the Board of Trustees. The corporate objectives are designed to advance the organization in the areas of quality care, patient safety, patient satisfaction, business development and financial strength.
CEO'S COMPENSATION	SCHEDULE J, LINES 1 - 3	THE ORGANIZATION RELIED ON A RELATED ORGANIZATION AND THAT RELATED ORGANIZATION USED THE FOLLOWING METHODS TO ESTABLISH THE TOP MANAGEMENT OFFICIAL COMPENSATION: 1) COMPENSATION COMMITTEE; 2) INDEPENDENT COMPENSATION CONSULTANT; 3) COMPENSATION SURVEY OR STUDY; 4) APPROVAL BY THE BOARD OR COMPENSATION COMMITTEE.

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As Filed Data -

DLN: 93493136036052

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
52-0591658

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 MARYLAND HEALTH & HIGHER EDUCATIONAL FAC AUTHORITY	52-0936091	574217XX8	08-03-2006	35,000,000	2006 REPLACEMENT GARAGE AND RO		X		X		X
B MARYLAND HEALTH & HIGHER EDUCATIONAL FAC AUTHORITY	52-0936091	574217L29	11-08-2007	155,000,000	2007 A REPLACEMENT TOWER AND R		X		X		X
C MARYLAND HEALTH & HIGHER EDUCATIONAL FAC AUTHORITY	52-0936091	574217L45	11-08-2007	150,000,000	2007 B C D REPLACEMENT PATIENT		X		X		X
D MARYLAND HEALTH & HIGHER EDUCATIONAL FAC AUTHORITY	52-0936091	574217Y41	07-16-2008	35,325,000	2008 REFUNDING OF 2003 BONDS		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	1,090,000		2,500,000		100,000,000		33,340,000	
2	Amount of bonds legally defeased								
3	Total proceeds of issue	35,952,865		170,176,129		155,267,784		35,457,518	
4	Gross proceeds in reserve funds	12,557,037		12,557,037					
5	Capitalized interest from proceeds	1,492,333		18,613,677		10,489,674			
6	Proceeds in refunding escrow	8,812,500		8,812,500					
7	Issuance costs from proceeds	330,107		1,508,050		896,739		387,518	
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	34,130,425		128,742,923		143,880,161			
11	Other spent proceeds	35,070,000						35,070,000	
12	Other unspent proceeds	0		0		0			
13	Year of substantial completion	2008		2010		2010		2008	
14	Were the bonds issued as part of a current refunding issue?	Yes	No	Yes	No	Yes	No	Yes	No
			X	X			X	X	
15	Were the bonds issued as part of an advance refunding issue?		X		X		X		X
16	Has the final allocation of proceeds been made?	X		X		X		X	
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		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		X		X
2	Are there any lease arrangements that may result in private business use of bond-financed property?	X		X		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		X		X	
b	Are there any research agreements that may result in private business use of bond-financed property?		X		X		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?	X		X		X		X	
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 <div>▶</div>	0 %		0 %		0 %		0 500 %	
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 <div>▶</div>	0 %		0 %		0 %		0 100 %	
6	Total of lines 4 and 5	0 %		0 %		0 %		0 600 %	
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		X		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		X		X
2	Is the bond issue a variable rate issue?		X		X	X		X	
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?	X		X		X			X
b	Name of provider	MERRILL LYNCH		MERRILL LYNCH		MERRILL LYNCH			
c	Term of hedge	30		30		35			
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC ?		X	X		X			X
b	Name of provider	GE FUNDING		GE FUNDING		GE FUNDING			
c	Term of GIC	4 25		4 25		2			
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X		X		X			
5	Were any gross proceeds invested beyond an available temporary period?		X		X		X		X
6	Did the bond issue qualify for an exception to rebate?	X			X		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
SCHEDULE K		BOND ISSUE A - 2006 REPLACEMENT GARAGE - BOND ISSUE OF \$35,000,000 RESULTED IN TOTAL PROCEEDS OF \$35,952,865 AS A RESULT OF INVESTMENT EARNINGS OF \$952,865 BOND ISSUE B - 2007 REPLACEMENT TOWER - BOND ISSUE OF \$155,000,000 RESULTED IN TOTAL PROCEEDS OF \$170,176,129 AS A RESULT OF INVESTMENT EARNINGS OF \$15,176,129 BOND ISSUE C - 2007 B,C&D REPLACEMENT TOWER - BOND ISSUE OF \$150,000,000 RESULTED IN TOTAL PROCEEDS OF \$155,268,784 AS A RESULT OF INVESTMENT EARNINGS OF \$5,267,784 BOND ISSUE D - 2008 REFUNDING OF 2003 BONDS - BOND ISSUE OF \$35,457,518 AS A RESULT OF \$132,518 CARRIED FORWARD FROM THE 2003 SINKING FUND

SCHEDULE M
(Form 990)

NonCash Contributions

OMB No 1545-0047

2010

Open to Public Inspection

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

Name of the organization
Mercy Medical Center

Employer identification number
52-0591658

Part I

Types of Property

	(a) Check if applicable	(b) Number of Contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining oncash contribution amounts
1 Art—Works of art				
2 Art—Historical treasures				
3 Art—Fractional interests				
4 Books and publications				
5 Clothing and household goods				
6 Cars and other vehicles .				
7 Boats and planes				
8 Intellectual property . .	X	1	1,794,963	Cost savings
9 Securities—Publicly traded				
10 Securities—Closely held stock				
11 Securities—Partnership, LLC, or trust interests .				
12 Securities—Miscellaneous				
13 Qualified conservation contribution—Historic structures				
14 Qualified conservation contribution—Other . .				
15 Real estate—Residential .				
16 Real estate—Commercial				
17 Real estate—Other . .				
18 Collectibles				
19 Food inventory				
20 Drugs and medical supplies				
21 Taxidermy				
22 Historical artifacts . .				
23 Scientific specimens . .				
24 Archeological artifacts .				
25 Other ► (_____)				
26 Other ► (_____)				
27 Other ► (_____)				
28 Other ► (_____)				
29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement			29	

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

Part III

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

Identifier	Return Reference	Explanation
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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2010

**Open to Public
Inspection**

Name of the organization Mercy Medical Center	Employer identification number 52-0591658
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Identifier	Return Reference	Explanation
DESCRIPTION OF 990 REVIEW PROCESS	PART VI, LINE 11	Mercy Health Services, Inc ("MHS), the sole parent of the Corporation, has a policy which requires the Corporation's 990 to be made available for review by the MHS Board and/or the MHS Board Executive Committee prior to its filing. At its March 21, 2012 meeting, MHS Board Executive Committee members received a copy of the Corporation's draft form 990. The MHS CFO provided a power point presentation regarding the draft and there was an opportunity for questions and discussion. Following further revision of the draft 990 and prior to its filing, it was made available in final form to all members of the MHS Board and the Corporation's Board.

Identifier	Return Reference	Explanation
CONFLICTS OF INTEREST MONITORING AND ENFORCEMENT	PART VI, LINE 12C	<p>MHS HAS A WRITTEN CONFLICT OF INTEREST POLICY THAT COVERS MHS AND ALL OF ITS DIRECT AND INDIRECT SUBSIDIARIES. THE INDIVIDUALS COVERED UNDER THE POLICY INCLUDE ALL TRUSTEES, DIRECTORS, OFFICERS (INCLUDING ALL SENIOR AND EXECUTIVE VICE PRESIDENTS) AND MEMBERS OF ANY COMMITTEE WITH BOARD-DELEGATED POWERS. UNDER THE POLICY, EACH SUCH PERSON IS REQUIRED TO COMPLETE AN ANNUAL DISCLOSURE FORM REGARDING BUSINESS RELATIONSHIPS THAT HE OR SHE, OR ANY FAMILY MEMBER, HAS WITH ANY OTHER ORGANIZATION THAT DOES BUSINESS WITH MHS OR ITS SUBSIDIARIES AND RELATIONSHIPS BETWEEN AND AMONG OFFICERS, TRUSTEES AND DIRECTORS. THE COMPLETED DISCLOSURE FORMS ARE REVIEWED BY THE MHS BOARD CHAIR AND BY THE MHS CEO OR A DESIGNEE. IN ADDITION TO THE ANNUAL DISCLOSURE, ANY PERSON WHO IS COVERED BY THE CONFLICT OF INTEREST POLICY HAS AN ONGOING OBLIGATION TO DISCLOSE THE EXISTENCE OF ANY ACTUAL OR POTENTIAL CONFLICT TO THE BOARD OR THE BOARD COMMITTEE IN WHICH THE MATTER ARISES. FOLLOWING THE DISCLOSURE, THE PERSON MAY MAKE A PRESENTATION, BUT MUST THEN LEAVE THE MEETING AND THE OTHER MEMBERS OF THE BOARD OR COMMITTEE SHALL DETERMINE WHETHER A CONFLICT EXISTS. UNDER THE POLICY, A CONFLICT OF INTEREST EXISTS WHEN AN INDIVIDUAL'S OWN PERSONAL INTEREST WOULD, OR MAY, INTERFERE WITH HIS OR HER IMPARTIALITY REGARDING THE MATTER. IF A CONFLICT EXISTS, THE PERSON MAY NOT BE PRESENT DURING DELIBERATIONS ON THE MATTER OR VOTE ON IT. THE BOARD OR COMMITTEE, AFTER CONDUCTING SUCH ADDITIONAL DUE DILIGENCE AS IT DETERMINES IS APPROPRIATE, SHALL MAKE A DECISION ON THE MATTER BASED UPON WHETHER THE PARTICULAR PROPOSAL IS FAIR, REASONABLE AND IN THE BEST INTEREST OF THE ORGANIZATION.</p>

Identifier	Return Reference	Explanation
PROCESS OF DETERMINING COMPENSATION	PART VI, LINE 15	<p>THE ORGANIZATION'S BOARD HAS ADOPTED A COMPENSATION POLICY (THE "POLICY") FOR COVERED INDIVIDUALS. PURSUANT TO THE POLICY, A COMPENSATION COMMITTEE OF INDEPENDENT DIRECTORS OF THE BOARD OF THE ORGANIZATION'S PARENT CORPORATION WAS ESTABLISHED TO REVIEW THE COMPENSATION OF ALL EMPLOYEES SPECIFIED AS HAVING A SUBSTANTIAL INFLUENCE OVER THE ORGANIZATION AND WHO RECEIVE REMUNERATION FROM THE ORGANIZATION. THE COMPENSATION COMMITTEE IS ADVISED BY AN INDEPENDENT COMPENSATION CONSULTANT, WHICH OPINES TO THE COMPENSATION COMMITTEE THAT THE LEVEL OF COMPENSATION PAID AND THE PROCESS BY WHICH COMPENSATION IS ESTABLISHED MEET APPLICABLE IRS REASONABLENESS AND "SAFE HARBOR" STANDARDS. THE OUTSIDE COMPENSATION CONSULTANT PROVIDES DATA OF COMPENSATION PROVIDED AT SIMILAR ORGANIZATIONS TO ENSURE THAT THE ORGANIZATION DOES NOT COMPENSATE IN EXCESS OF MARKET NORMS. Mercy Health Services, Inc. (the Corporation's sole member) has a written policy regarding the review of physician compensation titled "Amended and Restated Physician Compensation Review." The policy applies to all MHS subsidiaries, including the Corporation, and it sets out the process and procedures for ensuring that physician compensation is appropriately reviewed and determined to be consistent with fair market value. Under the policy the review and determination must be documented in writing. The policy addresses internal reviews through benchmarking of physician compensation against nationally recognized compensation survey data, the use of independent compensation consultants and review by the MHS Board Compensation Committee. The policy further requires that all compensation reviews be performed in accordance with the MHS Conflict of Interest Policy.</p>

Identifier	Return Reference	Explanation
DOCUMENT AVAILABILITY	PART VI, LINE 19	The governing documents of the organization, its conflicts of interest policy, and its financial statements are available from the organization upon request

Identifier	Return Reference	Explanation
AUDITS	PART XI, QUESTIONS 2 AND 3	MERCY HEALTH SYSTEM, INC AND ITS SUBSIDIARIES INCLUDING THE ORGANIZATION FILING THIS FORM 990, UNDERGO A CONSOLIDATED AUDIT OF THEIR FINANCIAL STATEMENT THAT COMPLIES WITH SINGLE AUDIT ACT/OMB CIRCULAR A-133 REQUIREMENTS DUE TO THE EXPENDITURE OF FEDERAL AWARDS THE ACCOUNTING FIRM OF COHEN, RUTHERFORD + KNIGHT P C HAS ISSUED AN UNQUALIFIED OPINION REGARDING THE CONSOLIDATED FINANCIAL STATEMENTS IN CONFORMANCE WITH GENERALLY ACCEPTED AUDIT STANDARDS AND THE SINGLE AUDIT ACT/OMB CIRCULAR A-133 REQUIREMENTS FOR THE FISCAL YEAR THAT CORRESPONDS TO THE TAX REPORTING YEAR GOVERNED BY THIS FORM 990

Identifier	Return Reference	Explanation
PART VI, LINE 1B		Mercy Health Services, Inc ("MHS"), a 501(c)(3) corporation, is the sole member of Mercy Medical Center, Inc ("MMC") MHS is governed by a 28-person Board of Trustees, of whom 21 are independent board members. The Board of Directors of MMC is currently made of 7 directors. The President of MHS serves as an ex officio member of MMC's Board and the balance of the MMC Board members are elected by, and subject to removal by, the Board of Trustees of MHS. One of the members of the MFC Board is independent. Seven of the Board members are compensated as employees either of MFC or a related organization listed in Schedule R, Part II.

Identifier	Return Reference	Explanation
PART VI, LINE 6		MHS is the sole member of MMC

Identifier	Return Reference	Explanation
PART VI, LINE 7A		The President of MHS serves as an ex officio voting member of the Board of Directors of MMC. As the member of MMC, the Board of Trustees of MHS elects all of the other members of the Board of MMC. All of the members of the MMC Board serve at the pleasure of the Board of Trustees of MHS and are subject to removal by the MHS Board.

Identifier	Return Reference	Explanation
PART VI, LINE 7B		<p>The Board of Trustees of MHS exercises authority over MMC through its right to appoint and remove MMC Board members. In addition, MHS, as the member, is responsible for the following actions: a) to appoint members to MMC's Board of Directors, b) to review and approve or disapprove the strategic plan, annual budget and the annual operating goals and objectives of MMC as recommended to MHS by MMC's Board of Directors, c) to evaluate the performance of MMC's Board of Directors, officers, and operating management, d) to remove Board members of MMC in its discretion at any time, e) to approve the mission and vision that govern MMC's operations, f) to have ultimate responsibility for MMC's quality assurance, performance improvement, utilization review and risk management, and g) to appoint, reappoint and take any corrective action related to the Medical Staff of MMC (the "Medical Staff") in accordance with the Medical Staff Bylaws of MMC. The following actions require the approval of and affirmative corporate action by MHS: a) any disposition of all or substantially all of MMC's assets, dissolution, liquidation, winding up or abandonment of MMC, b) any amendment of the Articles of Incorporation or Bylaws of MMC or of the Medical Staff Bylaws of MMC, c) any borrowing or lending by MMC or the issuance of any guarantee by MMC in an amount in excess of an amount specified by MHS from time to time, d) any merger, consolidation or institutional affiliation with any other corporation or other entity, and e) the purchase or sale of assets for an amount in excess of an amount specified from time to time by MHS. Ultimately, the Corporation is controlled by MHS's 26-person community board, which includes 21 independent directors as noted above.</p>

Identifier	Return Reference	Explanation
OTHER CHANGES TO NET ASSETS	PART XI, LINE 5	UNREALIZED GAIN \$ 6,015,986 INTEREST RATE SWAP 9,811,012 NET ASSETS RELEASED FOR CAPITAL EXP 950,110 CONTRIBUTIONS (8,879,019) MHF NET BENEFIT (944,974) CHANGES TO POST RETIREMENT PLAN OBLIGATIONS 200,158 ----- TOTAL \$ 7,153,273

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME THOMAS MULLEN TITLE CHAIR, EX OFFICIO HOURS 25

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME SAMUEL MOSKOWITZ TITLE EXEC VP/VICE CHAIR HOURS 6

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME SCOTT SPIER md TITLE SECRETARY HOURS 7

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME JOHN TOPPER TITLE SR VP & CFO/TREASURER HOURS 25

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME SUSAN FINLAYSON TITLE SR VP/DIRECTOR HOURS 2

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME MICHAEL MULLANE TITLE SR VICE PRESIDENT CLINICAL PRG HOURS 15

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME.JUDITH WEILAND TITLE.SENIOR VP HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME ROBERT EDWARDS TITLE SENIOR VP HOURS 30

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME.JAMES LEVY MD TITLE.PHYSICIAN HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME WILMA A S ROWE MD TITLE PRESIDENT MEDICAL STAFF HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME GARY MICHAEL TITLE senior vp marketing/planning HOURS 3

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME:AMY FREEMAN TITLE:EXE VP/SECRETARY HOURS

SCHEDULE R (Form 990) <small>Department of the Treasury Internal Revenue Service</small>	<div>Related Organizations and Unrelated Partnerships</div> <div>▶ 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.</div>	OMB No 1545-0047
		2010
		Open to Public Inspection

Name of the organization Mercy Medical Center	Employer identification number 52-0591658
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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 HEALTH SERVICES INC 301 ST PAUL PLACE BALTIMORE, MD 21202 52-2173382	SUPPORT	MD	501(C)(3)	509(A)(3)	N/A		
(2) MERCY HEALTH FOUNDATION INC 301 ST PAUL PLACE BALTIMORE, MD 21202 52-2173656	FOUNDATION	MD	501(C)(3)	170(B)(1)vi	MERCY HEALTH		
(3) SAINT PAUL PLACE SPECIALISTS INC 301 ST PAUL PLACE BALTIMORE, MD 21202 52-1495113	SPEC CARE	MD	501(C)(3)	170(B)1 iii	MERCY HEALTH		
(4) MARYLAND FAMILY CARE INC 301 ST PAUL PLACE BALTIMORE, MD 21202 52-2046586	PRIMARY CARE	MD	501(C)(3)	170(B)1 iii	MERCY HEALTH		
(5) STELLA MARIS INC 2300 DULANEY VALLEY TIMONIUM, MD 21093 52-1419602	NURSING FACLT	MD	501(C)(3)	509(A)(2)	MERCY HEALTH		
(6) MERCY TRANSITIONAL CARE SERVICES INC 301 ST PAUL PLACE BALTIMORE, MD 21202 52-1968440	SKILLED NURSE	MD	501(C)(3)	509(A)(2)	MERCY MEDICA		

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproporionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

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) GREENLEAF INSURANCE CO LTD PO BOX 1363 GRAND CAYMAN, CAYMAN ISLANDS KY1-1108 CJ 52-0591658	INSURANCE	CJ	MERCY MEDICAL	LTD	11,924,419	45,364,088	100 000 %

Part V

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

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

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

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

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

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

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

e Loans or loan guarantees by other organization(s)

f Sale of assets to other organization(s)

g Purchase of assets from other organization(s)

h Exchange of assets

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

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

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

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

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

n Sharing of paid employees

o Reimbursement paid to other organization for expenses

p Reimbursement paid by other organization for expenses

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

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

No

No

No

No

Yes

Yes

Yes

No

No

Yes

Yes

Yes

Yes

Yes

Yes

Yes

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

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

Schedule R (Form 990) 2010

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

[illegible]

Part VII **Supplemental Information**

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

Identifier	Return Reference	Explanation
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Software ID:
Software Version:
EIN: 52-0591658
Name: Mercy Medical Center

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c) (3))	(f) Direct controlling entity	(g) Section 512 (b)(13) controlled organization	
						Yes	No
MERCY HEALTH SERVICES INC 301 ST PAUL PLACE BALTIMORE, MD21202 52-2173382	SUPPORT	MD	501(C)(3)	509(A)(3)	N/A		
MERCY HEALTH FOUNDATION INC 301 ST PAUL PLACE BALTIMORE, MD21202 52-2173656	FOUNDATION	MD	501(C)(3)	170(B)(1)vi	MERCY HEALTH		
SAINT PAUL PLACE SPECIALISTS INC 301 ST PAUL PLACE BALTIMORE, MD21202 52-1495113	SPEC CARE	MD	501(C)(3)	170(B)1 iii	MERCY HEALTH		
MARYLAND FAMILY CARE INC 301 ST PAUL PLACE BALTIMORE, MD21202 52-2046586	PRIMARY CARE	MD	501(C)(3)	170(B)1 iii	MERCY HEALTH		
STELLA MARIS INC 2300 DULANEY VALLEY TIMONIUM, MD21093 52-1419602	NURSING FACLT	MD	501(C)(3)	509(A)(2)	MERCY HEALTH		
MERCY TRANSITIONAL CARE SERVICES INC 301 ST PAUL PLACE BALTIMORE, MD21202 52-1968440	SKILLED NURSE	MD	501(C)(3)	509(A)(2)	MERCY MEDICA		

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 TRANSITIONAL CARE SERVICES	Q	3,373,085	
(2)	MERCY TRANSITIONAL CARE SERVICES	R	1,182,317	
(3)	MERCY TRANSITIONAL CARE SERVICES	M	24,523	
(4)	MERCY TRANSITIONAL CARE SERVICES	N	2,112,682	
(5)	MERCY TRANSITIONAL CARE SERVICES	H	275,922	
(6)	STELLA MARIS INC	R	30,504	
(7)	STELLA MARIS INC	N	895,394	
(8)	STELLA MARIS INC	H	51,012	
(9)	STELLA MARIS INC	M	387,692	
(10)	STELLA MARIS INC	O	806,766	
(11)	SAINT PAUL PLACE SPECIALISTS INC	R	7,899,550	
(12)	SAINT PAUL PLACE SPECIALISTS INC	M	67,375,745	
(13)	SAINT PAUL PLACE SPECIALISTS INC	N	65,137,359	
(14)	SAINT PAUL PLACE SPECIALISTS INC	G	77,186	
(15)	SAINT PAUL PLACE SPECIALISTS INC	P	2,236,866	
(16)	SAINT PAUL PLACE SPECIALISTS INC	I	7,869	
(17)	SAINT PAUL PLACE SPECIALISTS INC	Q	1,297,496	
(18)	VASCULAR SERVICES	R	499,597	
(19)	VASCULAR SERVICES	M	674,515	
(20)	VASCULAR SERVICES	N	609,741	
(21)	VASCULAR SERVICES	P	185,748	
(22)	VASCULAR SERVICES	Q	129,736	
(23)	MARYLAND FAMILY CARE	Q	92,141	
(24)	MARYLAND FAMILY CARE	R	491,195	
(25)	MARYLAND FAMILY CARE	M	31,605,780	
(26)	MARYLAND FAMILY CARE	N	27,619,633	
(27)	MARYLAND FAMILY CARE	G	1,951,297	
(28)	MARYLAND FAMILY CARE	P	352,761	
(29)	MARYLAND FAMILY CARE	I	82,988	
(30)	MERCY HEALTH FOUNDATION	R	1,169,307	

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
(31)	MERCY HEALTH FOUNDATION	N	1,001,629	
(32)	MERCY HEALTH FOUNDATION	M	1,110,220	

Form **4797**

Sales of Business Property

(Also Involuntary Conversions and Recapture Amounts Under Sections 179 and 280F(b)(2))

▶ Attach to your tax return. ▶ See separate instructions.

OMB No 1545-0184

2010

Attachment Sequence No **27**

Name(s) shown on return
Mercy Medical Center

Identifying number
52-0591658

1 Enter the gross proceeds from sales or exchanges reported to you for 2010 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions) . . .

1

Part I

Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft—Most Property Held More Than 1 Year (see instructions)

2	(a) Description of property	(b) Date acquired (mo , day, yr)	(c) Date sold (mo , day, yr)	(d) Gross sales price	(e) Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) Gain or (loss) Subtract (f) from the sum of (d) and (e)
2							

3 Gain, if any, from Form 4684, line 42

4 Section 1231 gain from installment sales from Form 6252, line 26 or 37

5 Section 1231 gain or (loss) from like-kind exchanges from Form 8824

6 Gain, if any, from line 32, from other than casualty or theft.

7 Combine lines 2 through 6 Enter the gain or (loss) here and on the appropriate line as follows

Partnerships (except electing large partnerships) and S corporations. Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120S, Schedule K, line 9 Skip lines 8, 9, 11, and 12 below

Individuals, partners, S corporation shareholders, and all others. If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9 If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below

8 Nonrecaptured net section 1231 losses from prior years (see instructions)

9 Subtract line 8 from line 7 If zero or less, enter -0- If line 9 is zero, enter the gain from line 7 on line 12 below If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return (see instructions)

3	
4	
5	
6	
7	
8	
9	

Part II

Ordinary Gains and Losses (see instructions)

10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less)

SALE OF FIXED ASSETS			26,014		183,167	157,153

11 Loss, if any, from line 7

12 Gain, if any, from line 7 or amount from line 8, if applicable

13 Gain, if any, from line 31

14 Net gain or (loss) from Form 4684, lines 34 and 41a

15 Ordinary gain from installment sales from Form 6252, line 25 or 36

16 Ordinary gain or (loss) from like-kind exchanges from Form 8824

17 Combine lines 10 through 16

18 For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below For individual returns, complete lines a and b below

a If the loss on line 11 includes a loss from Form 4684, line 38, column (b)(ii), enter that part of the loss here Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 28, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 23 Identify as from "Form 4797, line 18a " See instructions.

b Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a Enter here and on Form 1040, line 14

11	()
12	
13	
14	
15	
16	
17	-157,153
18a	
18b	

Part III

Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255
(see instructions)

19	(a) Description of section 1245, 1250, 1252, 1254, or 1255 property	(b) Date acquired (mo , day, yr)	(c) Date sold (mo , day, yr)
A			
B			
C			
D			

These columns relate to the properties on lines 19A through 19D		Property A	Property B	Property C	Property D
20	Gross sales price (Note: See line 1 before completing)	20			
21	Cost or other basis plus expense of sale	21			
22	Depreciation (or depletion) allowed or allowable	22			
23	Adjusted basis Subtract line 22 from line 21	23			
24	Total gain Subtract line 23 from line 20	24			
25	If section 1245 property:				
a	Depreciation allowed or allowable from line 22	25a			
b	Enter the smaller of line 24 or 25a	25b			
26	If section 1250 property: If straight line depreciation was used, enter -0- on line 26g, except for a corporation subject to section 291				
a	Additional depreciation after 1975 (see instructions)	26a			
b	Applicable percentage multiplied by the smaller of line 24 or line 26a (see instructions)	26b			
c	Subtract line 26a from line 24 If residential rental property or line 24 is not more than line 26a, skip lines 26d and 26e	26c			
d	Additional depreciation after 1969 and before 1976	26d			
e	Enter the smaller of line 26c or 26d	26e			
f	Sections 291 amount (corporations only)	26f			
g	Add lines 26b, 26e, and 26f	26g			
27	If section 1252 property: Skip this section if you did not dispose of farmland or if this form is being completed for a partnership (other than an electing large partnership)				
a	Soil, water, and land clearing expenses	27a			
b	Line 27a multiplied by applicable percentage (see instructions)	27b			
c	Enter the smaller of line 24 or 27b	27c			
28	If section 1254 property:				
a	Intangible drilling and development costs, expenditures for development of mines and other natural deposits, mining exploration costs, and depletion (see instructions)	28a			
b	Enter the smaller of line 24 or 28a	28b			
29	If section 1255 property:				
a	Applicable percentage of payments excluded from income under section 126 (see instructions)	29a			
b	Enter the smaller of line 24 or 29a (see instructions)	29b			

Summary of Part III Gains. Complete property columns A through D through line 29b before going to line 30.					
30	Total gains for all properties Add property columns A through D, line 24	30			
31	Add property columns A through D, lines 25b, 26g, 27c, 28b, and 29b Enter here and on line 13	31			
32	Subtract line 31 from line 30 Enter the portion from casualty or theft on Form 4684, line 36 Enter the portion from other than casualty or theft on Form 4797, line 6	32			

Part IV

Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less
(see instructions)

		(a) Section 179	(b) Section 280F(b)(2)
33	Section 179 expense deduction or depreciation allowable in prior years	33	
34	Recomputed depreciation (see instructions)	34	
35	Recapture amount Subtract line 34 from line 33 See the instructions for where to report	35	

**COHEN
RUTHERFORD
+ KNIGHT_{PC}**
Certified Public Accountants



**Audited Consolidated Financial
Statements and Other Financial
Information**

**Mercy Health Services, Inc. and
Subsidiaries**

June 30, 2011 and 2010

Audited Consolidated Financial Statements and Other Financial Information

Mercy Health Services, Inc. and Subsidiaries

June 30, 2011 and 2010

-Contents-

Audited Consolidated Financial Statements

Report of Independent Auditors	1
Consolidated Balance Sheets	2
Consolidated Statements of Operations	3
Consolidated Statements of Changes in Net Assets	4
Consolidated Statements of Cash Flows	5
Notes to the Consolidated Financial Statements.....	7

Other Financial Information

Report of Independent Auditors on Other Financial Information	58
Consolidating Balance Sheet Information	59-60
Consolidating Statement of Operations Information	61-62

Report of Independent Auditors

The Board of Trustees
Mercy Health Services, Inc. and Subsidiaries
Baltimore, MD

We have audited the accompanying consolidated balance sheets of Mercy Health Services, Inc. and Subsidiaries as of June 30, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of Mercy Health Services, Inc. and Subsidiaries' management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Greenleaf Insurance Company, Ltd., a wholly-owned subsidiary, which statements reflect total assets of \$45,364,088 and \$37,752,778 as of June 30, 2011 and 2010, respectively, and total revenues of \$13,177,419 and \$12,480,954 for the years ended June 30, 2011 and 2010, respectively. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Greenleaf Insurance Company, Ltd., is based solely on the report of the other auditors.

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

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

Cohen, Rutherford + Knight, P.C.

August 31, 2011

Mercy Health Services, Inc. and Subsidiaries
Consolidated Balance Sheets
(Dollars in thousands)

	June 30,	
	2011	2010
ASSETS		
CURRENT ASSETS		
Cash, cash equivalents and short-term investments -- <i>Note A</i>	\$ 86,759	\$ 74,530
Current portion of funds held by trustee or authority -- <i>Note E</i>	13,643	12,045
Resident prepayments and security deposits	763	862
Patient accounts receivable, net -- <i>Note B</i>	36,234	38,389
Other amounts receivable, net	2,628	2,391
Current pledges receivable, net -- <i>Note C</i>	6,197	5,543
Inventory	6,919	5,649
Other current assets	3,774	2,000
TOTAL CURRENT ASSETS	156,917	141,409
PROPERTY AND EQUIPMENT, net -- <i>Note D</i>	542,973	484,570
INVESTMENTS AND OTHER ASSETS		
Funds held by trustee or authority, less current portion -- <i>Note E</i>	23,309	72,415
Board designated and donor restricted investments -- <i>Note F</i>	95,300	95,908
Restricted cash, cash equivalents and investments	41,220	47,463
Long-term investments	48,734	35,497
Long-term pledges receivable, net -- <i>Note C</i>	16,975	21,644
Investments in and advances to affiliates -- <i>Note G</i>	329	342
Reinsurance balances receivable or recoverable -- <i>Note I</i>	2,032	1,733
Other assets -- <i>Note H</i>	14,012	12,668
TOTAL ASSETS	\$ 941,801	\$ 913,648

See notes to the consolidated financial statements

Mercy Health Services, Inc. and Subsidiaries
Consolidated Balance Sheets - Continued
(Dollars in thousands)

	June 30,	
	2011	2010
<i>LIABILITIES AND NET ASSETS</i>		
CURRENT LIABILITIES		
Current maturities of long-term debt -- <i>Note J</i>	\$ 6,300	\$ 5,315
Accounts payable and accrued expenses	70,507	64,477
Resident prepayments and security deposits	763	852
Construction retainage	780	10,467
TOTAL CURRENT LIABILITIES	78,350	81,111
Long-term debt -- <i>Note J</i>	454,193	456,011
Accrued interest	3,373	3,374
Provision for outstanding losses -- <i>Note I</i>	32,587	28,821
Post-retirement obligation -- <i>Note M</i>	6,819	5,538
Other long-term liabilities -- <i>Note W</i>	34,024	43,856
TOTAL LIABILITIES	609,346	618,711
NET ASSETS		
Unrestricted	294,588	252,398
Temporarily restricted -- <i>Note P</i>	35,689	40,361
Permanently restricted -- <i>Notes P and V</i>	2,178	2,178
TOTAL NET ASSETS	332,455	294,937
COMMITMENTS AND CONTINGENCIES -- <i>Notes R and U</i>		
TOTAL LIABILITIES AND NET ASSETS	\$ 941,801	\$ 913,648

See notes to the consolidated financial statements

Mercy Health Services, Inc. and Subsidiaries
Consolidated Statements of Operations
(Dollars in thousands)

	Year Ended June 30,	
	2011	2010
REVENUE		
Net patient service revenue -- <i>Notes B and S</i>	\$ 538,391	\$ 500,369
Other operating revenue	19,297	20,581
Net assets released from restriction used for operations	4,910	2,423
TOTAL REVENUE	562,598	523,373
EXPENSES -- <i>Note Q</i>		
Salaries and benefits	296,013	271,898
Medical and surgical supplies	44,982	39,953
Pharmacy supplies	25,671	25,006
Other expendable supplies	27,193	23,696
Professional fees	14,401	14,337
Insurance	9,738	9,989
Other purchased services	43,979	39,478
Interest expense	13,700	7,208
Repairs	9,838	8,447
Depreciation and amortization	30,404	25,225
Provision for bad debts	29,368	28,088
TOTAL EXPENSES	545,287	493,325
OPERATING INCOME	17,311	30,048
OTHER INCOME (EXPENSE)		
Investment income -- <i>Note F</i>	3,762	1,638
Net unrealized gains on trading securities -- <i>Note F</i>	7,320	2,835
Loss on early extinguishment of debt	0	(286)
Unrealized gain(loss) on interest rate swap	9,811	(6,235)
Equity in joint ventures -- <i>Note G</i>	540	565
Loss on asset disposal	(147)	(25)
New facility nonrecurring costs	(1,714)	0
Other	11	53
NET OTHER INCOME (EXPENSE)	19,583	(1,455)
EXCESS OF REVENUE OVER EXPENSES	36,894	28,593
Changes to post retirement plans obligations	200	1,991
Net assets released from restrictions for the purchase of property and equipment	5,096	5,755
INCREASE IN UNRESTRICTED NET ASSETS	\$ 42,190	\$ 36,339

See notes to the consolidated financial statements

Mercy Health Services, Inc. and Subsidiaries
Consolidated Statements of Changes in Net Assets
(Dollars in thousands)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Net assets, June 30, 2009	\$ 216,059	\$ 43,019	\$ 2,220	\$ 261,298
Excess of revenue over expenses	28,593	0	0	28,593
Net assets released from restrictions for the purchase of property and equipment	5,755	(5,755)	0	0
Restricted gifts, bequests, and contributions	0	5,478	0	5,478
Changes to post retirement plans obligations -- <i>Notes M and N</i>	1,991	0	0	1,991
Fund transfers	0	42	(42)	0
Net assets released from restrictions used for operations	0	(2,423)	0	(2,423)
Change in net assets	<u>36,339</u>	<u>(2,658)</u>	<u>(42)</u>	<u>33,639</u>
Net assets, June 30, 2010	\$ 252,398	\$ 40,361	\$ 2,178	\$ 294,937
Excess of revenues over expenses	36,894	0	0	36,894
Net assets released from restrictions for the purchase of property and equipment	5,096	(5,096)	0	0
Restricted gifts, bequests, and contributions	0	5,334	0	5,334
Changes to post retirement plans obligations -- <i>Notes M and N</i>	200	0	0	200
Net assets released from restrictions used for operations	0	(4,910)	0	(4,910)
Change in net assets	<u>42,190</u>	<u>(4,672)</u>	<u>0</u>	<u>37,518</u>
Net assets, June 30, 2011	<u>\$ 294,588</u>	<u>\$ 35,689</u>	<u>\$ 2,178</u>	<u>\$ 332,455</u>

See notes to the consolidated financial statements

Mercy Health Services, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Dollars in thousands)

	Year Ended June 30,	
	2011	2010
OPERATING ACTIVITIES		
Change in net assets	\$ 37,518	\$ 33,639
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities		
Depreciation and amortization	30,404	25,225
Loss (gain) on interest rate swaps	(9,811)	6,235
Loss on sale of assets	147	25
Gain in equity of joint ventures	(540)	(565)
Realized and unrealized gains on board designated and donor restricted investments	(8,895)	(3,519)
Restricted gifts, bequests, contributions, and restricted investment income	(9,349)	(7,491)
Loss on early extinguishment of debt	0	286
Provision for bad debts	29,368	28,088
Decrease (increase) in:		
Patient accounts receivable, net	(27,213)	(26,600)
Other amounts receivable and investments in and advances to affiliates	(523)	999
Pledges receivable	4,015	2,013
Inventory	(1,270)	(406)
Other current assets	(1,764)	(1,089)
Increase (decrease) in:		
Accounts payable and accrued expenses	6,029	3,542
Provision for outstanding losses	3,766	95
Post-retirement obligation	1,281	(1,437)
Other long-term liabilities	(21)	(1,823)
NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES	53,142	57,217
INVESTING ACTIVITIES		
Net decrease (increase) short-term investments	273	209
Net purchases of property and equipment	(97,691)	(146,484)
Net decrease (increase) in restricted cash, cash equivalents and investments	6,243	(2,665)
Net decrease in funds held by trustee or authority	47,508	112,887
Net decrease (increase) in board designated and donor restricted investments	9,503	(17,824)
Net increase in long term investments	(13,237)	(20,206)
Decrease (increase) in other assets	(1,823)	2,631
NET CASH AND CASH EQUIVALENTS USED IN INVESTING ACTIVITIES	(49,224)	(71,452)

(continued)

Mercy Health Services, Inc. and Subsidiaries
Consolidated Statements of Cash Flows - Continued
(Dollars in thousands)

	Year Ended June 30,	
	2011	2010
FINANCING ACTIVITIES		
Proceeds from restricted gifts, bequests, contributions, and restricted investment income	9,349	7,491
Debt retirement	(70,000)	0
Proceeds from long term debt	74,399	0
Repayment of long term debt	(5,311)	(5,296)
Deferred financing cost	147	0
NET CASH AND CASH EQUIVALENTS PROVIDED BY FINANCING ACTIVITIES	8,584	2,195
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,502	(12,040)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	73,003	85,043
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 85,505	\$ 73,003

See notes to the consolidated financial statements

Mercy Health Services, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

(Dollars in thousands)

Note A - Organization and Summary of Significant Accounting Policies

Organization, Basis of Presentation and Principles of Consolidation

Mercy Health Services, Inc. (MHS) was formed for the purpose of supporting, benefiting, or carrying out some or all of the purposes of Mercy Medical Center, Inc. (Medical Center or MMC), Stella Maris, Inc. (SMI), Maryland Family Care, Inc. (MFC), St. Paul Place Specialists, Inc. (SPPS), Mercy Health Foundation (MHF) and Maryland Specialty Services, LLC (MSS). MHS is the sole member of the Medical Center, SMI, MFC, SPPS, MHF and MSS. MHS prepares its consolidated financial statements on the accrual basis of accounting. The accompanying financial statements include MHS, MMC, SMI, MFC, SPPS, MHF and MSS. All material intercompany balances and transactions have been eliminated.

1. Mercy Medical Center, Inc.

The Medical Center provides inpatient, outpatient, and emergency care services primarily for the citizens of the Baltimore metropolitan area. In addition, the following entities are wholly owned subsidiaries of the Medical Center:

<u>Name of Subsidiary</u>	<u>Tax Status</u>
Mercy Transitional Care Services, Inc (MTC)	
<i>Provider of subacute services</i>	Tax exempt
Greenleaf Insurance Company, Ltd. (GIC)	
<i>Provider of self-insured general and malpractice coverage to MHS</i>	Foreign subsidiary

2. Stella Maris, Inc.

SMI is the sole member of the Stella Maris Operating Corporation, as well as the Cardinal Sheehan Center, Incorporated (CSC). SMI provides sub-acute, hospice, long-term care and adult day care to patients in the central Maryland service area, within its 412-bed long-term care facility.

CSC is engaged in maintaining and providing care and housing of aged and infirmed persons. CSC owns St. Elizabeth Hall, a 200-unit apartment complex for the elderly.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note A - Organization and Summary of Significant Accounting Policies - Continued

3. Maryland FamilyCare, Inc.

MFC provides primary care physician services within the Baltimore area.

4. St. Paul Place Specialists, Inc.

SPPS provides specialty physician services within the Baltimore area.

5. Mercy Health Foundation, Inc.

MHF was formed to coordinate and strengthen the fundraising function on behalf of MHS.

6. Maryland Specialty Services, LLC

MSS provides vascular services to patients within the Baltimore area.

Income Taxes

MHS, MMC, SMI, MFC, SPPS, MHF, and MSS are not-for-profit organizations exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and are therefore not subject to federal income tax under current income tax regulations. Taxable subsidiaries of MHS account for income taxes in accordance with the Financial Accounting Standards Board's (FASB) guidance on accounting for income taxes. Deferred income taxes are recognized for the tax consequences in future years for differences between the tax basis of assets and liabilities and their financial reporting amounts at each year end. MHS subsidiaries otherwise exempt from federal and state taxation are nonetheless subject to taxation at corporate tax rates at both the federal and state level on their unrelated business income.

Current accounting standards define the threshold for recognizing uncertain income tax return positions in the financial statements as "more likely than not" that the position is sustainable, based on its technical merits, and also provide guidance on the measurement, classification and disclosure of tax return positions in the financial statements. Management believes there is no impact on MHS's accompanying consolidated financial statements related to uncertain income tax positions.

Unrestricted, Temporarily Restricted, and Permanently Restricted Net Assets

Unrestricted net assets represent contributions, gifts, and grants which have no donor-imposed restrictions or which arise as a result of operations.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note A - Organization and Summary of Significant Accounting Policies - Continued

Unrestricted, Temporarily Restricted, and Permanently Restricted Net Assets - Continued

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by satisfying a specific purpose and/or the passage of time. Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained in perpetuity. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for specific purposes (see *Notes P and V*).

Cash Equivalents and Short-Term Investments

MHS and certain of its subsidiaries invest in money market funds and U.S. Treasury Bills, which are highly liquid and have an original maturity of ninety days or less. These financial instruments are considered cash and cash equivalents and are recorded at cost, which approximates fair value. Short-term investments are highly liquid assets that have an original maturity between three months and one year.

Restricted Cash, Cash Equivalents, and Investments

Restricted cash, cash equivalents and investments represent funds required for interest rate swap collateral and that have been set aside to cover a portion of GIC's estimated outstanding claims and donor restricted funds from permanently and temporarily restricted net assets. At June 30, 2011, restricted cash, cash equivalents and investments of \$10,450 was set aside for interest rate swap collateral and \$30,770 was set aside to cover estimated outstanding claims and donor restricted funds. At June 30, 2010, restricted cash, cash equivalents and investments of \$18,868 was set aside for interest rate swap collateral and \$28,595 was set aside to cover estimated outstanding claims and donor restricted funds.

Reclassification

Certain prior year amounts have been classified to conform to the current year's presentation.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note A - Organization and Summary of Significant Accounting Policies - Continued

Investments

Investments include marketable equity securities with readily determinable fair values based on quoted market prices. Unrestricted investment income or losses are reported in the consolidated statements of operations as part of excess of revenues and gains over expenses and losses unless the income is restricted by donor or law. Investments received by gift or bequest are reported at fair value at the date of the donation. Investment income and changes in the fair value of temporarily restricted and permanently restricted investments are recorded as increases or decreases in unrestricted, temporarily restricted or permanently restricted net assets in accordance with the terms of the donor's original gift or bequest.

Investments also include investments in limited partnerships and other alternative investments, which are made in accordance with the investment policies of MHS and are monitored through quarterly performance reviews. The limited partnerships acquire, hold, invest, manage, dispose of, and otherwise deal in and with securities of all kinds and descriptions. Publicly traded securities are valued using generally accepted pricing services selected by the fund managers of the limited partnership. Securities not valued by such pricing services will be valued upon bid quotations obtained from independent dealers in the securities. In the absence of any independent quotations, securities will be valued by the fund managers on the basis of data obtained from the best available sources.

Although the various fund managers use their best judgment at estimating the fair value of the alternative investments, there are inherent limitations in any valuation technique. Therefore, the value is not necessarily indicative of the amount that could be realized in a current transaction. Future events will also affect the estimates of fair value, and the effect of such events on the estimates of the fair value could be material (see *Note K*).

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations as net assets released from restrictions.

Inventories

Inventories are stated at the lower of cost, determined by the first-in, first-out method, or market.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note A - Organization and Summary of Significant Accounting Policies – Continued

Deferred Financing Costs

Costs incurred in obtaining and issuing the Maryland Health and Higher Educational Facilities Authority (MHHEFA) bonds have been capitalized. These expenses are being amortized over the term of the bonds using the straight-line method. Accumulated amortization amounted to \$1,961 and \$1,793 at June 30, 2011 and 2010, respectively.

Recent Pronouncements

In January 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-06, *Improving Disclosures about Fair Value Measurements*. ASU 2010-06 amends FASB Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, to require additional disclosures regarding fair value measurements. In addition to amendments already effective, entities will also be required to report purchases, sales, issuances, and settlement of Level 3 assets and liabilities on a gross basis, rather than net. This is effective for fiscal years beginning after December 15, 2010. As of June 30, 2011, management of MHS does not believe the adoption of this guidance will impact the consolidated financial statement amounts; however, additional disclosures may be required.

In August 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-23, *Measuring Charity Care for Disclosure*. ASU 2011-23 affects entities within the scope of Topic 954, *Health Care Entities* that provide charity care. ASU 2011-23 requires that cost be used as the measurement basis for charity care disclosures and that cost be identified as the direct and indirect costs of providing charity care. This update also requires disclosure of the method used to identify or determine such costs. This is effective for fiscal years beginning after December 15, 2011, and early adoption is permitted (MHS adopted this guidance during the year ended June 30, 2011). The amendments in this update should be applied retrospectively to all prior periods presented.

In August 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*. ASU 2011-24 affects entities within the scope of Topic 954, *Health Care Entities*. ASU 2011-24 clarifies that a health care entity should not net insurance recoveries against a related claim liability and the amount of the claim liability should be determined without consideration of insurance recoveries. This is effective for fiscal years beginning after December 15, 2011 (early adoption permitted). A cumulative-effect adjustment should be recognized in opening retained earnings in the period of adoption if a difference exists between any liabilities and insurance receivables recorded as a result of applying the amendments in this update. Management of MHS does not believe the adoption of this update will have a significant impact on the consolidated financial statements because MHS already reports its malpractice claim liability on a gross basis (see *Notes I and R*).

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note A - Organization and Summary of Significant Accounting Policies – Continued

Recent Pronouncements - Continued

In July 2011, FASB issued ASU No. 2011-7, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. ASU 2011-7 affects entities within the scope of Topic 954, *Health Care Entities*, that recognize significant amounts of patient service revenue at the time services are rendered even though the entities do not assess a patient's ability to pay. ASU 2011-7 requires certain health care entities 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, those health care entities are required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts. ASU 2011-7 also requires disclosure of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowances for doubtful accounts. This is effective for fiscal years beginning after December 15, 2011 for public entities and for the first annual period ending after December 15, 2012 for non-public entities (early adoption permitted). Application for periods presented in the statement of operations would be retrospective; however, the disclosures required by the amendments would be prospective.

Subsequent Events

Management has evaluated subsequent events through August 31, 2011, the date that the financial statements were available to be issued.

Net Patient Service Revenues and Allowances

Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered. MMC charges are based on rates established by the State of Maryland Health Services Cost Review Commission; accordingly, revenue reflects actual charges to patients based on rates in effect during the period in which the services are rendered (see *Note J*). SMI, MFC and SPPS are paid for services based on negotiated contracts with commercial payers and fee schedules with Medicare and Medicaid.

Contractual adjustments represent the difference between amounts billed as patient service revenue and amounts allowed by third-party payers, and are accrued in the period in which the related services are rendered.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note A - Organization and Summary of Significant Accounting Policies - Continued

Charity Care

The Medical Center provides medically necessary services without charge, or at amounts less than its established rates, to patients who qualify for charity care under its financial assistance policy. Because the Medical Center does not pursue collection of those amounts determined to qualify as charity care, they are not reported as a component of net patient service revenue or patient accounts receivable.

The criteria for qualifying for charity care applied by the Medical Center include family income, net assets, and the size of the patient's bill relative to the patient's ability to pay. Discounts are provided to patients who are unable to pay based on a sliding scale that is applied for family incomes up to approximately 400% above the U.S. Department of Health and Human Services (HHS) Poverty Guidelines. Free care is provided to patients with family incomes up to approximately 200% above the HHS Poverty Guidelines.

Charity care will be provided to patients that qualify under the Medical Center's financial assistance policy at any time. Once the Medical Center determines that the patient qualifies for charity care, the Medical Center makes no further attempt to collect on the amount qualifying for charity care.

Certain other controlled subsidiaries of MHS also provide services without charge, or at amounts less than their established rates, to patients who qualify for charity care under their respective financial assistance policies.

Impairment of Long-Lived Assets

MHS accounts for long-lived assets in accordance with the FASB's guidance on accounting for impairment or disposal of long-lived assets. This requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management believes that no asset impairment existed at June 30, 2011 and 2010.

Property and Equipment

Property and equipment are recorded at cost. Donated property and equipment are recorded at fair value at the date of the donation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, which is forty years for buildings and the parking center and ranges from three to ten years for machinery and equipment.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note A - Organization and Summary of Significant Accounting Policies - Continued

Resident Prepayment Deposits

SMI's private pay residents are required to make a non-interest bearing prepayment of two months' room and board at the time of admission. At the time of discharge or acceptance by Medical Assistance or similar government assistance programs, any prepayment remaining after application to the resident's outstanding bill will be refunded. At June 30, 2011 and 2010, resident prepayment deposits of approximately \$763 and \$862, respectively, were invested in short-term investments.

Derivative Instruments

Current accounting standards require that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. MHS has entered into interest rate swap agreements to manage their interest rate risk (see *Notes J and K*). The interest rate swaps do not qualify for hedge accounting under the current accounting standards; therefore, management accounts for the derivative instruments as speculative derivative instruments with the change in the fair value reflected in the statements of operations as a component of other non-operating income. Net settlement payments are reported as a component of interest cost with the exception of the instruments used to support the plan of finance for the new clinical tower. These related settlements were capitalized as part of the project during the construction period.

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. Accordingly, actual results could differ from those estimates.

Excess of Revenue Over Expenses

The consolidated statements of operations include excess of revenue over expenses. Changes in unrestricted net assets which are excluded from excess of revenue over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Activities that result in gains or losses unrelated to the primary operations of MHS are considered to be nonoperating.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note B – Patient Accounts Receivable, Allowances, and Charity Care

Patient accounts receivable consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Gross patient accounts receivable	\$ 108,725	\$ 105,511
Less:		
Allowance for doubtful accounts and contractual adjustments	(48,238)	(42,954)
Third party advances	(24,253)	(24,168)
	<u>\$ 36,234</u>	<u>\$ 38,389</u>

Approximately 33% and 36% of gross patient accounts receivable were due from Medicare and Medicaid at both June 30, 2011 and 2010, respectively.

The net cost of charity care provided by MHS totaled \$14,544 and \$13,492 for the years ended June 30, 2011 and 2010, respectively. The cost of charity care was calculated by applying the cost-to-charge ratio to the total amount of charges foregone for each of the controlled subsidiaries of MHS that provide charity care. The net cost of charity care was determined net of any patient-related revenue due to sliding scale payments or other patient-specific sources, and includes both direct and indirect cost of rendering care.

Additionally, MHS and certain of its controlled subsidiaries provide structured repayment plans to patients without collateral.

Medicare reimburses MTC and SMI under a prospective payment system (PPS) for skilled nursing facility services, under which facilities are paid a fixed fee for virtually all covered services. Under PPS, each patient's clinical status is evaluated and placed into a payment category. The patient's payment category dictates the amount that the provider will receive to care for the patient on a daily basis. The per diem rate covers (i) all routine inpatient costs currently paid under Medicare Part A; (ii) certain ancillary and other items and services previously covered separately under Medicare Part B on a "pass-through" basis; and (iii) certain capital costs.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note C - Pledges Receivable, Net

At June 30, 2011, pledges receivable were \$24,879 less an allowance for uncollectible pledges of \$800 and a discount of \$907. Such amounts have been discounted at 1.78%. The payment terms of the pledges receivable less the uncollectible pledges at June 30, 2011 are as follows:

2011	\$	6,197
2012		5,132
2013		2,741
2014		2,600
2015		1,984
Thereafter		4,518
		<u>23,172</u>
Less current portion		6,197
Long-term portion	\$	<u><u>16,975</u></u>

Note D - Property and Equipment

Property and equipment, at cost, consists of the following at June 30:

	<u>2011</u>	<u>2010</u>
Buildings and improvements	\$ 523,292	\$ 247,994
Machinery and equipment	193,197	168,813
Construction-in-progress	13,612	255,900
Parking center	41,214	41,214
Land	<u>10,772</u>	<u>10,772</u>
	782,087	724,693
Accumulated depreciation	<u>(239,114)</u>	<u>(240,123)</u>
	<u><u>\$ 542,973</u></u>	<u><u>\$ 484,570</u></u>

MMC entered into a construction management contract with Whiting Turner for the construction of the new clinical tower. As of June 30, 2011, MMC had a remaining commitment of \$8,023 on this contract.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note E - Funds Held by Trustee or Authority

Funds held by trustee or authority, which consist primarily of cash and government obligations (at fair value), are limited as to use as follows at June 30:

	<u>2011</u>	<u>2010</u>
Project fund	\$ 0	\$ 71,466
Debt service fund	13,643	6,257
Debt service reserve	21,641	5,151
Reserve for replacements and residual receipts	<u>1,668</u>	<u>1,585</u>
	36,952	84,459
Less current portion	<u>13,643</u>	<u>12,044</u>
Long-term portion	<u><u>\$ 23,309</u></u>	<u><u>\$ 72,415</u></u>

Note F - Board Designated and Donor Restricted Investments

Board designated investments are set aside by the board of trustees for costs relating to the building program, replacement or improvement of existing assets, or to cover the cost of services rendered as charity care and other programs. All board designated investments are unrestricted, as the board at its discretion may undesignate the use of such funds. Donor restricted investments have been limited by donors to a specific purpose.

Board designated and donor restricted investments consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Equity	\$ 53,339	\$ 24,486
Fixed income	26,675	18,884
Cash	13,552	48,491
Alternatives	<u>1,734</u>	<u>4,047</u>
	<u><u>\$ 95,300</u></u>	<u><u>\$ 95,908</u></u>

Each of the alternative investments owned by MHS represents less than one-half of one percent of each respective alternative investment fund as of June 30, 2011 and 2010.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note F - Board Designated and Donor Restricted Investments - Continued

The investments above have been allocated, by source, as follows at June 30:

	<u>2011</u>	<u>2010</u>
Board designated	\$ 82,783	\$ 82,735
Donor restricted (temporary)	12,517	13,173
	<u>\$ 95,300</u>	<u>\$ 95,908</u>

Permanently restricted donor investments at June 30, 2011 and 2010 of \$2,178 are reported as restricted cash.

Earnings on investments are as follows for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Unrestricted:		
Interest and dividends	\$ 2,187	\$ 954
Net realized gains	1,575	684
Unrealized gains on trading securities	7,320	2,835
	<u>\$ 11,082</u>	<u>\$ 4,473</u>

Note G - Investments In and Advances to Affiliates

Investments in and advances to affiliates include investments in joint ventures in which the Medical Center has ownership interests of 50%. Investments in which the ownership interest is less than 20% are carried at cost, and investments in which the ownership interest is at least 20% and less than 51% are generally carried on the equity method.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note G - Investments In and Advances to Affiliates - Continued

MHS has investments totaling \$329 at June 30, 2011 and 2010, in the following joint ventures:

Joint venture	Business purpose	Percentage of ownership		Investment	
		2011	2010	2011	2010
Premier Purchasing Partners, Inc.	Capital balance in group purchasing organization	n/a	n/a	\$ 329	\$ 329
Mercy Ridge, Inc.	Continuing care retirement community	50%	50%	0	0
				<u>\$ 329</u>	<u>\$ 329</u>

MHS recorded non-operating income of \$540 and \$565 related to the operations of the investments in joint ventures for the years ended June 30, 2011 and 2010, respectively.

Note H - Other Assets

Other assets consist of the following at June 30:

	2011	2010
Deferred compensation plan assets (see <i>Note L</i>)	\$ 6,648	\$ 5,908
Amortizable assets, net	5,613	5,292
Health insurance prepayment	810	810
Notes receivable	476	201
Other investments	465	457
	<u>\$ 14,012</u>	<u>\$ 12,668</u>

Note I - Reinsurance Receivable/Recoverable and Provision for Outstanding Losses

GIC management based the provision for losses at June 30, 2011 on a report dated July 2011 prepared by GIC's independent actuaries, Complete Actuarial Solutions Co. of Bethesda, Maryland. In their report, the actuaries estimate outstanding losses at an expected confidence level, on an undiscounted basis, to be \$29,740 and \$26,749 net of reinsurance as of June 30, 2011 and 2010, respectively. At June 30, 2011 and 2010, GIC had \$30,555 and \$27,088, respectively, as its provision for outstanding losses net of reinsurance after factoring in actual losses paid to June 30th. The estimates provided by the actuaries are based on the historical data of the program blended together with relevant insurance industry loss development statistics.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

**Note I - Reinsurance Receivable/Recoverable and
Provision for Outstanding Losses - Continued**

In the opinion of the GIC management, the provision for outstanding losses relating to losses reported and losses incurred but not reported at the consolidated balance sheet dates is adequate to cover the expected ultimate liability of GIC. However, due to the nature of the insurance risks assumed, these provisions are necessarily estimates, and could vary from the amounts ultimately paid.

Consistent with most companies with similar insurance operations, GIC's provision for outstanding losses is ultimately based on management's reasonable expectations of future events. It is reasonably possible that the expectations associated with these amounts could change in the near term (i.e., within one year) and that the effect of such changes could be material to the consolidated financial statements.

GIC's estimated provision for outstanding losses exceeds GIC's retention limits by \$2,032 and \$1,733 for the years ended June 30, 2011 and 2010, respectively. These losses are 100% reinsured with reinsurers, and accordingly are recorded as reinsurance balances recoverable in the consolidated balance sheets.

In the event that GIC's reinsurers are unable to meet their obligations under the reinsurance agreements, GIC would still be liable to pay all losses under the insurance policies it issues, but would only receive reimbursement to the extent the reinsurers could meet their above mentioned obligations. GIC considers that all amounts included in reinsurance balances receivable and recoverable in the consolidated balance sheets will be collected in full from the reinsurers.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note J-Long - Term Debt

Long-term debt consists of the following at June 30:

	<u>2011</u>	<u>2010</u>
MHEEFA Revenue Bonds, Mercy Medical Center Issue, Series A 2007, interest rate ranging from 4% to 5.50%, due July 1, 2042	\$ 152,500	\$ 153,400
MHEEFA Revenue Bonds, Mercy Medical center Issue, Series B, C, D 2007, variable interest rate (0.08% and 0.22% at June 30, 2011 and 2010, respectively), due July 1, 2042	50,000	120,000
MHEEFA Revenue Bonds, Mercy Medical Center Issue, Series 2001; interest rate 5.625%; due July 1, 2031	49,480	49,480
MHEEFA Revenue Bonds, Mercy Medical Center Issue, Series 2011, variable interest rate ranging from 3.00% to 6.25%, due July 1, 2031	40,770	0
MHEEFA Revenue Bonds, Mercy Medical Center Issue, Series 2011B, interest rate (1.67% at June 30, 2011), due July 1, 2037	34,890	0
MHEEFA Revenue Bonds, Mercy Medical Center Issue, Series 2006, interest rate 5.69%; due July 1, 2036	33,910	34,470
MHEEFA Revenue Bonds, Mercy Medical Center Issue, Series 2008 (converted), interest rate 3.99%, due July 1, 2022	30,000	30,000
MHEEFA Revenue Bonds, Mercy Medical Center Issue, Series 2007 B, C (converted), interest rate 3.80%; due July 1, 2024	30,000	30,000
MHEEFA Revenue Bonds, Mercy Medical Center Issue, Series 1996, interest rate ranging from 4.55% to 6.50%, due July 1, 2026	21,015	21,845
MHEEFA Revenue Bonds, Stella Maris Issue, Series 1997; variable interest rate (0.28% and 0.29% at June 30, 2011 and 2010, respectively), due 2021	14,255	15,210
MHEEFA Revenue Bonds, Mercy Medical Center Issue, Series 2008, variable interest rate (0.09% and 0.31% at June 30, 2011 and 2010, respectively), due July 1, 2011	1,985	3,770
HUD mortgage loan, interest rate 6.88%; due 2020	4,736	4,995
Other	<u>225</u>	<u>264</u>
Total long-term debt	463,766	463,434
Less:		
Unamortized discount	3,273	2,108
Current portion	<u>6,300</u>	<u>5,315</u>
Long -term portion	<u><u>\$ 454,193</u></u>	<u><u>\$ 456,011</u></u>

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note J - Long-Term Debt - Continued

Principal payments on long-term debt are as follows for the years ended June 30:

2012	\$	6,300
2013		8,638
2014		8,786
2015		9,154
2016		9,503
Thereafter		<u>421,385</u>
	\$	<u><u>463,766</u></u>

Mercy Medical Center Issue, Series 2007 (A, B, C, and D) Bonds and Series 2007 B, C (Converted)

In October 2007, Maryland Health and Higher Educational Facilities Authority ("MHHEFA") authorized the issuance, sale and delivery of its \$305,000 Revenue Bonds, Mercy Medical Center Issue, Series 2007 (A, B, C and D). The proceeds were loaned by MHEEFA to MMC to finance the construction of a new replacement hospital facility. The proceeds were also used to refinance the MHHEFA Pooled Loan Revenue Bond.

On April 1, 2010, \$30,000 of the Revenue Bonds Series 2007 B and C was converted to Bank Qualified Revenue Bonds held by a commercial bank. The 2007 B and C (converted) Bonds refinanced \$18,080 of the \$50,000 2007 Series B and \$11,920 of the \$50,000 2007 Series C. Principal repayment on the converted bonds series begins July 1, 2012 and is paid annually through the termination date. The termination date is July 1, 2024. The converted bonds will be subject to mandatory purchase by MMC on April 1, 2020 at their par value, unless the bank and MMC agree to an extension. Interest accrues at a fixed rate of 3.87%. The monthly interest payments are made directly to the bank. During 2011, the remaining \$70,000 of the Series 2007 B and C Revenue Bonds were refunded with proceeds from the issuance of two separate Revenue Bond issues; MMC Issue, Series 2011 and MMC Issue Series 2011B.

Principal repayment of the MMC issue Series 2007 Bonds began July 1, 2008 and is scheduled to be paid annually through July 1, 2042. On the Series 2007 A Bonds (\$155,000 Revenue Bonds), interest accrues at a fixed rate ranging from 4.0% to 5.50%. The Series 2007 A Bonds are net of an original issue discount of \$875, which is being amortized over the life of the bonds using the straight line method. The Series 2007A Bonds require a debt service reserve fund. The balance of the debt service reserve fund at June 30, 2011 is \$12,557. Interest is payable semi-annually on January 1st and July 1st.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note J - Long-Term Debt – Continued

Mercy Medical Center Issue, Series 2007 (A, B, C, and D) Bonds and Series 2007 B, C (Converted) - Continued

The \$50,000 Series 2007 D Bonds accrue interest at a variable rate based on the prevailing interest rate in effect as determined by the Remarketing Agent on each Calculation Date. The variable rate of interest is set to be the lower of the Maximum Rate as defined by the Indenture and the minimum rate that would enable the Remarketing Agent to sell all of the bonds. The Series 2007 D Bonds are net of an original issue discount of \$225, which is being amortized over the life of the bonds using the straight line method. Payment on the Series 2007 D Bonds is secured by a \$50,000 irrevocable letter of credit from Wachovia Bank. An annual letter of credit fee equal to 0.38% is payable quarterly by MMC. The Wachovia letter of credit expires November 8, 2013.

To lower the cost of capital of the hospital replacement project, MMC entered into two interest rate swap agreements. In August 2007, a fixed spread basis swap was entered into with a notional amount of \$210,000. Pursuant to the swap agreement, MMC pays the counter party a fixed interest rate equal to the USD-SIFMA Municipal Swap Index and receives interest at a variable rate equal to the sum of 67% of the USD-LIBOR-BBA and 0.54%. The interest rate swap agreement terminates on August 20, 2037. The interest rate swap does not qualify for hedge accounting under generally accepted accounting principles. At June 30, 2011 and 2010, the fair value of the interest rate swap was (\$6,697) and (\$12,493), respectively, and is included in other long-term liabilities in the accompanying consolidated balance sheets. For the years ended June 30, 2011 and 2010, an unrealized gain (loss) on interest rate swap totaling \$5,796 and (\$46), respectively, is reflected in the accompanying consolidated statements of operations.

During October 2007, MMC entered into a fixed payer swap with a notional amount of \$65,000. Pursuant to the swap agreement, MMC pays the counter party a fixed rate of 4.093% and receives a variable rate equal to the USD-SIFMA Municipal Swap Index. The interest rate swap agreement terminates on July 1, 2042. At June 30, 2011 and 2010, the fair value of the interest rate swap was (\$7,339) and (\$8,732), respectively, and is included in other long-term liabilities in the accompanying consolidated balance sheets. An unrealized gain (loss) on interest rate swap totaling \$1,393 and (\$4,091) is reflected in the accompanying consolidated statements of operations for the fiscal years ended June 30, 2011 and 2010, respectively. The interest rate swap does not qualify for hedge accounting under generally accepted accounting principles.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note J - Long-Term Debt – Continued

Mercy Medical Center Issue, Series 2001 Bonds

In November 2001, MHHEFA authorized the issuance, sale and delivery of its \$49,480 Revenue Bonds, Mercy Medical Center Issue, Series 2001, the proceeds of which were loaned by MHEEFA to MMC, and together with fundraising receipts from MHS' capital campaign and amounts generated from MMC's operations, were used to finance and refinance the costs of the 2001 Additional Facilities. The 2001 Additional Facilities include expansion, renovation and equipping of certain hospital facilities, including construction of an ambulatory services building, acquisition of a parking garage and construction of an additional parking garage.

The Series 2001 Bonds are net of an original issue discount of \$1,220, which is being amortized over the life of the bonds using the straight line method. The Series 2001 Bonds require a debt service reserve fund. The balance of the debt service reserve fund at June 30, 2011 is \$5,058. The Series 2001 Bonds will be subject to redemption prior to maturity beginning on July 1, 2011, at the principal amount thereof plus accrued interest to the redemption date. Interest is payable semi-annually on January 1st and July 1st. Principal repayment of these bonds begins on July 1, 2023 and is paid annually through July 1, 2031.

On December 1, 2004, the Medical Center entered into a fixed spread basis swap agreement in order to reduce the cost of capital by removing the tax risk to bond holders and transferring the risk to the Medical Center. The fixed spread basis swap matures on December 1, 2024 and the exchanges of cash flows with the counter party began March 1, 2005. The notional amount of the swap is \$50,000. Pursuant to the swap agreement, the Medical Center pays the counter party a variable rate equal to the USD-SIFMA Municipal Swap Index and receives interest at a variable rate equal to the sum of 67% of USD-LIBOR-BBA and 0.60%. The interest rate swap does not qualify for hedge accounting under generally accepted accounting principles.

At June 30, 2011 and 2010, the fair value of the interest rate swap was \$262 and (\$688), respectively and is included in other long-term liabilities in the accompanying consolidated balance sheets. An unrealized gain on interest rate swap totaling \$950 and \$391 is reflected in the accompanying consolidated statements of operations for the fiscal years ended June 30, 2011 and 2010, respectively.

Mercy Medical Center Issue, Series 2008 Bonds and Series 2008 (Converted)

In July 2008, MHHEFA authorized the issuance, sale and delivery of its \$35,325 Revenue Bonds, Mercy Medical Center Issue, Series 2008, the proceeds of which were loaned by the MHHEFA to MMC in order to refund the MMC, Series 2003 Bonds. On December 16, 2009, \$30,000 of the Series 2008 Bonds was converted to Bank Qualified Revenue Bonds with a fixed interest rate period of approximately twelve years. The bank at its discretion has the right to call the converted bonds at the seventh and tenth year anniversary. Principal repayment of the converted bonds begins July 1, 2011 and is paid annually through July 1, 2022. Interest accrues at a fixed rate of 3.9932%.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note J - Long-Term Debt – Continued

Mercy Medical Center Issue, Series 2008 Bonds and Series 2008 (Converted) - Continued

The monthly interest payments are made directly to the bank. Principal repayment of the Series 2008 Bonds began on July 1, 2009 and will be fully paid on July 1, 2011. Interest accrues at a variable rate based on the prevailing interest rate in effect as determined by the remarketing agent on each calculation date. The variable rate of interest is set to be the lower of the Maximum Rate as defined by the Indenture and the minimum rate that would enable the remarketing agent to sell all of the Bonds at a price equal to the principal amount thereof, plus accrued interest.

Payments on the bonds are secured by an irrevocable letter of credit provided by M&T Bank in the amount of \$1,985 and \$3,770 at June 30, 2011 and 2010, respectively. The annual letter of credit fee equals 0.6% through July 4, 2010 and thereafter 0.8% of the letter of credit amount. The fee is payable quarterly by MMC. The letter of credit expires July 16, 2011.

Mercy Medical Center Issue, Series 2011 Bonds

In February 2011, MHHEFA authorized the issuance, sale and delivery of its \$40,770 Revenue Bonds, Mercy Medical Center Issue, Series 2011. The proceeds were loaned by MHEEFA to MMC to refund \$35,110 aggregate principal amount of the MMC Issue, Series 2007 B and C Bonds. The bonds are net of an original issue discount of \$881, which is being amortized over the life of the bonds using the straight line method. The bonds require a debt service reserve fund. The balance of the debt service reserve fund at June 30, 2011 is \$4,026.

Principal repayment of the MMC Issue, Series 2011 Bonds begins July 1, 2012 and is scheduled to be paid annually through July 1, 2031. Interest accrues at a rate varying from 3.0% to 6.25%. The interest is payable semi-annually on January 1st and July 1st.

Mercy Medical Center Issue, Series 2011B Bonds

In June 2011, MHHEFA authorized the issuance, sale and delivery of its \$34,890 Revenue Bonds, Mercy Medical Center Issue, Series 2011 B. The proceeds were loaned by MHEEFA to MMC to refund \$34,890 aggregate principal amount of the MMC Issue, Series 2007 B and C Bonds. The bonds were issued as non-bank qualified revenue bonds and directly purchased by a commercial bank. The direct bank purchase terminates on June 9, 2021 at which time the bonds will be subject to a mandatory purchase at their par value by MMC unless the bank and MMC agree to an extension.

The bonds bear interest at a variable rate equal to 69% of 30 day LIBOR and 1.5%, plus 0.45%. Interest is paid monthly. Principal repayment of the Series 2011B Bonds begins July 1, 2032 and is scheduled to be paid annually through July 1, 2037.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note J - Long-Term Debt – Continued

Mercy Medical Center Issue, Series 2006 Bonds

In August 2006, MHHEFA authorized the issuance, sale and delivery of \$35,000 of Mercy Medical Center Series 2006 Revenue Bonds. The proceeds were loaned by MHEEFA to MMC in order to finance the construction of a new parking garage as well as the financing of certain routine capital expenditures.

Principal repayment of these bonds began on July 1, 2009 and is paid annually through July 1, 2036. Interest is paid semiannually on January 1st and July 1st. Interest accrues at a fixed rate of 5.69%.

Simultaneously with the issuance of the bonds, MMC entered into an interest rate swap agreement with a counter party with a notional amount of \$35,000 to convert the fixed rate structure to a variable rate. Under this agreement, MMC will receive a fixed interest rate of 5.14% and pay to the counter party the USD-SIFMA Municipal Swap Index. The interest rate swap agreement terminates on August 3, 2016. The interest rate swap does not qualify for hedge accounting under generally accepted accounting principles. The value of this contract is based on two components: (i) the accrued but unpaid periodic cash flows and (ii) the termination value as defined in the agreement. By definition, the termination value is equal to the bond amount multiplied by the difference between highest price in the marketplace and the bonds base price (100%). The bonds are currently callable at par (100%) and the call price would be the highest price in the marketplace on the valuation date. This is due to the fact that MHS would be economically inclined to call the bonds at par versus paying any termination payment on the swap and the bonds are carried on MHS' books at par. With MHS prepared to call the bonds at par, the market price should immediately converge on the call price. Additionally, MHS has the right to optionally terminate the contract. The counter party does not have the right to optionally terminate the agreement. The counter party can only terminate the agreement prior to its stated maturity if an event of default or an additional termination event exists. Therefore, as of June 30, 2011 and 2010, the fair value of the swap was zero.

In anticipation of the transaction, MMC entered into a forward interest rate swap agreement on June 28, 2006 with a notional amount of \$35,000 in order to convert the variable swap rate to a fixed rate. Pursuant to the swap agreement, MMC pays the counter party a fixed interest rate of 3.976% and receives a variable rate equal to 67% of the USD-LIBOR-BBA. The interest rate swap agreement terminates on July 1, 2036. The interest rate swap does not qualify for hedge accounting under generally accepted accounting principles. At June 30, 2011 and 2010, the fair value of the interest rate swap was (\$5,964) and (\$7,179), respectively and is included in other long-term assets (liabilities) in the accompanying consolidated balance sheets. An unrealized gain (loss) on interest rate swap totaling \$1,215 and (\$1,667) is reflected in the accompanying statements of operations for the fiscal years ended June 30, 2011 and 2010, respectively.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note J - Long-Term Debt – Continued

Mercy Medical Center Issues, Series 1996

In May 1996, MHHEFA authorized the issuance, sale and delivery of its \$30,000 Revenue Bonds, Mercy Medical Center Issue, Series 1996, the proceeds of which were loaned by the Authority to MMC in order to finance and refinance the costs of the 1996 project. The 1996 project consisted of the construction, acquisition, renovation, and equipping of certain hospital facilities including certain inpatient upgrades, ambulatory care facilities, operating rooms, building infrastructure, and administrative and support service facilities.

The Series 1996 Bonds are net of original issue discounts of \$302, which are being amortized over the life of the bonds using the straight line method. Interest is payable semi-annually on January 1st and July 1st. Principal repayment of these bonds began on July 1, 2004 and is paid annually through July 1, 2022.

In 2006, MMC entered into an agreement with a third party to run a tender process for the entire balance of the callable Series 1996 Bonds that totaled \$19,700. MMC gave investors the choice of accepting a 1% incremental premium over the existing call premium in exchange for tendering their bonds. Any investor not tendering their bonds had their bonds redeemed at the applicable redemption price. Through the execution of a traditional bond agreement, the third party agreed to purchase the bonds from those investors who tendered their bonds.

Prior to the mailing of notice of redemption for the bonds, MMC was obligated to deposit the redemption price of the bonds with the Bonds Trustee. On June 23, 2006, MMC entered into a Notes Purchase Agreement (the "Note") with Merrill Lynch, Pierce, Fenner & Smith (Merrill Lynch). MMC borrowed \$20,094 for the purpose of funding the principal (\$19,700) and premium component of the redemption price (\$394) of the Mercy Medical Center Issue Series 1996 Bonds. In August 2006, \$18,195 of the Bonds was purchased by the third party and the Note was fully repaid. The remaining \$1,505 of bonds were called and retired. A tender premium of \$546 has been included in the outstanding debt and was repaid August 1, 2008.

To convert the underlying fixed rate structure to a variable rate, simultaneously with the purchase of the bonds, MMC entered into two interest rate swap agreements with a counter party with notional amounts of \$13,840 and \$4,355. The two interest rate swap agreements with the counterparty were amended on August 1, 2008. Pursuant to the amended swap agreements, the counter party pays to MMC a fixed interest rate of 5.75% and 5.625% and receives a variable rate equal to the USD-SIFMA Municipal Swap Index and 1.25%. The interest rate swap agreements terminate on July 25, 2011. The interest rate swaps do not qualify for hedge accounting under generally accepted accounting principles. The value of this contract is based on two components: (i) the accrued but unpaid periodic cash flows and (ii) the termination value as defined in the agreement. By definition, the termination value is equal to the bond amount multiplied by the difference between highest price in the marketplace and the bonds base price (100%).

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note J - Long-Term Debt – Continued

Mercy Medical Center Issues, Series 1996 - Continued

The bonds are currently callable at par (100%) and the call price would be the highest price in the marketplace on the valuation date. This is due to the fact that MHS would be economically inclined to call the bonds at par versus paying any termination payment on the swap and the bonds are carried on MHS' books at par. With MHS prepared to call the bonds at par, the market price should immediately converge on the call price. Additionally, MHS has the right to optionally terminate the contract. The counter party does not have the right to optionally terminate the agreement. The counter party can only terminate the agreement prior to its stated maturity if an event of default or an additional termination event exists. Therefore, as of June 30, 2011 and 2010, the fair value of the swap was zero.

On July 25, 2011, the two interest rate swap agreements connected to Mercy Medical Center Series 1996 bonds were amended. Pursuant to the amended swap agreements, the counterparty pays to MMC a fixed interest rate of 5.75% and 5.625% and receives a variable rate equal to the sum of the USD-SIFMA Municipal Swap Index and 1.55%. The interest rate swap agreements are scheduled to terminate July 25, 2014.

On June 28, 2006, to convert the structure back to a fixed rate, MMC entered into a forward rate swap agreement with a notional amount of \$18,741. Pursuant to the swap agreement, MMC pays the counter party a fixed interest rate of 4.031% and receives a variable rate of 67% of the USD-LIBOR-BBA. The interest rate swap agreement terminates on July 1, 2026. The interest rate swap does not qualify for hedge accounting under generally accepted accounting principles. At June 30, 2011 and 2010, the fair value of the interest rate swap was (\$3,051) and (\$3,509), respectively and is included in other long-term assets (liabilities) in the accompanying consolidated balance sheets. An unrealized gain (loss) on interest rate swap totaling \$458 and (\$824) is reflected in the accompanying consolidated statements of operations for the fiscal years ended June 30, 2011 and 2010, respectively.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note J - Long-Term Debt - Continued

Stella Maris Issue, Series 1997 Bonds

The Series 1997 Bonds were issued to finance the acquisition by SMI of Stella Maris Operating Corporation and CSC; to advance refund certain nursing home revenue bonds previously issued by MHHEFA, Stella Maris Issue, Series 1991 and to refinance certain outstanding indebtedness of the acquired corporations.

Principal repayment of these bonds began on July 1, 2001 and is paid annually through July 1, 2021. All bonds are subject to redemption prior to maturity beginning March 1, 2001. Interest is accrued at a variable rate based on the prevailing interest rate in effect as determined by the Remarketing Agent on each Calculation Date. Interest on the bonds is payable monthly.

Under the provisions of the bond agreement, SMI has granted to MHHEFA a security interest in all of its real property and the assignment of its leases. In addition, payments on the bonds are secured by an irrevocable letter of credit provided by M&T Bank. An annual letter of credit fee, equal to 0.9% of the letter of credit amount, is payable quarterly by SMI. The letter of credit expires June 30, 2015.

Under the terms of the bond indenture, SMI is required to maintain certain deposits with a trustee. The bond indenture agreement also requires SMI to satisfy certain measures of financial performance as long as the bonds are outstanding. As of June 30, 2011 and 2010, SMI was in compliance with the financial covenant requirements of the bond indenture.

HUD Mortgage Loan

The mortgage loan from the U.S. Department of Housing and Urban Development (HUD) was used by CSC to construct St. Elizabeth Hall. The note bears interest at 6.875% per annum and the loan is payable in monthly installments of \$43, including interest, with the final payment due November 1, 2020. Concurrent with these monthly mortgage payments, St. Elizabeth Hall is required by the mortgage agreement to make monthly payments of \$2 to a reserve fund for the replacement of property and equipment. These payments are required until the mortgage matures and are included in Board designated and donor restricted investments. All disbursements from this fund are contingent upon HUD's prior approval.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note J - Long-Term Debt – Continued

HUD Mortgage Loan - Continued

In July 1997, CSC received authorization from HUD to suspend its monthly principal and interest payments of \$43 through December 2005. In January 2006, CSC resumed making mortgage payments in accordance with the terms of the original agreement with HUD. During this deferral period, all revenue of St. Elizabeth Hall in excess of actual operating expenses, including but not limited to payments to the replacement reserve fund, were required to be segregated and deposited into a separate account for future payments of principal and interest on the mortgage.

The liability of CSC under the mortgage note is limited to the underlying value of the real estate collateral plus other amounts deposited with the lender.

Construction Loan

The 1989 bank term loan was incurred to pay construction costs associated with a physician office building. The loan is collateralized by a first lien mortgage on various real properties. Monthly principal and interest payments are \$39 and the interest rate is floating, with various rate options. The loan was paid in full during the year ended June 30, 2010.

Line-of-Credit

The Medical Center has a \$20,000 operating line of credit with M&T Bank, and no amounts were outstanding at June 30, 2011 and 2010.

The Medical Center has a \$1,000 operating line of credit for leases, and no amounts were outstanding at June 30, 2011 and 2010.

Mercy Health Services has a \$15,000 line of credit for equipment and construction with PNC Bank, and no amounts were outstanding at June 30, 2011.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note K - Fair Value of Financial Instruments

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

Cash and cash equivalents, patient receivables, other receivables, accounts payable and accrued expenses, due to third party payers and construction retainage: The carrying amounts reported in the consolidated balance sheets approximate fair value.

Short-term investments, funds held by trustee or authority and board designated and donor restricted investments: Fair values, which are the amounts reported in the consolidated balance sheets, are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

Long-term debt: Fair values of revenue bonds and other debt are based on current traded values. At June 30, 2011 and 2010, the fair value of long-term debt was approximately \$439,802 and \$450,611, respectively.

Current accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establish a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels of inputs that may be used to measure fair value are:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Level 2: Observable input other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. government and agency mortgage-backed debt securities, corporate-debt securities, and alternative investments.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments and alternative investments.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note K - Fair Value of Financial Instruments - Continued

The following discussion describes the valuation methodologies used for financial assets measured at fair value. The techniques utilized in estimating the fair values are affected by the assumptions used, including discount rates and estimates of the amount and timing of future cash flows. Care should be exercised in deriving conclusions about the business, value, or financial position of MHS based on the fair value information of financial assets presented below.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of the timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. Furthermore, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in the amounts disclosed.

Fair values of equity securities and fixed maturity securities have been determined by MHS from observable market quotations, when available. Private placement securities and other equity securities where a public quotation is not available are valued by using broker quotes. Cash equivalents comprise short-term fixed maturity securities and carrying amounts approximate fair values, which have been determined from public quotations, when available.

Money markets and certificates of deposit comprise short-term fixed maturity securities. Because of the nature of these assets, carrying amounts approximate fair values, which have been determined from public quotations, when available.

MHS holds alternative investments that are not traded on national exchanges or over-the-counter markets. MHS is provided information on a net asset value per share for these investments that has been calculated by the funds of funds' managers (who are investment advisors registered with the Securities and Exchange Commission (SEC)) based on information provided by the managers of underlying funds.

Fair value of the interest rate swaps represent, or are derived from, mid-market values. Mid-market prices and inputs may not be observable, and instead valuations may be derived from proprietary or other pricing models based on certain assumptions regarding past, present and future market conditions. Some inputs may be theoretical, not empirical, and require subjective assumptions and judgments. Valuations may be based on assumptions as to the volatility of the underlying security, basket or index, interest rates, exchange rates, dividend yields, correlations between these or other factors, the impact of these factors upon the value of the security (including the embedded options), as well as issuer funding rates and credit spreads (actual or approximated) or additional relevant factors.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note K - Fair Value of Financial Instruments - Continued

The following table presents MHS' fair value hierarchy for financial instruments measured at fair value on a recurring basis as of June 30, 2011.

Assets	Level 1	Level 2	Level 3	Total Fair Value
Board designated and donor restricted investments:				
Cash and cash equivalents				
Cash	\$ 41	\$ 0	\$ 0	\$ 41
Money market funds	0	7,359	0	7,359
Equity securities				
Mutual funds				
International large cap core	15,723	0	0	15,723
Emerging markets	3,027	0	0	3,027
Domestic mutual fund	6,471	0	0	6,471
Common stocks				
Healthcare	3,345	0	0	3,345
Utilities	287	0	0	287
Financials	2,781	0	0	2,781
Consumer staples	1,385	0	0	1,385
Consumer discretionary	2,846	0	0	2,846
Materials	769	0	0	769
Energy	1,615	0	0	1,615
Information technology	7,399	0	0	7,399
Industrials	3,434	0	0	3,434
Telecommunication service	46	0	0	46
Foreign stocks/ American deposit receipt	3,248	0	0	3,248
Investment in partnership	143	0	0	143
Fixed maturity				
US treasury notes	6,396	0	0	6,396
US government and agencies				
US treasury bonds	0	233	0	233
Government agency bonds	0	210	0	210
Government agency mortgage backed securities	0	262	0	262
Government agency pools	0	4,886	0	4,886
Corporate bonds				
Strip and zero coupon	0	85	0	85
Asset backed securities	0	2,258	0	2,258
Financial	0	2,559	0	2,559
Industrial	0	2,749	0	2,749
International (other global corp bonds)	0	796	0	796
Bond fund	0	7,430	0	7,430
Municipal bonds	0	3,947	0	3,947
Alternative	0	0	3,570	3,570
Total board designated and donor restricted investments	-33-	58,956	32,774	3,570
				95,300

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note K - Fair Value of Financial Instruments - Continued

Assets	Level 1	Level 2	Level 3	Total Fair Value
Restricted funds				
Cash	\$ 2,522	\$ 0	\$ 0	\$ 2,522
Equity				
Mutual fund				
Fixed maturity exchange traded	2,000	0	0	2,000
Exchange traded	2,243	0	0	2,243
International exchange traded	825	0	0	825
Real estate exchange traded	1,510	0	0	1,510
Commodity exchange traded	1,517	0	0	1,517
Fixed maturity				
U.S. treasury notes	15,056	0	0	15,056
U S government and agencies				
Government agency pools	0	9,086	0	9,086
Corporate and foreign bonds	0	1,817	0	1,817
Municipal bonds	0	4,644	0	4,644
Total restricted funds	25,673	15,547	0	41,220
Cash and cash equivalents				
Cash	64,307	(i)	0	64,307
Money market fund	0	20,998	0	20,998
Treasury bill	200	0	0	200
Total cash and cash equivalents	64,507	20,998	0	85,505
Short term investments				
Certificate of deposit	0	1,254	0	1,254
Total short term investments	0	1,254	0	1,254
Total cash, cash equivalents and short term investments	64,507	22,252	0	86,759
Long term investments				
Equity				
Fixed maturity exchange traded	2,695	0	0	2,695
Fixed maturity				
U S treasury notes	18,971	0	0	18,971
U S government and agencies				
U S treasury bonds	0	69	0	69
Government agency bonds	0	2,339	0	2,339
Government agency mortgage backed securities	0	3,791	0	3,791
Government agency pools	0	8,100	0	8,100
Corporate Bonds				
Financial	0	3,144	0	3,144
Industrial	0	5,531	0	5,531
International (other global corp bonds)	0	1,614	0	1,614
Mortgage backed securities	0	0	0	0
Municipal bonds	0	2,480	0	2,480
Total long term investments	-34- 21,666	27,068	0	48,734

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note K - Fair Value of Financial Instruments - Continued

Assets	Level 1	Level 2	Level 3	Total Fair Value
Funds held by trustee (current)				
Money market	\$ 12,863	\$ 0	\$ 0	\$ 12,863
Fixed maturity				
Government agency notes	0	780	0	780
Total funds held by trustee (current)	12,863	780	0	13,643
Funds held by trustee (non-current)				
Money market	3,795	0	0	3,795
Fixed maturity				
U.S. government and agencies	0	19,154	0	19,154
Certificate of deposit	0	360	0	360
Funds held by trustee (non-current)	3,795	19,514	0	23,309
Total funds held by trustee	16,658	20,294	0	36,952
Total assets fair value	\$ 187,460	\$ 117,935	\$ 3,570	\$ 308,965
Liabilities				
Interest rate swap	\$ 0	\$ 0	\$ 22,789	\$ 22,789
Total liabilities at fair value	\$ 0	\$ 0	\$ 22,789	\$ 22,789

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note K - Fair Value of Financial Instruments - Continued

The following table presents MHS' fair value hierarchy for financial instruments measured at fair value on a recurring basis as of June 30, 2010.

Assets	Level 1	Level 2	Level 3	Total Fair Value
Board designated and donor restricted investments:				
Equity	\$ 23,825	\$ 661	\$ 0	\$ 24,486
Equity alternatives	0	0	760	760
Fixed maturity	1,110	38,949	0	40,059
Fixed maturity alternatives	0	0	6,308	6,308
Cash and cash equivalents	0	24,295	0	24,295
Total board designated and donor restricted investments:	24,935	63,905	7,068	95,908
Restricted funds				
Equity	6,779	0	0	6,779
Fixed maturity	26,626	11,535	0	38,161
Cash and cash equivalents	2,523	0	0	2,523
Total Restricted funds	35,928	11,535	0	47,463
Cash and cash equivalents				
Cash	67,444	0	0	67,444
Money market fund	0	5,559	0	5,559
Total cash equivalents	67,444	5,559	0	73,003
Short-term investments:				
Certificate of deposit	0	1,527	0	1,527
Total short-term investments:	0	1,527	0	1,527
Total cash, cash equivalents and short term investments	67,444	7,086	0	74,530
Long-term investments:				
Equity	1,964	0	0	1,964
Fixed maturity	15,696	17,837	0	33,533
Total long-term investments:	17,660	17,837	0	35,497
Funds held by trustee:				
Equity alternatives	0	0	48,645	48,645
Fixed maturity	0	17,630	0	17,630
Cash and cash equivalents	18,185	0	0	18,185
Total funds held by trustee	18,185	17,630	48,645	84,460
Total assets fair value	<u>\$ 164,152</u>	<u>\$ 117,993</u>	<u>\$ 55,713</u>	<u>\$ 337,858</u>
Liabilities				
Interest rate swap	\$ 0	\$ 0	\$ 32,600	\$ 32,600
Total liabilities at fair value	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 32,600</u>	<u>\$ 32,600</u>

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note K - Fair Value of Financial Instruments - Continued

During fiscal year 2011, MHS transferred \$20,000 from level 2 fixed maturity and money market fund securities to level 1 equity securities in accordance with MHS investment committee decision to reallocate the portfolio.

Included in alternative investments as of June 31, 2011 are three classes of hedge funds of funds with fair values of \$1,799 (Fund A), \$1,732 (Fund B) and \$39 (Fund C). Fund A is redeemable semiannually with one hundred twenty days notice (receipt of proceeds in seven to fifteen days of notice), Fund C is redeemable monthly with ninety days notice (receipt of proceeds twenty days following month end), and Fund B is redeemable at the manager's discretion (receipt of proceeds in seven to fifteen days of notice). Included in alternative investments as of June 31, 2010 are four classes of funds of funds with fair values of \$2,648 (Fund A), \$3,798 (Fund B), \$377 (Fund C) and \$245 (Fund D). Fund A is redeemable semiannually with one hundred twenty days notice (receipt of proceeds in seven to fifteen days of notice), Fund C is redeemable monthly with ninety days notice (receipt of proceeds twenty days following month end), Fund B is redeemable at the manager's discretion (receipt of proceeds in seven to fifteen days of notice), and Fund D is redeemable annually on December 31 if notice is provided on or before the prior September 15 (receipt of proceeds required 75% within sixty days of year end, but generally are 90% within thirty days of year end and the remaining 10% upon completion of annual audit the following June). There are no unfunded commitments for any of the hedge fund of funds for either 2011 or 2010.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note K - Fair Value of Financial Instruments - Continued

The following table is a rollforward of the consolidated statements of financial position amounts for financial instruments classified by MHS within level 3 of the valuation hierarchy defined above:

	<u>Investments</u>	<u>Interest rate swaps</u>
Fair value June 30, 2009	\$ 151,080	\$ (26,365)
Realized and unrealized (losses) gains, net	6,160	(6,235)
Purchases, issuances, and settlements, net	<u>(101,527)</u>	<u>0</u>
Fair value June 30, 2010	55,713	(32,600)
Realized and unrealized (losses) gains, net	1,169	9,811
Purchases, issuances, and settlements, net	<u>(53,312)</u>	<u>0</u>
Fair value June 30, 2011	<u><u>\$ 3,570</u></u>	<u><u>\$ (22,789)</u></u>

Note L - Pension and Profit Sharing Plans

MHS has a qualified 401(k) plan covering substantially all employees of the Medical Center and SMI who have completed at least one year of service and are at least twenty-one years of age. MHS makes an annual contribution on behalf of all eligible employees based on either the employee's contributions to the 401(k) plan or their annual compensation. MHS will match, on a dollar for dollar basis (based on age and years of service thresholds) the amount contributed by the employee, not to exceed 6% of the employee's salary. MHS' contributions to the 401(k) plan for all participants employed prior to April 1, 1997 for Medical Center employees or July 1, 1997 for SMI employees, vest at a rate of 25% annually and completely vested on April 1, 2001 for Medical Center employees and July 1, 2001 for SMI employees. MHS' contributions for all participants employed on or after April 1, 1997 for Medical Center employees or July 1, 1997 for SMI employees vest after four years of service, with no vesting prior to four years of service. Contributions under this plan totaled approximately \$3,793 and \$3,310 for the years ended June 30, 2011 and 2010, respectively.

The Medical Center has a nonqualified deferred compensation plan for certain executives and physicians. The deferred compensation plan provides for severance and supplemental retirement benefits as defined in the plan. Compensation expense related to the deferred compensation plan was \$1,129 and \$517 for the years ended June 30, 2011 and 2010, respectively. Total deferred compensation obligations of \$6,648 and \$5,908 are included in other long-term liabilities in the consolidated balance sheets at June 30, 2011 and 2010, respectively (See *Note W*).

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note L - Pension and Profit Sharing Plans – Continued

The fair values of deferred compensation plan assets as of June 30, 2011 by asset category are as follows (see *Note H and K*):

Assets	Level 1	Level 2	Level 3	Total Fair Value
Equity				
Mutual funds				
International large cap core	\$ 530	\$ 0	\$ 0	\$ 530
Emerging markets	72	0	0	72
Domestic mutual fund-equity income	4,811	0	0	4,811
Fixed maturity				
Bond fund	0	1,235	0	1,235
Total assets fair value	\$ 5,413	\$ 1,235	\$ 0	\$ 6,648

There were no significant transfers between level 1 and level 2 fair value investments for the year ended June 30, 2011.

The fair values of deferred compensation plan assets as of June 30, 2010 by asset category are as follows:

Assets	Level 1	Level 2	Level 3	Total Fair Value
Equity	\$ 4,762	\$ 1,146	\$ 0	\$ 5,908
Total assets fair value	\$ 4,762	\$ 1,146	\$ 0	\$ 5,908

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note M - Post-Retirement Benefit Plan

MHS has an unfunded contributory health and medical post-retirement benefit plan available to all eligible employees who meet certain age and length of service requirements. The plan provides for health and medical benefits including primary care physician and specialist visits, hospitalization and emergency care, prescription drugs, vision care, and Medicare supplemental coverage.

The following table sets forth the components of the MHS obligation at June 30:

	<u>2011</u>	<u>2010</u>
Change in Benefit Obligation		
Benefit obligation at beginning of year	\$ 5,702	\$ 7,145
Service cost	253	148
Interest cost	342	271
Actuarial loss (gain)	957	(1,732)
Benefit paid	(219)	(130)
Benefit obligation at end of year	7,035	5,702
Change in Plan Assets		
Employer contribution	219	130
Plan participant's contribution	377	396
Medicare Part D reimbursement	87	93
Benefits paid	(683)	(619)
Fair value of plan assets at end of year	0	0
Fund status	(7,035)	(5,702)
Unrecognized actuarial loss	0	0
Accrued post-retirement benefit cost	(7,035)	(5,702)
Less current portion, included in accounts payable and accrued expenses	(216)	(164)
Total accrued post-retirement benefit cost, long-term portion	\$ (6,819)	\$

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note M - Post-Retirement Benefit Plan – Continued

Net periodic post-retirement benefit cost included the following for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Service cost - benefits attributed to service during the period	\$ 253	\$ 148
Interest cost on accumulated post-retirement benefit obligation	<u>342</u>	<u>271</u>
Net post-retirement benefit cost	<u>\$ 595</u>	<u>\$ 419</u>

The weighted average discount rate used in determining the accumulated post-retirement benefit obligation (APBO) for the plan was 5.25% and 5.0% for the years ended June 30, 2011 and 2010, respectively. For measurement purposes, the health care cost trend rates used in determining the APBO for the plan was 7.5% and 8.0% in 2011 and 2010, respectively. Increasing the health care cost trend rates by 1% would increase the APBO by \$1,225 and aggregate service and interest cost by \$140 at June 30, 2011.

Note N - Retirement Annuity Plan

MHS had a pension plan that was terminated on April 1, 1997 and established a retirement annuity plan under which certain participants of the terminated plan were entitled to annuity payments. Participants to the plan include (a) the retirees and beneficiaries entitled to benefits from the terminated plan on April 1, 1997 and (b) other participants with benefits worth more than \$4 that elected an annuity. All benefits are vested and based on the frozen accrued benefits at April 1, 1997.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note N - Retirement Annuity Plan – Continued

The measurement dates for fiscal years 2011 and 2010 were June 30, 2011 and June 30, 2010, respectively. The following table sets forth the funded status of the retirement annuity plan and amounts recognized in accompanying consolidated financial statements:

	<u>2011</u>	<u>2010</u>
Change in Benefit Obligation		
Benefit obligation at beginning of year	\$ 10,869	\$ 11,030
Interest cost	511	620
Actuarial loss	35	597
Benefit paid	<u>(1,358)</u>	<u>(1,378)</u>
Benefit obligation at end of year	10,057	10,869
Change in Plan Assets		
Fair value of plan assets at beginning of year	6,965	7,073
Actuarial return on plan assets	1,320	1,270
Benefits paid	<u>(1,358)</u>	<u>(1,378)</u>
Fair value of plan assets at end of year	<u>6,927</u>	<u>6,965</u>
Fund status	(3,130)	(3,904)
Unrecognized actuarial loss (gain)	<u>0</u>	<u>0</u>
Accrued benefit cost	<u>\$ (3,130)</u>	<u>\$ (3,904)</u>

The discount rate was 5.25% and 5.0% for 2011 and 2010, respectively. The expected rate of return on plan assets was 6.50% for 2011 and 2010. The accompanying consolidated net pension cost was \$150 in 2011 and \$206 in 2010.

MHS' expected rate of return is evaluated annually and is based on the current interest rate environment, rate of inflation, allocation of the plan assets among various investment options and other market conditions.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note N - Retirement Annuity Plan - Continued

The fair value of the plan assets as of June 30, 2011 was \$6,927. The weighted-average asset allocations in the plan as of June 30, 2011 and 2010, by asset category were as follows:

Asset Category	June 30,	
	2011	2010
Equity securities	56%	48%
Fixed income alternatives	13%	18%
Fixed income bond fund	20%	0%
Cash and cash equivalents	8%	30%
Equity alternatives	3%	4%
Total	100%	100%

MHS' asset allocation guidelines at June 30, 2011 are as follows:

	Ranges	Target Allocation
TOTAL EQUITY	30-65%	50%
Domestic equity	30-65%	40%
International equity	0-15%	10%
EQUITY ALTERNATIVES	0-50%	0%
FIXED INCOME ALTERNATIVES	0-40%	35%
CASH	5-25%	15%

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note N - Retirement Annuity Plan - Continued

The fair values of plan assets as of June 30, 2011 by asset category are as follows:

Assets	Level 1	Level 2	Level 3	Total Fair Value
Cash and cash equivalents				
Cash	\$ 0	\$ 4	\$ 0	\$ 4
Money market funds	0	546	0	546
Equity alternative	0	0	208	208
Fixed maturity alternative	0	0	870	870
Fixed maturity				
Bond fund	0	1,397	0	1,397
Equity securities				
Mutual funds				
International large cap core	556	0	0	556
Emerging markets	366	0	0	366
Domestic fund	122	0	0	122
Common stocks				
Healthcare	377	0	0	377
Utilities	26	0	0	26
Financials	309	0	0	309
Consumer staples	186	0	0	186
Consumer discretionary	281	0	0	281
Materials	90	0	0	90
Energy	160	0	0	160
Information technology	698	0	0	698
Industrials	357	0	0	357
Telecommunication service	0	0	0	0
Real estate investment trusts	25	0	0	25
Foreign stocks/ American deposit receipt	349	0	0	349
Total assets fair value	\$ 3,902	\$ 1,947	\$ 1,078	\$ 6,927

There were no significant transfers between level 1 and level 2 fair value investments for the year ended June 30, 2011.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note N - Retirement Annuity Plan - Continued

The fair values of plan assets as of June 30, 2010 by asset category are as follows:

Assets	Level 1	Level 2	Level 3	Total Fair Value
Equity	\$ 3,135	\$ 0	\$ 0	\$ 3,135
Equity alternatives	0	0	302	302
Fixed maturity alternatives	0	0	1,257	1,257
Cash and cash equivalents	82	2,189	0	2,271
Total assets fair value	\$ 3,217	\$ 2,189	\$ 1,559	\$ 6,965

Included in alternative investments as of June 31, 2011 are hedge funds of funds with fair values of \$1,079. The funds are redeemable semiannually with no prior required redemption notice. Included in alternative investments as of June 31, 2010 are hedge funds of funds with fair values of \$1,559. The funds are redeemable semiannually with no required redemption notice. There are no unfunded commitments for any of the hedge fund of funds for either 2011 or 2010.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note N - Retirement Annuity Plan - Continued

The following table is a rollforward of the fair value amounts for financial instruments classified by the plan within level 3 of the valuation hierarchy above:

	Alternative Investments
Fair value June 30, 2009	\$ 2,531
Realized and unrealized (losses) gains, net	151
Purchases, issuances, and settlements, net	<u>(1,123)</u>
Fair value June 30, 2010	1,559
Realized and unrealized (losses) gains, net	146
Purchases, issuances, and settlements, net	<u>(627)</u>
Fair value June 30, 2011	<u>\$ 1,078</u>

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

	<u>Pension Benefits</u>
2012	\$ 1,285
2013	1,226
2014	1,159
2015	1,092
2016	1,020
Years 2016 - 2020	4,025

Note O - Supplemental Cash Flow Information

Cash payments for interest, net of amounts capitalized and swap payments, were \$13,601 in 2011 and \$7,130 in 2010. Capitalized interest related to construction activities includes interest payments to creditors on bonds, net payments/receipts to counterparties on interest rate swap arrangements, and income received on trustee-held funds, totaling \$8,294 for 2011 and \$4,373 for 2010.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note P - Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following health care services at June 30:

	<u>2011</u>	<u>2010</u>
Capital improvements	\$ 22,551	\$ 26,984
Departmental expenses	6,121	5,199
Pastoral care	4,763	4,763
Indigent care	1,090	1,430
Research programs	860	1,752
Education programs	215	173
Other	89	60
	<u>\$ 35,689</u>	<u>\$ 40,361</u>

Permanently restricted net assets consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
SMI Hospice Endowment	\$ 1,055	\$ 1,055
Weinberg Endowment	1,000	1,000
Dr. Goodman Endowment	123	123
	<u>\$ 2,178</u>	<u>\$ 2,178</u>

Note Q - Functional Expenses

MHS and its subsidiaries provide general health care services to patients within their geographic location. Expenses related to providing these services are as follows for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Health care services	\$ 412,236	\$ 359,455
Administrative and support services	133,051	133,870
	<u>\$ 545,287</u>	<u>\$ 493,325</u>

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note R - Commitments and Contingent Liabilities

Litigation

MHS has outstanding litigation involving claims brought against it in the normal course of business. Litigation in the normal course of business, as well as responses to claims and investigations described below, can be expensive, lengthy and disruptive to normal business operations. Moreover, the results of complex legal proceedings and government investigations are difficult to predict. Attorneys for MHS are representing MHS in all of these matters. Management is currently unable to estimate, with reasonable certainty, the possible loss, or range of loss, if any, for such lawsuits and investigations. Management of MHS is unable to determine the amount of any possible settlements for such lawsuits and investigations, but is of the opinion that all of the lawsuits are covered by applicable MHS insurance.

MHS is subject to asserted and unasserted claims (in addition to litigation) encountered in the ordinary course of business. As a result of the current level of governmental and public concerns with health care fraud and abuse, management recognizes that additional investigative activity could occur in the future. In the opinion of management and after consultation with legal counsel, management believes it has established adequate accrued reserves related to all known matters. The outcome of any potential investigative, regulatory or prosecutorial activity that may occur in the future cannot be predicted with certainty, however, and any associated potential future losses resulting from such activity could have a material adverse effect on the future financial position, results of operations and liquidity of MHS.

Self-Insurance Programs

As discussed in *Notes A* and *I*, Greenleaf Insurance Company, Ltd. (GIC) provides general and professional liability coverage to MHS. Such coverage provides both primary and excess liability coverage. GIC retains the risk related to the primary policy and reinsures the whole of the excess policies. Insurance policy limits vary by year; however, management believes such amounts are appropriate to cover any general and professional liabilities losses, if any.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note R - Commitments and Contingent Liabilities - Continued

GIC provided coverage up to the following primary limits for the periods ending June 30:

	<u>2011</u>	<u>2010</u>
Healthcare Professional Liability	\$5,000 per occurrence \$16,500 aggregate	\$5,000 per occurrence \$15,000 aggregate
Managed Care Organization Liability	\$5,000 per occurrence \$16,500 aggregate	\$5,000 per occurrence \$15,000 aggregate
Commercial General Liability	\$5,000 per occurrence \$16,500 aggregate	\$5,000 per occurrence \$15,000 aggregate

GIC also provides an excess policy to MHS and its subsidiaries for \$75,000 per occurrence and \$75,000 in the aggregate that is reinsured with a commercial insurance company.

In management's opinion, the assets of GIC are sufficient to meet its obligations as of June 30, 2011. If the financial condition of GIC were to materially deteriorate in the future, and GIC was unable to pay its claim obligations, the responsibility to pay those claims would return to MHS.

MHS and certain of its subsidiaries are self-insured against employee medical claims. Plan expenses include claims incurred and provisions for unreported claims. However, the program has an annual aggregate stop loss provision per employee.

MHS and certain of its subsidiaries are self-insured against workers compensation claims and have surety bonds of \$2,200 (for claims arising after June 2004) as collateral for such claims. For claims that occurred between December 18, 2002 and June 2004, the surety coverage is limited to \$1,950. For claims that occurred prior to December 18, 2002, the surety coverage is limited to \$1,400.

MHS and certain of its subsidiaries are self-insured against unemployment claims and have surety bonds of \$1,475 for the Medical Center and \$350 for SMI. The amounts change each October 1st as dictated by the Maryland Department of Licensing and Regulation

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note R - Commitments and Contingent Liabilities - Continued

Lease Commitments

The Medical Center and MFC have entered into separate long term leases for commercial space. The leases contain escalation clauses and charges for other costs related to the leased space. Future minimum payments for these leases for each of the years ended June 30 are as follows:

2012	\$	3,791
2013		3,479
2014		3,278
2015		3,162
2016		2,657
Thereafter		<u>11,710</u>
	\$	<u><u>28,077</u></u>

MHS and certain of its subsidiaries have other office space leases. Rent expense for the years ended June 30, 2011 and 2010 was \$4,243 and \$3,622, respectively.

The Medical Center and MFC have entered into separate long term operating leases for equipment. The leases contain escalation clauses and charges for other costs related to the leased space. Future minimum payments for these leases for each of the years ended June 30 are as follows:

2012	\$	1,492
2013		1,063
2014		883
2015		883
2016		883
Thereafter		<u>516</u>
	\$	<u><u>5,720</u></u>

MHS and certain of its subsidiaries have other operating leases for equipment. Equipment lease expense for the years ended June 30, 2011 and 2010 was \$2,314 and \$2,258, respectively.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note S - Maryland Health Services Cost Review Commission

The Medical Center's charges are subject to review and approval by the State of Maryland Health Services Cost Review Commission (the Commission). Management has made the required filings with the Commission and believes the Medical Center to be in compliance with the Commission's requirements.

The Commission established an uncompensated care fund whereby all hospitals are required to contribute 0.75% of revenues to this fund to help provide for the cost associated with uncompensated care for certain Maryland hospitals above the State average. In December 2008, the Commission modified this mechanism to finance uncompensated care statewide. The policy implemented 100% pooling and all Maryland hospitals have the same percentage of uncompensated care in rates. High uncompensated care hospitals receive funds and low uncompensated care hospitals pay into the fund. The Medical Center had net receipts of \$370 and \$1,561 for 2011 and 2010, respectively.

Effective April 1, 1999, the Medical Center entered into a charge per case (CPC) agreement with the Commission for inpatient services. This reimbursement system provides for periodic (usually annual) updates for inflation, case mix, hospitals' relative charge position, and other factors. On July 1, 2010, the Medical Center entered into a charge per visit (CPV) agreement with the Commission for outpatient services. This outpatient reimbursement system is designed to be similar to the inpatient system providing periodic (usually annual) updates for inflation, case mix, and other factors.

The CPC methodology was in place for the fiscal year ended June 30, 2010. The CPV methodology was in place for the fiscal year ended June 30, 2011.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note T - Housing Assistance Payment Contract

The U.S. Federal Housing Administration (FHA) has contracted with CSC under Section 8 of Title II of the Housing and Community Development Act of 1974 to make housing assistance payments to CSC on behalf of certified tenants. For fiscal year 2011 and 2010, the maximum contract commitment was \$1,066 and \$1,055 per year, respectively. During the years ended June 30, 2011 and 2010, CSC received housing assistance payments of \$558 and \$374, respectively, which are included in patient service revenue. The contract had automatic annual renewals through March 2011 and has been renewed for automatic renewals through March 2012.

Note U - Certain Risks and Uncertainties

Regulation and Reimbursement

MHS provides health care services primarily through an acute care hospital in Baltimore City and a long-term care facility in Baltimore County, Maryland.

MHS and other healthcare providers in Maryland are subject to certain inherent risks, including the following:

- Dependence on revenues derived from reimbursement by the Federal Medicare and State Medicaid programs;
- Regulation of hospital rates by the State of Maryland Health Services Cost Review Commission;
- Government regulation, government budgetary constraints and proposed legislative and regulatory changes; and
- Lawsuits alleging malpractice and related claims.

Such inherent risks require the use of certain management estimates in the preparation of MHS' consolidated financial statements and it is reasonably possible that a change in such estimates may occur.

The Medicare and state Medicaid reimbursement programs represent a substantial portion of MHS' revenues and MHS' operations are subject to a variety of other Federal, state and local regulatory requirements. Failure to maintain required regulatory approvals and licenses and/or changes in such regulatory requirements could have a significant adverse effect on MHS. Changes in Federal and state reimbursement funding mechanisms and related government budgetary constraints could have a significant adverse effect on MHS.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note U - Certain Risks and Uncertainties - Continued

Investments

MHS and certain of its subsidiaries have funds on deposit with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation.

Certain alternative investments held in the MHS portfolio are exposed to potential risks in excess of the risks associated with the other investments in the MHS portfolio. These include, but are not limited to, the following potential risks:

- limited or no liquidity (including “side pocket” arrangements),
- derivative financial instruments that expose the investment funds to market risk (if the market value of the contract is higher or lower than the contract price at the maturity date) and credit risk (arising from the potential inability of counterparties to perform under the terms of the contracts),
- investment in non-marketable securities that are valued without the benefit of an active secondary market,
- substantially less regulation, and
- no current income production.

During September 2008, certain large U.S. financial institutions failed, primarily as a result of holdings in troubled subprime loans or assets collateralized with such distressed loans. These institutional failures, and the negative economic conditions that contributed to these failures, generated substantial volatility in global financial markets and substantial uncertainty regarding access to capital and the continued viability of many other financial institutions. These conditions create uncertainty regarding the MHS’s future ability to access capital and the cost of such capital. The resulting impact on the future financial position, results of operations and cash flows of MHS could be material.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note V – Endowment

In August 2008, the FASB issued FASB ASC 958-205, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* which, among other things, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent management of Institutional Act of 2006 (UPMIFA) and additional disclosures about an organization's endowment funds. In 2008, the State of Maryland adopted UPMIFA.

The MHS endowments consist of three individual funds established for a variety of purposes. The endowments include both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of trustees of MHS has interpreted the Maryland State Prudent Management of Institutional Funds Act (SPMIFA) as requiring 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, MHS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, MHS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note V – Endowment - Continued

MHS has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that must be held in perpetuity.

To satisfy its long term rate-of-return objectives, MHS 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). MHS targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

At June 30, 2011, the endowment net asset composition by type of fund consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds	\$ 0	\$ (44)	\$ 2,178	\$ 2,134
Total funds	<u>\$ 0</u>	<u>\$ (44)</u>	<u>\$ 2,178</u>	<u>\$ 2,134</u>

At June 30, 2010, the endowment net asset composition by type of fund consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds	\$ 0	\$ (435)	\$ 2,178	\$ 1,743
Total funds	<u>\$ 0</u>	<u>\$ (435)</u>	<u>\$ 2,178</u>	<u>\$ 1,743</u>

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note V – Endowment - Continued

Changes in endowment net assets for the fiscal year ended June 30, 2011, consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 0	\$ (435)	\$ 2,178	\$ 1,743
Investment return:				
Investment income	0	394	0	394
Total investment income	0	394	0	394
Appropriation of endowment asset for expenditure	0	(3)	0	(3)
Endowment net assets, end of year	<u>\$ 0</u>	<u>\$ (44)</u>	<u>\$ 2,178</u>	<u>\$ 2,134</u>

Changes in endowment net assets for the fiscal year ended June 30, 2010, consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 0	\$ (658)	\$ 2,220	\$ 1,562
Investment return:				
Investment gain	0	225	0	225
Total investment loss	0	225	0	225
Appropriation of endowment asset for expenditure	0	(2)	0	(2)
Other changes				
Reclassification of net assets	0	0	(42)	(42)
Endowment net assets, end of year	<u>\$ 0</u>	<u>\$ (435)</u>	<u>\$ 2,178</u>	<u>\$ 1,743</u>

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note W – Other Long-Term Liabilities

Other long-term liabilities consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Interest rate swaps	\$ 22,789	\$ 32,600
Deferred compensation plan	6,648	5,908
Retirement annuity plan	3,130	3,904
GIC claims estimated tail	1,000	1,000
Other	457	444
	<u>\$ 34,024</u>	<u>\$ 43,856</u>

Report of Independent Auditors on Other Financial Information

The Board of Trustees
Mercy Health Services, Inc. and Subsidiaries
Baltimore, MD

The 2011 audited consolidated financial statements of Mercy Health Services, Inc. and Subsidiaries and our report thereon are presented in the preceding section of this report. The audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental consolidating information presented hereinafter as of and for the year ended June 30, 2011 is presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the balance sheets and statements of operations of the individual entities, and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Cohen, Rutherford + Knight, P.C.

August 31, 2011

Mercy Health Services, Inc. and Subsidiaries
Consolidating Balance Sheet Information
June 30, 2011
(Dollars in thousands)

	Mercy Health Services, Inc.	Mercy Health Foundation, Inc.	Mercy Medical Center, Inc.	Stella Matis, Inc.	St. Paul Place Specialists, Inc.	Maryland Family Care, Inc.	Eliminations	Consolidated
CURRENT ASSETS								
Cash, cash equivalents and short term investments	\$ 324	\$ 379	\$ 74,297	\$ 11,527	\$ 233	\$ (1)	\$ 0	\$ 86,759
Current portion of funds held by trustee or authority	0	0	12,642	1,001	0	0	0	13,643
Resident prepayments/security deposits	0	0	0	763	0	0	0	763
Patient receivables, net	0	0	20,434	3,060	10,191	2,549	0	36,234
Other receivables, net	540	0	2,425	(657)	472	19	(171)	2,628
Current pledges receivable, net	0	6,197	0	0	0	0	0	6,197
Inventory	0	0	6,740	179	0	0	0	6,919
Other current assets	0	0	3,537	76	139	22	0	3,774
TOTAL CURRENT ASSETS	864	6,576	120,075	15,949	11,035	2,589	(171)	156,917
PROPERTY AND EQUIPMENT	0	2	512,739	25,856	383	3,993	0	542,973
INVESTMENTS AND OTHER ASSETS								
Funds held by trustee or authority, less current portion	0	0	21,641	1,668	0	0	0	23,309
Long-term investments	13,173	0	35,561	0	0	0	0	48,734
Board designated and donor restricted investments	1,643	9,988	74,646	9,023	0	0	0	95,300
Restricted cash	0	2,055	39,165	0	0	0	0	41,220
Interest in net assets of MHF	0	0	28,451	4,904	0	0	(33,355)	0
Long-term pledges receivable, net	0	16,975	0	0	0	0	0	16,975
Investments in and advances to affiliates	9,767	(1,190)	18,996	(220)	(8,692)	(15,332)	(3,000)	329
Reinsurance balances receivable	0	0	2,032	0	0	0	0	2,032
Other assets	141	0	10,714	405	1,113	1,639	0	14,012
TOTAL ASSETS	\$ 25,588	\$ 34,406	\$ 864,020	\$ 57,585	\$ 3,839	\$ (7,111)	\$ (36,526)	\$ 941,801

Mercy Health Services, Inc. and Subsidiaries
 Consolidating Balance Sheet Information-Continued
 June 30, 2011
 (Dollars in thousands)

LIABILITIES AND NET ASSETS									
	Mercy Health Services, Inc.	Mercy Health Foundation, Inc.	Mercy Medical Center, Inc.	Stella Maris, Inc.	St. Paul Place Specialists, Inc.	Maryland Family Care, Inc.	Eliminations	Consolidated	
CURRENT LIABILITIES									
Current maturities of long-term debt	\$ 26	\$ 0	\$ 5,015	\$ 1,259	\$ 0	\$ 0	\$ 0	\$ 6,300	
Accounts payable and accrued expenses	32	37	55,148	5,649	6,619	3,306	(284)	70,507	
Resident prepayments/security deposits	0	0	0	763	0	0	0	763	
Construction retainage	0	0	780	0	0	0	0	780	
TOTAL CURRENT LIABILITIES	58	37	60,943	7,671	6,619	3,306	(284)	78,350	
Long-term debt	198	0	436,262	17,733	0	0	0	454,193	
Accrued interest	0	0	0	3,373	0	0	0	3,373	
Provision for outstanding losses	0	0	32,587	0	0	0	0	32,587	
Post-retirement obligation	0	0	6,819	0	0	0	0	6,819	
Other long-term liabilities	0	130	33,894	0	0	0	0	34,024	
TOTAL LIABILITIES	256	167	570,505	28,777	6,619	3,306	(284)	609,346	
NET ASSETS									
Unrestricted	25,332	884	263,980	20,795	(3,099)	(10,417)	(2,887)	294,588	
Temporarily restricted	0	31,300	28,412	6,958	319	0	(31,300)	35,689	
Permanently restricted	0	2,055	1,123	1,055	0	0	(2,055)	2,178	
TOTAL NET ASSETS	25,332	34,239	293,515	28,808	(2,780)	(10,417)	(36,242)	332,455	
TOTAL LIABILITIES AND NET ASSETS	\$ 25,588	\$ 34,406	\$ 864,020	\$ 57,585	\$ 3,839	\$ (7,111)	\$ (36,526)	\$ 941,801	

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current maturities of long-term debt	\$	26	\$	0	\$	5,015	\$	1,259	\$	0	\$	0	\$	6,300
Accounts payable and accrued expenses		32		37		55,148		5,649		6,619		3,306		70,507
Resident prepayments/security deposits		0		0		0		763		0		0		763
Construction retainage		0		0		780		0		0		0		780

TOTAL CURRENT LIABILITIES

Long-term debt		198		0		436,262		17,733		0		0		454,193
Accrued interest		0		0		0		3,373		0		0		3,373
Provision for outstanding losses		0		0		32,587		0		0		0		32,587
Post-retirement obligation		0		0		6,819		0		0		0		6,819
Other long-term liabilities		0		130		33,894		0		0		0		34,024

TOTAL LIABILITIES

NET ASSETS

Unrestricted		25,332		884		263,980		20,795		(3,099)		(10,417)		294,588
Temporarily restricted		0		31,300		28,412		6,958		319		0		35,689
Permanently restricted		0		2,055		1,123		1,055		0		0		2,178

TOTAL NET ASSETS

TOTAL LIABILITIES

AND NET ASSETS

	\$	25,588		34,406		864,020		57,585		3,839		(7,111)		941,801
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Mercy Health Services, Inc. and Subsidiaries
Consolidating Statement of Operations Information
Year ended June 30, 2011
(Dollars in thousands)

	Mercy Health Services, Inc.	Mercy Health Foundation, Inc.	Mercy Medical Center, Inc.	Stella Maris, Inc.	St. Paul Place Specialists, Inc.	Maryland Family Care, Inc.	Eliminations	Consolidated
REVENUES								
Net patient service revenues	\$ 0	\$ 0	\$ 387,668	\$ 48,483	\$ 73,984	\$ 28,256	\$ 0	\$ 538,391
Other operating revenues	1,995	1,264	15,669	5,827	3,776	707	(9,941)	19,297
Net assets released from restrictions used for operations	0	0	3,872	899	139	0	0	4,910
TOTAL REVENUES	1,995	1,264	407,209	55,209	77,899	28,963	(9,941)	562,598
EXPENSES								
Salaries and benefits	1,190	985	174,753	35,230	63,653	23,532	(3,330)	296,013
Medical and surgical supplies	0	0	43,525	849	315	293	0	44,982
Pharmacy supplies	0	0	22,148	1,069	278	2,176	0	25,671
Other expendable supplies	0	522	21,555	3,963	697	456	0	27,193
Professional fees	0	0	7,801	2,780	4,648	318	(1,146)	14,401
Insurance	0	0	5,093	802	3,467	364	12	9,738
Other purchased services	14	291	44,362	3,851	(489)	1,972	(6,022)	43,979
Interest expense	0	0	13,226	473	1	0	0	13,700
Repairs	0	7	8,696	633	197	305	0	9,838
Depreciation and amortization	0	4	26,524	2,181	730	965	0	30,404
Provisions for bad debt	0	0	23,062	474	4,938	894	0	29,368
TOTAL EXPENSES	1,204	1,809	390,745	52,305	78,435	31,275	(10,486)	545,287
OPERATING INCOME (LOSS)	791	(545)	16,464	2,904	(536)	(2,312)	545	17,311

Mercy Health Services, Inc. and Subsidiaries
Consolidating Statement of Operations Information - Continued
Year ended June 30, 2011
(Dollars in thousands)

	Mercy Health Services, Inc.	Mercy Health Foundation, Inc.	Mercy Medical Center, Inc.	Stella Maris, Inc.	St. Paul Place Specialists, Inc.	Maryland Family Care, Inc.	Eliminations	Consolidated
OTHER INCOME (EXPENSES)								
Investment income	97	233	3,529	136	0	0	(233)	3,762
Equity in gains of affiliates	540	0	0	0	0	0	0	540
Net unrealized gain(loss) on trading securities	43	312	7,332	(55)	0	0	(312)	7,320
Unrealized loss on interest rate swap	0	0	9,811	0	0	0	0	9,811
Gain (loss) on asset disposal	0	0	(157)	0	10	0	0	(147)
New facility nonrecurring costs	0	0	(1,714)	0	0	0	0	(1,714)
Other	0	0	11	0	0	0	0	11
	680	545	18,812	81	10	0	(545)	19,583
NET OTHER EXPENSES								
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	1,471	0	35,276	2,985	(526)	(2,312)	0	36,894
Changes to post retirement plans obligations	0	0	200	0	0	0	0	200
Net assets released from restrictions for the purchase of property and equipment	0	0	4,862	234	0	0	0	5,096
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	\$ 1,471	\$ 0	\$ 40,338	\$ 3,219	\$ (526)	\$ (2,312)	\$ 0	\$ 42,190