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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2010

Open to Public Inspection

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

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

C Name of organization
Sacred Heart Health System Inc

Doing Business As

Number and street (or P O box if mail is not delivered to street address) 5151 North 9th Avenue | Room/suite

City or town, state or country, and ZIP + 4
Pensacola, FL 325048721

D Employer identification number
59-0634434

E Telephone number
(850)416-7000

G Gross receipts $ 850,383,443

F Name and address of principal officer
Buddy Elmore
5151 North 9th Avenue
Pensacola, FL 325048721

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

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

H(c) Group exemption number ▶ 0928

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

J **Website:** ▶ www sacred-heart org

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

L Year of formation 1915

M State of legal domicile FL

Part I Summary

Activities & Governance

1 Briefly describe the organization's mission or most significant activities
Provides necessary medical care to the sick and poor regardless of the ability to pay

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

3	Number of voting members of the governing body (Part VI, line 1a)	3	14
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	10
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	5	6,144
6	Total number of volunteers (estimate if necessary)	6	9
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	3,392,845
b	Net unrelated business taxable income from Form 990-T, line 34	7b	855,711

			Prior Year	Current Year
Revenue	8	Contributions and grants (Part VIII, line 1h)	666,505	899,670
	9	Program service revenue (Part VIII, line 2g)	753,983,116	820,615,999
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	9,806,710	16,287,126
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	7,892,587	8,863,002
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	772,348,918	846,665,797
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0
	14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	292,859,545	312,479,890
	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)	449,499,598	491,640,178
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	742,359,143	804,120,068
	19	Revenue less expenses Subtract line 18 from line 12	29,989,775	42,545,729

			Beginning of Current Year	End of Year
Net Assets or Fund Balances	20	Total assets (Part X, line 16)	625,783,054	687,010,824
	21	Total liabilities (Part X, line 26)	262,984,533	253,596,956
	22	Net assets or fund balances Subtract line 21 from line 20	362,798,521	433,413,868

Part II Signature Block

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

Sign Here

Signature of officer — Date 2012-05-14

BUDDY ELMORE CFO/ Executive VP
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name Matthew Montgomery	Preparer's signature Matthew Montgomery	Date	Check if self-employed ▶ ☐	PTIN
Firm's name ▶ Deloitte Tax LLP				Firm's EIN ▶
Firm's address ▶ 250 East Fifth Street Suite 1900 Cincinnati, OH 45202				Phone no ▶ (513) 784-7100

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

Sacred Heart Hospital provides necessary medical care to the sick and poor of our community regardless of the ability to pay Services include inpatient routine and inpatient ancillary support of the healthcare mission of the hospital Please see the statement of Program Service Accomplishments for further detail on the relationship of activities to the accomplishment of the exempt purpose

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

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

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

If "Yes," describe these changes on Schedule O

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

4a (Code) (Expenses $ 563,196,491 including grants of $) (Revenue $ 818,902,851)

Patient Services - 466 bed medical-surgical acute care hospital in Pensacola, Florida The facility includes a 119 bed Children's Hospital Sacred Heart Hospital on the Emerald Coast is a 58 bed medical-surgical hospital located in Destin, FL Sacred Heart Hospital on the Gulf is a 25 bed medical-surgical hospital located in Port St Joe, FL Expanding awareness, education and promotion of health by offering healthcare, classes and seminars for the Community

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

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

4d Other program services (Describe in Schedule O) **See also Additional Data for Description**

(Expenses $ including grants of $) (Revenue $)

4e **Total program service expenses** ▶$ 563,196,491

Part IV Checklist of Required Schedules

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

Part IV **Checklist of Required Schedules** *(continued)*

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

					Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	1a	409			
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0			
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			1c		
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	2a	6,144			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			2b	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			3a	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			4a		No
b	If "Yes," enter the name of the foreign country ▶ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?			5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			5b		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			6b		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			7a		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?			7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			8		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			9b		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O			13a		
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b				
c	Enter the amount of reserves on hand	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			14a		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O*			14b		

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

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

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year . . .	1a 14			
b	Enter the number of voting members included in line 1a, above, who are independent . . .	1b 10			
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	Yes	
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	Yes	
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	Yes	
11a	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990			
12a	Does the organization have a written conflict of interest policy? *If "No," go to line 13*	12a	Yes	
b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c	Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done	12c	Yes	
13	Does the organization have a written whistleblower policy?	13	Yes	
14	Does the organization have a written document retention and destruction policy?	14	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	15a	Yes	
b	Other officers or key employees of the organization	15b	Yes	
	If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a	Yes	
b	If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?	16b	Yes	

Section C. Disclosure

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

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection Indicate how you make these available Check all that apply

☐ Own website ☐ Another's website ☑ Upon request

19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public See Additional Data Table

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶

Buddy Elmore
5151 N 9th Ave
Pensacola, FL 32504
(850) 416-7000

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply): Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former	(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
See Additional Data Table										

Part VII **Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees** (continued)

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply): Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former	(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
See Additional Data Table										
1b Sub-Total ▶										
c Total from continuation sheets to Part VII, Section A ▶										
d Total (add lines 1b and 1c) ▶								14,175,079	0	492,912

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 ▶246

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Sodexo Inc PO Box 536922 Atlanta, GA 303536922	Food, Valet and Env Svcs	14,528,270
TriMedx PO Box 1627 Indianapolis, IN 46206	Equipment Maintenance	5,963,685
Panhandle Anesthology Associates PA 4901 Grande Drive Pensacola, FL 32504	Anesthesiology Service	3,876,996
Greenhut Construction 23 South A Street Pensacola, FL 32501	Construction	1,568,327
Mickelson Construction 3475 North S Street Pensacola, FL 32505	Construction	1,236,173

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 in compensation from the organization ▶104

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	**1a** Federated campaigns . . **1a**					
	b Membership dues **1b**					
	c Fundraising events **1c**					
	d Related organizations . . . **1d**					
	e Government grants (contributions) **1e**	651,741				
	f All other contributions, gifts, grants, and similar amounts not included above **1f**	247,929				
	g Noncash contributions included in lines 1a-1f $					
	h Total. Add lines 1a-1f . . . . ▶		899,670			
Program Service Revenue		Business Code				
	2a Patient Services	621990	707,532,079	704,643,186	2,888,893	
	b MSO Shared Allocation	621990	78,263,301	78,263,301		
	c Management Services	541610	14,622,095	14,161,488	460,607	
	d Transportation	480000	1,045,693	1,045,693		
	e Education	611710	44,223	44,223		
	f All other program service revenue		19,108,608	19,108,608		
	g Total. Add lines 2a–2f . . . . ▶		820,615,999			
Other Revenue	**3** Investment income (including dividends, interest and other similar amounts) . . . . . ▶		16,342,181			16,342,181
	4 Income from investment of tax-exempt bond proceeds . . ▶					
	5 Royalties . . . . ▶					

	(i) Real	(ii) Personal
6a Gross Rents	3,996,511	
b Less rental expenses	3,662,591	
c Rental income or (loss)	333,920	

	(A)	(B)	(C)	(D)
d Net rental income or (loss) . . . . ▶	333,920	357,551		-23,631

	(i) Securities	(ii) Other
7a Gross amount from sales of assets other than inventory		
b Less cost or other basis and sales expenses		55,055
c Gain or (loss)		-55,055

		(A)	(B)	(C)	(D)
d Net gain or (loss) . . . . ▶		-55,055			-55,055
8a Gross income from fundraising events (not including $ ____ of contributions reported on line 1c) See Part IV, line 18 . . . **a**					
b Less direct expenses . . . **b**					
c Net income or (loss) from fundraising events . . ▶					
9a Gross income from gaming activities See Part IV, line 19 . **a**					
b Less direct expenses . . . . **b**					
c Net income or (loss) from gaming activities . . . ▶					
10a Gross sales of inventory, less returns and allowances . **a**					
b Less cost of goods sold . . **b**					
c Net income or (loss) from sales of inventory . . ▶					
Miscellaneous Revenue	Business Code				
11a Miscellaneous	900099	5,091,990		43,345	5,048,645
b Medical Group Fees	621990	2,158,291			2,158,291
c Assets Released	621990	1,278,801	1,278,801		
d All other revenue					
e Total. Add lines 11a–11d . . . . ▶		8,529,082			
12 Total revenue. See Instructions . . . ▶		846,665,797	818,902,851	3,392,845	23,470,431

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				
2 Grants and other assistance to individuals in the U S See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	4,735,368		4,735,368	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	244,185,605	216,285,892	27,899,713	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	13,709,658	4,387,773	9,321,885	
9 Other employee benefits	34,064,414	6,174,894	27,889,520	
10 Payroll taxes	15,784,845	13,758,952	2,025,893	
a Fees for services (non-employees) Management	7,580,956	2,401,358	5,179,598	
b Legal	536,998		536,998	
c Accounting				
d Lobbying				
e Professional fundraising services *See Part IV, line 17* . .				
f Investment management fees				
g Other	46,421,690	21,977,268	24,444,422	
12 Advertising and promotion	1,182,896	20,644	1,162,252	
13 Office expenses	3,344,022	1,887,902	1,456,120	
14 Information technology				
15 Royalties . .				
16 Occupancy	11,051,113	9,048,076	2,003,037	
17 Travel	2,063,309	1,134,554	928,755	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest	5,533,306	1,107,900	4,425,406	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	27,492,739	21,700,050	5,792,689	
23 Insurance	5,412,212	4,986,696	425,516	
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 Medical Supplies	127,232,442	124,231,116	3,001,326	
b Bad Debt	77,725,621	76,983,694	741,927	
c MSO Allocation	76,381,887	294,947	76,086,940	
d Rent Expense	37,300,939	33,997,851	3,303,088	
e Professional fees	20,534,261	3,631,737	16,902,524	
f All other expenses	41,845,787	19,185,187	22,660,600	
25 **Total functional expenses.** Add lines 1 through 24f	804,120,068	563,196,491	240,923,577	0
26 **Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

					(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing				1	
	2	Savings and temporary cash investments			31,990,025	2	37,957,554
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			86,488,479	4	108,467,851
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			100,000	5	100,000
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Schedule L				6	
	7	Notes and loans receivable, net				7	
	8	Inventories for sale or use			14,330,512	8	14,910,167
	9	Prepaid expenses and deferred charges			3,026,797	9	
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a	568,669,658			
	b	Less accumulated depreciation	10b	295,076,497	291,828,269	10c	273,593,161
	11	Investments—publicly traded securities				11	
	12	Investments—other securities See Part IV, line 11				12	
	13	Investments—program-related See Part IV, line 11				13	
	14	Intangible assets			63,365	14	4,380,199
	15	Other assets See Part IV, line 11			197,955,607	15	247,601,892
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)			625,783,054	16	687,010,824
Liabilities	17	Accounts payable and accrued expenses			51,914,578	17	56,945,832
	18	Grants payable				18	
	19	Deferred revenue			2,210,706	19	4,064,250
	20	Tax-exempt bond liabilities				20	
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*				21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*				22	
	23	Secured mortgages and notes payable to unrelated third parties				23	
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities Complete Part X of Schedule D			208,859,249	25	192,586,874
	26	**Total liabilities.** Add lines 17 through 25			262,984,533	26	253,596,956
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**					
	27	Unrestricted net assets			362,726,529	27	432,756,236
	28	Temporarily restricted net assets			71,992	28	657,632
	29	Permanently restricted net assets				29	
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds				30	
	31	Paid-in or capital surplus, or land, building or equipment fund				31	
	32	Retained earnings, endowment, accumulated income, or other funds				32	
	33	Total net assets or fund balances			362,798,521	33	433,413,868
	34	Total liabilities and net assets/fund balances			625,783,054	34	687,010,824

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	846,665,797
2	Total expenses (must equal Part IX, column (A), line 25)	2	804,120,068
3	Revenue less expenses Subtract line 2 from line 1	3	42,545,729
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	362,798,521
5	Other changes in net assets or fund balances (explain in Schedule O)	5	28,069,618
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	433,413,868

Part XII Financial Statements and Reporting

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

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

Employer identification number
59-0634434

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) Name of supported organization	**(ii)** EIN	**(iii)** Type of organization (described on lines 1- 9 above or IRC section **(see instructions)**)	**(iv)** Is the organization in col (i) listed in your governing document?		**(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 section501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

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

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

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

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

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

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SCHEDULE C (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2010

Open to Public Inspection

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

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

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

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

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

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

Name of the organization	Employer identification number
Sacred Heart Health System Inc	59-0634434

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

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

2 Political expenditures ▶ $

3 Volunteer hours

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

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

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

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

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

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

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

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

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

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

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

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

A Check ☐ if the filing organization belongs to an affiliated group
B Check ☐ if the filing organization checked box A and "limited control" provisions apply

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

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

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

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

Lobbying Expenditures During 4-Year Averaging Period

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

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

		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	Yes		
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?	Yes		15,332
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		7,245
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV	Yes		68,946
j	Total lines 1c through 1i			91,523
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV **Supplemental Information**

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

Identifier	Return Reference	Explanation
Explanation of Other Lobbying Activities	Part II-B, Line 1i	The Exempt Organization engaged consultants to assist in various lobbying activities pertaining to state and federal health care legislation, including healthcare reform Staff and consultants wrote letters and met personally with state and local legislators on these matters

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Sacred Heart Health System Inc

Employer identification number
59-0634434

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

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

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

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

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)

☐ Preservation of land for public use (e g , recreation or pleasure)
☐ Preservation of an historically importantly land area
☐ Protection of natural habitat
☐ Preservation of a certified historic structure
☐ Preservation of open space

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

a Board designated or quasi-endowment ▶

b Permanent endowment ▶

c Term endowment ▶

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

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

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

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

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land	6,696,666	47,936,359		54,633,025
b Buildings	22,805,607	333,130,728	152,433,430	203,502,905
c Leasehold improvements				
d Equipment		158,100,298	142,643,067	15,457,231
e Other				
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				273,593,161

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

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

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

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

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

(a) Description	(b) Book value
(1) Due from affiliates	10,463,923
(2) Board Designated Investments	177,068,848
(3) Temporarily Restricted Investments	8,175,166
(4) Ascension Pension Prefunding	13,014,455
(5) Ascension Deferred Compensation	11,639,028
(6) Other Receivables	20,526,406
(7) Construction in Progress	6,714,066
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . ▶	247,601,892

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
Pension Debt Issue	17,766,803
Deferred Compensation	11,639,028
Due to Affiliates	10,132,352
Retirement Plan Obligation	16,567,348
Self Insurance Trust	4,227,401
Other Liabilities	109,601,336
Third Party Payables	15,320,606
MOB Liability Accounting Ownership	7,332,000
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	192,586,874

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

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

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

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

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

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

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

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation
Description of Uncertain Tax Positions Under FIN 48	Part X	Per the financial statements of Sacred Heart Health System, there is no ASC 740 (fka FIN 48) footnote for the current year

Additional Data

Software ID:
Software Version:
EIN: 59-0634434
Name: Sacred Heart Health System Inc

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

1 **(a)** Description of Liability	**(b)** Amount
Pension Debt Issue	17,766,803
Deferred Compensation	11,639,028
Due to Affiliates	10,132,352
Retirement Plan Obligation	16,567,348
Self Insurance Trust	4,227,401
Other Liabilities	109,601,336
Third Party Payables	15,320,606
MOB Liability Accounting Ownership	7,332,000

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Sacred Heart Health System Inc

Employer identification number
59-0634434

Part I Financial Assistance and Certain Other Community Benefits at Cost

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

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

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			20,853,016		20,853,016	2 870 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			116,859,723	97,128,051	19,731,672	2 720 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			137,712,739	97,128,051	40,584,688	5 590 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			10,361,529	4,769,276	5,592,253	0 770 %
f Health professions education (from Worksheet 5)			1,367,785		1,367,785	0 190 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)			39,866	39,000	866	0 %
i Cash and in-kind contributions to community groups (from Worksheet 8)			195,713		195,713	0 030 %
j **Total** Other Benefits			11,964,893	4,808,276	7,156,617	0 990 %
k **Total.** Add lines 7d and 7j			149,677,632	101,936,327	47,741,305	6 580 %

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

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

Part III **Bad Debt, Medicare, & Collection Practices**

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1		No
2	Enter the amount of the organization's bad debt expense (at cost)	2	77,725,621		
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	6,718,078		
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	147,150,416
6	Enter Medicare allowable costs of care relating to payments on line 5	6	149,682,490
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-2,532,074

8 Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

			Yes	No
9a	Does the organization have a written debt collection policy?	9a	Yes	
b	If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI	9b	Yes	

Part IV **Management Companies and Joint Ventures**

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

Part V Facility Information

Section A. Hospital Facilities

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

How many hospital facilities did the organization operate during the tax year? 3

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	Sacred Heart Hospital 5151 N 9th Ave Pensacola, FL 32504	X	X	X	X		X	X		
2	Sacred Heart on the Emerald Coast 7800 US Hwy 98 Miramar Beach, FL 32550	X	X					X		
3	Sacred Heart Hospital on the Gulf 3801 E Hwy 98 Port St Joe, FL 32456	X	X					X		

Part V Facility Information *(continued)*

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

How many non-hospital facilities did the organization operate during the tax year? **11**

Name and address	Type of Facility (Describe)
1 See Additional Data Table	

Part VI Supplemental Information

Complete this part to provide the following information

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

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

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

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

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

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

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

Identifier	ReturnReference	Explanation
		Part I, Line 7, Column (f) The Bad Debt expense included on Form 990, Part IX, Line 25, Column (A), but subtracted for purposes of calculating the percentage in this column is $ 77725621

Identifier	ReturnReference	Explanation
		Part III, Line 4 The provision for bad debts is based upon management's assessment of expected net collections considering economic conditions, historical experience, trends in health care coverage, and other collection indicators Management periodically assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payor category, including those amounts not covered by insurance The results of this review are then used to make any modifications to the provision for bad debts to establish an appropriate allowance for uncollectible accounts After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, the Health Ministry follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restriction on collection efforts as determined by Ascension Health Accounts receivable are written off after collection efforts have been followed in accordance with the Health Ministry's policies

Identifier	ReturnReference	Explanation
		Part V Sacred Heart Hospital, 5151 N 9th Ave , Pensacola, FL 32514 - licensed hospital, general medical and surgical, children's hospital, teaching hospital, research facility, 24hour emergency department Sacred Heart Hospital on the Emerald Coast, 7800 US Hwy 98, Miramar Beach, FL 32550 - licensed hospital, general medical and surgical, 24 hour emergency department Sacred Heart Hospital on the Gulf, 3801 E Hwy 98, Port St Joe, FL 32456 - licensed hospital, general medical and surgical, 24 hours emergency department

Identifier	ReturnReference	Explanation
		Part VI, Line 2 Sacred Heart Health System and Baptist Health Care have jointly-sponsored three assessments of Escambia and Santa Rosa Counties in Northwest Florida since 1995 These studies have been widely used by the two organizations and many other health care providers in the market area to develop plans for addressing priority health needs These organizations worked with researchers at the University of South Florida to produce CATCH (Comprehensive Assessment for Tracking Community Health) studies for the Escambia - Santa Rosa County area The CATCH methodologies and reports have evolved and improved over time and are widely recognized as a state-of-the-art approach to community health assessments CATCH studies provide current and trended data on over 270 health indicators, report data at county and zip codes levels, and include comparisons to peer counties in the state, and state and national results, The studies also incorporate key demographic and socioeconomic data, and in Florida data on lifestyle/behavioral risk factors that impact health status Sacred Heart Health System initiated in 2007, a study by Stroudwater Associates to determine the health needs for Walton County Walton County is designated as a primary care Health Professional Shortage Population and a Medically Underserved Population for the low-income persons

Identifier	ReturnReference	Explanation
		Part VI, Line 3 Financial counselors assist individuals who do not have insurance to qualify for Medicaid, SCHIP, and other programs Counselors are trained not only in the policy, program and form processes, but also to respond with compassion, understanding and sensitivity toward persons living in poverty These services are available at established patient encounters such as pre-registration, registration, admissions and discharge, or at any other time requested along the continuum of patient care Further, trained counselors may assist with charity care or discount care based on the patient's personal income, their assets, and the size of their medical services bill A summary of financial assistance services, policies and programs are found on the health system website, posted predominately in key areas and made available through brochures The brochure, A Guide to your Hospital Bill, outlines payment and assistance options and it can be found in most areas of the hospital including admitting, emergency department, and diagnostic services

Identifier	ReturnReference	Explanation
		Part VI, Line 4 Sacred Heart Health System provides primary, secondary, and tertiary health care services to residents of the communities we serve This includes the greater Pensacola MSA, and Okaloosa, Walton, Gulf and Franklin Counties Additionally, Sacred Heart serves South Alabama's Baldwin and Escambia Counties There is special emphasis on service to the poor and those most in need The system includes a 458 bed medical surgical acute care hospital in Pensacola, Florida Housed within the Pensacola facility is the 119 bed Children's Hospital, the only one in Northwest Florida Sacred Heart Hospital on the Emerald Coast is a 58 bed medical surgical hospital located in Miramar Beach, Florida Sacred Heart Hospital of the Gulf is a 25 bed medical surgical hospital located in Port St Joe, FL

Identifier	ReturnReference	Explanation
		Part VI, Line 6 Physical Improvements & Housing SHHS contributed financially to the cons truction of Habitat for Humanity homes SHHS held six housing orientation sessions which w ere attended by 37 persons living in poverty Applications were received from 17 persons a nd 3 were qualified for homes SHHS participated with a coalition developing low-income ho using solutions, and provided physical improvements to the dwellings of low-income homeown ers Workforce Development SHHS provided Certified Nursing Assistant training and job pla cement at SHHS facilities for seven individuals from the community at large Sacred Heart offers (free six week long classes, seven times per year) "Freedom from Smoking" program t o help with the physical, psychological and habitual components of nicotine addictions Ad ditionally, health education for the community is provided with regular classes on topics such as stress management, violence prevention, diabetes management, babysitting, CPR, new born parenting, preparing for joint replacement surgery, surviving after stroke, caregiver training, and coping with cancer SHHS provides a robust school mentoring program in part nership with the Escambia and Santa Rosa School Districts Thirteen children were provided mentoring on a weekly basis A particular emphasis is placed on annual science fairs, rea ding, math and preparation for state standardized testing Eighty children benefited from tutoring on an episodic basis SHHS actively works to reduce its waste stream by recycling cardboard, office paper, tin, aluminum, and plastics The system also promotes utilizing l ess electricity which reduces emissions caused by electrical power generation An energy m anager position within the facilities department provides environmental oversight which be nefits the community at large Sacred Heart Hospital provides medical education through th e following residency programs FSU college of Medicine Pediatric Residency (21 physicians), FSU College of Medicine OB/GYN Residency (12 physicians), LECOM Internal Medicine Resid ency (9 physicians), and Sacred Heart Hospital Pharmacy Residency (adult and pediatric) Sa cred Heart also partners with the following medical education institutions to provide onsi te training for their students in health related fields Florida State University College of Medicine, University of West Florida, Pensacola State College, Virginia Medical College , Jefferson Davis Community College, Pensacola Christian College, and Escambia County Scho ol District Health Academy Coalition Building SHHS participates with other community buil ding agencies such as Bay Area Works, Poverty Solutions of Escambia County, Business Lead ers' network and the Able Trust, United Way, Catholic Charities, and the Pensacola Bay Are Chamber of Commerce for jobs creation, training, and the elimination of generational pove rty Through Mission in Motion, a mobile health unit that travels throughout Northwest Flor ida and Southwest Alabama, Sacred Heart provided free health screenings to the poor, elder ly, and uninsured Services for adults include screening for blood pressure, anemia, blood sugar, cholesterol, glaucoma, and osteoporosis screenings A total of 2744 adults receive d health screenings in FY 2011 Services for children include free physical exams by a phy sician, and screenings for hearing, vision, and blood pressure A total of 610 children we re screened in FY 2011 At Spencer Bibbs Elementary School, an urban site of at-risk child ren, asthma screening services were provided for 200 children Twenty children were referr ed to the Escambia County Health Department for follow up care Sacred Heart facilitates th e meetings of support groups for patients and families coping with the following health pr oblems obesity, breast cancer, cancer, prostate cancer, children with attention deficit d isorders, heart disease, parents of multiples, and osteoporosis On a monthly basis, Sacre d Heart held community blood drives at a variety of Sacred Heart locations to support the Northwest Florida Blood Center Sacred Heart's Miracle Camp hosted overnight, multi-day ca mping retreats for adults and children who have been diagnosed with chronic and critical i llnesses Camps include the biannual adult Camp Bluebird which served more that 80 persons with various cancers Pediatric patients with diseases such as cancer, diabetes, arthriti s, asthma, and cardiovascular were also served A variety of other day retreats for diseas es such as sickle cell anemia are held throughout the year Over 100 children were served at these camps SHHS is actively engaged in physician and physician extender recruitment fo r underserved communities Physician recruitment includes primary care as well as subspeci alty physicians Recruitment placement is based on unmet community needs, high priority he alth status indicators, and federally designated manpower shortages SHHS provides registe red nurses at a cost of $63,000 to provide health

Identifier	ReturnReference	Explanation
		services instruction to South Walton County High School Students through the South Walton Institute of Medical Sciences The associates are responsible to teach, supervise and eval uate assigned students Instructors provide education and training for 300 students per ye ar This free service benefits the broader community by training allied health care provid ers targeted for the medically underserved population in the community Sacred Heart Hospi tal in Pensacola is proud to work with Lutheran Services to provide the Ryan White Title I I Case Management Program, serving those in our community living with AIDS and the HIV vir us Our program is designed to provide comprehensive information and assistance to clients and their families in areas including outpatient medical care, dental care, mental health services, and medications Through this program, clients and their families are also link ed with local agencies that can assist with needs related to housing, transportation, drug and alcohol treatment, and food Sacred Heart Health System provides many community benefi ts such as social services, pastoral care, community meeting space, and health education, all at no charge SHHS has an open medical staff with privileges available to all qualifie d physicians in the area The system is governed by a body of SHHS leaders with independen t persons, representative of the community, comprising a majority of the board It also en gages in medical or scientific research programs and in the training and education of heal th care professionals Other facilities and programs that promote the health of the commun ity include a Pediatric Medical Clinic and a Pediatric Dental Clinic which provide service s to low income children, and an adult dental clinic for emergency care The Seton Center for Obstetrics and Gynecology provides services to low-income women eligible for Medicaid

Identifier	ReturnReference	Explanation
		Part VI, Line 7 Sacred Heart Health System, Inc and subsidiaries (the Health Ministry) is a member of Ascension Health Ascension Health is a Catholic, national health system consisting primarily of nonprofit corporations that own and operate local health care facilities, or Health Ministries, located in 20 of the United States and District of Columbia Ascension Health is sponsored by the Northwest, Southeast, East Central, and West Central Provinces of the Daughters of Charity of St Vincent de Paul, the Congregation of St Joseph, and the Congregation of the Sisters of St Joseph of Carondelet The Health System's principal operations consist of three nonprofit acute care hospitals Sacred Heart Hospital is located in Pensacola, Florida, Sacred Heart Hospital on the Emerald Coast is located in Miramar Beach, Florida, and Sacred Heart Hospital on the Gulf, Located in Port St Joe, Florida The Health System also owns and operates other health care related entities, including a long term care nursing facility and a physicians medical group The Health System provides inpatient, outpatient, and emergency care services for residents of Northwest Florida Admitting physicians are primarily practitioners in the local area The Health System is related to Ascension Health's other sponsored organizations through common control Substantially all expenses of Ascension Health are related to providing health care servicesAscension Health directs its governance and management activities toward strong, vibrant, Catholic Health Ministries united in service and healing and dedicates its resources to spiritually centered care, which sustains and improves the health of the individuals and communities it serves In accordance with Ascension Health's mission of service to those who are poor and vulnerable, each Health Ministry accepts patients regardless of their ability of pay Ascension Health uses four categories to identify the resources utilized for the care of persons who are poor and community benefit programs Traditional charity care includes the cost of services provided to persons who can not afford health care because of inadequate resources and/or who are uninsured or underinsured Unpaid cost of public programs represents the unpaid cost of services provided to persons covered by public programs for the poor Cost of other programs for the poor includes unreimbursed costs of programs intentionally deigned to serve the poor and vulnerable of the community, including substance abusers, the homeless, victims of child abuse, and persons with acquired immune deficiency syndrome Community benefit consists of the unreimbursed costs of community benefit programs and services for the general community, not solely for the poor, including health promotion and education, health clinics and screenings, and medical research Discounts are provided to all uninsured patients, including those with the means to pay Discounts provided to those patients who did not qualify for assistance under charity care guidelines are not included in the cost of providing care of persons who are poor and community benefit programs is estimated using internal cost data and is calculated in compliance with guidelines established by both the Catholic Health Association (CHA) and the Internal Revenue Service (IRS) Maintaining good health has been shown to positively affect an individual's ability to maintain employment and housing It is extremely difficult for homeless individuals to receive quality health care services In recent years, SHHS hospital emergency rooms have been inundated with patients who have non-critical health concerns due to lack of insurance, funding, and homelessness These patients are often left with no other choice but to use emergency rooms for illnesses that can be treated through primary care health services SHHS held a seven week Stephen's Ministry training course for 12 individuals from the community-at-large to benefit the broader community The training provides skills for giving emotional and spiritual support to people who are going through a difficult life event, from hospitalization and grief to chronic illness and unemployment Overall, SHHS contributed over $100,000 for non marketing related charitable gifts to organizations who share in the goal of improving the health and quality of life in the community

Additional Data

Software ID:
Software Version:
EIN: 59-0634434
Name: Sacred Heart Health System Inc

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

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility (list in order of size, measured by total revenue per facility, from largest to smallest) How many non-hospital facilities did the organization operate during the tax year? **11** Name and address	Type of Facility (Describe)
Sacred Heart Occupational Hlth Strategie 6665 Pensacola Blvd Pensacola, FL 32505	Helps employers to gain control over healthcare expenses
Sacred Heart Pediatric Care Center 1675 Trinity Drive Pensacola, FL 32504	Pediatric clinic that provides pediatric care regardless of their ability to
Sacred Heart Cardiac Rehab Center 1601 Airport Blvd Pensacola, FL 32501	To help patients with their cardiopulmonary needs
Sacred Heart Pulmonary Rehab Center 1601 Airport Blvd Pensacola, FL 32501	To help patients with their cardiopulmonary needs
Seton Center for Obstetrics & Gynecology 5045 Carpenters Creek Dr Pensacola, FL 32503	Provide OB & Gynecological care for all women
Outpatient Laboratories 1549 Airport Blvd Pensacola, FL 32504	Provides diagnostic services and monitoring services for children and women
Outpatient Rehabilitation Centers 4406 N Davis Hwy Pensacola, FL 32503	To help patients with their physical, occupational and speech
Sacred Heart Medical Park-Pace 3754 Hwy 90 Pace, FL 32571	Comprehensive diagnostic and physician services to the Pace and Milton
Sacred Heart Medical Park-Airport 1549 Airport Blvd Pensacola, FL 32504	Comprehensive diagnostic and physician services outside of the hospital
Sacred Heart Urgent Care 6665 Pensacola Blvd Pensacola, FL 32505	Provides walk-in care for minor injuries and illnesses seven days a week
Sacred Heart Cancer Center 1545 Airport Blvd Pensacola, FL 32504	Provides the highest standard of cancer care

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Sacred Heart Health System Inc

Employer identification number
59-0634434

Part I Questions Regarding Compensation

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

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation (i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable 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
(1) Buddy Elmore Sch O	(i)	397,291	138,125	12,603	38,500	5,014	591,533	0
	(ii)	0	0	0	0	0	0	0
(2) Laura Kaiser Sch O	(i)	644,558	683,686	51,241	38,496	3,160	1,421,141	0
	(ii)	0	0	0	0	0	0	0
(3) Carol Schmidt	(i)	207,174	0	81,928	16,279	1,643	307,024	0
	(ii)	0	0	0	0	0	0	0
(4) James Ward MD	(i)	134,596	51,650	177,595	14,399	-2,100	376,140	0
	(ii)	0	0	0	0	0	0	0
(5) Carol Whittington	(i)	252,924	103,646	27,150	16,500	6,471	406,691	0
	(ii)	0	0	0	0	0	0	0
(6) Dr Paul Baroco	(i)	333,371	148,489	10,328	38,500	4,096	534,784	0
	(ii)	0	0	0	0	0	0	0
(7) Karen Emmanuel Sch O	(i)	263,105	67,836	13,356	38,484	733	383,514	0
	(ii)	0	0	0	0	0	0	0
(8) Roger Hall	(i)	262,561	113,774	27,844	36,255	3,285	443,719	0
	(ii)	0	0	0	0	0	0	0
(9) Peter Heckathorn Sch O	(i)	392,085	168,882	44,092	38,496	3,407	646,962	0
	(ii)	0	0	0	0	0	0	0
(10) Dr Tarek Eldawy	(i)	355,222	532,087	3,263	16,490	2,279	909,341	0
	(ii)	0	0	0	0	0	0	0
(11) Dr Mark Boatright	(i)	347,247	615,186	1,260	38,496	2,755	1,004,944	0
	(ii)	0	0	0	0	0	0	0
(12) Dr Thomas Sunnenberg	(i)	496,862	488,713	25,765	38,500	3,129	1,052,969	0
	(ii)	0	0	0	0	0	0	0
(13) Dr Harish Malhotra	(i)	367,115	510,406	2,356	0	878	880,755	0
	(ii)	0	0	0	0	0	0	0
(14) Dr Michael Goodman	(i)	446,615	879,796	3,847	22,000	3,393	1,355,651	0
	(ii)	0	0	0	0	0	0	0
(15) Deborah Bostic	(i)	200,870	143,159	199,728	15,652	5,126	564,535	0
	(ii)	0	0	0	0	0	0	0
(16) Patrick Madden	(i)	332,479	1,532,552	1,845,661	38,500	4,096	3,753,288	1,182,835
	(ii)	0	0	0	0	0	0	0

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
	Part I, Line 1a	An officer of Sacred Heart Health System was provided the benefit of first class travel and private charter travel This benefit was treated as taxable compensation and included on the officer's Form W-2
Supplemental Information	Part III	Part I, Line 4a Severance Payments Patrick Madden - $421,880 Deborah Bostic - $152,872
Supplemental Information	Part III	Part I, Line 4b Eligible executives participate in a program that provides for supplemental retirement benefits The payment of benefits under the program, if any, is entirely dependent upon the facts and circumstances under which the executive terminates employment with the organization Benefits under the program are unfunded and non-vested Due to the substantial risk of forfeiture provision, there is no guarantee that these executives will ever receive any benefit under the program Any amount ultimately paid under the program to the executive is reported as compensation on Form 990, Schedule J, Part II, Column B in the year paid The following amount was paid from the 457(f) retirement plan related to amounts earned and reported on Form 990s in previous years Patrick Madden - $1,182,835

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 59-0634434
Name: Sacred Heart Health System Inc

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		(B)(i) Base Compensation	(B)(ii) Bonus & incentive compensation	(B)(iii) Other compensation	(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
Buddy Elmore Sch O	(i)	397,291	138,125	12,603	38,500	5,014	591,533	0
	(ii)	0	0	0	0	0	0	0
Laura Kaiser Sch O	(i)	644,558	683,686	51,241	38,496	3,160	1,421,141	0
	(ii)	0	0	0	0	0	0	0
Carol Schmidt	(i)	207,174	0	81,928	16,279	1,643	307,024	0
	(ii)	0	0	0	0	0	0	0
James Ward MD	(i)	134,596	51,650	177,595	14,399	-2,100	376,140	0
	(ii)	0	0	0	0	0	0	0
Carol Whittington	(i)	252,924	103,646	27,150	16,500	6,471	406,691	0
	(ii)	0	0	0	0	0	0	0
Dr Paul Baroco	(i)	333,371	148,489	10,328	38,500	4,096	534,784	0
	(ii)	0	0	0	0	0	0	0
Karen Emmanuel Sch O	(i)	263,105	67,836	13,356	38,484	733	383,514	0
	(ii)	0	0	0	0	0	0	0
Roger Hall	(i)	262,561	113,774	27,844	36,255	3,285	443,719	0
	(ii)	0	0	0	0	0	0	0
Peter Heckathorn Sch O	(i)	392,085	168,882	44,092	38,496	3,407	646,962	0
	(ii)	0	0	0	0	0	0	0
Dr Tarek Eldawy	(i)	355,222	532,087	3,263	16,490	2,279	909,341	0
	(ii)	0	0	0	0	0	0	0
Dr Mark Boatright	(i)	347,247	615,186	1,260	38,496	2,755	1,004,944	0
	(ii)	0	0	0	0	0	0	0
Dr Thomas Sunnenberg	(i)	496,862	488,713	25,765	38,500	3,129	1,052,969	0
	(ii)	0	0	0	0	0	0	0
Dr Harish Malhotra	(i)	367,115	510,406	2,356	0	878	880,755	0
	(ii)	0	0	0	0	0	0	0
Dr Michael Goodman	(i)	446,615	879,796	3,847	22,000	3,393	1,355,651	0
	(ii)	0	0	0	0	0	0	0
Deborah Bostic	(i)	200,870	143,159	199,728	15,652	5,126	564,535	0
	(ii)	0	0	0	0	0	0	0
Patrick Madden	(i)	332,479	1,532,552	1,845,661	38,500	4,096	3,753,288	1,182,835
	(ii)	0	0	0	0	0	0	0

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Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Sacred Heart Health System Inc

Employer identification number
59-0634434

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

(a) Name of interested person and purpose	(b) Loan to or from the organization?		(c) Original principal amount	(d) Balance due	(e) In default?		(f) Approved by board or committee?		(g) Written agreement?	
	To	From			Yes	No	Yes	No	Yes	No
(1) Michael Goodman Initial Employment Loan		X	100,000	100,000		No		No	Yes	
Total . . . . ▶ $				100,000						

Part III Grants or Assistance Benefitting Interested Persons.

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

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

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

(a) Name of interested person	**(b)** Relationship between interested person and the organization	**(c)** Amount of transaction	**(d)** Description of transaction	**(e)** Sharing of organization's revenues? Yes	No
(1) Greenhut Construction	A Board Member at SHHS is a president/officer	1,568,327	Construction Svc		No
(2) CNNM LLC	A Board Member at SHHS is an owner of CNNM, LLC	285,328	Building Lease		No
(3) Emmanuel Sheppard and Condon	A Board Member at SHHS is a partner at ESC	187,761	Legal Svcs		No

Part V **Supplemental Information**

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

Identifier	Return Reference	Explanation
Schedule L, Part IV	Business Transactions Involving Interested Persons	All transactions reported on Part IV are reported as arms-length for fair market value

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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
Sacred Heart Health System Inc

Employer identification number
59-0634434

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 2		Robert Emmanuel and Karen Emanuel have a family relationship

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 6		Sacred Heart Health System, Inc has a single corporate member, Ascension Health

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 7a		Sacred Heart Health System, Inc has a single corporate member, Ascension Health, who has the ability to elect members to the governing body of the Sacred Heart Health System, Inc

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 7b		Ascension Health has designed a system authority matrix which assigns authority for key decisions that are necessary in the operation of the system Specific areas that are identified in the authority matrix are new organizations & major transactions, governing documents, appointments/removals, evaluation, debt limits, strategic & financial plans, assets, system policies & procedures These areas are subject to certain levels of approval by Ascension per the system authority matrix

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

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

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15	In determining compensation of the organization's CEO, the process included a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision The Compensation Committee of Ascension Health reviewed and approved the CEO Compensation In the review of the compensation, the CEO was compared to other organizations that hold the same title During the review and approval of the compensation, documentation of the decision was recorded in the board minutes Individual was not present when her compensation was decided In determining compensation of other officers or key employees of the organization, the process included a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision The Compensation Committee and the Board of Directors reviewed and approved the compensation In the review of the compensation, the other officers or key employees of the organization were compared to employees who hold the same title in other similar organizations regionally and nationally During the review and approval of the compensation, documentation of the decision was recorded in the board minutes Individuals were not present when their compensation was decided

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

Identifier	Return Reference	Explanation
	Form 990, Part VII, Section A	Officers for Sacred Heart Health System provide services to Sacred Heart Health System and its subsidiaries Hours worked are not tracked on an entity by entity basis Therefore, where noted with a "Sch O" reference, officers hours reported on Form 990, Part VII, compensation of officers, directors, trustees, key employees, highest compensated employees, and independent contractors represent aggregate hours worked per week for all entities

Identifier	Return Reference	Explanation
	Form 990, Part VII, Section B	Greenhut Construction received $1,568,327 for construction service This amount includes services, labor, and materials Mickelson Construction received $1,236,173 for construction service This amount includes services, labor, and materials

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Net unrealized gains on investments 14,467,283 Deferred Pension Cost 25,329,719 Transfer to/from Affiliates -16,383,706 Transfer to Ascension -595,059 Restricted Cont used for Prop 1,693,470 Other Changes in Fund Balance 1,866,827 Donor restricted contributions 1,691,084 Total to Form 990, Part XI, Line 5 28,069,618

SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Sacred Heart Health System Inc

Employer identification number
59-0634434

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) Ascension Health PO Box 45998 St Louis, MO 63145 31-1662309	National Health System	MO	Section 501(c)(3)	Schedule A, Line 11a	N/A		No
(2) Haven of Our lady of Peace 5151 N 9th Ave Pensacola, FL 32504 59-3620346	Nursing Home	FL	Section 501(c)(3)	Schedule A, Line 9	Sacred Heart Health System	Yes	
(3) Sacred Heart Foundation 5151 N 9th Ave Pensacola, FL 32504 59-2436597	Foundation	FL	Section 501(c)(3)	Schedule A, Line 7	Sacred Heart Health System	Yes	
(4) Sacred Heart Health Ventures 5151 N 9th Ave Pensacola, FL 32504 57-1183283	Investment	FL	Section 501(c)(3)	Schedule A, Line 11a	Sacred Heart Health System	Yes	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) Interventional Rehabilitation Center LLC 1549 Airport Blvd Suite 420 Pensacola, FL32503 59-3673361	Medical Services	FL	N/A									51 000 %
(2) PET LLC 5149 North 9th Ave Suite 124 Pensacola, FL32504 59-3788701	Medical Services	FL	N/A									51 000 %
(3) Emerald Coast Radiation Oncology Center LLC 7720 US Highway 98 W Miramar Beach, FL32550 68-0507481	Medical Services	FL	N/A									100 000 %
(4) Endoscopy Group LLC 4810 North Davis HWY Pensacola, FL32503 59-3519881	Medical Services	FL	N/A									60 000 %
(5) Gulf Region Radiation Oncology MSO LLC 5147 N 9th Ave Pensacola, FL32504 26-0623827	Medical Management Services	FL	Sacred Heart Health System Inc	Related	404,578	6,984,319		No			No	51 000 %

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) Gulf Coast Diversified Inc 5154 N 9th Ave Pensacola, FL32507 59-2432798	Investment	FL	Sacred Heart Health System Inc	C	106,478	16,836,031	100 000 %

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

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

		Yes	No
1 During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity	1a		No
b Gift, grant, or capital contribution to other organization(s)	1b		No
c Gift, grant, or capital contribution from other organization(s)	1c	Yes	
d Loans or loan guarantees to or for other organization(s)	1d		No
e Loans or loan guarantees by other organization(s)	1e		No
f Sale of assets to other organization(s)	1f		No
g Purchase of assets from other organization(s)	1g		No
h Exchange of assets	1h		No
i Lease of facilities, equipment, or other assets to other organization(s)	1i		No
j Lease of facilities, equipment, or other assets from other organization(s)	1j		No
k Performance of services or membership or fundraising solicitations for other organization(s)	1k		No
l Performance of services or membership or fundraising solicitations by other organization(s)	1l		No
m Sharing of facilities, equipment, mailing lists, or other assets	1m		No
n Sharing of paid employees	1n		No
o Reimbursement paid to other organization for expenses	1o		No
p Reimbursement paid by other organization for expenses	1p	Yes	
q Other transfer of cash or property to other organization(s)	1q		No
r Other transfer of cash or property from other organization(s)	1r	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) Sacred Heart Foundation	R	1,982,678	Cost
(2) Haven of Our Lady of Peace Inc	C	1,077,640	Cost
(3) Haven of Our Lady of Peace Inc	P	193,613	Cost
(4) Sacred Heart Foundation	P	121,958	Cost
(5)			
(6)			

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

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

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

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation

Form **4562**

Depreciation and Amortization
(Including Information on Listed Property)

OMB No 1545-0172

2010

Department of the Treasury
Internal Revenue Service (99)

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

Attachment Sequence No **67**

Name(s) shown on return	Business or activity to which this form relates	Identifying number
Sacred Heart Health System Inc		59-0634434

Part I **Election To Expense Certain Property Under Section 179**
Note: *If you have any listed property, complete Part V before you complete Part I.*

1 Maximum amount See the instructions for a higher limit for certain businesses	1	500,000
2 Total cost of section 179 property placed in service (see instructions)	2	
3 Threshold cost of section 179 property before reduction in limitation (see instructions)	3	2,000,000
4 Reduction in limitation Subtract line 3 from line 2 If zero or less, enter -0-	4	
5 Dollar limitation for tax year Subtract line 4 from line 1 If zero or less, enter -0- If married filing separately, see instructions	5	

6 (a) Description of property	(b) Cost (business use only)	(c) Elected cost

7 Listed property Enter the amount from line 29	7	
8 Total elected cost of section 179 property Add amounts in column (c), lines 6 and 7	8	
9 Tentative deduction Enter the **smaller** of line 5 or line 8	9	
10 Carryover of disallowed deduction from line 13 of your 2009 Form 4562	10	
11 Business income limitation Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11	
12 Section 179 expense deduction Add lines 9 and 10, but do not enter more than line 11	12	
13 Carryover of disallowed deduction to 2011 Add lines 9 and 10, less line 12 ▶	13	

Note: *Do not use Part II or Part III below for listed property. Instead, use Part V.*

Part II **Special Depreciation Allowance and Other Depreciation (Do not** include listed property **)** (See instructions)

14 Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	
15 Property subject to section 168(f)(1) election	15	
16 Other depreciation (including ACRS)	16	

Part III **MACRS Depreciation (Do not** include listed property.**)** (See instructions.)

Section A

17 MACRS deductions for assets placed in service in tax years beginning before 2010	17	
18 If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶☐		

Section B—Assets Placed in Service During 2010 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property			27 5 yrs	MM	S/L	
			27 5 yrs	MM	S/L	
i Nonresidential real property			39 yrs	MM	S/L	
				MM	S/L	

Section C—Assets Placed in Service During 2010 Tax Year Using the Alternative Depreciation System

20a Class life					S/L	
b 12-year			12 yrs		S/L	
c 40-year			40 yrs	MM	S/L	

Part IV **Summary** (see instructions)

21 Listed property Enter amount from line 28	21	
22 **Total.** Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21 Enter here and on the appropriate lines of your return Partnerships and S corporations—see instructions	22	33,040
23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

Part V **Listed Property** (Include automobiles, certain other vehicles, certain computers, and property used for entertainment, recreation, or amusement.)

Note: *For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.*

Section A—Depreciation and Other Information (Caution: *See the instructions for limits for passenger automobiles.***)**

24a Do you have evidence to support the business/investment use claimed? Yes No **24b** If "Yes," is the evidence written? Yes No

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation/ deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)						25		
26 Property used more than 50% in a qualified business use								
		%						
		%						
		%						
27 Property used 50% or less in a qualified business use								
		%				S/L -		
		%				S/L -		
		%				S/L -		
28 Add amounts in column (h), lines 25 through 27 Enter here and on line 21, page 1 .						28		
29 Add amounts in column (i), line 26 Enter here and on line 7, page 1							29	

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person

If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
30 Total business/investment miles driven during the year (**do not** include commuting miles) . . .												
31 Total commuting miles driven during the year .												
32 Total other personal(noncommuting) miles driven												
33 Total miles driven during the year Add lines 30 through 32												
34 Was the vehicle available for personal use	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use? .												

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who **are not** more than 5% owners or related persons (see instructions)

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions)		
Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles		

Part VI **Amortization**

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2010 tax year (see instructions)					
43 Amortization of costs that began before your 2010 tax year				43	
44 Total. Add amounts in column (f) See the instructions for where to report . .				44	

CONSOLIDATED FINANCIAL STATEMENTS

Sacred Heart Health System, Inc. and Subsidiaries –
Member of Ascension Health
Years Ended June 30, 2011 and 2010
With Report of Independent Certified Public Accountants

Ernst & Young LLP

ERNST & YOUNG

Sacred Heart Health System, Inc. and Subsidiaries

Consolidated Financial Statements

Years Ended June 30, 2011 and 2010

Contents

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Report of Independent Certified Public Accountants

The Board of Directors
Sacred Heart Health System, Inc. and Subsidiaries

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

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

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

Ernst + Young LLP

August 24, 2011

Sacred Heart Health System, Inc. and Subsidiaries

Consolidated Balance Sheets

	June 30	
	2011	**2010**
	(Dollars In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$ **42,038**	$ 36,922
Short-term investments	–	1
Accounts receivable, less allowances for uncollectible accounts ($47,074 and $39,693 in 2011 and 2010, respectively)	**88,691**	75,574
Estimated third-party payor settlements	**22,235**	13,273
Inventories	**14,939**	14,351
Current portion of assets limited as to use	**818**	2,753
Other	**8,952**	8,094
Total current assets	**177,673**	150,968
Board-designated investments	**3,457**	152,333
Assets limited as to use – temporarily restricted	**8,208**	7,052
Property and equipment, net	**282,482**	299,899
Other assets:		
Land held for expansion	**4,702**	4,702
Investment in unconsolidated entities	**7,852**	7,872
Other investments	**201,501**	9,547
Other	**21,781**	19,186
Total other assets	**235,836**	41,307
Total assets	$ **707,656**	$ 651,559

	June 30 2011	June 30 2010
	(Dollars In Thousands)	
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	**$ 1,087**	$ 1,225
Accounts payable and accrued liabilities	**60,562**	55,688
Estimated third-party payor settlements	**15,548**	12,744
Current portion of self-insurance liabilities	**1,526**	2,101
Total current liabilities	**78,723**	71,758
Noncurrent liabilities:		
Long-term debt	**126,908**	127,997
Self-insurance liabilities	**2,701**	2,620
Pension liabilities	**16,610**	36,395
Other	**29,184**	26,617
Total noncurrent liabilities	**175,403**	193,629
Total liabilities	**254,126**	265,387
Net assets:		
Unrestricted	**442,494**	374,314
Temporarily restricted	**9,027**	9,805
Total net assets excluding noncontrolling interests	**451,521**	384,119
Noncontrolling interests	**2,009**	2,053
Total net assets	**453,530**	386,172
Total liabilities and net assets	**$ 707,656**	$ 651,559

The accompanying notes are an integral part of the consolidated financial statements.

Sacred Heart Health System, Inc. and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets

	Year Ended June 30 2011	2010
	(Dollars In Thousands)	
Operating revenue:		
Net patient service revenue	**$ 726,932**	$ 667,839
Other revenue	**13,527**	12,723
Net assets released from restrictions for operations	**1,292**	2,651
Total operating revenue	**741,751**	683,213
Operating expenses.		
Salaries and wages	**248,819**	232,342
Employee benefits	**63,690**	60,301
Purchased services	**37,773**	28,853
Professional fees	**29,091**	25,257
Supplies	**128,441**	125,319
Insurance	**5,685**	9,774
Bad debts	**78,026**	70,036
Interest	**6,201**	3,951
Depreciation and amortization	**30,255**	31,296
Other	**84,503**	72,804
Total operating expenses	**712,484**	659,933
Income from operations	**29,267**	23,280
Nonoperating gains (losses):		
Investment return	**30,773**	18,768
Other	**(346)**	310
Total nonoperating gains, net	**30,427**	19,078
Excess of revenue and gains over expenses and losses	**59,694**	42,358
Less excess of revenue and gains over expenses and losses attributable to noncontrolling interests	**(1,968)**	(1,925)
Excess of revenue and gains over expenses and losses attributable to controlling interest	**57,726**	40,433

Continued on next page.

Sacred Heart Health System, Inc. and Subsidiaries

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

	Year Ended June 30	
	2011	**2010**
	(Dollars In Thousands)	
Unrestricted net assets:		
Excess of revenue and gains over expenses and losses attributable to controlling interest	**$ 57,726**	$ 40,433
Excess of revenue and gains over expenses and losses attributable to noncontrolling interests	**1,968**	1,925
Transfers to sponsor and other affiliates, net	**(12,191)**	(8,928)
Net assets released from restrictions for property acquisitions	**1,703**	2,684
Pension liability adjustments	**25,505**	176
Distribution of capital	**(2,019)**	(2,036)
Other	**7**	3,631
Increase in unrestricted net assets, before cumulative effect of change in accounting principle	**72,699**	37,885
Cumulative effect of change in accounting principle	**(4,563)**	–
Increase in unrestricted net assets including noncontrolling interests	**68,136**	37,885
Temporarily restricted net assets:		
Contributions	**2,212**	7,707
Net assets released from restrictions	**(2,994)**	(5,335)
Other	**4**	4
(Decrease) increase in temporarily restricted net assets	**(778)**	2,376
Increase in net assets	**67,358**	40,261
Net assets, beginning of the year	**386,172**	345,911
Net assets, end of the year	**$ 453,530**	$ 386,172

The accompanying notes are an integral part of the consolidated financial statements.

Sacred Heart Health System, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended June 30	
	2011	**2010**
	(Dollars In Thousands)	
Cash flows from operating activities		
Increase in net assets	**$ 67,358**	$ 40,261
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	**30,255**	31,295
Provision for bad debts	**78,026**	70,036
Net realized and change in unrealized gains on investments	**(14,343)**	(9,063)
Cumulative effect of change in accounting principle	**4,563**	–
Transfers to sponsor and other affiliates, net	**12,191**	8,928
Restricted contributions and other restricted activity	**(1,703)**	(2,684)
(Increase) decrease in:		
Short-term investments	**1**	3
Accounts receivable	**(91,143)**	(72,018)
Estimated third-party payor settlements, net	**(6,157)**	(1,456)
Inventories and other current assets	**490**	5,704
Investments classified as trading	**(25,267)**	(29,025)
Other assets	**(10,606)**	(8,060)
Assets of discontinued operations	**–**	–
Increase (decrease) in:		
Accounts payable and accrued liabilities	**6,400**	2,879
Liabilities of discontinued operations	**–**	–
Other noncurrent liabilities	**(19,241)**	(1,899)
Net cash provided by operating activities	**30,824**	34,901
Cash flows from investing activities		
Property and equipment additions, net	**(12,837)**	(31,165)
(Increase) decrease in assets limited as to use – temporarily restricted	**(1,156)**	377
Net cash used in investing activities	**(13,993)**	(30,788)

Continued on next page.

Sacred Heart Health System, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (continued)

	Year Ended June 30	
	2011	**2010**
	(Dollars In Thousands)	
Cash flows from financing activities		
Repayment of long-term debt	**$ (1,227)**	$ (1,353)
Transfers to sponsor and other affiliates, net	**(12,191)**	(8,928)
Restricted contributions, investment income, and other restricted activity	**1,703**	2,684
Net cash used in financing activities	**(11,715)**	(7,597)
Net increase (decrease) in cash and cash equivalents	**5,116**	(3,484)
Cash and cash equivalents at beginning of year	**36,922**	40,406
Cash and cash equivalents at end of year	**$ 42,038**	$ 36,922

The accompanying notes are an integral part of the consolidated financial statements.

1. Organization and Mission

Organizational Structure

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

The System's principal operations consist of three nonprofit acute care hospitals: Sacred Heart Hospital located in Pensacola, Florida, Sacred Heart Hospital on the Emerald Coast, located in Destin, Florida and Sacred Heart Hospital on the Gulf, located in Port St. Joe, Florida. The System also owns and operates other health care related entities, including a nursing facility and physicians' medical groups. The System provides inpatient, outpatient, and emergency care services for residents of northwest Florida. Admitting physicians are primarily practitioners in the local area. The System is related to Ascension Health's other sponsored organizations through common control. Substantially all expenses of the System are related to providing health care services.

Mission

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

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

1. Organization and Mission (continued)

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

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

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

Discounts are provided to all uninsured patients, including those with the means to pay. Discounts provided to those patients who did not qualify for assistance under charity care guidelines are not included in the cost of providing care of persons living in poverty and community benefit programs. The cost of providing care of persons living in poverty and community benefit programs is estimated using internal cost data and is calculated in compliance with guidelines established by both the Catholic Health Association (CHA) and the Internal Revenue Service (IRS).

The amount of traditional charity care provided, determined on the basis of cost, excluding the provision for bad debt expense, was approximately $16,816 and $14,555 for the years ended June 30, 2011 and 2010, respectively. The amount of unpaid cost of public programs, cost of other programs for persons living in poverty and other vulnerable persons, and community benefit cost are reported in the accompanying other financial information.

2. Significant Accounting Policies

Principles of Consolidation

All corporations and other entities for which operating control is exercised by the Health Ministry or one of its member corporations are consolidated, and all significant inter-entity transactions have been eliminated in consolidation. Partial ownership by another entity in the net assets and results of operations of a consolidated subsidiary is reflected as noncontrolling interests in the accompanying consolidated balance sheets.

Investments in entities where the Health Ministry does not have operating control are recorded under the equity or cost method of accounting. For entities recorded under the equity method of accounting, the following reflects the Health Ministry's interest in unconsolidated entities in the consolidated balance sheets, as well as income or loss for such entities included in the consolidated excess of revenues and gains over expenses and losses in the consolidated statements of operations and changes in net assets:

	Investment Recorded in Consolidated Balance Sheets as of June 30		Effect on Consolidated Excess of Revenues and Gains over Expenses and Losses for the Years Ended June 30	
	2011	**2010**	**2011**	**2010**
Pace Ambulatory Surgery Center, LLC	**$ –**	$ –	**$ 452**	$ (222)
Destin Ambulatory Surgery Center, LLC	**391**	375	**144**	183
Escambia Clinics Holding, Inc	**477**	478	**(1)**	(6)
Gulf Region Radiation Oncology MSO, LLC	**6,984**	7,019	**405**	(81)
	$ 7,852	$ 7,872	**$ 1,000**	$ (126)

The Health Ministry's equity in the net income (loss) of unconsolidated entities is recorded in other operating revenue if the investment relates to providing health care services and is recorded in other nonoperating gains (losses) if the investment relates to activities not related to providing health care services. The Health Ministry recorded $1,001 in operating revenue for the year ended June 30, 2011 and $120 in other operating loss for the year ended June 30, 2010. The Health Ministry recorded $1 and $6 in other nonoperating losses for the years ended June 30, 2011 and 2010, respectively.

2. Significant Accounting Policies (continued)

The Health Ministry's equity investment in Gulf Region Radiation Oncology MSO, LLC (GRROC) does not equate to the Health Ministry's 51% ownership of GRROC's equity balance due to a difference in the cost basis and the fair market value of assets contributed. In accordance with Accounting Standards Codification (ASC) Topic 323, *Investments – Equity Method and Joint Ventures*, which codified Accounting Principles Board (APB) Statement No. 18, this basis difference is being amortized over the weighted average life of the assets contributed.

Use of Estimates

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

Fair Value of Financial Instruments

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

Cash and Cash Equivalents

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

Investments and Investment Return

The Health Ministry holds investments through the Health System Depository (HSD), an investment pool of funds in which a limited number of nonprofit health care providers participate for purposes of establishing investment goals and monitoring performance under agreed-upon socially responsible investment guidelines. The investments are managed primarily by external investment managers within established investment guidelines. The value of the Health Ministry's investment in the HSD represents the Health Ministry's pro rata share of the HSD's investments held for participants. At June 30, 2011 and 2010, the Health Ministry's investment in the HSD, which includes certain cash and cash equivalents, was $222,369 and $162,230, respectively.

2. Significant Accounting Policies (continued)

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

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

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

Inventories

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

2. Significant Accounting Policies (continued)

Intangible Assets

Intangible assets primarily consist of goodwill and capitalized computer software costs, including software internally developed. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage. Intangible assets are included in other noncurrent assets on the consolidated balance sheets and are comprised of the following:

	June 30	
	2011	**2010**
Goodwill	**$ –**	$ 4,563
Capitalized computer software costs	**22,972**	22,391
Less accumulated amortization	**(18,592)**	(16,872)
Total intangible assets	**$ 4,380**	$ 10,082

Intangible assets whose lives are indefinite, primarily goodwill, are not amortized and are evaluated for impairment at least annually, while intangible assets with definite lives, primarily capitalized computer software costs, are amortized over their expected useful lives. Amortization expense for intangibles was $2,627 and $887 for 2011 and 2010, respectively. The adoption of Accounting Standards Update (ASU) No. 2010-07, *Not-for-Profit Entities Mergers and Acquisitions* (ASU 2010-07), resulted in goodwill impairment of $4,563 recorded as cumulative effect of change in accounting principle on the consolidated statements of operations and changes in net assets for the year ended June 30, 2011. (See Adoption of New Accounting Standards section in Note 2.)

2. Significant Accounting Policies (continued)

Property and Equipment

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

	June 30	
	2011	**2010**
Land and improvements	**$ 49,815**	$ 49,819
Building and equipment	**528,987**	547,820
Construction in progress	**6,714**	3,551
	585,516	601,190
Less accumulated depreciation	**(303,034)**	(301,291)
Total property and equipment, net	**$ 282,482**	$ 299,899

Depreciation is determined on a straight-line basis over the estimated useful lives of the related assets. Depreciation expense in 2011 and 2010 was $27,628 and $31,294, respectively.

Estimated useful lives by asset category are as follows: land improvements – five to 15 years; buildings – five to 30 years; and equipment – five to 15 years. Interest costs incurred as part of related construction are capitalized during the period of construction. Net interest capitalized in 2011 and 2010 was $0 and $1,056, respectively.

Several capital projects have remaining construction and related equipment purchase commitments of approximately $13,098 as of June 30, 2011.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those assets whose use by the Health Ministry has been limited by donors to a specific time period or purpose. Temporarily restricted net assets are used in accordance with the donor's wishes, primarily to purchase equipment and to provide charity care and other health and educational services. Contributions with donor-imposed restrictions that are met in the same reporting period are reported as unrestricted.

2. Significant Accounting Policies (continued)

Performance Indicator

The performance indicator is excess of revenues and gains over expenses and losses. Changes in unrestricted net assets that are excluded from the performance indicator primarily include pension adjustments, transfers to or from sponsors and other affiliates, net assets released from restrictions for property acquisitions, contributions of property and equipment and cumulative effect of change in accounting principle.

Operating and Nonoperating Activities

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

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

Net patient service revenue is reported at the estimated realizable amounts from patients, third-party payors, and others for services provided excluding the provision for bad debt expense and includes estimated retroactive adjustments under reimbursement agreements with third-party payors. Revenue under certain third-party payor agreements is subject to audit, retroactive adjustments, and significant regulatory actions. Provisions for third-party payor settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and as final settlements are determined. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenue related to prior periods increased net patient service revenue by approximately $6,899 and $2,935 for the years ended June 30, 2011 and 2010, respectively.

2. Significant Accounting Policies (continued)

During 2011, approximately 31% of net patient service revenue was earned under the Medicare program and 13% under various state Medicaid programs. During 2010, approximately 32% of net patient service revenue was earned under the Medicare program and 9% under various state Medicaid programs. The Health Ministry grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor arrangements. Significant concentrations of accounts receivable at June 30, 2011, include Medicare (15%) and various states' Medicaid programs (12%). Significant concentrations of accounts receivable at June 30, 2010, include Medicare (18%) and various states' Medicaid programs (15%).

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

Income Taxes

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

Reclassifications

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

2. Significant Accounting Policies (continued)

Subsequent Events

The Health Ministry evaluates the impact of subsequent events, which are events that occur after the balance sheet date but before the financial statements are issued, for potential recognition in the financial statements as of the balance sheet date. For the year ended June 30, 2011, the Health Ministry evaluated subsequent events through August 24, 2011, the date on which the accompanying audited consolidated financial statements were available to be issued. During this period, there were no subsequent events that required recognition in the consolidated financial statements. Additionally, there were no nonrecognized subsequent events that required disclosure.

Adoption of New Accounting Standards

In January 2011, the Financial Accounting Standards Board (FASB) issued ASU 2010-07, which establishes accounting and disclosure requirements for how a not-for-profit entity determines whether a combination is a merger or an acquisition, how to account for each, and the required disclosures. In addition, ASU 2010-07 included amendments to FASB's ASC Topic 350, *Intangibles – Goodwill and Other* (ASC Topic 350), and Topic 810, *Consolidation* (ASC Topic 810), to make both applicable to not-for-profit entities. ASC Topic 350 clarifies the accounting for goodwill and indefinite-lived identifiable intangible assets recognized in a not-for-profit entity's acquisition of a business or nonprofit activity. Such assets are not amortized and are tested for impairment at least annually. The adoption of ASU 2010-07 resulted in goodwill impairment of $4,563 recorded as cumulative effect of change in accounting principle on the consolidated statements of operations and changes in net assets for the year ended June 30, 2011. ASC Topic 810 clarifies the accounting for noncontrolling interests and establishes accounting and reporting standards for the noncontrolling interest in a subsidiary, including classification as a component of net assets. The Health Ministry adopted the guidance relative to ASU 2010-07 as of July 1, 2010.

3.Cash and Cash Equivalents,Investm ents and Other Assets Limited as to Use

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

	June 30	
	2011	**2010**
Cash and cash equivalents	$ **42,038**	$ 36,922
Short-term investments	–	1
Board-designated investments	**3,457**	152,333
Other investments	**201,501**	9,547
Assets limited as to use – temporarily restricted	**9,026**	9,805
Total	$ **256,022**	$ 208,608

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

	June 30	
	2011	**2010**
Cash and cash equivalents	$ **21,169**	$ 33,757
Short-term investments	–	1
Private equity and other investments	**3,457**	2,815
Other assets limited as to use	**9,027**	9,805
Subtotal, included in cash and cash equivalents, short-term investments, Board-designated investments, assets limited as to use, and other investments	**33,653**	46,378
Pro rata share of HSD funds held for participants	**222,369**	162,230
Cash and cash equivalents, short-term investments, Board-designated investments, assets limited as to use, and other investments	$ **256,022**	$ 208,608

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

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

	June 30	
	2011	**2010**
Cash, cash equivalents and short-term investments	**6.9%**	5.8%
U.S. government obligations	**27.4**	26.0
Asset backed securities	**15.8**	11.3
Corporate and foreign fixed income investments	**11.3**	17.5
Equity,private equity and other investments	**38.6**	39.4
	100.0%	100.0%

Investment return recognized by the Health Ministry is summarized as follows:

	Year Ended June 30	
	2011	**2010**
Investment return in HSD	**$ 16,430**	$ 9,705
Net gains on investments reported at fair value	**14,343**	9,063
Total investment return included in nonoperating gains (losses)	**$ 30,773**	$ 18,768

4.Fair Value Measurements

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

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

4. Fair Value Measurements (continued)

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

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

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

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

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

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

4. Fair Value Measurements (continued)

Equity Securities

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

Private Equity Investments

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

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

4. Fair Value Measurements (continued)

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

	Level 1	Level 2	Level 3	Total
June 30, 2011				
Equity securities included in investments	$ 6,526	$ –	$ –	$ 6,526
Deferred compensation assets, included in other noncurrent assets, invested in:				
Equity securities	$ 7,224	$ –	$ –	$ 7,224
Guaranteed pooled fund	$ –	$ –	$ 4,445	$ 4,445

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

	Level 1	Level 2	Level 3	Total
June 30, 2010				
Short-term investments	$ 567	$ –	–	567
Corporate and foreign fixed income investments	–	235	–	235
Equity securities	3,873	–	–	3,873
Total investments	$ 4,440	$ 235	$ –	$ 4,675
Deferred compensation assets, included in other noncurrent assets, invested in:				
Equity securities	$ 6,983	$ –	$ –	$ 6,983
Guaranteed pooled fund	$ –	$ –	$ 2,740	$ 2,740

4. Fair Value Measurements (continued)

During the years ended June 30, 2011 and 2010, the changes in the fair value of the foregoing assets measured using significant unobservable inputs (Level 3) were comprised of the following. Transfers in or out of Level 3 are recognized as of the beginning of the reporting period.

	Deferred Compensation Assets
July 1, 2009	$ 2,514
Purchases, issuances and settlements	140
Transfers into Level 3	86
June 30, 2010	**2,740**
Purchases, issuances and settlements	**1,336**
Transfers into Level 3	**369**
June 30, 2011	**$ 4,445**

5. Long-Term Debt

Long-term debt consists of the following:

	June 30 2011	June 30 2010
Intercompany debt with Ascension Health, payable in installments through November 2047; interest (3.9% and 3.9% at June 30, 2011 and 2010, respectively) adjusted based on prevailing blended market interest rate of underlying debt obligations	**$ 126,792**	$ 127,823
Other	**1,203**	1,399
	127,995	129,222
Less current portion	**(1,087)**	(1,225)
Long-term debt, less current portion	**$ 126,908**	$ 127,997

5. Long-Term Debt (continued)

Scheduled principal repayments of long-term debt are as follows:

Year ending June 30:		
2012	$	1,087
2013		1,060
2014		2,097
2015		2,657
2016		1,778
Thereafter		119,316
Total	$	127,995

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

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

A Subordinate Credit Group, which is comprised of subordinate obligated group members and subordinate limited designated affiliates, was created under the Subordinate Master Trust Indenture (Subordinate MTI). The subordinate obligated group members are jointly and severally liable under the Subordinate MTI to make all payments required with respect to obligations under the Subordinate MTI and may be entities not controlled directly or indirectly by Ascension

5. Long-Term Debt (continued)

Health. Though subordinate limited designated affiliates are not obligated to make debt service payments on the obligations under the Subordinate MTI, each subordinate limited designated affiliate has an independent limited designated affiliate agreement and promissory note with Ascension Health with stipulated repayment terms and conditions, each subject to the governing law of the limited designated affiliate's state of incorporation. The Health Ministry is a subordinate obligated group member under the terms of the Subordinate MTI.

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

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

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

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

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

5. Long-Term Debt (continued)

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

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

The outstanding principal amount of all hospital revenue bonds is $4,100,240 which represents 38% of the combined unrestricted net assets of the Senior and Subordinate Credit Group members at June 30, 2011.

Guarantees are contingent commitments issued by the Senior and Subordinate Credit Groups, generally to guarantee the performance of a sponsored organization or an affiliate to a third party in borrowing arrangements such as commercial paper issuances, bond financing, and similar transactions. The term of the guarantee is equal to the term of the related debt which can be as short as 30 days or as long as 29 years. The maximum potential amount of future payments the Senior and Subordinate Credit Groups could be required to make under its guarantees and other commitments at June 30, 2011 is approximately $150,000.

During the years ended June 30, 2011 and 2010, interest paid was approximately $6,383 and $5,267, respectively. Capitalized interest was approximately $0 and $1,056 for the years ended June 30, 2011 and 2010, respectively.

6. Pension Plans

The Health Ministry participates in the Ascension Health Pension Plan and the Ascension Health Defined Contribution Plan.Details o f these plans are as follows.

Ascension Health Pension Plan

The Health Ministry participates in the Ascension Health Pension Plan, (the Ascension Plan), a noncontributory defined benefit pension plan sponsored by Ascension Health, which covers all eligible employees of certain Ascension Health entities. Benefits are based on each participant's years of service and compensation. The Ascension Plan's assets are invested in the Ascension

6. Pension Plans (continued)

Health Master Pension Trust (the Trust), a master trust consisting of cash and cash equivalents, equity, fixed income funds and alternative investments. The Trust also invests in derivative instruments, the purpose of which is to economically hedge the change in the net funded status of the Ascension Plan for a significant portion of the total pension liability that can occur due to changes in interest rates. Contributions to the Ascension Plan are based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants. Net periodic pension cost of $9,846 in 2011 and $8,274 in 2010 was charged to the Health Ministry. The service cost component of net periodic pension cost charged to the Health Ministry is actuarially determined while all other components are allocated based on the Health Ministry's pro rata share of Ascension Health's overall projected benefit obligation.

The assets of the Ascension Plan are available to pay the benefits of eligible employees of all participating entities. In the event participating entities are unable to fulfill their financial obligations under the Ascension Plan, the other participating entities are obligated to do so. As of June 30, 2011, the Ascension Plan had a net unfunded liability of $226,238 which was significantly reduced from the prior year due to improved market performance and changes in various assumptions, including an increase in the discount rate. Therefore, the Health Ministry's allocated share of the Ascension Plan's net unfunded liability reflected a decrease from $36,395 at June 30, 2010 to $16,610 at June 30, 2011 in the accompanying consolidated balance sheets. These allocations are included in transfers from (to) sponsor and other affiliates, net, in the accompanying consolidated statements of operations and changes in net assets.

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

6. Pension Plans (continued)

Ascension Health Defined Contribution Plan

The Health Ministry participates in the Ascension Health Defined Contribution Plan (the Defined Contribution Plan), a contributory and noncontributory, defined contribution plan sponsored by Ascension Health which covers all eligible associates. There are three primary types of contributions to the Defined Contribution Plan: employer automatic contributions, employee contributions, and employer matching contributions. Benefits for employer automatic contributions are determined as a percentage of a participant's salary and increases over specified periods of employee service. These benefits are funded annually and participants become fully vested over a period of time. Benefits for employer matching contributions are determined as a percentage of an eligible participant's contributions each payroll period. These benefits are funded each payroll period and participants become fully vested in all employer contributions immediately. Defined contribution expense, representing both employer automatic contributions and employer matching contributions, was $4,322 and $4,164 for the years ended June 30, 2011 and 2010, respectively.

7. Self-Insurance Programs

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

7. Self-Insurance Programs (continued)

General/Professional Liability Programs

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

Included in operating expenses in the accompanying consolidated statements of operations and changes in net assets is professional and general liability expense of $4,740 and $8,764 for the years ended June 30, 2011 and 2010, respectively. Included in current and long-term self-insurance liabilities on the accompanying consolidated balance sheets are professional and general liability loss reserves of approximately $4,227 and $4,721 at June 30, 2011 and 2010, respectively.

Workers' Compensation

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

Included in operating expenses in the accompanying consolidated statements of operations and changes in net assets is workers' compensation expense of $1,507 and $1,407 for the years ended June 30, 2011 and 2010, respectively.

8.Lease Co mmitments

Future minimum payments under noncancelable operating leases with terms of one year or more are as follows:

Year ending June 30:		
2012	$	8,617
2013		8,947
2014		8,151
2015		7,210
2016		4,571
Thereafter		13,624
Total	$	51,120

The Health Ministry has subleased certain of its space under the operating leases reported above. The total future minimum rents to be received under noncancellable subleases with terms of one year or more are $3,201.

The Health System entered into agreements to lease four parcels of land to an unrelated third party to construct and operate medical office buildings on the premises. Under the first lease, annual payments of $51 are due from the lessee, beginning on February 1, 1999, and continuing for a 51½-year period. Beginning with the second lease year through the term of the lease, rental payments increase by an amount equal to 2.00% of the rent of the previous year. The lessee has the option to extend the term of the lease for an additional ten-year period. Under the second lease, quarterly payments of $14 are due from the lessee, beginning on July 26, 2004, and continuing for a 76½-year period. Beginning with the 2007 lease year through and including the 2016 lease year, rental payments increase by an amount equal to 2.75% of the rent of the previous year. After the 2016 lease year, rent will increase by the lesser of 2.75% of the immediately preceding lease year or the Consumer Price Index as defined by the lease agreement. The lessee has the option to extend the term of the lease for an additional ten-year period. Under the third lease, quarterly payments of $15 are due from the lessee, beginning on May 1, 2002, and continuing for a 76½-year period. Beginning with the 2005 lease year through and including the 2014 lease year, rental payments increase by an amount equal to 2.75% of the rent of the previous year. After the 2015 lease year, rent will increase by the lesser of 2.75% of the immediately preceding lease year or the Consumer Price Index as defined by the lease agreement. The lessee has the option to extend the term of the lease for an additional ten-year period. Under the fourth lease, quarterly payments of $46 are due from the lessee, beginning on October 1, 2003, and continuing for a 76½-year period. Beginning with the 2005 lease year

8. Lease Commitments (continued)

through and including the 2014 lease year, rental payments increase by an amount equal to 2.75% of the rent of the previous year. After the 2015 lease year, rent will increase by the lesser of 2.75% of the immediately preceding lease year or the Consumer Price Index as defined by the lease agreement. The lessee has the option to extend the term of the lease for an additional ten-year period.

The lessees are responsible for all assessments, fees, levies, or other charges which are, or may be, imposed on or against the medical office buildings.

Future minimum rentals on the leases for each of the next five years and thereafter are as follows:

Year ending June 30:	
2012	$ 331
2013	339
2014	347
2015	356
2016	364
Thereafter	49,257
Total	$ 50,994

Additionally, the Health System has leased certain of its owned properties to unrelated third-party vendors. The future minimum rents to be received under noncancellable leases with terms of one year or more are $8,473.

Rental expense under operating leases amounted to $12,358 and $12,917 in 2011 and 2010, respectively.

At June 30, 2011 and 2010, the Health System has financing obligations relating to medical office buildings (MOBs) of $12,215 and $12,351, respectively, that result from two agreements entered into by the Health System to lease portions of MOBs constructed by an external development company on land leased from the Health System. Under ASC Topic 840, *Leases,* which Codified EITF No. 97-10, *The Effect of Lessee Involvement in Asset Construction*, the Health System was considered the owner of the MOBs during their construction. In addition,

8. Lease Commitments (continued)

because the transactions did not qualify for sale-leaseback treatment under ASC Topic 840-40, *Leases*, which Codified FASB Statement No. 98, *Accounting for Leases*, they were treated as financing transactions. Therefore, the cost of the MOBs and the related financing obligations are included in the accompanying consolidated balance sheets in property and equipment, net, and other noncurrent liabilities, respectively. All future cash obligations related to these transactions are reflected as future minimum lease payments in the amounts presented in the schedule above.

9.Related -Party Transactions

The Health Ministry utilized various centralized programs and overhead services of Ascension Health or its other sponsored organizations including risk management, retirement services, treasury, debt management, executive management support, administrative services, and information technology services. The charges allocated to the Health Ministry for these services represent both allocations of common costs and specifically identified expenses that are incurred by Ascension Health on behalf of the Health Ministry. Allocations are based on relevant metrics such as the Health Ministry's pro rata share of revenues, certain costs, debt, or investments to the consolidated totals of Ascension Health. The amounts charged to the Health Ministry for these services may not necessarily result in the net costs that would be incurred by the Health Ministry on a stand-alone basis. The charges allocated to the Health Ministry were approximately $18,571 and $18,306 for the years ended June 30, 2011 and 2010, respectively.

In addition to the charges discussed above, the Health Ministry made payments to Ascension Health of $7,564 for the year ended June 30, 2011, representing the Health Ministry's share of costs to fund an Ascension Health system-wide information technology and process standardization project that is expected to continue through December 2014. These payments are included in transfers to sponsor and other affiliates, net, in the accompanying statements of operations and changes in net assets.

During the year ended June 30, 2011, the Health Ministry transferred cash and investments of $4,624 in support of Ascension Health's strategic initiatives.

Other Financial Information

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ERNST & YOUNG

Report of Independent Certified Public Accountants

The Board of Directors
Sacred Heart Health System, Inc. and Subsidiaries

Out audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The following financial information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Ernst & Young LLP

August 24, 2011

Sacred Heart Health System, Inc. and Subsidiaries

Details of Consolidation – Balance Sheets

June 30, 2011

	Consolidated	Eliminations	Sacred Heart Hospital – Pensacola	Sacred Heart Hospital – Emerald Coast	Sacred Heart Hospital – Gulf	Other
			(Dollars In Thousands)			
Assets						
Current assets						
Cash and cash equivalents	$ 42,038	$ –	$ 8,330	$ 14,913	$ 473	$ 18,322
Short-term investments	–	–	–	–	–	–
Accounts receivable, less allowances for uncollectible accounts	88,691	–	48,774	11,870	1,297	26,750
Estimated third-party payor settlements	22,235	–	18,714	3,093	385	43
Intercompany accounts receivable	–	(10,487)	2,432	164	817	7,074
Inventories	14,939	–	11,558	2,268	299	814
Current portion of assets limited as to use	818	–	122	326	162	208
Other	8,952	(855)	4,365	466	614	4,362
Total current assets	177,673	(11,342)	94,295	33,100	4,047	57,573
Board-designated investments	3,457	–	–	–	–	3,457
Assets limited as to use – temporarily restricted	8,208	–	3,736	3,577	861	34
Property and equipment						
Land and improvements	49,815	–	30,270	3,298	2,301	13,946
Buildings and equipment	528,987	–	308,963	71,124	36,048	112,852
Construction in progress	6,714	–	5,047	146	–	1,521
Less accumulated depreciation	(303,034)	–	(217,717)	(32,539)	(2,947)	(49,831)
Total property and equipment, net	282,482	–	126,563	42,029	35,402	78,488
Other assets						
Land held for expansion	4,702	–	4,702	–	–	–
Investment in unconsolidated entities	7,852	–	477	–	–	7,375
Other investments	201,501	–	159,939	12,811	–	28,751
Other	21,781	–	979	581	2,032	18,189
Total other assets	235,836	–	166,097	13,392	2,032	54,315
Total assets	$ 707,656	$ (11,342)	$ 390,691	$ 92,098	$ 42,342	$ 193,867

Sacred Heart Health System, Inc. and Subsidiaries

Details of Consolidation – Balance Sheets (continued)

	Consolidated	Eliminations	Sacred Heart Hospital – Pensacola	Sacred Heart Hospital – Emerald Coast	Sacred Heart Hospital – Gulf	Other
			(Dollars In Thousands)			
Liabilities and net assets						
Current liabilities						
Current portion of long-term debt	$ 1,087	$ (83)	$ 507	$ 253	$ –	$ 410
Accounts payable and accrued liabilities	60,562	(772)	31,542	5,393	738	23,661
Estimated third-party payor settlements	15,548	–	14,989	274	58	227
Current portion of self-insurance liabilities	1,526	–	1,526	–	–	–
Intercompany accounts payable	–	(10,487)	2,127	889	345	7,126
Total current liabilities	78,723	(11,342)	50,691	6,809	1,141	31,424
Noncurrent liabilities						
Long-term debt	126,908	–	69,938	34,873	–	22,097
Self-insurance liabilities	2,701	–	2,411	227	26	37
Pension liabilities	16,610	–	7,303	1,999	–	7,308
Other	29,184	–	1,168	545	1,923	25,548
Total noncurrent liabilities	175,403	–	80,820	37,644	1,949	54,990
Total liabilities	254,126	(11,342)	131,511	44,453	3,090	86,414
Net assets:						
Unrestricted	442,494	–	255,322	43,742	38,228	105,202
Temporarily restricted	9,027	–	3,858	3,903	1,024	242
Total net assets excluding noncontrolling interest	451,521	–	259,180	47,645	39,252	105,444
Noncontrolling interest	2,009	–	–	–	–	2,009
Total net asseets	453,530	–	259,180	47,645	39,252	107,453
Total liabilities and net assets	$ 707,656	$ (11,342)	$ 390,691	$ 92,098	$ 42,342	$ 193,867

Sacred Heart Health System, Inc. and Subsidiaries

Details of Consolidation – Statement of Operations

Year Ended June 30, 2011

	Consolidated	Eliminations	Sacred Heart Hospital – Pensacola	Sacred Heart Hospital – Emerald Coast	Sacred Heart Hospital – Gulf	Other
			(Dollars In Thousands)			
Operating revenue						
Net patient service revenue	$ 726,932	$ –	$ 449,537	$ 93,193	$ 10,207	$ 173,995
Other revenue	13,527	(115,934)	1,227	422	2,061	125,751
Net assets released from restrictions for operations	1,292	–	210	166	19	897
Total operating revenue	741,751	(115,934)	450,974	93,781	12,287	300,643
Operating expenses						
Salaries and wages	248,819	(758)	115,575	23,271	5,312	105,419
Employee benefits	63,690	–	33,258	5,071	808	24,553
Purchased services	37,773	–	16,164	3,504	639	17,466
Professional fees	29,091	(92,126)	66,934	13,684	3,255	37,344
Supplies	128,441	(88)	90,733	13,894	918	22,984
Insurance	5,685	–	4,032	61	64	1,528
Bad debts	78,026	(45)	49,415	15,412	2,939	10,305
Interest	6,201	–	2,803	1,397	–	2,001
Depreciation and amortization	30,255	–	16,961	3,951	2,789	6,554
Other	84,503	(20,452)	31,850	5,163	1,563	66,379
Total operating expenses	712,484	(113,469)	427,725	85,408	18,287	294,533
Income from operations	29,267	(2,465)	23,249	8,373	(6,000)	6,110
Nonoperating gains (losses)						
Investment return	30,773	–	23,107	2,173	–	5,493
Other	(346)	(1,078)	470	25	(4)	241
Total nonoperating gains, net	30,427	(1,078)	23,577	2,198	(4)	5,734
Excess (deficit) of revenue and gains over expenses and losses	$ 59,694	$ (3,543)	$ 46,826	$ 10,571	$ (6,004)	$ 11,844

1108-1281538

Sacred Heart Health System, Inc. and Subsidiaries

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

(Dollars in Thousands)

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

	Year Ended June 30	
	2011	**2010**
Traditional charity care provided	**$ 16,816**	$ 14,555
Unpaid cost of public programs for persons living in poverty	**12,983**	37,900
Other programs for persons living in poverty and other vulnerable persons	**771**	786
Community benefit programs	**4,821**	3,163
Care of persons living in poverty and community benefit programs	**$ 35,391**	$ 56,404

Additional Data

Software ID:
Software Version:
EIN: 59-0634434
Name: Sacred Heart Health System Inc

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply) Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former	(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
Eric Nickelsen Chairman	1 00	X		X				0	0	0
Dudley H Greenhut Vice-Chair	1 00	X		X				0	0	0
Richard R Baker Member	1 00	X						0	0	0
Carol H Carlan Member	1 00	X						0	0	0
Gerald J Christie Member	1 00	X						0	0	0
E Jean Dabezies Jr MD Member (end 07/10)	1 00	X						35,000	0	0
Sr Mary Jean Doyle Member	1 00	X						0	0	0
Robert A Emmanuel Member	1 00	X						0	0	0
Nancy A Fetterman Member	1 00	X						0	0	0
Sr Joan Keating DC Member	1 00	X						0	0	0
Sr Ellen Lacapria Member	1 00	X						0	0	0
Antonio E Pena MDStart 0111 Member	1 00	X						0	0	0
Adelaida B Torres MD Member	1 00	X						0	0	0
Ronald P Townsend Member	1 00	X						0	0	0
Buddy Elmore Sch O EVP & CFO	40 00			X				548,019	0	43,514
Laura Kaiser Sch O President & CEO	40 00			X				1,379,485	0	41,656
Carol Schmidt Chief Operating Officer	40 00			X				289,102	0	17,922
James Ward MD Chief Medical Officer	40 00			X				363,841	0	12,299
Carol Whittington VP of Human Resources	40 00			X				383,720	0	22,971
Dr Paul Baroco CMO	40 00				X			492,188	0	42,596
Karen Emmanuel Sch O General Counsel	40 00				X			344,297	0	39,217
Roger Hall President - SHHEC & SHHG	40 00				X			404,179	0	39,540
Peter Heckathorn Sch O EVP SHMG	40 00				X			605,059	0	41,903
Dr Tarek Eldawy Physician	40 00					X		890,572	0	18,769
Dr Mark Boatright Physician	40 00					X		963,693	0	41,251

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Dr Thomas Sunnenberg Physician	40 00					X		1,011,340	0	41,629
Dr Harish Malhotra Physician	40 00					X		879,877	0	878
Dr Michael Goodman Physician	40 00					X		1,330,258	0	25,393
Deborah Bostic Former President - SHHP	40 00						X	543,757	0	20,778
Patrick Madden Former President & CEO	40 00						X	3,710,692	0	42,596

Form 990, Part III - 4 Program Service Accomplishments (See the Instructions)

4d. Other program services

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

Medical Education - Sacred Heart Health System believes that, in order to provide the best health care to the community, its clinical personnel must receive ongoing medical education