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DLN: 93493135020142

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)

2010

OMB No 1545-0047

2010

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

Open to Public Inspection

applicable C Name of organization			
Memorial Health Care System		D Employer	identification number 345
Doing Business As		E Telephone	number
	Danier (austra	-	
ted 2525 DeSales Avenue	Room/suite	(423) 49	
d return Cıty or town, state or country, and ZIP + 4 Chattanooga, TN 37404 on pending		G Gloss recei	pts \$ 526,409,467
F Name and address of principal officer	H(a) Isthisagn	oup return for aff	iliates? Yes Vo
Chattanooga, TN 37377	If "No,"	attach a lis	st (see instructions)
empt status	H(c) Group (exemption r	number ► 0928
te: ► www memorial org			
organization 🔽 Corporation 🧵 Trust 🗀 Association 🗀 Other 🕨	L Year of forma	ation 1952	M State of legal domicile TN
Summary			
Briefly describe the organization's mission or most significant activities Emphasize human dignity and social justice as we create healthier communities be ability to pay, for those in Chattanooga, TN and the surrounding area	by providing he	ealth care s	ervices regardless of
Check this box দ if the organization discontinued its operations or disposed of	more than 25%	% of its net	assets
Number of voting members of the governing body (Part VI, line 1a) $$. $$. $$.		3	21
Number of independent voting members of the governing body (Part VI, line 1b)		4	18
Total number of individuals employed in calendar year 2010 (Part V, line 2a) $$.		5	3,915
Total number of volunteers (estimate if necessary)		6	650
·		7a	10,553,895
Net unrelated business taxable income from Form 990-T, line 34	.	7b	-2,340,539
			Current Year
			3,218,619
			507,339,970
			11,416,598
		3,260,786	4,418,090
	46	7.672.681	526,393,277
			681,473
		. 0	, 0
Salaries, other compensation, employee benefits (Part IX, column (A), lines	1.81	0 050 828	198,942,187
			130,342,107
		0	0
	2.5	2 441 205	202.056.457
			283,856,457
		· · · ·	483,480,117
Revenue less expenses Subtract fille 10 Holli fille 12			42,913,160 End of Year
T. I. J. (D. I.V.) 153			
			465,603,214
Total liabilities (Part X, line 26)		0,912,375	86,842,385
Net assets or fund balances Subtract line 21 from line 20	33.	3,297,036	378,760,829
	F Name and address of principal officer James Hobson 2525 DE SALES AVENUE Chattanooga, TN 37377 The www memorial org Trust	F Name and address of principal officer James Hobson 2525 DE SALES AVENUE Chattanooga, TN 37377 If 'No,' H(c) Group Trust Association Other ► Learn of the Briefly described by providing he ability to pay, for those in Chattanooga, TN and the surrounding area Check this box ► if the organization discontinued its operations or disposed of more than 25°C Number of voting members of the governing body (Part VI, line 1a) Number of independent voting members of the governing body (Part VI, line 2a) Total number of individuals employed in calendar year 2010 (Part V, line 2a) Total number of volunteers (estimate if necessary) Total number of volunteers (estimate if necessary) Total number of volunteers (Part VIII, line 1b) Program service revenue (Part VIII, line 2g)	F Name and address of principal officer James Hobson 2525 DE SALES AVENUE Chattanooga, TN 37377 H(a) is this a group return for all fill No.," attach a list of No.,

Form	990 (2010)					Page 2
Par		t of Program Servedule O contains a res		lishments estion in this Part III		
1	Briefly describe the	e organization's missio	n			
new l	life, energy and viabil		Fidelity to the		ure the healing ministry of phasize human dignity and	
2				rvices during the year	which were not listed on	√ Yes No
		nese new services on S				i ica i ito
3	Did the organization services?		make significan	t changes in how it con	ducts, any program	┌ Yes ┌ No
4	Describe the exemp Section 501(c)(3) a	ot purpose achievemer and 501(c)(4) organiza	nts for each of thations and section		argest program services by e required to report the am ervice reported	
4a	(Code SEE SCHEDULE H) (Expenses \$	419,870,453	including grants of \$	681,473) (Revenue \$	497,314,182)
4b	(Code) (Expenses \$		including grants of \$) (Revenue \$)
	(Code) (Funancea t		makiding graphs of t) (Revenue \$,
4c	(Code) (Expenses \$		including grants of \$) (Revenue \$)
4d		rvices (Describe in Sc)/D	\ \
	(Expenses \$		cluding grants of	<u> </u>) (Revenue \$)
<u>4e</u>	Total program sen	vice expenses►\$	419,870,45	3		

Part IV	Checklist of	Required	Schedules
---------	--------------	----------	------------------

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A	1	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)? 📆	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I	3		No
4	Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III	5		
6	Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," complete Schedule D, Part II	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 💆	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV	9		No
10	Did the organization, directly or through a related organization, hold assets in term, permanent,or quasi- endowments? If "Yes," complete Schedule D, Part V	10		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? If "Yes," complete Schedule D, Part VI.	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII.	11b	Yes	
С	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII.	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX.	11d		No
е	Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X.	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X.	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes,"</i> 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? <i>If</i> "Yes," complete Schedule F, Parts I and IV	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $$5,000$ of grants or assistance to any organization or entity located outside the U S ? If "Yes," complete Schedule F, Parts II and IV	15		N o
16	Did the organization report on Part IX, column (A), line 3, more than $$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? <i>If</i> "Yes," complete Schedule G, Part I (see instructions)	17		N o
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		N o
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	

Par	t IV Checklist of Required Schedules (continued)			
21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? If "Yes," complete Schedule I, Parts I and II	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III	22	Yes	
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		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? If "Yes," complete Schedule L, Part III	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
а	A current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part			
	IV	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	28b		No
С	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? If "Yes," complete Schedule L, Part IV	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? If "Yes," complete Schedule N, Part II	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? If "Yes," complete Schedule R, Part I	33	Yes	
34	Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1	34	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	35	Yes	
а	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 \Box			
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related	36		No
37	organization? If "Yes," complete Schedule R, Part V, line 2	30		<u> </u>
<i>3,</i>	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 in Schedule of Contains a response to any question in this rate v			
1a	Enter the number reported in Box 3 of Form 1096 Enter -0 - if not applicable		Yes	No
	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable			
	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable			
2a	gaming (gambling) winnings to prize winners?	1 c	Yes	
	Statements filed for the calendar year ending with or within the year covered by this return			
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?	За	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		Νo
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
	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b		Νo
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		Νo
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b		
7 a	Organizations that may receive deductible contributions under section 170(c). Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and	7a		Νo
	services provided to the payor?	7b		
	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to			NI a
d	file Form 8282?	/6		No
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit	7e		No
f	contract?	7e 7f		No
	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as			
h	required?	7g		
	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.			
	Did the organization make any taxable distributions under section 4966?	9a		
	Did the organization make a distribution to a donor, donor advisor, or related person?	9b		
10 a	Section 501(c)(7) organizations. Enter Initiation fees and capital contributions included on Part VIII, line 12 10a			
	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities 10b			
11				
	Gross income from members or shareholders			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)			
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			
13	Section 501(c)(29) qualified nonprofit health insurance issuers.			
а	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			
c	Enter the amount of reserves on hand			
1.4-	Did the organization receive any nayments for indeer tanning corvices during the tay year?	1/1-		NI -
	Did the organization receive any payments for indoor tanning services during the tax year?	14a 14b		No

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.

itains a response to any question in					

Se	ction A. Governing Body and Management			
			Yes	No
1-	Enter the number of veting members of the governing heady at the and of the tay			
1a	Enter the number of voting members of the governing body at the end of the tax year			
ь	Enter the number of voting members included in line 1a, above, who are			
	ındependent	ļ		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any	2		Νo
3	other officer, director, trustee, or key employee?			110
3	supervision of officers, directors or trustees, or key employees to a management company or other person?	3		Νo
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was			
	filed?	4		<u> No</u>
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	
ь	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			
а	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	9		NI a
	organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9		No
	venue 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	
ь	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	126	V	
_	to conflicts?	12b	Yes	
C	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?			
	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		Νo
Se	ection C. Disclosure	100		140
17	List the States with which a copy of this Form 990 is required to be filed►TN			
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 V 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 F Cheryl Sadro

2525 de Sales Avenue Chattanooga, TN 37377

(423) 495-7878

<u>Part VIII</u> Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

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 organi		elated o	rganı	zatio	on co	ompen	sate	d any current office	er, director, or trust	ee
(A) Name and Title	(B) A verage hours							(D) Reportable compensation	(E) Reportable compensation	(F) Estimated amount of other
	per week (describe hours for related organizations in Schedule O)	Highest compensated employee Key employee Officer Institutional Trustee or director			Former	from the organization (W- 2/1099-MISC)	from related organizations (W- 2/1099- MISC)	compensation from the organization and related organizations		
See Additional Data Table										
				<u> </u>	<u> </u>					

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

	(A) Name and Title	(B) Average hours	(C) Position (check all that apply)						(D) Reportable compensation from the	(E) Reportable compensatior from related		(F) Estima mount of compens	ted fother
		per week (describe hours for related organizations in Schedule O)	Individual trustee or director	Institutional Trustee	Officei	Key employee	Highest compensated employee	Former	organization (W- 2/1099-MISC)	organizations (W- 2/1099- MISC)	0	from t rganizati relate organiza	he on and ed
See A	dditional Data Table												
				-									
1b	Sub-Total							<u> </u>			_		
d	Total from continuation sheet Total (add lines 1b and 1c) .	· · · · ·						>	2,159,304	1,945,32	6	4	69,522
2	Total number of individuals (in \$100,000 in reportable compe	cluding but not lir	nited to	thos	e lıs	ted) who					· ·
			_				_					Yes	No
3	Did the organization list any f oon line 1a? <i>If</i> "Yes," complete S										3	Yes	
4	For any individual listed on line												

			res	NO
3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If</i> " <i>Yes,"</i> complete Schedule <i>J</i> 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

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
Xanıtos Inc PO Box 95000-3290 Philadelphia, PA 19195	Cleaning Services	4,119,535
Kinsey Probasco Hays 100 East 10th Street Chattanooga, TN 37402	Construction	4,019,535
Sodexo Inc Affiliates PO Box 536922 Atlanta, GA 30353	Dietary Services	3,218,482
Angelica Corporation 9506 Ooltewah Industrial Blvd Ooltewah, TN 37363	Laundry Services	1,729,523
JJ Contractors 700 W Main Street Chattanooga, TN 374024703	Construction	1,704,449
2 Total number of independent contractors (including but not limited to those listed above) \$100,000 in compensation from the organization ►39	who received more than	

Form 9	•	2010) Statement of Reven	IIA				Pag	e 9
					(A) Total revenue	(B) Related or exempt function revenue		(D) Revenue excluded from tax under sections 512, 513, or 514
# SE	1a	Federated campaigns	1a					
Contributions, gifts, grants and other similar amounts	ь	Membership dues	. 1b					
S, G	c	Fundraising events	1c					
無っ		Related organizations		3,218,619				
% <u>,E</u>		Government grants (contributions)						
구 교								
ē Pē	_	All other contributions, gifts, grants similar amounts not included above	e					
i g	g	Noncash contributions included in li	nes 1a-1f \$	5,612				
လူ မ	h	Total. Add lines 1a-1f	the second second by		3,218,619			
<u></u>				Business Code				
E E	2a	Patient Services		000000	F00 077 444	402 224 040	8,655,596	
æ	ь			900099	3,318,351	492,221,848 3,318,351		
-S-	c	Laboratory Services		621500	1,286,646			
Ę.	d	Pharmacy Services		446110	1,370,192		1,370,192	
Ē		Research		900099	121,932	·		
Program Serwce Revenue	f	All other program service re	venue		365,405	365,405		
<u>Ť</u>	g	Total. Add lines 2a-2f	.		507,339,970			
	3	Investment income (includin	ig dividends, interest					
		and other similar amounts)			3,751,073		10,351	3,740,722
	-	Income from investment of tax-ex			0			
	5	Royalties	(ı) Real	(II) Personal				
	6a	Gross Rents	32,837	(II) I ersonar				
	ь	Less rental	16,190					
	С	expenses Rental income	16,647					
	d	or (loss) Net rental income or (loss)	.		16,647			16,647
		Tractantan meanie at (1888)	(i) Securities	(II) O ther				· ·
	7a	Gross amount from sales of assets other	7,630,393	35,132				
	b	than inventory Less cost or other basis and sales expenses						
	c	Gain or (loss)	7,630,393	35,132				
	d	Net gain or (loss)			7,665,525			7,665,525
Other Revenue	8a	Gross income from fundraisi (not including \$						
Веў		of contributions reported on See Part IV, line 18						
<u> </u>		•	a					
듔	b	Less direct expenses .	b					
_		Net income or (loss) from fu			0			
			ctivities See Part IV, line 19 . a					
		Net income or (loss) from ga	b		0			
		Gross sales of inventory, les returns and allowances						
		Less cost of goods sold . Net income or (loss) from sa			0			
	-	Miscellaneous Revenue		Business Code				
	11a	Services Sold		900099	1,758,080		517,756	1,240,324
		Child Care		624410	635,669			635,669
		Leased Employees		561300	381,624			381,624
		All other revenue	·		1,626,070			1,626,070
	e	• Total. Add lines 11a-11d	· · · · · · · · · · · · · · · · · · ·	<u> </u>	4,401,443			
	12	Total revenue. See Instructi	ons		526,393,277	497,314,182	10,553,895 m 990 (20:	

Part IX Statement of Functional Expenses
Section 501(c)(3) and 501(c)(4) organizations must complete all columns.

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 no	ot include amounts reported on lines 6b, p, 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						
	ın the U S See Part IV, line 21	545,909	545,909				
2	Grants and other assistance to individuals in the						
	U S See Part IV, line 22	135,564	135,564				
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16	0					
4	Benefits paid to or for members	0					
5	Compensation of current officers, directors, trustees, and key employees	863,822		863,822			
6	Compensation not included above, to disqualified persons (as defined under section $4958(f)(1)$) and persons described in section $4958(c)(3)(B)$	0					
7	Other salaries and wages	153,645,849	131,703,964	21,941,885			
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	8,314,473	7,090,765	1,223,708			
9	Other employee benefits	25,233,707	21,509,199	3,724,508			
10	Payroll taxes	10,884,336	9,282,401	1,601,935			
а	Fees for services (non-employees) Management	0					
b	Legal	481,571		481,571			
C	Accounting	839,041		839,041			
d	Lobbying	0					
e	Professional fundraising services See Part IV, line 17	0					
f	Investment management fees	0					
g	Other	54,570,509	46,394,492	8,176,017			
12	Advertising and promotion	0					
13	Office expenses	126,088,243	116,142,579	9,945,664			
14	Information technology	0					
15	Royalties	0					
16	Occupancy	9,582,038	8,952,247	629,791			
17	Travel	706,127		706,127			
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0					
19	Conferences, conventions, and meetings	89,827		89,827			
20	Interest	1,436,997	1,436,997				
21	Payments to affiliates	8,421,516		8,421,516			
22	Depreciation, depletion, and amortization	22,363,866	21,071,572	1,292,294			
23 24	Insurance	2,926,920	2,926,920				
_	line 25, column (A) amount, list line 24f expenses on Schedule O)	25.025.2=-	25.025.2==				
a h	Dues & subscriptions	35,835,279	35,835,279	601.056			
Ь	·	601,956	14 216 257	601,956			
C C	Income/sales/property taxes	14,983,386	14,216,257	767,129			
d	Repairs and maintenance Recruitment and relocation	2,326,904	2,326,904	242 477			
e f		342,477	200 404	342,477			
f 25	All other expenses Total functional expenses Add lines 1 through 24f	2,259,799	299,404	1,960,396	-		
25	Total functional expenses. Add lines 1 through 24f	483,480,117	419,870,453	63,609,664	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						

Pa	rt X	Balance Sheet					
					(A) Beginning of year		(B) End of year
	1	Cash—non-interest-bearing	•		11,030	1	15,033
	2	Savings and temporary cash investments		29,222,905	2	20,204,417	
	3	Pledges and grants receivable, net			4,000	3	4,000
	4	Accounts receivable, net			87,583,692	4	66,041,371
	5	Receivables from current and former officers, directors, trustee highest compensated employees Complete Part II of	employees, and				
		Schedule L		5			
	6	Receivables from other disqualified persons (as defined under spersons described in section $4958(c)(3)(B)$, and contributing esponsoring organizations of section $501(c)(9)$ voluntary emploorganizations (see instructions)	mploy	ers, and			
sts		Schedule L				6	
Assets	7	Notes and loans receivable, net			639,776	7	411,788
۲	8	Inventories for sale or use			13,218,053	8	14,458,558
	9	Prepaid expenses and deferred charges			817,213	9	2,013,183
	10a	Land, buildings, and equipment cost or other basis <i>Complete Part VI of Schedule D</i>	10a	449,595,576			_
	b	Less accumulated depreciation	10b	263,466,738	153,403,147	10 c	186,128,838
	11	Investments—publicly traded securities		11			
	12	Investments—other securities See Part IV, line 11	141,939,721	12	168,005,059		
	13	Investments—program-related See Part IV, line 11		13			
	14	Intangible assets			7,042,487	14	7,042,487
	15	Other assets See Part IV, line 11			327,387	15	1,278,480
	16	Total assets. Add lines 1 through 15 (must equal line 34) .	434,209,411	16	465,603,214		
	17	Accounts payable and accrued expenses .			57,773,587	17	48,283,242
	18	Grants payable				18	
	19	Deferred revenue			575,707	19	404,877
	20	Tax-exempt bond liabilities				20	
Se.	21	Escrow or custodial account liability Complete Part IV of Schedu	le D			21	
bilities	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified					
Lial		persons Complete Part II of Schedule L				22	
	23	Secured mortgages and notes payable to unrelated third parties	5 .		2,470,712	23	2,837,709
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities Complete Part X of Schedule D			40,092,369	25	35,316,557
	26	Total liabilities. Add lines 17 through 25			100,912,375	26	86,842,385
-		Organizations that follow SFAS 117, check here ▶ 🔽 and com	plete l	ines 27			_
Balance		through 29, and lines 33 and 34.					
lar	27	Unrestricted net assets			333,297,036	27	378,780,829
æ	28	Temporarily restricted net assets				28	-20,000
Fund	29	Permanently restricted net assets				29	
Fu		Organizations that do not follow SFAS 117, check here ▶	nd con	nplete			
è		lines 30 through 34.					
	30	Capital stock or trust principal, or current funds				30	
Assets	31	Paid-in or capital surplus, or land, building or equipment fund				31	
	32	Retained earnings, endowment, accumulated income, or other f	unds			32	
Net	33	Total net assets or fund balances			333,297,036	33	378,760,829
	34	Total liabilities and net assets/fund balances	434,209,411	34	465,603,214		

Par	Check if Schedule O contains a response to any question in this Part XI			.┏	
1	Total revenue (must equal Part VIII, column (A), line 12)	1		526 3	393,277
2	Total expenses (must equal Part IX, column (A), line 25)	2			180,117
3	Revenue less expenses Subtract line 2 from line 1	3		42,9	913,160
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4		333,2	297,036
5	Other changes in net assets or fund balances (explain in Schedule O)	5		2,5	550,633
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		378,7	760,829
Par	T XII Financial Statements and Reporting Check if Schedule O contains a response to any question in this Part XII			୮	
1	Accounting method used to prepare the Form 990			Yes	No
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	
С	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of to 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 its 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 is on a separate basis, consolidated basis, or both	ssued			
	☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separated basis				
За	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?	e	3a		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the raudit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	equired	3b		

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DLN: 93493135020142

OMB No 1545-0047

Public Charity Status and Public Support

Department of the Treasury Internal Revenue Service

SCHEDULE A

(Form 990 or 990EZ)

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

Inspection

Name of the organization Memorial Health Care System

Attach to Form 990 or Form 990-EZ. See separate instructions. **Employer identification number**

62-0532345 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) A church, convention of churches, or association of churches described in section 170(b)(1)(A)(i). 1 A school described in section 170(b)(1)(A)(ii). (Attach Schedule E) 굣 A hospital or a cooperative hospital service organization described in section 170(b)(1)(A)(iii). 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 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) A federal, state, or local government or governmental unit described in section 170(b)(1)(A)(v). 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) A community trust described in section 170(b)(1)(A)(vi) (Complete Part II) An organization that normally receives (1) more than 331/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 331/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See section 509(a)(2). (Complete Part III) An organization organized and operated exclusively to test for public safety Seesection 509(a)(4). 10 An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of 11 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 Type I **b** Type II Type III - Other 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) 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 Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons? (i) a person who directly or indirectly controls, either alone or together with persons described in (ii) Yes No 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	(iv) Is the organization in col (i) listed in your governing document?		(v) Did you not organizati col (i) of suppor	on in your	(vi) Is the organizati col (i) orga in the U	on in anized	(vii) A mount of support
		inst ruct ions))	Yes	No	Yes	No	Yes	No	
Total									

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.)

<u> </u>	ection A. Public Support		and to quanty t			out complete	
	endar year (or fiscal year beginning						
Care	in)	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1	Gifts, grants, contributions, and						
	membership fees received (Do not						
	ınclude 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						
Ū	line 4						
S	ection B. Total Support		<u> </u>	I I.			
	endar year (or fiscal year beginning						
	ın) >	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7	A mounts from line 4						
8	Gross income from interest,						
Ū	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 activiti	es, etc (See inst	ructions)			12	
13	First Five Years If the Form 990 is t	for the organizati	on's first, second	, thırd, fourth, or	fifth tax year as a	501(c)(3) organı	
	check this box and stop here						►
	-tiC Ct-ti	L'a Carana at B					
<u> </u>	ection C. Computation of Pub Public Support Percentage for 2010			11 column (f))			
	· ·		•	II Column (1))		14	
15	Public Support Percentage for 2009	Schedule A, Pa	rt II, line 14			15	
16a	33 1/3% support test—2010. If the				line 14 is 33 1/3%	or more, check	
_	and stop here. The organization qua						▶ □
b	33 1/3% support test—2009. If the				5a, and line 15 is 3	33 1/3% or more,	- -
	box and stop here. The organization				45.46		►
1/a	10%-facts-and-circumstances test-						
	is 10% or more, and if the organization made						rt a d
	in Part IV how the organization mee	ts the "racts and	circumstances"	test ine organiz	ration qualifies as	a publicly suppo	
L	organization	_2000 If+ba a	anization did not	chack a hay an l	no 12 165 166 -	r 17a and line	► □
D	10%-facts-and-circumstances test- 15 is 10% or more, and if the organ						
	Explain in Part IV how the organization						v
	supported organization	aon meets the 10	acts and circuilis	tances test file	z organizacion qual	mes as a publici	y ▶[¯
18	Private Foundation If the organizati	on did not check	a box on line 13	. 16a. 16b. 17a o	r 17b, check this	box and see	- 1
	instructions	on ala not check	a box on fine 15	, 100, 100, 1700	I by check tills	SON GING SCC	▶ □

organization

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 (a) 2006 **(b)** 2007 (c) 2008 (d) 2009 (e) 2010 (f) Total ın) 🟲 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants") 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 Gross receipts from activities that are not an unrelated trade or business under section 513 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf The value of services or facilities furnished by a governmental unit to the organization without charge Total. Add lines 1 through 5 7a Amounts included on lines 1, 2, and 3 received from disqualified 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 Public Support (Subtract line 7c from line 6) Section B. Total Support Calendar year (or fiscal year beginning (a) 2006 **(b)** 2007 (c) 2008 (d) 2009 (e) 2010 (f) Total in) 9 Amounts from line 6 Gross income from interest, 10a dividends, payments received on securities loans, rents, royalties and income from similar sources Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975 Add lines 10a and 10b C Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on Other income Do not include 12 gain or loss from the sale of capital assets (Explain in Part IV) Total support (Add lines 9, 10c, 11 and 12) First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here Section C. Computation of Public Support Percentage 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 Investment income percentage for **2010** (line 10c column (f) divided by line 13 column (f)) 17 **17** Investment income percentage from 2009 Schedule A, Part III, line 17 18 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

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

▶□

Part IV

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

Schedule A (Form 990 or 990-EZ) 2010

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DLN: 93493135020142

OMB No 1545-0047

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.

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

SeSeIf the	ction 501(c)(3) organizations that ction 501(c)(3) organizations that	s," to Form 990, Part IV, Line 4, or t have filed Form 5768 (election under t have NOT filed Form 5768 (election u s," to Form 990, Part IV, Line 5 (Pr zations Complete Part III	section 501(h)) (inder section 501	Complete Part II-A Do not co (h)) Complete Part II-B Do	omplete Part II-B not complete Part II-A
Na	me of the organization	·		Employer ide	ntıfıcatıon number
Mer	norial Health Care System			62-0532345	
Par	t I-A Complete if the or	ganization is exempt under	section 501(
1	Provide a description of the or	ganızatıon's dırect and ındırect politic	cal campaign act	rivities in Part IV	
2	Political expenditures	gamzations ander and mander points	car campaign acc		¢
3	Volunteer hours			-	Ψ
Par	t I-B Complete if the or	ganization is exempt under	section 501(c)(3).	
1	Enter the amount of any excise	e tax incurred by the organization und	der section 4955	5 •	\$
2	Enter the amount of any excise	e tax incurred by organization manag	ers under sectio	n 4955 •	\$
3	If the organization incurred a s	section 4955 tax, did it file Form 472	0 for this year?		┌ Yes ┌ No
4a	Was a correction made?				☐ Yes ☐ No
b	If "Yes," describe in Part IV				
Par	t I-C Complete if the or	ganization is exempt under	section 501(c) except section 50	1(c)(3).
1	Enter the amount directly expe	ended by the filing organization for se	ction 527 exem	pt function activities 🕨	\$
2	Enter the amount of the filing of exempt funtion activities	organization's funds contributed to ot	her organizations	s for section 527 ►	\$
3	Total exempt function expendi	tures Add lines 1 and 2 Enter here	and on Form 112	.0-POL, line 17b ►	\$
4	Did the filing organization file I	Form 1120-POL for this year?			⊤ Yes
5	organization made payments l amount of political contribution	nd employer identification number (E For each organization listed, enter the ns received that were promptly and d political action committee (PAC) If	e amount paid fro irectly delivered	om the filing organization's to a separate political org	funds Also enter the anization, such as a
	(a) Name	(b) Address	(c) EIN	(d) A mount paid from filing organization's funds If none, enter -0-	(e) A mount of political contributions received and promptly and directly delivered to a separate political organization If none, enter -0-

Р	art II-A Complete if the organization under section 501(h)).	is exempt under section 501(c)(3)	and filed Form 5768	(election
	Check If the filing organization belongs to a Check If the filing organization checked bo	n affiliated group x A and "limited control" provisions apply		
	Limits on Lobbying E (The term "expenditures" means ar		(a) Filing O rganization's Totals	(b) Affiliated Group Totals
1a	Total lobbying expenditures to influence public o	pınıon (grass roots lobbyıng)		
b	Total lobbying expenditures to influence a legisl	ative body (direct lobbying)		
C	Total lobbying expenditures (add lines 1a and 1	o)		
d	O ther exempt purpose expenditures			
е	Total exempt purpose expenditures (add lines 1	c and 1d)		
f	Lobbying nontaxable amount Enter the amount to columns	rom the following table in both		
	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		
	Grassroots nontaxable amount (enter 25% of lir	e 1f)		
h	Subtract line 1g from line 1a If zero or less, ent	er -0 -		
i	Subtract line 1f from line 1c If zero or less, ente	r-0-		
j	If there is an amount other than zero on either lii section 4911 tax for this year?	ne 1h or line 1i, did the organization file Form	4720 reporting	┌ 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						

	,	•	3
Part II-B	Complete if the o	rganization is exempt under section 501(c)(3) and has NOT filed Form 576	3
	(election under s	section 501(h)).	

		(6	(a)	
		Yes	No	Amount
L	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			
а	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?		No	
e	Publications, or published or broadcast statements?		Νo	
f	Grants to other organizations for lobbying purposes?	Yes		19,542
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		10,071
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?	Yes		3,288
i	Other activities? If "Yes," describe in Part IV	Yes		124,544
j	Total lines 1c through 1i			157,445
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		ļ	
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			
221	$+$ HI-A. Complete if the organization is exempt under section $EO(1/\epsilon)(A)$ section	n F01/c	\ <u> </u>	r section

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		

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	

- 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).
- Current year
- Carryover from last year
- c
- 3 Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues
- 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?
 - Taxable amount of lobbying and political expenditures (see instructions)

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
990 Schedule C, Part II-B, Q 1j		B Paid staff attended community forums, various community activities, strategic planning sessions and attended other legislative meetings and conventions F The portion of the organizations' dues that are related to lobbying are as follows American Hospital Association ("AHA") - \$1,435, Catholic Health Association ("CHA") - \$4,316 and Tennessee Hospital Association ("THA") - \$13,791 G Attended "THA" legislative day/meetings, a Government Affairs Conference, the Catholic Legislative Advocacy Conference, and the Catholic Day on the Hill H Liz Jenkins, healthy community coordinator, attends several meetings per year at non-profit organizations in the community that have a health focus and attended the CHI Violence Prevention workshop Others also attended THA Grassroots Advocacy/meetings, TN Public Health Association meetings and other THA meetings I The Ingram Group, Derryberry Public Relations - Health Care Advocacy, public relations, healthy community and strategic planning

2a

2b **2**c

3

4

5

efile GRAPHIC print - DO NOT PROCESS

As Filed Data -

DLN: 93493135020142

OMB No 1545-0047

Open to Public Inspection

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.

Employer identification number Name of the organization Memorial Health Care System 62-0532345

Pa	organizations Maintaining Donor Acord organization answered "Yes" to Form 99		_	b) Funds and o	•	
1	Total number at end of year	(a) Donor advised funds	+ '	b) i dilas alia c	tilei accou	ilics
2	Aggregate contributions to (during year)					
2 3	Aggregate grants from (during year)					
4	Aggregate value at end of year					
5	Did the organization inform all donors and donor advis funds are the organization's property, subject to the	-	nor advi	sed	┌ Yes	┌ No
6	Did the organization inform all grantees, donors, and used only for charitable purposes and not for the ben- conferring impermissible private benefit				┌ Yes	┌ No
Pa	rt II Conservation Easements. Complete	ıf the organization answered "Yes"	to Form	າ 990, Part I\	/, lıne 7.	
2	Preservation of land for public use (e.g., recreation of natural habitat Preservation of open space Complete lines 2a-2d if the organization held a qualiceasement on the last day of the tax year	Preservation of a	certified	d historic struc	-	a
				Held at the	End of the	Year
а	Total number of conservation easements		2a			
b	Total acreage restricted by conservation easements		2b			
c	Number of conservation easements on a certified his	toric structure included in (a)	2c			
d	Number of conservation easements included in (c) ac	cquired after 8/17/06	2d			
3	Number of conservation easements modified, transfe the taxable year ▶	erred, released, extinguished, or terminat	ed by th	e organization	during	
4	Number of states where property subject to conserva	ation easement is located ►				
5	Does the organization have a written policy regarding enforcement of the conservation easements it holds?		ıdlıng of	violations, and	┌ Yes	┌ No
6	Staff and volunteer hours devoted to monitoring, insp	pecting and enforcing conservation easer	nents dı	ırıng the year l	<u> </u>	

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ \$ Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(ı) and 170(h)(4)(B)(ıı)? 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

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

- 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
- 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

▶\$_____

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

Revenues included in Form 990, Part VIII, line 1

Assets included in Form 990, Part X

For Privacy Act and Paperwork Reduction Act Notice, see the Intructions for Form 990 Cat No 52283D

Schedule D (Form 990) 2010

Part	•••• Organizations Maintaining Co	llections of Art	t, His	tori	<u>cal T</u>	reas	ures, or O	<u>the</u>	<u>r Similar Ass</u>	ets (ca	ontinued)
3	Using the organization's accession and othe items (check all that apply)	r records, check an	y of th	ne fol	owing	that a	are a significa	nt u	ise of its collectio	n	
а	Public exhibition		d	Γ	Loar	norex	change progra	ams	i e		
b	Scholarly research		е	Γ	Othe	er					
c	Preservation for future generations										
4	Provide a description of the organization's co	ollections and expla	ıın hov	w the	y furth	ner the	organization	's ex	kempt purpose in		
5	During the year, did the organization solicit of assets to be sold to raise funds rather than t									Yes	┌ No
Par	Escrow and Custodial Arrang Part IV, line 9, or reported an an	ements. Compl	ete ıf	the	orgai	nızatıd			es" to Form 99	0,	
1a	Is the organization an agent, trustee, custod included on Form 990, Part X?	ian or other interm	edıary	forc	ontrib	utions	or other ass	ets	not	Yes	┌ No
b	If "Yes," explain the arrangement in Part XIV	/ and complete the	follov	ving t	able		_				
_							-		Amo	unt	
۲ C	Beginning balance						-	1c			
d	Additions during the year						<u> </u>	1d			
e	Distributions during the year						⊢	1e			
f	Ending balance							1f	_		
2a	Did the organization include an amount on Fo	•	e 21?	•					Г	Yes	∏ No
	If "Yes," explain the arrangement in Part XIV										
Pa	rt V Endowment Funds. Complete						Form 990, wo Years Back			-\Faux V	aara Daale
1a	Beginning of year balance	(a)Current Year	(D) Prior	rear	(6)1	WO TEATS DACK	(a)	Tillee fears back (e)rour r	ears Back
ь	Contributions										
_											
C	Investment earnings or losses					-					
d	Grants or scholarships										
е	Other expenditures for facilities and programs										
f	Administrative expenses										
g	End of year balance										
2	Provide the estimated percentage of the yea	r end balance held	as			_			•		
а	Board designated or quasi-endowment										
b	Permanent endowment -										
c	Term endowment ▶										
3a	Are there endowment funds not in the posses	ssion of the organiz	ation	that	are he	ld and	administered	l for	the		
	organization by									Yes	No
	(i) unrelated organizations								3a(i)		
	(ii) related organizations								3a(ii)	<u> </u>	<u> </u>
	If "Yes" to 3a(II), are the related organizatio	•				?.		•	3b		
4	Describe in Part XIV the intended uses of th					000		1.0			
Par	t VI Investments—Land, Buildings	s, and Equipme	nt. S								
	Description of investment					r other stment)	(b)Cost or oth basis (other)		(c) Accumulated depreciation	(d) Bo	ok value
1 a l	_and						18,910,	711		1	1,507,581
b i	Buildings						186,454,	453	96,420,057	9	0,034,396
c l	_easehold improvements						897,	800	358,478		539,121
d i	Equipment						213,836,	304	159,539,039	5	4,297,265
_e (Other	<u></u>					29,496,	509	7,149,164	2	9,750,475
Tota	I. Add lines 1a-1e <i>(Column (d) should equal Fo</i>	orm 990, Part X, colu	mn (B), line	10(c)	.) .			▶	18	6,128,838
									Schedule D (Form 9	90) 2010

Part VII Investments—Other Securities. See	Form 990, Part X, line 12	2.
(a) Description of security or category	(b)Book value	(c) Method of valuation
(including name of security)		Cost or end-of-year market value
(1)Financial derivatives		
(2)Closely-held equity interests		
(3)Other (A)CHIOIP - Fixed Income	79,908,886	
(ii) elli elli ilikedilleelle	. 2,2 00,000	
(B) CHI OIP - Equity Securities	88,096,173	
Total. (Column (b) should equal Form 990, Part X, col (B) line 12)	168,005,059	
Part VIII Investments—Program Related. Se	ee Form 990, Part X, line :	13.
(a) Description of investment type	(b) Book value	(c) Method of valuation
——————————————————————————————————————	(b) Book value	Cost or end-of-year market value
	+	
Total. (Column (b) should equal Form 990, Part X, col (B) line 13)	<u>* </u>	
Part IX Other Assets. See Form 990, Part X, I		
(a) Descr	iption	(b) Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line	15)	<u>.</u>
Part X Other Liabilities. See Form 990, Part		
() 5		
	(b) A mount	
Federal Income Taxes	0	
UNCLAIMED PROPERTY	43,615	
ENVIRONMENTAL REMEDIATION LIABILITY	717,940	
CHI DEBT PROGRAM	34,555,002	
	+	
Total. (Column (b) should equal Form 990, Part X, col (B) line 25)	35,316,557	
((-) Should Equal to the 550, tale N, cor (b) line 25)	- 33,310,33/	

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	
Par	EXII Reconciliation of Revenue per Audited Financial Statements With Revenue p	er Re	turn
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		
а	Net unrealized gains on investments		
b	Donated services and use of facilities		
C	Recoveries of prior year grants		
d	Other (Describe in Part XIV)		
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		
а	Investment expenses not included on Form 990, Part VIII, line 7b . 4a		
b	Other (Describe in Part XIV)		
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	
•	Reconciliation of Expenses per Audited Financial Statements With Expenses	per F	leturn
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		
а	Donated services and use of facilities		
b	Prior year adjustments		
c	Other losses		
d	Other (Describe in Part XIV) 2d		
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	
4	A mounts included on Form 990, Part IX, line 25, but not on line 1:		
а	Investment expenses not included on Form 990, Part VIII, line 7b 4a		
b	Other (Describe in Part XIV)]	
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	
	t XIV Supplemental Information		
	nplete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Pa : V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b Also complete t		
rail	. v, me 7, 1 at 7, rat 71, me 0, rat 711, mes 24 and 40, and rat 7111, mes 24 and 40 Also complete t	ms part	. to provide any

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

additional information

Return Reference	Explanation
	Memorial Health CAre System's financial information is included in the consolidated audited financial statements of Catholic Health Initiatives (CHI), a related organization CHI's FIN 48 (ASC 740) footnote for the year ended June 30, 2011 reads as follows "CHI is a tax-exempt Colorado corporation and has been granted an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code CHI owns certain taxable subsidiaries and engages in certain activities that are unrelated to its exempt purpose and therefore subject to income tax As of June 30, 2011, CHI has current net deferred tax assets of \$2 1 Million and a noncurrent net deferred tax liability of \$5 4 million related to these taxable activities Management reviews its tax positions annually and has
	determined that there are no material uncertain tax positions that require recognition in the consolidated financial statements "

OMB No 1545-0047

Open to Public Inspection

SCHEDULE H (Form 990)

Department of the Treasury Internal Revenue Service

Name of the organization

Memorial Health Care System

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

Hospitals

Employer identification number

						0532345			
Pa	rt I Financial Assista	nce and Co	ertain Oth	er Community Bei	nefits at Cost			V	N-
1a	Did the organization have a fi	nnancial assi	stance nolicy	/ during the tay year? I	f "No " skip to questio	n 6a -		Yes	No
1a L	If "Yes," is it a written policy						1a	Yes	
2	If the organization has multip					of the financial	1b	Yes	
_	assistance policy to its vario			g the tax year		or the illiantial			
	Applied uniformly to all ho Generally tailored to indiv		ls	Applied uniformly	to most hospitals				
3	Answer the following based or organization's patients during		ncıal assıstar	nce eligibility criteria th	at applied to the large	st number of the			
а	Does the organization use Fe income individuals? If "Yes,"						3a		No
		C 20	о% Г	Other	0/a				
b	Does the organization use FP "Yes," indicate which of the fo	G to determin	ie eligibility f	or providing <i>discounted</i>		dividuals? If	3b		No
	Г _{200%} Г _{250%}	Г 30	о% Г	350%	o% F Other_	<u>%</u>			
С	If the organization does not u determining eligibility for free test or other threshold, regard	or discounted	d care Inclu	de in the description wh	ether the organization				
4	Did the organization's financi provide for free or discounted					uring the tax year	4	Yes	
5a	Did the organization budget amount			=		year?	5a	Yes	
b	If "Yes," did the organization'	s financial as	sistance exp	enses exceed the budg	jeted amount?		5b	Yes	
c	If "Yes" to line 5b, as a resulcare to a patient who was elig	_			•	or discounted	5c		No
6a	Does the organization prepare			ort during the tax			6a	Yes	
6b	If "Yes," did the organization			ublic?			6b	Yes	
	Complete the following table is worksheets with the Schedule		ksheets prov	ided in the Schedule H	instructions Do not s	ubmit these			
7	Financial Assistance and C	ertain Other	Community E	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 b expense	enefit	(f) Pero total ex	
а	Financial Assistance at cost (from Worksheets 1 and 2)		7,016	6,119,825		6.11	9,825	1	370 %
b	Unreimbursed Medicaid (from		15,150	32,958,566	23,459,000	,	9,566		120 %
c	Worksheet 3, column a) Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)		13,130	32,936,300	23,439,000	5,45	9,300		120 70
d	Total Financial Assistance and Means-Tested Government Programs		22,166	39,078,391	23,459,000	15,61	9,391	3	490 %
e	Other Benefits Community health improvement services and community benefit operations (from (Worksheet 4)	17	9,760	1,699,325	73,319	1.62	6,006	0	360 %
f	Health professions education		·		/0 _ 5				
g	(from Worksheet 5) Subsidized health services	4	80	140,830			0,830		030 %
h	(from Worksheet 6) Research (from Worksheet 7)	5 3	11,225	3,182,362 704,229	1,418,530 121,392		3,832 2,837		390 % 130 %
	Cash and in-kind contributions to community groups (from Worksheet 8)	9	763	1,049,704	121,372		9,704		230 %
j 1	Fotal Other Benefits	38	21,828	6,776,450	1,613,241		3,209		140 %
k	Total. Add lines 7d and 7j	38	43,994	45,854,841	25,072,241	20,78	2,600	4	630 %

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 (b) Persons (c) Total community (f) Percent of (d) Direct offsetting (e) Net community served (optional) activities or building expense revenue building expense total expense programs (optional) Physical improvements and housing Economic development Community support 399 648,508 648,508 0 140 % Environmental improvements Leadership development and training for community members 6 Coalition building 28,506 0 010 % 28,506 Community health improvement advocacy Workforce development 410,333 410,333 0 090 % 9 Other 10 Total 1,087,347 399 1,087,347 0 240 % **Bad Debt, Medicare, & Collection Practices** Part III Section A. Bad Debt Expense Yes No Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Yes Enter the amount of the organization's bad debt expense (at cost) 2 10,301,443 Enter the estimated amount of the organization's bad debt expense (at cost) 3 attributable to patients eligible under the organization's financial assistance policy 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 Enter total revenue received from Medicare (including DSH and IME) 247,376,825 5 Enter Medicare allowable costs of care relating to payments on line 5 278,906,905 6 Subtract line 6 from line 5 This is the surplus or (shortfall) . . . -31,530,080 7 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 Cother Cost to charge ratio Cost accounting system **Section C. Collection Practices** Does the organization have a written debt collection policy? . 9a Yes If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for 9b Yes patients who are known to qualify for charity care or financial assistance? Describe in Part VI Part IV Management Companies and Joint Ventures (a) Name of entity (b) Description of primary (c) Organization's (d) Officers, directors, (e) Physicians' trustees, or key employees' profit % activity of entity profit % or stock profit % or stock ownership % ownership % or stock ownership% 1 Memorial Mission Sur ambulatory surgery center 29 300 % 70 700 % 2 Berywood Office Prop physician office building 63 000 % 37 000 % 3 Mountain Management Management Services 100 000 % 4 Caduceus Med Assoc Health Care Services 100 000 % 5 6 8 9 10 11 12 13

Part	V Facility Information									
(list in	on A. Hospital Facilities order of size, measured by total revenue per facility, from to smallest)	Licensed hospital	General medical	Children's hospital	Teaching hospital	Ortical acc	Research facility	ER-24 hours	ER-other	
	any hospital facilities did the organization operate during year?2	ospital	edical & surgical	nospital	ospital	Ortical access hospital	acılity	9		
Name	and address									Other (Describe)
1	Memorial Hospital 2525 DeSales Avenue Chattanooga,TN 37404	×	х					х		
2	Memorial North Park Hospital 2051 Hamill Road Hixson,TN 37343	х	х					х		
		<u> </u>								
		<u> </u>				-				
		<u> </u>								
		 								
		\vdash								
		<u> </u>								

Part V Facility Information (continued) Section B. Facility Policies and Practices.

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

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

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

2	Facility Information (continued)			
			Yes	No
10	Used FPG to determine eligibility for providing <i>discounted</i> care to low income individuals?	10		<u> </u>
	If "Yes," indicate the FPG family income limit for eligibility for discounted care%			
11	Explained the basis for calculating amounts charged to patients?	11		<u> </u>
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a Income level			
	b Asset level			
	c Medical indigency			
	d Insurance status			
	e Uninsured discount			
	f Medicaid/Medicare			
	g			
	h Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12		1
	Included measures to publicize the policy within the community served by the hospital facility?	13		
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	The policy was posted at all times on the hospital facility's web site			
	b The policy was attached to all billing invoices			
	c The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d The policy was posted in the hospital facility's admissions offices			
	e The policy was provided, in writing, to patients upon admission to the hospital facility			
	f The policy was available upon request			
	g Other (describe in Part VI) ling and Collections			
	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial			
17	assistance policy that explained actions the hospital facility may take upon non-payment?	14		
15	Check all of the following collection actions against a patient that were permitted under the hospital facility's policies at			
	any time during the tax year			
	a Reporting to credit agency			
	b Lawsuits			
	c Liens on residences			
	d Body attachments			
	e Other (describe in Part VI)			
16	Did the hospital facility engage in or authorize a third party to engage in any of the following collection actions during			
	the tax year?	16		
	If "Yes," check all collection actions in which the hospital facility or a third party engaged (check all that apply) a Reporting to credit agency			
	b Lawsuits			
	c Liens on residences			
	d Body attachments			
	e Other (describe in Part VI)			
17	Indicate which actions the hospital facility took before initiating any of the collection actions checked in question 16 (check all that apply)			
	Notified patients of the financial assistance policy upon admission			
	b Notified patients of the financial assistance policy prior to discharge			
	c Notified patients of the financial assistance policy in communications with the patients regarding the patients'			
	bills			
	d Documented its determination of whether a patient who applied for financial assistance under the financial			
	assistance policy qualified for financial assistance			
	e Other (describe in Part VI)			

If "Yes," explain in Part VI

If "Yes," explain in Part VI

Part V Facility Information (continued) Policy Relating to Emergency Medical Care Yes No 18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals 18 If "No," indicate the reasons why (check all that apply) a The hospital facility did not provide care for any emergency medical conditions **b** The hospital facility did not have a policy relating to emergency medical care c The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI **d** Other (describe in Part VI) Charges for Medical Care 19 Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care (check all that apply) The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility **b** The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility c The hospital facility used the Medicare rate for those services d Other (describe in Part VI) 20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial

assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more

than the amounts generally billed to individuals who had insurance covering such care?

21 Did the hospital facility charge any of its patients an amount equal to the gross charge for services provided to that

21

20

Part V Facility Information (continued) Section B. Facility Policies and Practices.

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

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

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

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

If "Yes," explain in Part VI

If "Yes," explain in Part VI

Part V Facility Information (continued) Policy Relating to Emergency Medical Care Yes No 18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals 18 If "No," indicate the reasons why (check all that apply) a The hospital facility did not provide care for any emergency medical conditions **b** The hospital facility did not have a policy relating to emergency medical care c The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI **d** Other (describe in Part VI) Charges for Medical Care 19 Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care (check all that apply) The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility **b** The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility c The hospital facility used the Medicare rate for those services d Other (describe in Part VI)

20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more

than the amounts generally billed to individuals who had insurance covering such care?

21 Did the hospital facility charge any of its patients an amount equal to the gross charge for services provided to that

21

20

Part V	Facility	Information	(continued)
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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)

Name and address	Type of Facility (Describe)
1 Memorial Mission Surgery Center	Ambulatory Surgery Center 29 3% ownership
2525 DeSales Avenue	
Chattanooga, TN 37404	
Memorial Mission Surgery Center	Ambulatory Surgery Center 29 3% ownership
2525 DeSales Avenue	
Chattanooga, TN 37404	
Memorial Mission Surgery Center	Ambulatory Surgery Center 29 3% ownership
2525 DeSales Avenue	
Chattanooga, TN 37404	
4 Memorial Mission Surgery Center	Ambulatory Surgery Center 29 3% ownership
2525 DeSales Avenue	
Chattanooga, TN 37404	
Memorial Mission Surgery Center	Ambulatory Surgery Center 29 3% ownership
2525 DeSales Avenue	
Chattanooga, TN 37404	
6 Memorial Mission Surgery Center	Ambulatory Surgery Center 29 3% ownership
2525 DeSales Avenue	
Chattanooga, TN 37404	
7 Memorial Mission Surgery Center	Ambulatory Surgery Center 29 3% ownership
2525 DeSales Avenue	
Chattanooga, TN 37404	
В	
9	
10	

Schedule H (Form 990) 2010 Page 8

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
- 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
- Promotion of community health. Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.)
- 6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
Part I, Line 3c		Question A If applicable, describe the income-based criteria for determining eligibility for free or discounted care under the organization's financial assistance policy. When Catholic Health Initiatives (the ultimate parent organization to Memorial Health Care System) established its charity care policy it was determined that using a household income scale based on the HUD very low income guidelines more accurately reflects the socioeconomic dispersions among the 69 urban and rural communities in 19 states served by CHI hospitals and health care facilities. Memorial Health Care System bases its charity care eligibility on HUD's 130% of Very Low Income Guidelines based on geography, and affords the uninsured and underinsured the ability to obtain charity care write-offs, based on a sliding scale, ranging from 25%-100% of charges. Coinciding with HUD's annual update to the published income limits, Memorial Health Care System appropriately updates the sliding scale. An individual's income under the HUD guidelines is a significant factor in determining eligibility for charity care. However, in determining whether to extend discounted or free care to a patient, the patient's assets are also taken into consideration. For example, a patient suffering a catastrophic illness may have an income above the income limits, but high expenses and a low level of liquid assets such that the payment of medical bills would be seriously detrimental to the patient's basic financial (and ultimately physical) well-being and survival Such a patient may be extended discounted or free care based upon the facts and circumstances.

		4
Identifier	ReturnReference	Explanation
Part I, Line 6a		Question If the organization's community benefit report is contained in a report prepared by a related organization, rather than a separate report prepared by the organization, identify the related organization MHCS Prepares its own annual written community benefits report Its community benefit report is not contained in that of a related organization

Identifier	ReturnReference	Explanation
Part I, Line 7g		Question To the extent that an organization includes any costs associated with physician clinics as subsidized health services in Part I, line 7g it must describe that it has done so and report in Part VI such costs included in part I, line 7g, line 1 There are no Physician Clinics included in subsidized health services

Identifier	ReturnReference	Explanation
Part I, Line 7, Column (f)		Question If applicable, state 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 Total bad debt expense reported on Form 990 Part IX, line 25, Column A was \$ 35.835.279

Identifier	ReturnReference	Explanation
art I, Line 7		Question A Provide an explanation of the costing methodology used to calculate the amounts reported in the table. If a cost accounting system was used, indicate whether the cost accounting system addresses all patient segments (for example, inpatient, outpatient, emergency room, private insurance, Medicaid, Medicare, uninsured or self pay.) Question B. Also indicate whether a cost-to-charge ratio was used for any of the figures reported in the table. Describe whether this cost-to-charge ratio was derived from Worksheet 2, and, if not, what kind of cost-to-charge ratio was used and how it was derived. If some other costing methodology was used besides a cost accounting system, cost-to-charge ratio, or a combination of the two, describe the method used. The cost-to-charge ratio for the year ended 6/30/11 was computed using the following formula. O perating expense (before restructuring, impairment and other losses) divided by gross patient revenue. This resulted in a cost-to-charge ratio of 29 04%. Worksheet 2 was not used to derive the cost-to-charge ratio.

Identifier	ReturnReference	Explanation
Identifier Part III, Section A, Line 4	ReturnReference	Explanation Question A Provide the rationale and the costing methodology used to determine the amount reported in Part III lines 2 and 3 Describe how the organization accounts for discounts and payments on patient accounts in determining bad debt expense Question B Also describe the method the organization uses to determine the amount that reasonably could be attributable to patients who likely would qualify for financial assistance under the hospital's charity care policy, if sufficient information has been available to make a determination as to their eligibility Also, provide if applicable, the text of the footnote to the organization's financial statements that describes bad debt expense. If the organization's financial statements that contain such a footnote on these issues that also includes other information, report only the relevant portions of the footnote. If the organization's financial statements do not contain such a footnote, state that the organization's financial statements do not contain such a footnote, state that the organization's financial statements of continuity of the debt of the described onto include such a footnote and explain how the financial statements account for bad debt, if at all (a) Memorial Health Care System (MHCS) is included in the audited financial statements of its parent organization, Catholic Health Initiatives, and does not issue separate audited financial statements, thus there is no footnote. Bad debt expense reported on the MHC Sunaudited financial statements represents an estimate of bad debts based on historical collection results. It does not represent actual write-offs incurred during the period. The provision for bad debts is based upon management's assessment of historical and expected net collections considering historical business and economic conditions, trends in health care coverage, and other collection indicators. Management periodically assesses the adequacy of the allowances for uncollectible accounts based upon historical write-off experience by pa
		billing and collection efforts are discontinued. In spite of the best efforts of Memorial Health Care System, some patients do
		not self-identify as needing assistance or provide enough information to allow the hospital to determine their eligibility and remain classified as bad debt. We are unable to accurately
		estimate the amount of bad debt expense (at cost) that is attributable to patients that would qualify for charity care

Identifier	ReturnReference	Explanation
Identifier Part III, Section B, Line 8	ReturnReference	Question A Describe the costing methodology used to determine the Medicare allowable costs reported in the organization's Medicare Cost Report, as reflected in the amount reported in Part III, line 6 Question C Describe, if applicable, the extent to which any shortfall reported in Part III, line 7 should be treated as a community benefit, and the rationale for the organization's position Using essentially the same Medicare cost report principles as to the allocation of general services costs and "apportionment" methods, the "CHI Workbook" calculates a payers' gross allowable costs by service (so as to facilitate a corresponding comparison between gross allowable costs and ultimate payments received). The term "gross allowable costs means costs before any deductibles or co-insurance are subtracted. Memorial Health Care System's ultimate reimbursement will be reduced by any applicable copayment/ deductible. Where Medicare is the secondary insurer, amounts due from the insured's primary payer were not subtracted from Medicare allowable costs because the amounts are typically immaterial. (A. (pt. 2.)) Although not presented on the Medicare cost report, in order to facilitate a more accurate understanding of the "true" cost of services (for "shortfall" purposes) the CHI Workbook allows a health care facility not to offset costs that Medicare considers to be non-allowable, but for which the facility can legitimately argue are related to the care of the facility's patients. In addition, although not reportable on the Medicare cost report, the CHI workbook includes the cost of services that are paid via a set fee-schedule rather than being reimbursed based on costs (e.g. outpatient clinical laboratory). Finally, the CHI Workbook allows a facility to include other health care services performed by a separate facility (such as a physician practice) that are maintained on separate books and records (as opposed to the main facility's books and records which has its costs of service included within a cost report). True cost
		Medicaid payment is largely driven by what states can afford to pay, and is typically substantially less than what Medicare pays

Identifier	ReturnReference	Explanation
Part III, Section C, Line 9b		Question If the organization has a written debt collection policy and answered "yes" to Part III, line 9b, describe the collection practices set forth in the policy that apply to patients who it knows qualify for charity care or financial assistance, whether or not such practices apply specifically to such patients or more broadly to also cover other types of patients At any time during the collection cycle it is determined that a patient qualifies for charity care of financial assistance, the collection cycle stops until the account balance is adjusted for the level of charity care approved This practice applies to all patients Memorial Health Care System will perform a reasonable review of each account, prior to turning an account over to a third-party collection agent and prior to instituting any legal action for non-payment, to assure that the patient and patient guarantor are not eligible for any assistance program and do not qualify for coverage through the charity care program After having been turned over to a third-party collection agent, any account that subsequently is determined to meet the charity care policy shall be returned immediately by the third-party agent to the Hospital for appropriate follow-up All of Catholic Health Initiatives' hospitals' contracts with third party collection agencies include the following standards - Neither CHI hospitals nor their collection agencies will request bench or arrest warrants as a result of non-payment, - Neither CHI hospitals nor their collection agencies will seek liens that would require the sale or foreclosure of a primary residence, and - No Catholic Health Initiatives' collection agency may seek court action without hospital approval Finally, collection agencies are trained on the Catholic Health Initiatives Mission,
		Core Values and Standard of Conduct to make sure all patients are treated with dignity and respect

Identifier	ReturnReference	Explanation
Part VI, Item 2 - Needs Assessment		Question Describe how the organization assesses the health care needs of the communities it serves. Memorial Health Care System assessed the needs of the community served by Memorial Hospital and Memorial North Park Hospital during the year by consulting with Board members, other health related organizations, and community outreach organizations. Initially eight counties were included in the original needs assessment. Later the scope was narrowed to Hamilton County and needs were prioritized accordingly. Obesity, diabetes, hypertension, and heart disease were identified as priority health needs to target. Many programs have been developed to address these issues in our community. MHCS conducted community focus groups in eight neighborhoods adjacent to Memorial Hospital to identify the major health issues. From the top ten health disparities data available at the Center for Disease Control and Prevention, residents selected diabetes, hypertension and obesity as their leading chronic diseases requiring intervention. In collaboration with the East Chattanooga Improvement, Inc and the Chattanooga Parks and Recreation Department, Memorial established exercise classes, nutrition and diabetes classes along with weight management classes for participants whose ages have ranged from 7 thru 87 years of age. Exercise classes began three years ago with 25 participants, and have now grown to 120 residents who exercise five days a week at three city recreation centers. Fourteen of the original 25 remain in the program, and two have loss 100 pounds. Significant improvement has also occurred in participants' blood pressure with most now in the healthy range. The city has plans to soon expand the exercise classes to additional recreation centers helping ensure the sustainability of the healthy lifestyle program.

Identifier	ReturnReference	Explanation
Identifier Part VI, Item 3 - Patient education of eligibility for assistance		Question 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 charity care policy Memorial Health Care System includes information concerning its financial assistance policy on its website. In addition, Memorial Health Care System prominently displays information concerning its charity care policy in both English and Spanish in all waiting areas throughout the hospitals, including the emergency rooms and other patient intake areas, as well as in Memorial Health Care System outpatient facilities. In addition, Memorial Health Care System Registrars and Financial Counselors are trained to provide consultation to those who have no insurance or potentially inadequate insurance concerning their financial options including application for Medicaid and for financial assistance under Memorial Health Care System's charity care policy. Once all EMTALA requirements are met, patients who are identified as uninsured during the registration process (and not covered by Medicare or Medicaid) are provided with a packet of information that addresses the financial assistance policy and procedures including an application for assistance Memorial Health Care System Registrars and Financial Counselors read the organization's medical assistance policy to those who appear to be incapable of reading, and provide translators for non English-speaking individuals. Memorial Health Care System's staff will also assist the patient / guarantor with completing the Financial Assistance Application and applying for other available coverage (such as Medicaid), if necessary. After all EMTALA requirements are met, during the registration process uninsured patients are screened in the Emergency Department for possible eligibility for the Medicaid program. A TennCare application is faxed to the Department of Human Services if the screening determined that the patient might have a ca
		including those mailed from the third party collection agency, alert the patient that financial assistance is available if they need it and instructs them on how to obtain an application

Destination of Community Health Promotion of Community Health Promotion of Community Health Research to expense the case and demongative constituents of services. Descine the security organization services and demongative constituents of services. Descine the services and demongative constituents of services. The services of the health of the communities and services are demonstrated to expense the services of the health of the communities and services are demonstrated to expense the services of the servi	Identifier	ReturnReference	Explanation
abil		Community Information and Promotion of Community Health	Question 4 Describe the community the organization serves, taking into account the geogra phic area and demographic constituents it serves Describe how the organization's communit y building activities, as reported in Part II, promote the health of the communities the organization's occurs of the health of the communities the organization's occurs of describing how the organization's hospitals or other health care facilities further its exempt purpose by promoting health of the community (e.g. open medical staff, community board, use of surpl us funds, etc.) Introduction Memorial Health Care System Inc ("MHCS") is part of Catholic Health Initiatives ("CHI"), a national health care system established to foster a more effective ministry of fath-based healthcare in the United States The mission of MHCS and CHI I is to nutrure the healing ministry of the Church by brining it new life, energy and viability in the 21st century. Both MHCS and CHI are committed to fidelity to the Gospel, with emphasis on human dignity and social justice in the creation of healther communities. MH CS is primarily made up of two hospitals, Memorial Hospital and Memorial North Park Hospital beds in the community From the beginning, when Memorial Hospital beds in the community From the beginning, when Memorial Hospital beds of the hospital, the care of the poor and quality he alth care for the entire communities of the poor and quality he alth care for the entire community was central to our mission. Memorial North Park Hospital ploned MHCS when it was purchased February 1, 1988 and has adopted the same committent to excellent health care to everyone in the community MHCS is one of the Southeast's leading medical systems and the regions preeminent provider of cardiac and cancer care with ent ters of excellence in surgery and orthopedics. MHCS hospitals have been named one of the national states of the surface of the surface of the national states. The surface of the

Identifier	ReturnReference	Explanation
Part VI, Item 4 & 5	Community Information and Promotion of Community Health	ty to pay During FY 2011, over 78,000 patients visited one of these emergency rooms Mem orial Hospital's emergency rooms are semergency rooms on the patients are experiencing chest pain. Uncompensated Care Charity care is the cost of care of uninsured or undernsured, low-income patients who are not expected to pay all of a bill, or who are able to pay only a portion using an income-related scale. Those receiving charity care are not eligible for public programs such as TennCare MHCS has a charity care policy, which assures that all persons receive medically necessary hospital services regardless of their ability to pay MHCS provides a significant level of charity care each year. In FY 2011, the cost of charity care was \$6,119,825. Additionally, MHCS provided unreimbursed costs in the amount of \$9,499,566 for patients who qualified for the TennCare program. In FY 2011, MHCS classified charity and unreimbursed TennCare costs for reporting purposes in a manner consistent with a standardized approach developed by CHI for reporting and budgeting be nefits provided to the community. Community O utreach for the Poor Prescription Drug Program MHCS provides prescription drugs to those Chattanogans who cannot afford to purchase the mi. In FY 2011 MHCS provided \$113,372 in free prescription drugs to those Chattanogans who cannot afford to purchase the mi. In FY 2011 MHCS provided \$113,372 in free prescription drugs to those Chattanogans who cannot afford to purchase the mi. In FY 2011 MHCS provided \$13,372 in free prescription drugs to those Chattanogans who cannot afford to purchase the mi. In FY 2011 MHCS provided \$13,372 in free prescription drugs to those Chattanogans who expected as a donational organization in that helps qualifying uninsured patients obtain necessary medications and other pharmace utical assistance Programs MHCS is one of 80 Dispensary of Hope sites that redistribute p harmaceuticals that have been received as a donation from physicians, distributors, and manufacturers. Patients are made aware of th
		as a provider in this network Costs associa

Identifier	ReturnReference	Explanation
Part VI, Item 6 - Affiliated Health		Question If the organization is part of an affiliated health care
Care System		system, describe the respective roles of the organization and
		its affiliates in promoting the health of the communities served
		Memorial Health Care System, along with its affiliated
		outpatient facilities are part of Catholic Health Initiatives
		Catholic Health Initiatives (CHI) is a national faith-based
		nonprofit health care organization with headquarters in
		Englewood, Colorado CHI's exempt purpose is to serve as an
		integral part of its national system of hospitals and other
		charitable entities, which are described as market-based
		organizations, or MBOs An MBO is a direct provider of care or
		services within a defined market area that may be an integrated
		health system and/or a stand-alone hospital or other facility or
		service provider CHI serves as the parent corporation of its
		MBOs which are comprised of 73 hospitals, 40 long-term care,
		assisted- and residential-living facilities, two community
		health-services organizations, two accredited nursing colleges,
		and home health agencies Together, these facilities provided
		\$612 million in charity care and community benefit in the 2011
		fiscal year, including services for the poor, free clinics,
		education and research CHI provides strategic planning and
		management services as well as centralized "shared services"
		for the MBOs The provision of centralized management and
		shared services - including areas such as accounting, human
		resources, payroll and supply chain provides economies of
		scale and purchasing power to the MBOs. The cost savings
		achieved through CHI's centralization enable MBOs to dedicate
		additional resources to high-quality health care and community
		outreach services to the most vulnerable members of our
		society Memorial Health Care System operates with its wholly
		owned affiliates and community partners, along with its
		fundraising arm, Memorial Health Care System Foundation, to
		serve the health care needs of the Chattanooga, Tennessee
		communities

Identifier	ReturnReference	Explanation
Part VI, Item 8 - States Community Benfit Report is Filed in		Question If applicable, identify all states with which the organization, or a related organization, files a community benefit report Memorial Health Care System files a community benefit report with the State of Tennessee

Schedule H (Form 990) 2010

efile GRAPHIC print - DO NOT PROCESS | As Filed Data -

Schedule I

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

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

OMB No 1545-0047

DLN: 93493135020142

Inspection

Department of the Treasury

(Form 990)

Internal Revenue Service Name of the organization Memorial Health Care System

Employer identification number

62-0522245

Part II Grants and Other A Form 990, Part IV, lin duplicated if additional	ssistance to Go e 21 for any recip	vernments and O	rganizations in the nore than \$5,000. Ch	United States. Comeck this box if no one	recipient receive	d more than \$5,000.	
1 (a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) A mount of cash grant	(e) A mount of non- cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of gran or assistance
See Additional Data Table			5				

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

(a)Type of grant or assistance	(b) Number of recipients	(c) A mount of cash grant	(d)A mount of non-cash assistance	(e)Method of valuation (book, FMV, appraisal, other)	(f)Description of non-cash assistance
(1) Transportation assistance	10	268		FMV	
(2) Lymphedema therapy assistance	30	11,146		FMV	
(3) We Care Weekend for cancer survivors & their famil	60	15,661		FMV	
(4) Radiologist interpretations paid through grant	1600	51,702		FMV	
(5) Educational assistance	30	35,250		FMV	
(6) Disaster relief	100	21,537		FMV	

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

Identifier	Return Reference	Explanation
-	of grants	Grant requests are coordinated through the Memorial Health Care System Foundation. The beneficiary of the grant is responsible for using the funds in accordance with the grant requirements. All grant spending is reviewed by Fiscal Services and the Foundation before grant spending is reimbursed through the Foundation. Periodic reporting is coordinated between the beneficiary, Fiscal Services, and the Foundation.

Schedule I (Form 990) 2010

Software ID: Software Version:

EIN: 62-0532345

Name: Memorial Health Care System

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) A mount of cash grant	(e) A mount of non- cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Catholic Charities of East Tennessee859 McCallie Avenue Chattanooga,TN 37403	62-1377551	501c3	41,000		FMV		
American Heart Association 7272 Greenville Avenue Dallas,TX 75231	62-0532345	501c3	22,500		FMV		

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) A mount of cash grant	(e) A mount of non- cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Access One EAP Partnership 1800 McCallie Avenue Chattanooga,TN 37404	62-0911679	501c3	10,000		FMV		
Allied Arts of Greater Chattanooga406 Frazier Avenue Chattanooga,TN 37405	23-7005188	501c3	6,000		FMV		

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) A mount of non- cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Chattanooga Area Chamber of Commerce811 Broad Str Ste 100 Chattanooga,TN 37402	62-0154480	501c3	25,955		FMV		
United Way630 Market Street Chattanooga,TN 37405	62-0565962	501c3	48,429		FMV		

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) A mount of non- cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Friends of the Festival180 Hamm Road Chattanooga,TN 37405	62-1112739	501c3	16,761		FMV		
Notre Dame High School 2701 Vermont Avenue Chattanooga,TN 37404	50-0207635	501c3	10,000		FMV		

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) A mount of cash grant	(e) A mount of non- cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
American Diabetes Association1701 N Beauregard St Alexandria,VA 22311	13-1623888	501c3	6,000		FMV		
Chattanooga State Tech Community College4501 Amnicola Hwy Chattanooga,TN 37406	62-0725362	501c3	50,000		FMV		

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) A mount of cash grant	(e) A mount of non- cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
A merican Cancer Society 850 Fort Wood St Chattanooga, TN 37403	23-7040934	501c3	11,000		FMV		
Susan G Komen For the Cure PO Box 11208 Chattanooga,TN 37401	75-2875175	501c3	10,000		FMV		

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) A mount of non- cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Siskin Hospital for Physical Rehab3rd Street Chattanooga,TN 37403	62-1220402	501c3	13,156		FMV		
Goodwill Industries 3500 Dodds Avenue Chattanooga, TN 37407	62-0544853	501c3	10,000		FMV		

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) A mount of non- cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Hamilton County Government 921 East Third Street Chattanooga,TN 37403	62-6000636	501c3	40,000		FMV		
Univerisity of Tennessee MOCSPO Box 843038 Kansas City, MO 64184	62-6001636	501c3	40,950		FMV		

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) A mount of cash grant	(e) A mount of non- cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Creative Discovery Museum 321 Chestnut Street Chattanooga,TN 37405	62-1509462	501c3	10,000		FMV		

DLN: 93493135020142

Employer identification number

OMB No 1545-0047

Schedule J

(Form 990)

Department of the Treasury Internal Revenue Service

Name of the organization

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

Compensation Information

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

► Attach to Form 990. ► See separate instructions.

Open to Public Inspection

Men	emorial Health Care System				
	,	62-0532345			
Pa	art I Questions Regarding Compensation	·			
				Yes	Νo
1a	Check the appropriate box(es) if the organization provided any of the following to 990, Part VII, Section A, line 1a Complete Part III to provide any relevant info				
		or residence for personal use			
	· ·	iess use of personal residence			
		ib dues or initiation fees			
	<u> </u>	(e g , maid, chauffeur, chef)			
		` ', ', '			
b	If any of the boxes in line 1a are checked, did the organization follow a written p reimbursement orprovision of all the expenses described above? If "No," compl		ь		
2	Did the organization require substantiation prior to reimbursing or allowing expeofficers, directors, trustees, and the CEO/Executive Director, regarding the item	and the selection of the second	2		
3	Indicate which, if any, of the following the organization uses to establish the conorganization's CEO/Executive Director Check all that apply	npensation of the			
	Compensation committee Written employmen				
	Independent compensation consultant Compensation surv				
	Form 990 of other organizations Approval by the bo	ard or compensation committee			
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a or a related organization	with respect to the filing organization			
а	Receive a severance payment or change-of-control payment from the organizati	ion or a related organization?	a		Νo
b	Participate in, or receive payment from, a supplemental nonqualified retirement	plan?	ь	Yes	
С	Participate in, or receive payment from, an equity-based compensation arrange	ment?	c		Νo
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amount				
	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 compensation contingent on the revenues of	pay or accrue any			
а	The organization?	5	а		Νo
b	Any related organization?	5	ь		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 compensation contingent on the net earnings of	pay or accrue any			
а	The organization?	6	a		Νo
b	Any related organization?	6	ь		Νo
	If "Yes," to line 6a or 6b, describe in Part III		一		
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization payments not described in lines 5 and 6? If "Yes," describe in Part III	n provide any non-fixed	,	Yes	
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to subject to the initial contract exception described in Regs section 53 4958-4(in Part III		,		No
۵	If "Vac" to line 8 did the organization also follow the rebuttable presumption pri	-			

section 53 4958-6(c)?

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

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

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

(A) Name		(B) Breakdown of	W-2 and/or 1099-MIS	SC compensation	(C) Retirement and	(D) Nontaxable	(E) Total of columns	(F) Compensation
		(i) Base compensation	(ii) Bonus & ıncentive compensation	(iii) Other reportable compensation	other deferred compensation	benefits	(B)(ı)-(D)	reported in prior Form 990 or Form 990-EZ
(1) JAMES HOBSON	(I) (II)	433,620	78,201	22,660	59,243	16,852	610,576	
(2) MARY ELIZABETH O'BRIEN	(I) (II)	590,267	334,408	28,710	73,013	10,472	1,036,870	
(3) CAROL NEWTON	(I) (II)	283,418	10,000	12,504	27,578	7,192	340,692	
(4) ARLENE DONO WITZ	(I) (II)	8,276 245,208		14,393 900	22,678	1,330	22,669 481,468	
(5) JACQUELINE JACKSON	(I) (II)	250,133	10,000	16,085	32,394	7,440	316,052	
(6) DEBRA MOORE	(I) (II)	246,671	10,000	1,055	30,028	12,541	300,295	
(7) SARAH FELLOWES	(I) (II)	347,140	10,000	832	20,228	14,908	393,108	
(8) ANDREW MCGILL	(I) (II)	260,146	10,000	572	22,954	17,690	311,362	
(9) ANASSER KHALIFEH	(I) (II)	220,342		9,196	20,028	19,286	268,852	
(10) Gordon Utgard	(I) (II)	169,646	26,131	27,097	14,196	8,683	245,753	
(11) Diona Brown	(I) (II)	196,206	10,000	765	24,860	5,928	237,759	
(12)								
(13)								
(14)								
(15)								
(16)								

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
,		Compensation for the top management official of memorial helath care system was established and paid by catholic health initiatives (CHI), a related organization CHI used the following to establish the top management official's compensation 1) compensation committee, 2) independent compensation consultant, 3) written employment contracts, 4) compensation survey or study, 5) approval by the board or compensation committee
Schedule J, Part I, Line 4a	payment	Post-termination payments are addressed in the executive employment agreements for Catholic Health Initiative's ("CHI") and related organizations' employees at the level of vice president and above, including the MBO CEOs. These employment agreements require that in order for the executive to receive post-termination payments, these individuals must execute a general release and settlement agreement. Post-termination payment arrangements are periodically reviewed for overall reasonableness in light of the executive's overall compensation package. No such termination benefits were made to this group of individuals.
Schedule J, Part I, Line 4b	Compensation	During the 2010 calendar year Catholic Health Initiatives ("CHI"), a related organization, maintained a supplemental non-qualified deferred compensation plan for MBO CEOs and other CHI employees at the level of Senior Vice President and above The following reportable individuals were eligible to participate in that plan James Hobson, Mary Elizabeth O'Brien During 2010 the following contributions were made by chi to the deferred compensation plan James Hobson \$39,015 Mary Elizabeth O'Brien \$52,785
Schedule J, Part I, Line 7	Incentive Compensation	Memorial Health Care System (MHCS) issued bonuses based on individual performance and specified events

Schedule J (Form 990) 2010

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As Filed Data -

DLN: 93493135020142

OMB No 1545-0047

2010

(Form 990 or 990-EZ)

Department of the Treasury

Internal Revenue Service

SCHEDULE 0

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.

Open to Public Inspection

Name of the organization Memorial Health Care System **Employer identification number**

62-0532345

ldentifier	Return Reference	Explanation
990 Part III, Q 2	New Significant Program Services	Memorial Health Care System ("MHCS") has purchased a local Cardiac Physician Group named Memorial Heart Institute, LLC dba The Chattanooga Heart Institute, a Single Member LLC of MHCS. The purchase was effective 1/1/11. The new entity is Memorial Heart Institute, LLC which is a SMLLC of MHCS.

ldentifier	Return Reference	Explanation
990 Part VI, Section A, Q 1a	Executive Committee Composition and Authority	Pursuant to Section 8 6 of the Bylaws of Memorial Health Care System, the Executive Committee is composed of the board chair, the board vice chair, the Immediate past chairperson of the board, the President and CEO, the Secretary, with one or two other directors. Each individual appointed to the Executive Committee shall serve for a term of one year or until his or her successor is duly appointed by the Board of Directors. Pursuant to Section 8 1 of the Corporation's bylaws, committees, such as the executive committee, that are granted the authority to act on behalf of the board of directors may include only directors of the corporation. Further, pursuant to Section 8 6 of the Corporation's bylaws, the executive committee has and may exercise such powers as may be delegated to it by the board of directors. The Executive Committee also possesses the power to transact routine business of the corporation in the interim period between regularly scheduled meetings of the board of directors.

ldentifier	Return Reference	Explanation
		ACCORDING TO THE BY LAWS OF MEMORIAL HEALTH CARE SYSTEM, THE ENTITIES SOLE MEMBER IS CATHOLIC HEALTH INITIATIVES ("CHI"), A COLORADO NONPROFIT CORPORATION

ldentifier	Return Reference	Explanation
990 Part VI, Section A, Q 7a	Electing Directors	ACCORDING TO THE ORGANIZATION'S BY LAWS, DIRECTORS OF THE CORPORATION SHALL BE APPOINTED BY THE CORPORATE MEMBER NO LATER THAN JUNE 30th OF EACH YEAR THE NAMES AND QUALIFICATIONS OF EACH INDIVIDUAL ACCEPTED BY THE BOARD OF DIRECTORS SHALL BE SUBMITTED TO THE CORPORATE MEMBER, WHO SHALL APPOINT OR REFUSE EACH NOMINEE IN ACCORDANCE WITH THE CORPORATE MEMBER'S BY LAWS AND WITH ENDORSEMENT OF THE SENIOR VICE PRESIDENT OF OPERATIONS THE CORPORATE MEMBER MAY AT ANY TIME REMOVE, WITH OR WITHOUT CAUSE, ANY MEMBER OF THE BOARD OF DIRECTORS

ldentifier	Return Reference	Explanation
990 Part VI, Section A, Q 7b	Governing Powers	Memorial Health Care System's ("MHCS"), corporate member is Catholic Health Initiatives ("CHI") Pursuant to Section 5.4 of MHCS's bylaws, the Corporate Member shall have the specific rights set forth in the governance matrix. Pursuant to the governance matrix the following rights are reserved to the CHI Board directly or through powers delegated to the CHI Chief Executive Officer. *Substantial change in the mission or philosophy of MHCS.* Amendment of the corporate documents of MHCS.* Approve members of the MHCS board.* Removal of a member of the governing body of MHCS.* Approval of issuance of debt by MHCS.* Approval of participation of MHCS in a joint venture.* Approval of formation of a new corporation by MHCS.* Approval of a merger involving MHCS.* Approval of the sale of all or substantially all of the assets of MHCS.* To require the transfer of assets by MHCS to CHI to accomplish CHI's goals and objectives, and to satisfy CHI debts. * Adoption of long range and strategic plans for MHCS. In addition, pursuant to Section 5.5.2 of the organization's bylaws, CHI may, in exercise of its approval powers, grant or withhold approval in whole or in part, or may, in its complete discretion, after consultation with the Board and the President and Chief Executive Officer of the organization, recommend such other or different actions as it deems appropriate.

ldentifier	Return Reference	Explanation
990 Part VI, Section B, Q 11b	Process the organization uses to review Form 990	MHCS's Form 990 is prepared and reviewed by the internal tax department of its parent organization, CHI The return is then reviewed by MHCS's Fiscal Services department and its Chief Financial Officer Prior to filing, the return is made available to each member of the board of directors with opportunities for them to ask questions or make comments. Subsequent to Board Review, the Tax Department files the return with the appropriate federal and state agencies, making any non-substantive changes necessary to effect effling any such changes are not re-submitted to the Board.

ldentifier	Return Reference	Explanation
990 Part VI, Section B, Q 12a	Conflict of Interest Policy	The Board of Directors has its own COI Policy that differs from the one that MHCS employees follow The policy that MHCS employees follow has not been approved by the BOD

ldentifier	Return Reference	Explanation
990 Part VI, Section B, Q 12c	Procedures for monitoring and enforcing the COI policy	The Conflict of Interest Policy of MHCS covers all directors and officers who hold the title of vice president and above. The policy applies to all affiliates of the Corporation and is intended to supplement, but not replace, any applicable laws governing conflicts of interest applicable to nonprofit corporations. If a director or officer has a potential or actual conflict with the Corporation and/or any of its Affiliates, such director or officer is deemed to also have a potential or actual conflict with respect to the Corporation and all of its Affiliates. Each director must promptly and fully report to the Board Chair situations that may create a conflict of interest when he or she becomes aware of such situations. Disclosure must be made to the Corporation's President and CEO who will report such disclosure to the Board Chair. A written record of the disclosure will be made. The CEO shall annually send to all directors and officers a copy of the Conflict of Interest Policy and Disclosure Statement. At the beginning of the Board meeting and all committee meetings, members are asked to declare any conflicts of interest that need to be disclosed. The Board of Directors shall carefully scrutinize, and must in good faith approve or disapprove, any transaction in which the Corporation and/or any of its Affiliates is a party, and in which one or more of the Corporation's directors or officers has either a material financial interest or is a director or officer of the other party. By a majority vote of the disinterested directors, the Board shall take whatever action is deemed appropriate under the circumstances with respect to the director or officer in order to best protect the interests of the Corporation, including possible disciplinary or corrective action.

ldentifier	Return Reference	Explanation
990 Part VI, Section B, Q 14		The Document Retention and Destruction policy is more of an operational policy. These type of policies usually do not go the too BOD. This has not been approved by the BOD.

ldentifier	Return Reference	Explanation
990 Part VI, Section B, Q 15a	Process for Determining Compensation	The organization's CEO's compensation is paid by CHI CHI has a defined compensation philosophy. Both the executive and non-executive compensation structures and ranges are reviewed annually in comparison to market data. CHI uses The Hay Group as the independent third party to assess executive compensation programs and to ensure the reasonableness of actual salaries and total compensation packages. Compensation of the senior most executives is reviewed annually. The Hay Group reviews both cash and total compensation for overall reasonableness, for adherence to CHI's compensation philosophy, and for comparability to the not-for-profit healthcare market. This independent review is delivered by Hay Group to the HR committee of the CHI Board of Stewardship Trustees annually at their September meeting and minutes are shared with the full board at the December meeting. The last review was September, 2011. In addition, in December 2009, Hay Group completed a comprehensive review of all positions at the level of vice president and above to determine and validate appropriate compensation levels.

ldentifier	Return Reference	Explanation
990 Part VI, Section B, Q 15b	Process for Determining Compensation	On an annual basis MHCS engages an external consultant to review the compensation of its executives. The review is performed to ensure that executive salaries are within comparable market ranges for that position. The results of the review are presented to the Executive Compensation Human Resources. Committee for review and recommendation to the Board of Directors for approval.

ldentifier	Return Reference	Explanation
990 Part VI, Section B, Q 16b	Joint Venture Policy	MHCS has not formally adopted a written policy or written procedure regarding joint ventures. However CHl's system-wide joint venture model operating agreement incorporates controls over the venture sufficient to ensure that (1) the exempt organization at all times retains control over the venture sufficient to ensure that the partnership furthers the exempt purpose of the organization, (2) in any partnership in which the exempt organization is a partner, achievement of exempt purposes is prioritized over maximization of profits for the partners, (3) the partnership does not engage in any activities that would jeopardize the exempt organization's exemption, (4) returns of capital, allocations, and distributions must be made in proportion to the partners' respective ownership interests, and (5) all contracts entered into by the partnership with the exempt organization must be at arm's-length, with prices set at fair market value. Any joint venture agreements that do not conform to the model agreement are generally reviewed by counsel.

Identifier	Return Reference	Explanation
990 Part VI, Section C, Q 19	Availability of Governing Documents, COI Policy, Financial Statements	The Organizing Documents and Conflict of Interest Policy are not available to the public THE ORGANIZATION'S FINANCIAL STATEMENTS ARE INCLUDED IN CATHOLIC HEALTH INITIATIVES' CONSOLIDATED AUDITED FINANCIAL STATEMENTS THAT ARE AVAILABLE AT WWW CATHOLICHEALTHINIT ORG OR AT WWW DACBOND ORG The Financial Statements are also available through Annual Reports filed with the state of Tennessee

Identifier	Return Reference	Explanation
990 Part VII	to Related Organizations	COMPENSATION REPORTED ON FORM 990, PART VII WAS PAID TO THESE INDIVIDUALS BY RELATED ORGANIZATIONS IN EXCHANGE FOR THE FULFILLMENT OF THEIR DUTIES AS FULL-TIME, 50 HOUR-PER-WEEK EMPLOYEES

ldentifier	Return Reference	Explanation
990 Part XI, Q 5		Net Unrealized Gains/Losses \$15,121,659 CHI Connect Depriciation \$ 1,292,294 Capital Resource Pool Contributions (\$ 668,532) Contributions of Services (\$14,330,088) Acquisition of Berrywood & Non Controlling Interest \$ 1,135,301 Net Change \$ 2,550,634

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DLN: 93493135020142

2010

OMB No 1545-0047

Open to Public Inspection

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.

Name of the organization Memorial Health Care System

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

Employer identification number

62-0532345

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)		(e) End-of-year assets	(f) Direct controllin entity	ng
(1) Memorial Hospital Auxiliary 2525 De Sales Avenue Chattanooga, TN 37404 62-1839548	Support MHCSF	TN	41,740	117,491	MHCSF	
(2) Memorial Health Partners 6028 Shallowford Road Chattanooga, TN 37421 62-1784262	Contract Svcs	TN			MHCS	
(3) Memorial Heart Institute LLC dba 2525 De Sales Avenue Chattanooga, TN 37404 27-3799362	Physician Svc	TN	-3,170,986	12,652,091	MHCS	
Part II Identification of Related Tax-Exempt Organiza or more related tax-exempt organizations during the		f the organization	answered "Yes" o	on Form 990, Part I	V, line 34 becaus	e it had one
(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

(a) Name, address, and EIN of related organization	Primary activity	Legal domicile (state or foreign country)	Exempt Code section	Public charity status (if section 501(c)(3))	Direct controlling entity		512(b)(13 rolled nization
						Yes	No
See Additional Data Table							
For Privacy Act and Paperwork Reduction Act Notice, see the Instructi	ons for Form 990.	Cat No 5	0135Y		Schedule R (Form 990)	2010

Part III Identifi because				ble as a Partner reated as a partne					answe	ered "\	es" on Fo	rm 990,	Part	IV, lıı	ne 34
(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)	Share of t	(f) total income		(g) f end-of-year assets	(h Disprop alloca	prtionate	(i) Code V- amount in b Schedule (Form 1	ox 20 of : K-1	(j) General or managing partner?		(k) Percentage ownership
									Yes	No			Yes	No	
See Additional Data Table													-		
				ble as a Corpora ations treated as a							nswered "\	es" on	Form	990,	Part IV,
Name, address, and	(a) d EIN of related organiz	ation	(b) Primary activity	(c) Legal domicile (state or foreign country)		(d) (e) Direct controlling Type of e (C corp, S or trust		corp,			(g) Share of end-of-year assets			(h) Percentage ownership	
See Additional Data Table				Journal, ,										+	

Parc	Transactions with Related Organizations (Complete if the organization answered Tes	on form 330, Par	(1V, IIIIC 34, 33, 3	JA, 01 JU.)		
No	te. Complete line 1 if any entity is listed in Parts II, III or IV				Yes	No
1 Durin	g the tax year, did the orgranization engage in any of the following transactions with one or more related organ	izations listed in Parts	s II-IV?			
a Re	ceipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity			1a	Yes	
b Gr	ft, grant, or capital contribution to other organization(s)			1b	Yes	
c Gif	ft, grant, or capital contribution from other organization(s)			1c	Yes	
d Lo	ans or loan guarantees to or for other organization(s)			1d		No
e Lo	ans or loan guarantees by other organization(s)			1e		No
f Sa	le of assets to other organization(s)			1 f		No
g Pu	rchase of assets from other organization(s)			1 g		No
h Ex	change of assets			1h		No
i Lea	ase of facilities, equipment, or other assets to other organization(s)			1i	Yes	
j Lea	ase of facilities, equipment, or other assets from other organization(s)			1 j	$oxed{oxed}$	No
k Pe	rformance of services or membership or fundraising solicitations for other organization(s)			1k		No
I Per	rformance of services or membership or fundraising solicitations by other organization(s)			11	Yes	
m Sh	arıng of facılıtıes, equipment, mailing lists, or other assets			1m	Yes	
n Sh	aring of paid employees			1n	Yes	
o Re	imbursement paid to other organization for expenses			10	Yes	
p Re	imbursement paid by other organization for expenses			1р	Yes	
q Ot	ther transfer of cash or property to other organization(s)			├	Yes	<u> </u>
r Ot	her transfer of cash or property from other organization(s)			1 <u>r</u>	Yes	
	the answer to any of the above is "Yes," see the instructions for information on who must complete this line, in	cluding covered relati	onships and transact	ion thresholds		
	(a)	(b) Transaction	(c)	(d)		
	Name of other organization	type(a-r)	Amount involved	Method of determing involved		Sunt
(1)						
	onal Data Table					
(2)						
(3)						
(4)						
(5)						
(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 partr sect 501(d organiz	all ners non c)(3) ations?	(e) Share of end-of-year assets		r) ortionate tions?	(g) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	mana part	
			Yes	No		Yes	No		Yes	No
									+	
									+	
										-
										1

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation
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Schedule R (Form 990) 2010

Software ID: **Software Version:**

EIN: 62-0532345

Name: Memorial Health Care System

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations													
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c) (3))	(f) Direct controlling entity	(g) Section (b)(1 contro	n 512 13) olled						
					'	Yes	No						
Catholic Health Initiatives													
198 Inverness Drive West Englewood, CO80112 47-0617373	Healthcare	со	501(c)(3)	9	CHI								
Bornemann Healthcare Corporation					'								
2500 Bernville Road PO Box 316 Reading, PA19603 23-2187242	Healthcare	РА	501(c)(3)	11a	CHI								
CHI Institute For Research and Innovatio					,								
198 Inverness Drive West Englewood, CO80112 27-1050565	Healthcare	со	501(c)(3)	11a	CHI								
CHI National Foundation					,								
198 Inverness Drive West Englewood, CO80112 27-0930004	Fundraising	со	501(c)(3)	11a	CHI								
CHI National Services					,								
198 Inverness Drive West Englewood, CO80112 45-2532084	Healthcare	СО	501(c)(3)	9	СНІ								
CHI National Home Care					'								
198 Inverness Drive West Englewood, CO80112 45-1261716	Healthcare	со	501(c)(3)	11a	СНІ								
Global Health Initiatives					,								
198 Inverness Drive West Englewood, CO80112 20-1536108	Ministries	со	501(c)(3)	11a	CHI								
St Joseph Physician Enterprises					,								
7601 Osler Drive Towson, MD21204 52-1311775	Physicians	MD	501(c)(3)	11a	CHI								
St Vincent Infirmary Medical Center					'								
2 St Vincent Circle Little Rock, AR72205 71-0236917	Healthcare	AR	501(c)(3)	3	СНІ								
St Anthony's Hospital Association					<u> </u>								
4 Hospital Drive Morrilton, AR72110 71-0245507	Healthcare	AR	501(c)(3)	3	SVIMC								
St Vincent Foundation					,								
Two St Vincent Circle Little Rock, AR72205 51-0169537	Fundraising	AR	501(c)(3)	11a	SVIMC								
St Vincent Medical Group					,								
2 St Vincent Circle Little Rock, AR72205 71-0830696	Healthcare	AR	501(c)(3)	9	SVIMC								

Form 990, Schedule R, Part II - Identification of Re	iated lax-Exempt O	rganizations		1	T		
(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	Sectio (b)(contr	n 512 13) olled
						Yes	No
CHI Colorado							
188 Inverness Drive West Englewood, CO80112 84-0405257	Healthcare	со	501(c)(3)	3	CHI		
Mercy Regional Medical Center of Durango							
1010 Three Springs Blvd Durango, CO81301 84-0405515	Healthcare	со	501(c)(3)	3	СНІ		
Catholic Health Initiatives Colorado Fou							
961 East Colorado Avenue Colorado Springs, CO80903 84-0902211	Fundraising	СО	501(c)(3)	7	CHI Colorado		
Health SET							
4200 West Conejos Place 436 Denver, CO80204 84-1102943	Low Inc Care	СО	501(c)(3)	7	CHI Colorado		
Pueblo Stepup							
1925 East Orman Avenue Suite G52 Pueblo, C081004 84-1234295	Community	СО	501(c)(3)	7	СНІ		
SET of Colorado Springs Inc							
825 E Pikes Peak Avenue Bldg 29 Colorado Springs, CO80903 84-1183335	LTerm Care	со	501(c)(3)	7	CHI Colorado		
Total Healthcare							
PO Box 7021 Colorado Springs, CO80933 84-0927232	Healthcare	СО	501(c)(3)	3	CHI Colorado		
CHI-Iowa Corp							
1111 6th Avenue Des Moines, IA50314 42-0680448	Healthcare	IA	501(c)(3)	3	MHN		
Bishop Drumm Retirement Center							
1111 6th Avenue Des Moines, IA50314 42-0725196	LTerm Care	IA	501(c)(3)	9	CHI-IA Corp		
House of Mercy							
1111 6th Avenue Des Moines, IA50314 42-1323808	Shelter	IA	501(c)(3)	7	CHI-IA Corp		
Mercy Clinics Inc							
1111 6th Avenue Des Moines, IA50314 42-1193699	Physician	IA	501(c)(3)	9	CHI-IA Corp		
Mercy College of Health Sciences							
1111 6th Avenue Des Moines, IA50314 42-1511682	Education	IA	501(c)(3)	2	CHI-IA Corp		

Form 990, Schedule R, Part II - Identification of Rela	ited Tax-Exempt Or	ganizations					
(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 (b)(: contro organiz	n 512 13) olled
						Yes	No
Mercy Foundation of Des Moines IA							
1111 6th Avenue Des Moines, IA50314 23-7358794	Fundraising	IA	501(c)(3)	7	CHI-IA Corp		
Mercy Auxiliary of Central Iowa							
1111 6th Avenue Des Moines, IA50314 42-6076069	Auxiliary	IA	501(c)(3)	11a	CHI-IA Corp		
Mercy Professional Practice Associates							
1111 6th Avenue Des Moines, IA50314 42-1470935	Physician	an 1A 501(c)(3) 9		CHI-IA Corp			
Mercy Medical Center - Centerville FKA							
1 St Josephs Drive Centerville, IA52544 42-0680308	Healthcare	IA	501(c)(3)	3	CHI-IA Corp		
St Rose Ambulatory and Surgery Center F							
3515 Broadway Great Bend, KS67530 48-0543724	Surgery Cntr	KS	501(c)(3)	3	CHI		
St Catherine Hospital							
401 East Spruce Street Garden City, KS67846 48-0543721	Healthcare	KS	501(c)(3)	3	СНІ		
St Catherine Hospital Development Found							
401 East Spruce Street Garden City, KS67846 20-0598702	Fundraising	KS	501(c)(3)	11a	SCH		
CHI Kentucky Inc							
3900 Olympic Blvd Suite 400 Erlanger, KY41018 20-2741651	Healthcare	кү	501(c)(3)	11a	CHI		
Saint Joseph Health System Inc							
150 N Eagle Creek Dr Lexington, KY40509 61-1334601	Healthcare	КҮ	501(c)(3)	3	СНІ		
Continuing Care Hospital							
150 North Eagle Creek Drive Lexington, KY40509 61-1400619	LTACH	кү	501(c)(3)	3	SJHS		
Flaget Healthcare DBA Flaget Memorial							
4305 New Shepherdsville Road Bardstown, KY40004 61-1345363	Healthcare	KY	501(c)(3)	3	CHI		
Flaget Memorial Hospital Foundation Inc							
4305 New Shepherdsville Road Bardstown, KY40004 56-2351341	Fundraising	кү	501(c)(3)	11a	FH		

(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	Section (b)(controrgani	
						Yes	No
Saint Joseph London Foundation Inc 310 East Ninth Street London, KY40741 26-0438748	Fundraising	КҮ	501(c)(3)	11a	SJHS		
Saint Joseph Berea Hospital Foundation							
305 Estill Street Berea, KY40403 26-0152877	Fundraising	КҮ	501(c)(3)	7	SJHS		
St Joseph Hospital Foundation Inc							
305 Estill Street Lexington, KY40504 61-1159649	Fundraising	КҮ	501(c)(3)	11a	SJHS		
Saint Joseph Medical Foundation Inc							
One St Joseph Drive Lexington, KY40504 31-1539059	Phy Practices	КҮ	501(c)(3)	3	SJHS		
Saint Joseph Mount Sterling Foundation							
50 Sterling Avenue Mount Sterling, KY40353 27-2884584	Fundraising	КҮ	501(c)(3)	7	SJHS		
St Joseph Medical Center Inc							
7601 Osler Drive Towson, MD21204 52-0591461	Healthcare	MD	501(c)(3)	3	CHI		
St Joseph Medical Center Foundation In							
7601 Osler Drive Towson, MD21204 52-1681044	Fundraising	MD	501(c)(3)	7	SJMC		
Alverna Apartments							
300 SE 8th Avenue Little Falls, MN56345 41-1351177	Lterm Care	MN	501(c)(3)	9	CHI		
Lakewood Health Center							
600 Main Avenue South Baudette, MN56623 41-0758434	LTerm Care	MN	501(c)(3)	3	CHI		
St Francis Home							
2400 St Francis Drive Breckenridge, MN56520 41-0729978	LTerm Care	MN	501(c)(3)	9	CHI		
Appletree Court							
601 Oak Street Breckenridge, MN56520 41-1850500	Senior Homes	MN	501(c)(3)	9	SFH		
St Francis Medical Center 2400 St Francis Drive Breckenridge, MN56520 41-0695598	Healthcare	MN	501(c)(3)	3	СНІ		

Form 990, Schedule R, Part II - Identification of Re	elated Tax-Exempt O	rganizations		1	T		
(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	Sectio (b)(contr organi	n 512 13) olled
						Yes	No
Healthcare and Wellness Foundation							
2400 St Francis Drive Breckenridge, MN56520 76-0761782	Fundraising	MN	501(c)(3)	11a	SFMC		
St Joseph's Area Health Services							
600 Pleasant Avenue Park Rapids, MN56470 41-0695603	Healthcare	MN	501(c)(3)	3	СНІ		
Unity Family Healthcare							
815 2nd Street SE Little Falls, MN56345 41-0721642	Healthcare	MN	501(c)(3)	3	СНІ		
St John's Regional Medical Center							
2727 McClelland Blvd Joplin, MO64804 44-0545809	Healthcare	МО	501(c)(3)	3	СНІ		
Mercy Lifecare Systems							
2727 McClelland Blvd Joplin, MO64804 43-1305163	Property Mgmt	МО	501(c)(3)	11a	SJRMC		
MNMCH Inc							
220 North Pennsylvania Columbus, KS66725 48-1216238	Healthcare	KS	501(c)(3)	3	SJRMC		
St John's Medical Group							
2727 McClelland Blvd Joplin, MO64804 43-1882377	Phys Practice	МО	501(c)(3)	9	SJRMC		
St John's Mercy Regional Foundation							
2727 McClelland Blvd Joplin, MO64804 43-1308084	Fundraising	МО	501(c)(3)	7	SJRMC		
Alegent Health - Bergan Mercy Health Sys							
7500 Mercy Road Omaha, NE68124 47-0484764	Healthcare	NE	501(c)(3)	3	CHI		
Alegent Health - Mercy Hospital Corning							
PO Box 368 Corning, IA50841 42-0782518	Healthcare	IA	501(c)(3)	3	АНВМНЅ		
Mercy Health Care Foundation							
PO Box 368 Corning, IA 50841 42-1461064	Fundraising	NE	501(c)(3)	11a	АНМН		
Mercy Hospital Foundation Council Bluff							
800 Mercy Drive Council Bluffs, IA51503 42-1178204	Fundraising	IA	501(c)(3)	11a	АНВМНЅ		

Form 990, Schedule R, Part II - Identification of R	eiateu Tax-Exempt O	gainzations				T	
(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	Sectio (b)(contr	13)
						Yes	No
CHI Nebraska							
555 South 70th Street Lincoln, NE68510 36-3233121	Healthcare	NE	501(c)(3)	11a	CHI		
The Physician Network							
8055 O Street Suite 300 Lincoln, NE68510 47-0780857	Phys Practice	NE	501(c)(3)	11a	CHI Nebraska		
Good Samarıtan Hospital							
PO Box 1990 Kearney, NE68848 47-0379755	HealthCare	NE	501(c)(3)	3	CHI Nebraska		
Good Samaritan Hospital Foundation							
PO Box 1810 Kearney, NE68848 47-0659443	Fundraising	NE	501(c)(3)	7	GSH		
Catholic Health Care Federation							
198 Inverness Drive West Englewood, CO80112 20-8473567	Jurdic Person	СО	501(c)(3)	11a	СНІ		
Saint Elizabeth Regional Medical Center							
555 South 70th Street Lincoln, NE68510 47-0379836	Healthcare	NE	501(c)(3)	3	CHI Nebraska		
Saint Elizabeth Foundation							
555 South 70th Street Lincoln, NE68510 47-0625523	Fundraising	NE	501(c)(3)	7	SERMC		
Saint Elizabeth Health Services							
555 South 70th Street Lincoln, NE68510 36-3233120	Healthcare	NE	501(c)(3)	3	SERMC		
Saint Francis Medical Center							
PO Box 9804 Grand Island, NE68802 47-0376601	HealthCare	NE	501(c)(3)	3	CHI Nebraska		
Saint Francis Medical Center Foundation							
PO Box 9804 Grand Island, NE68802 47-0630267	Fundraising	NE	501(c)(3)	7	SFMC		
St Mary's Hospital							
1314 3rd Avenue Nebraska City, NE68410 47-0443636	Healthcare	NE	501(c)(3)	3	CHI Nebraska		
St Mary's Hospital Foundation							
1314 3rd Avenue Nebraska City, NE68410 47-0707604	Fundraising	NE	501(c)(3)	7	SMH		

Form 990, Schedule R, Part II - Identification of R	elated lax-Exempt O	rganizations	T		_	1	
(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	Sectio (b)(contr organi	n 512 13) olled
						Yes	No
Saint Clare's Health Services Inc							
25 Pocono Road Denville, NJ07834 22-3639733	Management	NJ	501(c)(3)	7	CHI		
Saint Clare's Community Care							
66 Ford Road Denville, NJ07834 22-2876836	Healthcare	NJ	501(c)(3)	11b	SCHS		
Saint Clare's Foundation Inc							
66 Ford Road Denville, NJ07834 22-2502997	Fundraising	NJ	501(c)(3)	7	SCHS		
Saint Clare's Hospital							
66 Ford Road Denville, NJ07834 22-3319886	Healthcare	NJ	501(c)(3)	3	CHI		
St Francis Life Care Corporation							
19 Pocono Road Denville, NJ07834 22-2536017	Elderly Care	NJ	501(c)(3)	9	SCHS		
Visiting Nurse Association of Saint Clar							
191 Woodport Road Sparta, NJ07871 22-1768334	Home Health	NJ	501(c)(3)	9	SCHS		
St Joseph Community Health Services							
300 Central Ave SW Suite 3000W Albuquerque, NM87102 71-0897107	Community	NM	501(c)(3)	11a	СНІ		
CHI Health Connect at Home - Fargo							
4816 Amber Valley Parkway Fargo, ND58104 27-1966847	Healthcare	ND	501(c)(3)	3	CHI		
Carrington Health Center							
800 North 4th Street Carrington, ND58421 45-0227311	Healthcare	ND	501(c)(3)	3	CHI		
Lisbon Area Health Services							
905 Main Street Lisbon, ND58054 82-0558836	Healthcare	ND	501(c)(3)	3	CHI		
Mercy Hospital of Devils Lake							
1031 East Seventh Street Devils Lake, ND58301 45-0227012	Healthcare	ND	501(c)(3)	3	CHI		
The Mercy Hospital of Devils Lake Fdn							
1031 East Seventh Street Devils Lake, ND58301 35-2367360	Fundraising	ND	501(c)(3)	11a	MHDL		

Form 990, Schedule R, Part II - Identification of Re	ziated Tax-Exempt O	rganizations					
(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	Sectio (b)(i contr	g) on 512 (13) crolled
						Yes	No
Mercy Hospital of Valley City		Τ '		T		Ţ	
570 Chautauqua Boulevard Valley City, ND58072 45-0226553	Healthcare	ND	501(c)(3)	3	СНІ		
Mercy Medical Center		T					
1301 15th Avenue West Williston, ND58801 45-0231183	Healthcare	ND	501(c)(3)	3	СНІ		
Mercy Medical Foundation		1					
1301 15th Avenue West Williston, ND58801 45-0381803	Fundraising	ND	501(c)(3)	11a	ммс		
O akes Community Hospital		†		1	†	<u> </u>	\top
314 South 8th Street Oakes, ND58474 45-0231675	Healthcare	ND	501(c)(3)	3	СНІ		
O akes Community Hospital Foundation		†					
314 South 8th Street Oakes, ND58474 71-0966606	Fundraising	ND	501(c)(3)	11a	осн		
St Joseph's Hospital and Health Center		1					
30 West 7th Street Dickinson, ND58601 45-0226429	Healthcare	ND	501(c)(3)	3	СНІ		
Saint Joseph's Hospital Foundation		7					
30 West 7th Street Dickinson, ND58601 36-3418207	Fundraising	ND	501(c)(3)	11a	SJHHC		
Villa Nazareth Inc		1					
801 Page Drive Fargo, ND58103 45-0226714	LT Care	ND	501(c)(3)	9	СНІ		
Samarıtan Health Partners							
2222 Philadelphia Drive Dayton, OH45406 31-1107411	Healthcare	ОН	501(c)(3)	11a	CHI		
Samaritan Behavioral Health		1					
601 S Edwin C Moses Blvd Dayton, OH45408 02-0633634	Healthcare	ОН	501(c)(3)	3	SHP		
Samaritan Health Foundation		1					
2222 Philadelphia Drive Dayton, OH45406 23-7296923	Fundraising	ОН	501(c)(3)	7	SHP		
The Good Samaritan Hospital of Cincinnat		1					
619 Oak Street Accounting-3 West Cincinnati, OH45206 31-0537486	Healthcare	ОН	501(c)(3)	3	TRI-HEALTH		

Form 990, Schedule R, Part II - Identification of Re	elated Tax-Exempt O	Tyanizations	Τ			$\overline{}$	
(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	Sectio (b)(i contr	g) on 512 (13) crolled nization
						Yes	No
The Community Limited Care Dialysis Cent		<u> </u>		T			
619 Oak Street Accounting-3 West Cincinnati, OH45206 23-7419853	Dialysis	ОН	501(c)(2)	none	GSH		
Good Samaritan College of Nursing & Heal							
375 Dixmyth Ave Cincinnati, 0 H45220 31-1778403	Education	КҮ	501(c)(3)	2	GHS		
Good Samaritan Foundation of Cincinnati		7					
619 Oak Street Accounting-3 West Cincinnati, OH45206 31-1206047	Fundraising	ОН	501(c)(3)	11a	GSH		
Hospital Association for St Joseph Hosp		1				1	
7601 Osler Drive Towson, MD21204 52-6050777	Healthcare	MD	501(c)(3)	9	SJMC		
Mercy Medical Center		,				1	
2700 Stewart Parkway Roseburg, OR97470 93-0386868	Healthcare	OR	501(c)(3)	3	СНІ		
Centennial Medical Group Inc		,					
2700 Stewart Parkway Roseburg, OR97470 90-0433062	Physicians	OR	501(c)(3)	9	ммс		
Linus O akes Inc		,					
2700 Stewart Parkway Roseburg, OR97470 93-0821381	Senior Living	OR	501(c)(3)	9	ммс		
Mercy Foundation Inc						T	
2700 Stewart Parkway Roseburg, OR97470 93-6088946	Fundraising	OR	501(c)(3)	7	ММС		
Mt St Joseph Inc		<u> </u>				T	
3060 SE Stark Street Portland, OR97214 93-0386870	Nursing Care	OR	501(c)(3)	9	CHI		
St Anthony Hospital		,					
1601 SE Court Avenue Pendleton, OR97801 93-0391614	Healthcare	OR	501(c)(3)	3	СНІ		
St Anthony Hospital Foundation		,					
1601 SE Court Avenue Pendleton, OR97801 93-0992727	Fundraising	OR	501(c)(3)	11a	SA Hospital		
St Dominic at Ontario							
351 SW 9th Street Ontario, OR97914 93-0433692	Healthcare	OR	501(c)(3)	3	СНІ		

Form 990, Schedule R, Part II - Identification of R	elated lax-Exempt O	rganizations		1	1	1	
(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	Sectio (b)(contr	13)
						Yes	No
St Francis of Baker City							
3325 Pocahontas Road Baker City, OR97814 93-0412495	Healthcare	O R	501(c)(3)	3	CHI		
St Joseph Health Ministries							
1929 Lincoln Hwy E Ste 150 Lancaster, PA17602 23-2342997	Health	PA	501(c)(3)	11a	CHI		
St Joseph Health Ministries Foundation							
1929 Lincoln Hwy E Ste 150 Lancaster, PA17602 23-2605579	Fundraising	PA	501(c)(3)	11a	SJHM		
St Joseph Health Services Inc							
1929 Lincoln Hwy E Ste 150 Lancaster, PA17602 20-1425375	Dental care	PA	501(c)(3)	11a	SJHM		
St Joseph Regional Health Network							
2500 Bernville Road PO Box 316 Reading, PA19603 23-1352211	Healthcare	PA	501(c)(3)	3	СНІ		
St Joseph Medical Group							
2500 Bernville Road PO Box 316 Reading, PA19603 20-8544021	Healthcare	PA	501(c)(3)	9	внс		
St Joseph Medical Center Foundation							
2500 Bernville Road PO Box 316 Reading, PA19603 23-2649362	Fundraising	PA	501(c)(3)	11a	SJRHN		
St Mary's Healthcare Center							
801 East Sioux Avenue Pierre, SD57501 46-0230199	Healthcare	SD	501(c)(3)	3	СНІ		
Gettysburg Medical Center							
606 East Garfield Avenue Gettysburg, SD57442 46-0234354	Healthcare	SD	501(c)(3)	3	SMHC		
Memorial Health Care System Inc							
2525 De Sales Avenue Chattanooga, TN37404 62-0532345	Healthcare	TN	501(c)(3)	3	CHI		
Memorial Health Care System Foundation							
2525 De Sales Avenue Chattanooga, TN37404 62-1839548	Fundraising	TN	501(c)(3)	7	MHCS		
Memorial Health Partners Foundation Inc							
6028 Shallowford Road Chattanooga, TN37421 03-0417049	Healthcare	TN	501(c)(3)	9	MHCS		

orm 550, Schedule 19 1 det 11 1 1 definition of Rela	teu lux Exempt el	gamzations					
(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 (b)(1 contro organiz	n 512 13) olled
						Yes	No
Franciscan Health System FKA Franciscan 1717 South J Street Tacoma, WA 98405 91-0564491	Healthcare	WA	501(c)(3)	3	СНІ		
Enumclaw Regional Hospital Association 1450 Battersby Avenue Enumclaw, WA 98022 91-0715805	Healthcare	WA	501(c)(3)	3	FHS		
Franciscan Foundation 1717 South J Street Tacoma, WA 98405 91-1145592	Fundraising	WA	501(c)(3)	9	FHS		
Franciscan Medical Group 1708 South Yakıma Avenue Tacoma, WA98405 91-1939739	Healthcare	WA	501(c)(3)	9	FHS		
Franciscan Villa of South Milwaukee Inc 3601 South Chicago Avenue South Milwaukee, WI 53172 39-1093829	Healthcare	WI	501(c)(3)	9	CHI		

Form 990, Schedule R, Part III - Identification of Related Organizations Taxable as a Partnership

Form 990, Schedul	e R, Part III -	Identif	ication of R	Related Orga	nizations Taxable	as a Partnership						
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	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) Dispro allocat	prtionate	(i) Code V-UBI amount on Box 20 of K-1 (\$)	Ger Man	j) neral or aging tner?	(k) Percentage ownership
CHI Operating				312 314)			res	NO		res	NO	
Investment Program LP 198 Inverness Drive West Englewood, CO80112 47-0727942	Investments	со	СНІ	Investment	139,679,805	2,069,974,790		No	371,292	Yes		100 000 %
North River Surgery Center LLC												
2209 Wildwood Avenue Sherwood, AR72120 71-0799771	Ambul Surg Ctr	AR	SVIMC	Related	198,313	1,758,688		No			Νo	57 450 %
Audubon Land Company LLC												
5390 N Academy Blvd Suite 300 Colorado Springs, CO80918 84-1513085	Real Estate	со	тнс	Related	-157,673	14,390,550		No			Νo	50 100 %
OrthoColorado LLC 11650 West 2nd Place Lakewood, CO80255 37-1577105	Ortho Hospital	со	тнс	Related	-3,249,314	10,905,384		No			No	60 000 %
Penrad Imaging 1390 Kelly Johnson Blvd Colorado Springs, CO80920 84-1072619	Medical Imaging	со	тнс	Related	1,857,228	5,457,224		No			No	70 000 %
St Anthony Regional Mtn Cancer Center 4231 W 16th Avenue Denver, CO80112 37-1568013	Cancer Center	со	тнс	Related	-290,552			No			No	51 000 %
St Francis Land Company 5390 N Academy Blvd Suite 300	Real Estate	СО	тнс	Related	-180,979	14,886,022		No			No	51 000 %
Colorado Springs, CO 80918 26-3134100												
Bluegrass Regional Imaging Center 1218 South Broadway Suite 310 Lexington, KY40504 61-1386736	Diagnostic	KY	SJ HospitalLex	Related				Νο			No	65 000 %

Form 990, Schedule R, Part III - Identification of Related Organizations Taxable as a Partnership

Form 990, Schedule	e R, Part III - I	dentific	ation of Re	lated Organi	zations Taxable	as a Partnership						
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	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) Dispro allocat	prtionate	(i) Code V-UBI amount on Box 20 of K-1 (\$)	(j) General or Managing Partner?		(k) Percentage ownership
St Joseph-PAML LLC				312 314)			res	NO		res	No	
424 Lewis Hargett Circle Ste 160 Lexington, KY40503 45-2116736	Mgmt Svcs	KY	SJHS	Related				No		Yes		62 500 %
Saint Joseph SCA Holdings LLC												
424 Lewis Hargett Circle Ste 160 Lexington, KY40503 45-3801157	OP Surgery	DE	SJHS	Related				No		Yes		51 000 %
Surgery Center of												
Lexington LLC 1451 Harrodsburg Road Lexington, KY40504 62-1179539	Surgery Center	DE	SJHS	Related	808,840	4,236,901		No		Yes		51 000 %
Ruxton Surgicenter												
8322 Bellona Avenue Suite 201 Baltimore, MD21204 52-2095835	Surgery Center	MD	SJMC	Related				No		Yes		51 000 %
Avantas LLC												
1207 South 13 Street Omaha, NE68108 39-2045003	Healthcare	NE	АНМН	Unrelated				No			Νo	95 000 %
Healthcare Support Services LLC												
PO Box 9804 Grand Island, NE68802 72-1546196	Laundry	NE	СНІ	Related	196,124	3,913,481		No	-58,436		Νo	100 000 %
Central Nebraska Home Care Services												
PO Box 1146-4510 Second Avenue Kearney, NE68848 47-0692112	Healthcare Srvc	NE	HSEINC	Related	-99,941	1,021,498		No	-48,712	Yes		100 000 %
Superior Medical Imaging LLC												
5000 North 26th Street Lincoln, NE68521 26-2884555	OP Diagnostics	NE	SERMC	Related				No			No	51 000 %

Form 990, Schedule R, Part III - Identification of Related Organizations Taxable as a Partnership

Form 990, Schedule R, Part III - Identification of Related Organizations Taxable as a Partnership												
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	Controlling Entity	(e) Predominant income (related, unrelated, excluded from tax under sections	(f) Share of total income (\$)	(g) Share of end-of-year assets (\$)	Disprop			(j Gen o Mana Part	r agıng	(k) Percentage ownership
				512-514)			Yes	No		Yes	No	
Central Nebraska Rehab Services 3004 W Faidley Ave Grand Island, NE68802 81-0653461	Physical Therapy	NE	СНІ	Related	1,857,991	2,262,775		No			No	51 000 %
St Francis Medical Center Associates 1717 South J Street Tacoma, WA98405 91-1352698	Med Office	WA	FHS	Related	116,948	1,652,280		No			No	54 210 %
Peninsula Radiation Oncology 314 Martin Luther King Jr Way 11 Tacoma, WA 98405 87-0808610	Healthcare Srvc	WA	FHS	Related	131,195	3,052,504		No			No	60 000 %
Berywood Office Properties LLC	Phys Office	TN	MHCS	Related				No		Yes		63 000 %

Form 990, Schedule R, Part IV - Identification of Related Organizations Taxable as a Corporation or Trust									
(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		
Alternative Insurance Management Service 3900 Olympic Boulevard Suite 400 Erlanger, KY41018 84-1112049	Management Servic	со	СНІ	C Corp		3,267,441	100 000 %		
Captive Management Initiatives 98-0663022	Captive Managemen	CJ	СНІ	C Corp			100 000 %		
Center for Translational Research 198 Inverness Drive West Englewood, CO80112 27-2269511	Healthcare	со	СНІ	C Corp	-2,247,962	1,668,589	100 000 %		
First Initiatives Insurance Ltd 98-0203038	Insurance	CJ	СНІ	C Corp			100 000 %		
Franciscan Services Inc 198 Inverness Drive West Englewood, CO80112 23-2487967	Healthcare	со	СНІ	C Corp	-507,578	11,914,284	100 000 %		
SJH Services Corporation 198 Inverness Drive West Englewood, CO80112 23-2307408	Healthcare	со	FSI	C Corp	-518,360	3,180,100	100 000 %		
St Joseph Development Company Inc 1717 South J Street Tacoma, WA 98405 91-1480569	Rental	WA	FSI	C Corp	-36,395	12,168,022	100 000 %		
Towson Management Inc 7601 Osler Drive Towson, MD21204 52-1710750	Management Servic	MD	FSI	C Corp	-469,016	498,393	100 000 %		
Nazareth Assurance Company 76 St Paul Street Suite 500 Burlington, VT05401 03-0304831	Insurance	VT	СНІ	C Corp	-379	123,535	100 000 %		
St Vincent Community Health Services In Two St Vincent Circle Little Rock, AR72205 71-0710785	Healthcare	AR	SVIMC	C Corp	2,309,129	14,049,375	100 000 %		
Comcare Services 4231 W 16th Avenue Denver, CO80204 84-0904813	Inactive	со	CHIC	C Corp			100 000 %		
Des Moines Medical Center Inc 1111 6th Avenue Des Moines, IA50314 42-0837382	Real Estate	IA	CHI-IA Corp	C Corp		1,253,452	92 980 %		
Mercy Park Apartments Ltd 1111 6th Avenue Des Moines, IA50314 42-1202422	Housing	IA	CHI-IA Corp	C Corp	264,489	1,796,053	100 000 %		
Central Kansas Health Services Associati 3515 Broadway Great Bend, KS67530 48-1042853	MEDICAL EQUIPMENT	KS	СКМС	C Corp			100 000 %		
SJL Physician Management Services Inc 424 Lewis Hargett Cr 160 Lexington, KY40503 27-0164198	Management	КҮ	SJHS	C Corp			100 000 %		
St Joseph Office Park Association 1401 HarrodsBurg Road Bldg B70 Lexington, KY40504 61-1079899	Management	КҮ	SJHS	C Corp	16,644	882,139	85 000 %		
Mercy Health Services Corporation 2727 McClelland Blvd Joplin, MO64804 43-1457881	DME	МО	St John's RMC	C Corp	-1,533,371	1,369,083	100 000 %		
Good Samaritan Outreach Services PO BOX 1990 Kearney, NE68848 47-0659440	MEDICAL CLINIC	NE	CHI Nebraska	C Corp	-2,921,063	355,110	100 000 %		
Health Systems Enterprises Inc PO BOX 1990 Kearney, NE68848 47-0664558	MANAGEMENT	NE	GSH	C Corp	25,289	1,443,049	100 000 %		
Saint Clare's Primary Care Inc 66 Ford Road Denville, NJ07834 22-2441202	Billing Services	NJ	SCCC	C Corp	-342,970	2,177,166	100 000 %		

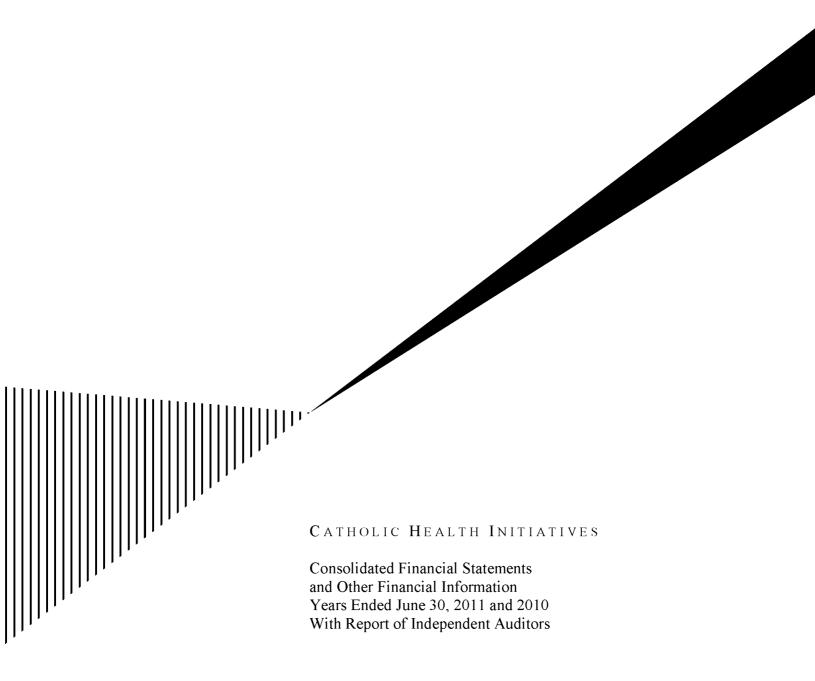
Form 990, Schedule R, Part IV - Identification of Related Organizations Taxable as a Corporation or Trust									
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income (\$)	(g) Share of end-of-year assets (\$)	(h) Percentage ownership		
MedQuest 1301 15th Avenue West Williston, ND58801 45-0392137	Sale of DME	ND	MHof Williston	C Corp	9,852	962,554	100 000 %		
Consolidated Health Services 1700 Edison Drive Milford, OH45150 31-1378212	Home Health	ОН	СНІ	C Corp		11,595,125	100 000 %		
American Nursing Care 1700 Edison Drive Milford, OH45150 31-1085414	Home Health	ОН	снѕ	C Corp	1,778,617	44,470,358	100 000 %		
Amerimed Inc 1700 Edison Drive Milford, OH45150 31-1158699	Home Health	ОН	ANC	C Corp	2,395,230	11,869,657	100 000 %		
Patient Transport Services Inc 1700 Edison Drive Milford, OH45150 31-1100798	Home Health	ОН	ANC	C Corp	662,425	5,325,941	100 000 %		
Samaritan Family Care Inc 40 W Fourth St 1700 Dayton, OH45402 31-1299450	Healthcare	он	SHP	C Corp			100 000 %		
Mercy Services Corp 2700 Stewart Parkway Roseburg, OR97470 93-0824308	Retail Sales	OR	ммс	C Corp	-690,267	954,798	100 000 %		
St Anthony Development Company 1415 Southgate Pendleton, OR97801 93-1216943	Athletic Club	OR	St Anthony H	C Corp	53,891	3,007,554	100 000 %		
CGH Realty Company Inc 215 N 12th St Reading, PA19603 23-2326801	Real Estate	PA	SJHM	C Corp	1,007	42,415	100 000 %		
Caduceus Medical Associates Inc 6028 Shallowford Road Suite D Chattanooga, TN37422 62-1570736	Healthcare	TN	мнсѕ	C Corp		1,008	100 000 %		
Mountain Management Services Inc 6028D Shallowford Road Chattanooga, TN37422 62-1570739	mgmt svc org	TN	MHCS	C Corp	-386,020	4,667,998	100 000 %		
Physician Health System Network 1149 Market St Tacoma, WA98402 91-1746721	Health Org	WA	FHS	C Corp			100 000 %		
Healthcare Mgmt Services Org Inc 1149 Market St Tacoma, WA98402 91-1865474	Health Org	WA	FHS	C Corp			100 000 %		
Harold W Rase 1995 Charitable Unittrust 30 West 7th Street Dickinson, ND58601 45-6090420	Investments	ND	SJHHC	Trust	1,240	21,533	100 000 %		
Harold W Rase 1996 Charitable Unittrust 30 West 7th Street Dickinson, ND58601 20-6037112	Investments	ND	SJHHC	Trust	900	15,495	100 000 %		
Harold W Rase 1997 Charitable Unittrust 30 West 7th Street Dickinson, ND58601 20-6037104	Investments	ND	SJHHC	Trust	1,025	20,261	100 000 %		
Harold W Rase 1999 Charitable Unittrust 30 West 7th Street Dickinson, ND58601 20-6037099	Investments	ND	SJHHC	Trust	1,313	25,027	100 000 %		
James & Henrietta Nistler Unitrust 30 West 7th Street Dickinson, ND58601 20-6021899	Investments	ND	SJHHC	Trust	-16,708	41,455	100 000 %		
Joseph A Schuster Annuity Trust #1 400 Univerity Avenue Des Moines, IA50314 42-1195122	Investments	IA	MFDM	Trust	18,924	441,488	100 000 %		
Ray & Shirley David 1999 Unitrust 30 West 7th Street Dickinson, ND58601 20-6037077	Investments	ND	SJHHC	Trust	1,250	24,194	100 000 %		

Form 990, Schedule R, Part IV - Identification of Related Organizations Taxable as a Corporation or Trust

(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
Tom Deyle Charitable Remainder Unitrust PO Box 1810 Kearney, NE68848 47-6192393	Investments	NE	GSHF	Trust	4,884	166,321	100 000 %
David Deyle Charitable Remainder Unitrus PO Box 1810 Kearney, NE68848 47-6192395	Investments	NE	GSHF	Trust	4,880	166,425	100 000 %
Jeanne Deyle Charitable Remainder Unitru PO Box 1810 Kearney, NE68848 47-6192398	Investments	NE	GSHF	Trust	4,880	166,320	100 000 %
Lodesca Miller Charitable Remainder Unit PO Box 1810 Kearney, NE68848 47-6186933	Investments	NE	GSHF	Trust	3,387	86,367	100 000 %
Robert & Wanda Charitable Remainder Unit PO Box 1810 Kearney, NE68848 26-6191916	Investments	NE	GSHF	Trust	13,030	537,775	100 000 %

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

	(a) Name of other organization	(b) Transaction type(a-r)	(c) A mount Involved (\$)	(d) Method of determining amount involved
(1)	MHP Foundation	a	3,859	
(2)	Memorial Health Care System Foundation	b	485,192	
(3)	Catholic Health Initiatives	с	117,180	
(4)	MHP Foundation	c	4,461,464	
(5)	Mountain Management Services	c	9,868,624	
(6)	Catholic Health Initiatives	1	67,189,509	
(7)	MHP Foundation	1	2,489,365	
(8)	Memorial Health Care System Foundation	ı	203,418	
(9)	Memorial Health Care System Foundation	m	65,474	
(10)	Mountain Management Services	n	554,794	
(11)	Catholic Health Initiatives	0	7,962,614	
(12)	MHP Foundation	0	14,331,886	
(13)	MHP Foundation	р	28,751,848	
(14)	Mountain Management Services	р	27,932,576	
(15)	Catholic Health Initiatives	q	6,543,793	
(16)	Memorial Health Care System Foundation	r	2,990,888	



Ernst & Young LLP



Catholic Health Initiatives Consolidated Financial Statements and Other Financial Information

Years Ended June 30, 2011 and 2010

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Report of Independent Auditors

Board of Stewardship Trustees Catholic Health Initiatives

We have audited the accompanying consolidated balance sheets of Catholic Health Initiatives (CHI) as of June 30, 2011 and 2010, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of CHI's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Alegent Health-Bergan Mercy Health System, a wholly sponsored direct affiliate of CHI, which statements reflect total assets of \$708 million and \$634 million as of June 30, 2011 and 2010, respectively, and total revenues of \$466 million and \$454 million, respectively, for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Alegent Health-Bergan Mercy Health System, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States 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 CHI'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 CHI'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 and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Catholic Health Initiatives at June 30, 2011 and 2010, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The unaudited community benefit information in Note 2 to the consolidated financial statements is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, accordingly, we express no opinion on such information.

September 13, 2011

1103-1238253

Ernst + Young LLP

Catholic Health Initiatives Consolidated Balance Sheets

	June 30			
	2011	2010		
	(In Thousands)			
Assets	(=			
Current assets				
Cash and equivalents	\$ 449,674	\$ 494,487		
Net patient accounts receivable, less allowances of				
\$650,617 and \$593,749 in 2011 and 2010, respectively	1,133,819	1,118,487		
Other accounts receivable	108,848	119,697		
Current portion of investments and assets limited as to use	19,554	3,463		
Inventories	173,316	170,003		
Assets held for sale	23,987	17,900		
Prepaid and other	70,805	52,828		
Total current assets	1,980,003	1,976,865		
Investments and assets limited as to use: Internally designated for capital and other funds Mission and Ministry Fund Capital Resource Pool Held by trustees	4,617,181 117,832 268,690 5,488	3,981,359 98,726 246,943 43,411		
Held for insurance purposes	739,071	681,001		
Restricted by donors	154,567	140,635		
Total investments and assets limited as to use	5,902,829	5,192,075		
Property and equipment, net	4,935,519	4,705,909		
Deferred financing costs	11,821	11,494		
Investments in unconsolidated organizations	353,449	241,604		
Intangible assets and goodwill, net Notes receivable and other	57,486	35,403		
	640,027	629,216 \$ 12,702,566		
Total assets	\$ 13,881,134	\$ 12,792,566		

Continued on following page

Catholic Health Initiatives Consolidated Balance Sheets (continued)

	June 30			
	2011 2010			2010
	(In Thousands)			
Liabilities and net assets				
Current liabilities				
Compensation and benefits	\$	408,375	\$	366,685
Third-party liabilities		66,283		66,091
Accounts payable and accrued expenses		607,400		662,748
Variable-rate debt with self liquidity		163,400		283,660
Current portion of long-term debt		836,201		736,052
Total current liabilities		2,081,659		2,115,236
Pension liability		315,523		731,196
Self-insured reserves and claims		448,940		436,787
Other liabilities		269,662		279,186
Long-term debt		3,123,001		3,180,965
Total liabilities		6,238,785		6,743,370
Net assets				
Net assets attributable to CHI		7,448,161		5,875,377
Net assets attributable to noncontrolling interests		8,967		8,204
Unrestricted		7,457,128		5,883,581
Temporarily restricted		122,795		112,207
Permanently restricted		62,426		53,408
Total net assets		7,642,349		6,049,196
Total liabilities and net assets	\$	13,881,134	\$	12,792,566

See accompanying notes.

Catholic Health Initiatives Consolidated Statements of Operations

	Year Ended June 30			ne 30	
		2011		2010	
_		(In Tho	usana	nds)	
Revenues: Net patient services	\$	9,004,978	\$	8.504.180	
Nonpatient					
Donations		24,639		29,421	
Changes in equity of unconsolidated organizations		38,059		15.772	
Investment income from self-insured trust funds		97,907		75.981	
Other		466,185		466,167	
Total nonpatient revenues		626,790		587.341	
Total operating revenues		9,631,768		9,091,521	
Expenses:					
Salaries and wages		3,632,761		3.394.929	
Employee benefits		773,040		749,049	
Purchased services, medical professional fees, consulting and legal		867,149		821.367	
Supplies		1,549,694		1.519.479	
Bad debts		718,577		653,250	
Utilities		122,195		117.593	
Rentals, leases, maintenance and insurance		489,791		399,453	
Depreciation and amortization		470,669		462,262	
Interest		133,423		111.188	
Other		493,488		444,133	
Total operating expenses before restructuring, impairment					
and other losses		9,250,787		8,672,703	
Income from operations before restructuring, impairment					
and other losses		380,981		418,818	
Restructuring, impairment and other losses		25,655		61,638	
Income from operations		355,326		357,180	
Nonoperating gains (losses):					
Investment income, net		753,764		387.674	
Gain on escrow restructuring and defeasance of bonds, net		_		2.896	
Realized and unrealized losses on interest rate swaps		(4,870)		(78.467)	
Other nonoperating gains		16,462		13,665	
Total nonoperating gains		765,356		325,768	
Excess of revenues over expenses	<u>\$</u>	1,120,682	\$	682,948	
Excess of revenues over expenses attributable to noncontrolling interest		3,298	\$	966	
Excess of revenues over expenses attributable to CHI	\$	1,117,384	\$	681,982	

Community benefit provided to the poor and broader community and the unpaid cost of Medicare (unaudited) was \$1.1 billion in each of 2011 and 2010 (see Note 2 of the accompanying notes)

See accompanying notes

Catholic Health Initiatives Consolidated Statements of Changes in Net Assets

(In Thousands)

		Inrestricted Net A	ssets				
	Attributable to CHI	Attributable to Noncontrolling Interests	_	Temporarily Restricted Net Assets	Restricted Net Restricted Net		
Balances, June 30, 2009	\$ 5,336,66			\$ 114.694	\$ 53.728	\$ 5.513.472	
Excess of revenues over expenses	681.98			_	_	682,948	
Increase in pension liability	(131.36	0) –	(131,360)	_	_	(131,360)	
Temporarily and permanently restricted contributions			-	37,772	420	38,192	
Net assets released from restriction for capital	23,59	8 –	23,598	(23,598)	_	_	
Net assets released from restriction for operations			-	(21.237)	_	(21,237)	
Investment income			_	4,275	(175)	4,100	
Other changes in net assets	3,13	7 (1.144	1.993	301	(565)	1.729	
Net loss from discontinued operations	(38.64	8) –	(38,648)			(38,648)	
Net increase in net assets	538.70	9 (178	538,531	(2,487)	(320)	535,724	
Balances, June 30, 2010	5,875,37	7 8.204	5.883.581	112.207	53,408	6,049,196	
Excess of revenues over expenses	1,117,38	4 3,298	1,120,682	_	_	1,120,682	
Decrease in pension liability	404,76	8 –	404,768	_	_	404,768	
Temporarily and permanently restricted contributions			· _	44,502	3,803	48,305	
Net assets released from restriction for capital	26,27	0 –	26,270	(26,270)	_	_	
Net assets released from restriction for operations			-	(13,868)	_	(13,868)	
Investment income			· _	7,718	1,737	9,455	
Other changes in net assets	24,36	2 (2,535	21,827	(1,494)	3,478	23,811	
Net increase in net assets	1,572,78	4 763	1,573,547	10,588	9,018	1,593,153	
Balances, June 30, 2011	\$ 7,448,16	1 \$ 8,967	\$ 7,457,128	\$ 122,795	\$ 62,426	\$ 7,642,349	

See accompanying notes

Catholic Health Initiatives Consolidated Statements of Cash Flows

	Year Ended June 30			e 30
		2011		2010
		(In Thoi	ısands)
Operating activities				
Increase in net assets	\$	1,593,153	\$	535,724
Adjustments to reconcile increase in net assets to net cash provided				
by operating activities				
Depreciation and amortization		470,669		469,998
Provision for bad debts		718,577		688,547
Changes in equity of unconsolidated organizations		(38,059)		(16.830)
Net gains on sales of facilities and investments in unconsolidated		(3.5.10)		(9,735)
organizations		(3,540)		50,773
Loss on sale of Idaho and Eastern Oregon operations		_		30,773
Noncash operating expenses related to restructuring.		0.644		25.622
impairment and other losses		9,644		35.833
Loss on defeasance of bonds		_		151
(Increase) decrease in fair value of interest rate swaps		(26,876)		46,396
(Decrease) increase in unfunded pension liability Net changes in current assets and liabilities		(404,768)		131,360
Net patient and other accounts receivable		(710,994)		(626,755)
Other current assets		(20,318)		(8,301)
Current liabilities		(40,549)		134.138
Other changes		(37,700)		(27.910)
Net cash provided by operating activities, before net change in		(37,700)		(27.910)
investments and assets limited as to use		1,509,239		1,403,389
Net increase in investments and assets limited as to use		(729,424) 779,815		(1,384,929) 18,460
Net cash provided by operating activities		779,013		16.400
Investing activities				
Purchases of property, equipment and other capital assets		(761,713)		(821,354)
Purchase of CHS, net of cash acquired		(35,533)		_
Net cash proceeds from asset sales		4,992		21.617
Net cash proceeds from sale of Idaho and Eastern Oregon operations		_		61,937
Distributions from investments in unconsolidated organizations		44,748		27.450
Notes receivable issued to unconsolidated affiliates		(32,026)		(135,728)
Payment received on notes receivable from unconsolidated affiliates		27,391		14,606
Other changes		6,889		(911)
Net cash used in investing activities		(745,252)		(832,383)
Financing activities				
Proceeds from bank loan and issuance of long-term debt		276,598		1.174.753
Net costs associated with issuance of long-term debt		_		(10,837)
Repayment of long-term debt		(355,974)		(568,195)
Net cash (used in) provided by financing activities		(79,376)		595,721
Decrease in cash and equivalents		(44,813)		(218.202)
Cash and equivalents at beginning of year		494,487		712,689
Cash and equivalents at end of year	\$	449,674	\$	494,487
Supplemental disclosures of cash flow information				
Cash paid during the year for interest, including amounts capitalized		149,822	\$	118,053

See accompanying notes

June 30, 2011

1. Summary of Significant Accounting Policies

Organization

Catholic Health Initiatives (CHI), established in 1996, is a tax-exempt Colorado corporation and has been granted an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code CHI sponsors market-based organizations (MBOs) and other facilities in 19 states, including 72 acute-care hospitals, of which 21 are designated as critical access hospitals by the Medicare program, 40 long-term care, assisted living and residential facilities, two community health service organizations (CHSOs), home health agencies and two accredited nursing colleges CHI also has an offshore captive insurance company, First Initiatives Insurance, Limited (FIIL)

The mission of CHI is to nurture the healing ministry of the Church, bringing it new life, energy and viability in the 21st century CHI is committed to fidelity to the Gospel, with emphasis on human dignity and social justice in the creation of healthier communities CHI is sponsored by a lay-religious partnership, calling on other Catholic sponsors and systems to unite to ensure the future of Catholic health care

Principles of Consolidation

CHI consolidates all direct affiliates in which it has sole corporate membership or ownership (Direct Affiliates) and all entities in which it has greater than 50% equity interest with commensurate control All significant intercompany accounts and transactions are eliminated in consolidation

Fair Value of Financial Instruments

Financial instruments consist primarily of cash and equivalents, patient accounts receivable, investments and assets limited as to use, notes receivable, accounts payable and long-term debt. The carrying amounts reported in the consolidated balance sheets for these items approximate fair value.

Cash and Equivalents

Cash and equivalents include all deposits with banks and investments in interest-bearing securities with maturity dates of 90 days or less from the date of purchase In addition, cash and equivalents include deposits in short-term funds held by professional managers. The funds generally invest in high-quality, short-term debt securities, including U S government securities,

1. Summary of Significant Accounting Policies (continued)

securities issued by domestic and foreign banks, such as certificates of deposit and bankers' acceptances, repurchase agreements, asset-backed securities, high-grade commercial paper and corporate short-term obligations

Net Patient Accounts Receivable and Net Patient Services Revenues

Net patient accounts receivable has been adjusted to the estimated amounts expected to be collected. These estimated amounts are subject to further adjustments upon review by third-party payors.

The provision for bad debts is based upon management's assessment of historical and expected net collections, taking into consideration historical business and economic conditions, trends in health care coverage and other collection indicators. Management routinely assesses the adequacy of the allowances for uncollectible accounts based upon historical write-off experience by payor category. The results of these reviews are used to modify, as necessary, the provision for bad debts and to establish appropriate allowances for uncollectible net patient accounts receivable. After satisfaction of amounts due from insurance, CHI follows established guidelines for placing certain patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by each facility

CHI records net patient services revenues in the period in which services are performed CHI has agreements with third-party payors that provide for payments at amounts different from its established rates. The basis for payment under these agreements includes prospectively determined rates, cost reimbursement and negotiated discounts from established rates and per diem payments

Net patient services revenues are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments due to future audits, reviews and investigations, and excluding estimated amounts considered uncollectible. The differences between the estimated and actual adjustments are recorded as part of net patient services revenues in future periods, as the amounts become known, or as years are no longer subject to such audits, reviews and investigations

1. Summary of Significant Accounting Policies (continued)

Investments and Assets Limited as to Use

Investments and assets limited as to use include assets set aside by CHI for future long-term purposes, including capital improvements and self-insurance. In addition, assets limited as to use include amounts held by trustees under bond indenture agreements, amounts contributed by donors with stipulated restrictions and amounts held for Mission and Ministry programs

CHI has designated its investment portfolio as trading Accordingly, unrealized gains and losses on marketable securities are included within excess of revenues over expenses. In addition, cash flows from the purchases and sales of marketable securities are reported as a component of operating activities in the accompanying consolidated statements of cash flows.

Direct investments in equity securities with readily determinable fair values and all direct investments in debt securities have been measured at fair value in the accompanying balance sheets Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in excess of revenues over expenses unless the income or loss is restricted by donor or law

Investments in partnerships and limited liability companies are recorded using the equity method of accounting (which approximates fair value) with the related changes in value in earnings reported as investment income in the accompanying consolidated financial statements

Inventories

Inventories, primarily consisting of pharmacy drugs and medical and surgical supplies, are stated at lower of cost (first-in, first-out method) or market

Assets and Liabilities Held for Sale

A long-lived asset or disposal group of assets and liabilities that is expected to be sold within one year is classified as held for sale For long-lived assets held for sale, an impairment charge is recorded if the carrying amount of the asset exceeds its fair value less costs to sell Such valuations include estimates of fair values generally based upon discounted cash flows and incremental direct costs to transact a sale

1. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at historical cost or, if donated or impaired, at fair value at the date of receipt or impairment Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. For property and equipment under capital lease, amortization is determined over the shorter period of the lease term or the estimated useful life of the property and equipment. Interest cost incurred during the period of construction of major capital projects is capitalized as a component of the cost of acquiring those assets. Capitalized interest of \$15 million and \$22 million was recorded in 2011 and 2010, respectively

Costs incurred in the development and installation of internal-use software are typically expensed if they are incurred in the preliminary project stage or post-implementation stage, while certain costs are capitalized if incurred during the application development stage Amounts capitalized are amortized over the useful life of the developed asset following project completion

Investments in Unconsolidated Organizations

Investments in unconsolidated organizations are accounted for under the cost or equity method of accounting, as appropriate, based on the relative percentage of ownership or degree of influence over that organization. The equity income or loss on these investments is recorded in the consolidated statements of operations as changes in equity of unconsolidated organizations.

Notes Receivable and Other Assets

Other assets consist primarily of notes receivable, pledges receivable, deferred compensation assets, deposits and other long-term assets. Notes receivable include balances from the following related entities. Alegent Health and Alegent Health Immanuel Medical Center (collectively, Alegent), the Nebraska joint operating company (JOC) and non-CHI joint operating agreement (JOA) partner, respectively, Bethesda Hospital, Inc (Bethesda), the non-CHI JOA partner in the Cincinnati, Ohio JOA, and Jewish Hospital Healthcare Services, Inc (JHHS), an unconsolidated investee organization. The notes bear interest at rates commensurate with the CHI blended interest cost and require monthly debt service payments

1. Summary of Significant Accounting Policies (continued)

A summary of notes receivable and other assets is as follows as of June 30 (in thousands)

		2011	2010
Notes receivable from related entities	-		
Alegent	\$	273,535	\$ 254,444
Bethesda		212,090	223,155
JHHS		25,466	29,887
Total notes receivable from related entities		511,091	507,486
Other long-term assets		128,936	121,730
Total notes receivable and other	\$	640,027	\$ 629,216

Alegent and Bethesda are Designated Affiliates in the CHI credit group under the Capital Obligation Document (COD) As conditions of joining the CHI credit group, the Designated Affiliates have agreed to certain covenants related to corporate existence, insurance coverage, exempt use of bond-financed facilities, maintenance of certain financial ratios and compliance with limitations on the incurrence of additional debt Based upon management's review of the creditworthiness of the Designated Affiliates and their compliance with the covenants and limitations, no allowances for uncollectible notes receivable were recorded at June 30, 2011 and 2010

Net Assets

Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose Permanently restricted net assets consist of gifts with corpus values that have been restricted by donors to be maintained in perpetuity, including endowment funds Temporarily restricted net assets and earnings on permanently restricted net assets, including earnings on endowment funds, are used in accordance with the donor's wishes primarily to purchase equipment, to provide charity care and to provide other health and educational programs and services

Unconditional promises to receive cash and other assets are reported at fair value at the date the promise is received Conditional promises and indications of donors' intentions to give are reported at fair value at the date the conditions are met or the gifts are received All unrestricted contributions are included in the excess of revenue over expenses as donation revenues Other gifts are reported as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets When a donor restriction expires, that is,

1. Summary of Significant Accounting Policies (continued)

when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as donations revenue when restricted for operations or as unrestricted net assets when restricted for property and equipment

Performance Indicator

The performance indicator is the excess (deficiency) of revenues over expenses, which includes all changes in unrestricted net assets other than changes in the pension liability funded status, net assets released from restrictions for property acquisitions, cumulative effect of changes in accounting principles, discontinued operations and contributions of property and equipment and other changes not required to be excluded within the performance indicator and generally accepted accounting principles

Operating and Nonoperating Activities

CHI's primary mission is to meet the health care needs in its market areas through a broad range of general and specialized health care services, including inpatient acute care, outpatient services, physician 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 CHI's primary mission are considered to be nonoperating. Nonoperating activities include investment earnings, excluding the earnings from the investments held by FIIL, gains (losses) from bond refinancing, net interest cost and changes in fair value of interest rate swaps, and the nonoperating component of JOA income share adjustments

Charity Care

As an integral part of its mission, CHI accepts and treats all patients without regard to the ability to pay Services to patients are classified as charity care in accordance with standards established across all MBOs Charity care represents services rendered for which partial or no payment is expected and, as such, is not included in net patient services revenues in the accompanying consolidated statements of operations and changes in net assets The amount of charity care provided, determined on the basis of charges, was 40% and 37% of gross patient services revenues for 2011 and 2010, respectively

1. Summary of Significant Accounting Policies (continued)

Other Nonpatient Revenues

Other nonpatient revenues include gains and losses on the sales of assets, the operating portion of revenue-sharing income or expense associated with Direct Affiliates that are part of JOAs, cafeteria sales, rental income, retail pharmacy and durable medical equipment sales, auxiliary and gift shop revenues and revenues from other miscellaneous sources

Derivative and Hedging Instruments

CHI uses derivative financial instruments (interest rate swaps) in managing its capital costs. These interest rate swaps are recognized at fair value on the consolidated balance sheets. CHI has not designated its interest rate swaps related to CHI's long-term debt as hedges. The net interest cost and change in the fair value of such interest rate swaps is recognized as a component of nonoperating gains (losses) in the accompanying consolidated statements of operations. It is CHI's policy to net the value of collateral on deposit with counterparties against the fair value of its interest rate swaps in other liabilities on the consolidated balance sheets.

Functional Expenses

CHI provides inpatient, outpatient, ambulatory, long-term care and community-based services to individuals within the various geographic areas supported by its facilities. Support services include administration, finance and accounting, information technology, public relations, human resources, legal, mission services and other functions that are supported centrally for all of CHI Support services expenses as a percent of total operating expenses were approximately 4 2% and 4 4% in 2011 and 2010, respectively

Restructuring, Impairment and Other Losses

CHI periodically evaluates property, equipment and certain other intangible assets to determine whether assets may have been impaired. Management determined there were certain property and equipment impairments in both 2011 and 2010 to the extent that the discounted cash flows estimated to be generated by those assets were less than the underlying carrying value

During the years ended June 30, 2011 and 2010, CHI recorded nonrecurring expenses of \$26 million and \$62 million, respectively, relating to asset impairments and changes in business operations, including reorganization and severance costs During 2010, CHI recorded an additional \$48 million of nonrecurring expenses, which were included as discontinued operations in the statements of changes in net assets

1. Summary of Significant Accounting Policies (continued)

Income Taxes

CHI is a tax-exempt Colorado corporation and has been granted an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code CHI owns certain taxable subsidiaries and engages in certain activities that are unrelated to its exempt purpose and therefore subject to income tax As of June 30, 2011, CHI has current net deferred tax assets of \$2 1 million and a noncurrent net deferred tax liability of \$5 4 million related to these taxable activities

Management reviews its tax positions annually and has determined that there are no material uncertain tax positions that require recognition in the consolidated financial statements

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses Actual results could vary from the estimates

New Accounting Pronouncements and Adoption of New Accounting Standards

Effective July 2010, CHI adopted the provision of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No 958-810, *Not-for-Profit-Entities: Consolidation*, which made the provision of FASB Statement No 160, *Noncontrolling Interests in Consolidated Financial Statements*, applicable to not-for-profit entities. The purpose of the ASC and FASB were to reflect the noncontrolling interest in the equity or net assets of a consolidated subsidiary as a component of net assets rather than as minority interest expense and minority interest liability. The adoption of ASC 958-810 did not have a material impact on CHI's consolidated results of financial position, operations or cash flows. The prior year's presentation has been adjusted to reflect the application of the new accounting guidance

In January 2010, the FASB released Accounting Standards Update (ASU) No 2010-07, Not-for-Profit Entities (Topic 958): Not-for-Profit Entities: Mergers and Acquisitions, which amends FASB Statement No 164, Not-for-Profit Entities: Mergers and Acquisitions The objective of ASU 2010-07 is to improve the relevance, representational faithfulness and comparability of the information that a not-for-profit entity provides in its financial reports about a combination with one or more other not-for-profit entities, businesses or nonprofit activities ASU 2010-07 also

1. Summary of Significant Accounting Policies (continued)

provides relevant and comparable information that a not-for-profit entity provides for goodwill and other intangible assets after an acquisition by amending existing guidance to make it fully applicable to not-for-profit entities ASU 2010-07 is effective for mergers for which the merger date is on or after the beginning of an *imital* reporting period beginning on or after December 15, 2009, and acquisitions for which the acquisition date is on or after the beginning of the first *ammual* reporting period beginning on or after December 15, 2009 CHI adopted the provisions of ASU 2010-07 effective July 2010, and adoption did not have a material impact on its overall consolidated results of financial position, operations or cash flows

In January 2010, the FASB released ASU No 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements ASU 2010-06 was issued to improve disclosure requirements related to fair value measurements and disclosures (overall Subtopic 820-10) of the FASB The new disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures in the rollforward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010 CHI adopted the provisions of ASU 2010-06 during 2010 and 2011.

In September 2009, the FASB released ASU No 2009-12, Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset Value ASU 2009-12 amends ASC 820, Fair Value Measurements and Disclosures, and allows a reporting entity, as a practical expedient, to estimate fair value of certain alternative investments at the net asset value as reported by the investee entity in instances where the net asset value has been calculated in a manner consistent with ASC 946, Financial Services – Investment Companies Adoption of the provisions of ASU 2009-12 during 2010 did not have a material impact on the valuation of CHI's investments

In August 2010, the FASB released ASU No 2010-23, *Measuring Charity Care for Disclosure*. ASU 2010-23 requires the disclosure of charity care amounts and provides specific guidance on how to measure charity care. The accounting provisions specifically require that charity care not be reduced by reimbursement for charity care, and that the amount of reimbursements for charity care be disclosed. The disclosures are effective for fiscal years beginning after December 15, 2010, with retrospective application required. CHI does not believe the adoption of ASU 2010-23 will have a material effect on its overall consolidated results of financial position, operations or cash flows.

1. Summary of Significant Accounting Policies (continued)

In August 2010, the FASB released ASU No 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*. ASU 2010-24 applies to malpractice claims and similar contingent liabilities and requires that such liabilities disregard the effect of any anticipated insurance recoveries in determining the liability amounts. The accounting provisions also provide accounting guidance for recording any insurance recovery receivables. ASU 2010-24 is effective for fiscal years beginning after December 15, 2010. CHI is evaluating the effect of adopting ASU 2010-24 but does not believe its adoption will have a material effect on its overall consolidated results of financial position, operations or cash flows

In July 2011, the FASB released ASU No 2011-07, Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Entities ASU 2011-07 requires health care entities to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient services revenues from an operating expense to a deduction from patient services revenues (net of contractual allowances and discounts) Additionally, enhanced disclosures will be required surrounding the entity's policies for recognizing revenue and assessing bad debts ASU 2011-07 is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2011 CHI is evaluating the effect of adopting ASU 2011-07

Reclassifications

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

2. Community Benefit (Unaudited)

In accordance with its mission and philosophy, CHI commits substantial resources to sponsor a broad range of services to both the poor and the broader community Community benefit provided to the poor includes the cost of providing services to persons who cannot afford health care due to inadequate resources and/or who are uninsured or underinsured. This type of community benefit includes the costs of traditional charity care, unpaid costs of care provided to beneficiaries of Medicaid and other indigent public programs, services such as free clinics and meal programs for which a patient is not billed or for which a nominal fee has been assessed, and cash and in-kind donations of equipment, supplies or staff time volunteered on behalf of the community

2. Community Benefit (Unaudited) (continued)

Community benefit provided to the broader community includes the costs of providing services to other populations who may not qualify as poor but may need special services and support This type of community benefit includes the costs of services such as health promotion and education, health clinics and screenings, all of which are not billed or can be operated only on a deficit basis, unpaid portions of training health professionals such as medical residents, nursing students and students in allied health professions, and the unpaid portions of testing medical equipment and controlled studies of therapeutic protocols

A summary of the cost of community benefit provided to both the poor and the broader community is as follows (in thousands)

	2011	2010
Cost of community benefit		
Cost of charity care provided	\$ 244,949	\$ 221,140
Unpaid cost of public programs, Medicaid and		
other indigent care programs	242,163	235,161
Nonbilled services	25,379	25,576
Cash and in-kind donations	2,975	2,861
Education and research	33,397	24,908
Other benefit	63,283	65,198
Total cost of community benefit from continuing operations	612,146	574,844
Total cost of community benefit from discontinued operations	_	13,779
Total cost of community benefit	612,146	588,623
Unpaid cost of Medicare from continuing operations	461,358	456,729
Unpaid cost of Medicare from discontinued operations	 _	9,867
Total unpaid cost of Medicare	461,358	466,596
Total cost of community benefit and the unpaid		
cost of Medicare	\$ 1,073,504	\$ 1,055,219

The summary above has been prepared in accordance with the policy document of the Catholic Health Association of the United States (CHA), Community Benefit Program – A Revised Resource for Social Accountability Community benefit is measured on the basis of total cost, net of any offsetting revenues, donations or other funds used to defray cost

2. Community Benefit (Unaudited) (continued)

The total cost of community benefit from continuing and discontinued operations was 6 6% of total expenses before operating expenses related to restructuring, impairment and other losses in 2011 and 2010. The total cost of community benefit and the unpaid cost of Medicare from continuing and discontinued operations was 11 6% and 11 8% of total expenses before operating expenses related to restructuring, impairment and other losses in 2011 and 2010, respectively

3. Joint Operating Agreements and Investments in Unconsolidated Organizations

Joint Operating Agreements

CHI participates in JOAs with hospital-based organizations in five separate market areas. The agreements generally provide for, among other things, joint management through JOCs of the combined operations of the local facilities included in the JOAs. CHI retains ownership of the assets, liabilities, equity, revenues and expenses of the CHI facilities that participate in the JOAs. The financial statements of the CHI facilities managed under all JOAs are included in the CHI consolidated financial statements. Transfers of assets from facilities owned by the JOA participants generally are restricted under the terms of the agreements.

CHI has a 70% interest in a JOC based in Colorado and has interests of 50% in three other JOCs associated with other JOAs. These interests are included in investments in unconsolidated organizations and totaled \$125 million and \$65 million at June 30, 2011 and 2010, respectively CHI recognizes its investment in all JOCs under the equity method of accounting. The JOCs provide varying levels of services to the related JOA sponsors, and operating expenses of the JOCs are allocated to each sponsoring organization. The unconsolidated JOCs had total assets of \$721 million and \$671 million at June 30, 2011 and 2010, respectively, and net assets of \$109 million and \$95 million, respectively.

Investments in Unconsolidated Organizations

CHI Kentucky – On November 1, 2005, CHI entered into a joint venture agreement with JHHS CHI contributed substantially all of the net assets of the former MBO in Louisville, Kentucky, of \$7 million, along with \$20 million, paid in quarterly installments through August 2008, in return for a 25% interest in the joint venture. The investment in the joint venture, which is accounted for under the equity method of accounting and is included in investments in unconsolidated organizations, had a book value of \$30 million and \$18 million at June 30, 2011 and 2010, respectively. The joint venture had annual operating revenues of approximately \$1.0 billion for both 2011 and 2010, total assets of \$920 million and \$914 million, and net assets of \$335 million.

3. Joint Operating Agreements and Investments in Unconsolidated Organizations (continued)

and \$291 million as of June 30, 2011 and 2010, respectively As part of the agreement, the joint venture executed a note to CHI with monthly payments of principal and interest. The note is included in other assets and had a balance of \$25 million and \$30 million at June 30, 2011 and 2010, respectively

Preferred Professional Insurance Corporation (PPIC) – PPIC is an unconsolidated affiliate of CHI PPIC provides professional liability insurance and other related services to preferred physician and other health care providers that are associated with its owners CHI owns a 27% interest in PPIC and accounts for its investment under the equity method of accounting The book value of the investment was \$49 million and \$43 million at June 30, 2011 and 2010, respectively PPIC had net assets of \$183 million and \$161 million at December 31, 2010 and 2009, respectively

Pathology Associates Medical Laboratories (PAML) – On October 21, 2009, CHI entered into an agreement with Seattle-based Providence Health and Services to acquire up to a 25% interest in PAML PAML is an unconsolidated affiliate of CHI and is a full-service medical reference lab, providing CHI hospitals with the opportunity to expand laboratory testing volumes and develop new relationships through outreach laboratory joint ventures As of June 30, 2011, CHI had met its commitment to invest a total of \$37 3 million in PAML, which represents a 25% ownership and is accounted for under the equity method The book value of the investment was \$37 6 million and \$14 9 million at June 30, 2011 and 2010, respectively CHI has an option to increase its investment in PAML by an additional \$7 5 million before January 2013

3. Joint Operating Agreements and Investments in Unconsolidated Organizations (continued)

Other Entities – The summarized financial positions and results of operations for the other entities accounted for under the equity method as of and for the periods ended June 30, excluding the investments described above, are as follows (in thousands)

						20	11					
		Aedical Office uildings	D	utpatient and iagnostic Services	9	nbulatory Surgery Centers		hysician ractices	I	Other nvestees	Total	
Total assets Total debt Net assets Net patient services revenues Total revenues, net Excess of revenues over expenses		28,439 26,315 1,263 - 5,834	\$	129,620 42,133 86,316 125,066 139,594 16,236	\$	63,130 13,023 46,024 116,927 117,020 31,659	\$	21,028 10,664 8,054 33,991 37,452 6,142	\$	160,767 20,013 95,720 150,974 330,668 86,269	\$ 5 402,984 112,148 237,377 426,958 630,568 140,985	
						20	10					
		Medical Office uildings	D	utpatient and iagnostic Services	9	20 nbulatory Surgery Centers	P	hysician ractices	I	Other nvestees	Total	
Total assets Total debt Net assets Net patient services revenues Total revenues, net Excess of revenues over			D	and iagnostic	9	nbulatory Surgery	P	•			\$ Total 444,108 90,159 234,656 327,987 515,266	

4. Acquisitions and Divestitures

Continuing Operations

Consolidated Health Services (CHS) – Effective on October 1, 2010, CHI acquired CHS, headquartered near Cincinnati, Ohio, from Bethesda, Inc, an Ohio nonprofit corporation CHS is a home health care service provider operating in 30 locations in Indiana, Kentucky and Ohio The gross purchase price of the acquisition was \$43.3 million (\$35.5 million, net of cash acquired), which was allocated as follows (in thousands)

Cash	\$ 7,814
Patient receivables	6,534
Current deferred tax asset	2,077
Property and equipment	3,260
Investment in unconsolidated organizations	17,900
Intangibles	12,064
Deferred tax asset	1,503
Goodwill	6,479
Other assets	5,960
Other liabilities	(13,210)
Deferred tax liability	(7,034)
Purchase price	\$ 43,347

Dayton Heart and Vascular Hospital – In May 2009, the decision was made to sell the Dayton Heart and Vascular Hospital building, as all operations had been moved to the primary hospital The property is classified as an asset held for sale on the consolidated balance sheets and had a value of \$16 0 million and \$17 9 million as of June 30, 2011 and 2010, respectively Impairment charges of \$1 9 million and \$24 6 million were recorded in 2011 and 2010, respectively, to reduce the carrying amount of the property to its fair value Such impairment charges are reflected as a component of restructuring, impairment and other losses in the accompanying consolidated statements of operations Effective on July 28, 2011, the property was sold for its stated value

Discontinued Operations

Idaho and Eastern Oregon Operations – In April 2010, CHI sold three of its facilities to an unrelated third party. The operations associated with these facilities have been reported as discontinued operations and are included in the consolidated statements of operations and changes in net assets. At June 30, 2010, assets held for sale consisted primarily of cash and

4. Acquisitions and Divestitures (continued)

investments, net patient accounts receivable, net property and equipment, investments in unconsolidated organizations and other long-term assets Liabilities held for sale consisted of accounts payable and accrued compensation and benefits CHI recorded a deficiency of revenues over expenses of \$45.3 million in 2010, which is reported as discontinued operations in the accompanying consolidated statements of changes in net assets

Missouri Operations – In November 2009, CHI's management transferred sponsorship and related operations of its Missouri facilities to an unrelated third party. The operations associated with these lines of business have been reported as discontinued operations and are included in the consolidated statement of changes in net assets. At June 30, 2010, assets held for sale consisted primarily of inventories, property and equipment, donor-restricted assets and investments in unconsolidated organizations. Liabilities held for sale consisted of certain compensation and benefits expenses. CHI recorded excess of revenues over expenses of \$6.7 million in 2010, which is reported as discontinued operations in the accompanying consolidated statements of changes in net assets.

Total operating revenues and deficiency of revenues over expenses included in the results of discontinued operations are summarized below (in thousands)

	2010
Total operating revenues	\$ 250,093
Total operating expenses	(248,554)
Restructuring and other losses	(48,137)
Impairment losses	(275)
Nonoperating gains	8,225
Deficiency of revenues over expenses	\$ (38,648)

The consolidated statements of cash flows include \$40.5 million of operating, investing and financing activities related to discontinued operations for the year ended June 30, 2010

5. Net Patient Services Revenues

Net patient services revenues are derived from services provided to patients who are either directly responsible for payment or are covered by various insurance or managed care programs CHI receives payments from the federal government on behalf of patients covered by the

5. Net Patient Services Revenues (continued)

Medicare program, from state governments for Medicaid and other state-sponsored programs, from certain private insurance companies and managed care programs and from patients themselves A summary of payment arrangements with major third-party payors follows

Medicare – Inpatient acute care and certain outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge or procedure. These rates vary according to patient classification systems based on clinical, diagnostic and other factors. Certain CHI facilities have been designated as critical access hospitals and, accordingly, are reimbursed their cost of providing services to Medicare beneficiaries. Professional services rendered by physicians are paid based on the Medicare allowable fee schedule.

Medicaid – Inpatient services rendered to Medicaid program beneficiaries are primarily paid under the traditional Medicaid plan at prospectively determined rates per discharge Certain outpatient services are reimbursed based on a cost reimbursement methodology, fee schedules or discounts from established charges

Other – CHI has also entered into payment agreements with certain managed care and commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to CHI under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates

CHI's Medicare, Medicaid and other payor utilization percentages, based upon net patient services revenues, are summarized as follows

	2011	2010
Medicare	30%	30%
Medicaid	8	7
Managed care	39	38
Self-pay	8	8
Commercial and other	15	17
	100%	100%

5. Net Patient Services Revenues (continued)

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Estimated settlements related to Medicare and Medicaid of \$44 million and \$48 million at June 30, 2011 and 2010, respectively, are included in third-party liabilities. Net patient services revenues from continuing operations increased by \$33 million in 2011 and \$18 million in 2010 due to favorable changes in estimates related to prior-year settlements. Changes in estimates related to prior-year settlements from discontinued operations were not significant in 2010.

6. Investments and Assets Limited as to Use

CHI's investments and assets limited to use as of June 30 are reported in the accompanying consolidated balance sheets as presented in the following table (in thousands)

2011	2010
\$ 151,808 \$ 4,890,752 419,333 309,117 151,373	178,699 4,217,594 391,939 303,827 103,479
5,922,383	5,195,538
(19,554) \$ 5,902,829 \$	(3,463) 5,192,075
	\$ 151,808 \$ 4,890,752 419,333 309,117 151,373 5,922,383 (19,554)

Net unrealized gains (losses) at June 30, 2011 and 2010 were \$460 million and \$(159) million, respectively

CHI attempts to reduce its market risk by diversifying its investment portfolio using cash equivalents, fixed-income securities, marketable equity securities and alternative investments Most of the U S Treasury and corporate debt obligations as well as exchange-traded marketable securities held by CHI and the Program have an actively traded market However, CHI also invests in money market funds, commercial paper, mortgage-backed or other asset-backed securities, alternative investments (such as hedge funds, private equity investments, funds of funds, etc.), collateralized debt obligations, municipal securities and other investments that have potential complexities in valuation based upon the current conditions in the credit markets. For

6. Investments and Assets Limited as to Use (continued)

some of these instruments, evidence supporting the determination of fair value may not come from trading in active primary or secondary markets. Because these investments may not be readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had an active market for such investments existed. Such differences could be material. However, management reviews the CHI investment portfolio on a regular basis and seeks guidance from its professional portfolio managers related to U.S. and global market conditions to determine the fair value of its investments. CHI believes the carrying amount of these financial instruments in the consolidated financial statements is a reasonable estimate of fair value. Additionally, CHI assesses the risk of impairment related to securities held in its investment portfolio on a regular basis and noted no impairment during the years ended June 30, 2011 and 2010.

Substantially all CHI long-term investments are held in the Program. The Program is structured under a Limited Partnership Agreement with CHI as managing general partner and numerous limited partners, most sponsored by CHI. The partnership provides a vehicle whereby virtually all entities associated with CHI, as well as certain other unrelated entities, can optimize investment returns while managing investment risk. Entities participating in the Program that are not consolidated in the accompanying financial statements have the ability to direct their invested amounts and liquidate and/or withdraw their interest without penalty upon demand. The Limited Partnership Agreement permits a majority vote of the noncontrolled limited partners to terminate the partnership Accordingly, CHI recognizes only the portion of Program assets attributable to CHI and its sponsored affiliates. Program assets attributable to CHI and its direct affiliates represented 84% of total Program assets at June 30, 2011 and 2010.

The Program asset allocation at June 30 is as follows

	2011	2010
Marketable fixed-income securities Marketable equity securities Alternative investments Cash and equivalents	34% 45 19	38% 41 19
Cash and equivalents	100%	100%
	100 /0	10070

2010

Direct expenses of the Program are less than 0.4% of total assets. Fees paid to the alternative investment managers are not included in the total expense calculation as they are not a direct expense of the Program

6. Investments and Assets Limited as to Use (continued)

The CHI Investment Committee of the Board of Stewardship Trustees is responsible for determining asset allocations among fixed-income, equity and alternative investments At least annually, the Investment Committee reviews targeted allocations and, if necessary, makes adjustments to targeted asset allocations Given the diversity of the underlying securities in which the Program invests, management does not believe there is a significant concentration of credit risk

Investment income is comprised of the following for the years ended June 30 (in thousands)

		2011	2010
Dividend and interest income Net realized gains Net unrealized gains	\$	122,713 272,538 456,420	\$ 127,582 133,129 202,944
Total investment income from continuing operations	\$	851,671	\$ 463,655
Included in other nonpatient revenue Included in nonoperating gains Total investment income from continuing operations	\$ 	97,907 753,764 851,671	\$ 75,981 387,674 463,655
Total investment income from discontinued operations Total investment income	<u>\$</u>	- 851,671	\$ 8,225 471,880

7. Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date FASB ASC 820, Fair Value Measurements and Disclosures, establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement)

The three levels of the fair value hierarchy and a description of the valuation methodologies used for instruments measured at fair value are as follows

Level 1 – Valuation is based upon quoted prices (unadjusted) for identical assets or liabilities in active markets

7. Fair Value of Assets and Liabilities (continued)

Level 2 – Valuation is based upon quoted prices for similar assets and liabilities in active markets or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial asset or liability

Level 3 – Valuation is based upon other unobservable inputs that are significant to the fair value measurement

Certain of CHI's alternative investments are made through limited liability companies (LLCs) and limited liability partnerships (LLPs) These LLCs and LLPs provide CHI with a proportionate share of the investment gains (losses) CHI accounts for its ownership in the LLCs and LLPs under the equity method CHI also accounts for its ownership in the Partnership under the equity method As such, these investments are excluded from the scope of ASC 820

Financial assets and liabilities measured at fair value on a recurring basis were determined using the following inputs at June 30 (in thousands)

2011 Fair Value Measurements at Reporting Date Using								
		(Level 1)	(Level 2)	(I	Level 3)	
F	air Value	Qu	oted Prices		Other			
	as of			O	bservable	Uno	bservable	
	June 30	1	Markets		Inputs]	Inputs	
_								
\$	151,808	\$	151,808	\$	_	\$	_	
	309,117		309,117		_		_	
	419,333		_		419,333		_	
	2,257		_		_		2,257	
	12,761		12,761					
\$	895,276	\$	473,686	\$	419,333	\$	2,257	
- \$	116,601	\$	_	\$	116,601	\$	_	
	12,761		12,761		_		_	
\$	129,362	\$	12,761	\$	116,601	\$	_	
	\$ - \$	Fair Value as of June 30 \$ 151.808 309.117 419.333 2.257 12.761 \$ 895.276 \$ 116.601 12.761	Fair Value as of June 30 \$ 151.808 \$ 309.117 419.333	Fair Value (Level 1) Fair Value as of June 30 \$ 151.808	Fair Value Clevel 1) (Cle	Fair Value as of June 30 Quoted Prices in Active Markets Other Observable Inputs	Fair Value (Level 1) (Level 2) (I Fair Value as of June 30 Markets Observable Uno June 30 Markets Inputs	

7. Fair Value of Assets and Liabilities (continued)

				20	10			
	Fair Value Measurements at Reporting Date Using							
			(Level 1)	(Level 2)	(L	evel 3)
	F	air Value	Qu	oted Prices		Other		
		as of	i	n Active	O	bservable	Uno	bservable
		June 30	ľ	Markets		Inputs	I	nputs
Assets								
Assets limited as to use								
Cash and short-term								
investments	\$	178,699	\$	178,699	\$	_	\$	_
Marketable equity securities		303,827		303,827		_		_
Marketable fixed-income								
securities		391,939		_		391,939		_
Deferred compensation assets								
Cash and short-term								
investments		10,850		10,850		_		_
	\$	885,315	\$	493,376	\$	391,939	\$	_
Liabilities								
Interest rate swaps	- \$	143,477	\$	_	\$	143,477	\$	_
Deferred compensation liability		10,850		10,850		_		_
•	\$	154,327	\$	10,850	\$	143,477	\$	_

The fair values of the securities included in Level 1 were determined through quoted market prices. Level 1 securities include money market funds, mutual funds and marketable debt and equity securities. The fair values of Level 2 securities were determined through evaluated bid prices based on recent trading activity and other relevant information, including market interest rate curves and referenced credit spreads, estimated prepayment rates, where applicable, are used for valuation purposes and are provided by third-party services where quoted market values are not available. Level 2 investments include corporate fixed—income securities, government bonds, mortgage and asset-backed securities. The fair values of Level 3 securities are determined primarily through information obtained from the relevant counterparties for such investments. Information on which these securities' fair values are based is generally not readily available in the market.

8. Property and Equipment

A summary of property and equipment is as follows as of June 30 (in thousands)

	2011	2010
Land and improvements	\$ 341,256	\$ 330,327
Buildings and improvements	5,028,785	4,438,362
Equipment	3,822,370	3,572,304
	9,192,411	8,340,993
Less accumulated depreciation	(4,635,108)	(4,351,433)
	4,557,303	3,989,560
Construction in progress	378,216	716,349
	\$ 4,935,519	\$ 4,705,909

CHI evaluates whether events and circumstances have occurred that indicate the remaining useful life of property, equipment and certain other intangible assets may not be recoverable Management determined there were impairment issues in both 2011 and 2010, to the extent that the undiscounted cash flows estimated to be generated by certain assets were less than the underlying carrying value CHI recorded \$7.9 million and \$36.8 million in impairment losses in 2011 and 2010, respectively, resulting from charges related to projected discounted cash flow deficits at various MBOs. In addition, impairment charges of \$0.3 million related to the assets held for sale have been included in discontinued operations in the consolidated statement of changes in net assets in 2010.

9. Debt Obligations

The following is a summary of debt obligations as of June 30 (in thousands)

Long-Term Debt	Interest Rate	2011			2010
CHI bond issues under the COD					
Series 1997B Variable-rate Bonds	0 11%*	\$	24,400	\$	27,100
Series 2000B Variable-rate Bonds	0 10%*		81,800		87,400
Series 2002B Variable-rate Bonds	0 08%*		106,100		108,800
Series 2004B Variable-rate Bonds	0 10%*		290,900		298,200
Series 2008A Variable-rate Bonds	0 13%*		120,260		120,260
Series 2004C Variable-rate Bonds			,		
with self-liquidity	0 05%*		163,400		163,400
Series 1989A Fixed-rate Bonds	7 00%		3,390		4,100
Series 1995C Fixed-rate Bonds	4 80-5 50%		10,145		12,360
Series 1997A Fixed-rate Bonds	4 40-5 25%		12,950		14,330
Series 2000A Fixed-rate Bonds	4 25-6 00%		39,600		45,740
Series 2002A Fixed-rate Bonds	4 00-5 50%		4,845		5,520
Series 2004A Fixed-rate Bonds	4 75-5 00%		146,605		146,605
Series 2004D Fixed-rate Bonds	3 50%		_		56,775
Series 2006A Fixed-rate Bonds	4 00-5 00%		384,135		384,135
Series 2006C Fixed-rate Bonds	3 85-5 10%		250,000		250,000
Series 2008C Fixed-rate Bonds	4 00-5 00%		215,000		275,000
Series 2008D Fixed-rate Bonds	5 00-6 25%		473,950		473,950
Series 2009A Fixed-rate Bonds	2 00-5 00%		794,345		817,565
Series 2009B Fixed-rate Bonds	5 00%		260,995		260,995
			3,382,820		3,552,235
Commercial paper			617,400		550,625
Other long-term debt and capital leases			122,382		97.817
			4,122,602		4,200,677
Variable-rate debt with self-liquidity and					
current portion of long-term debt			(999,601)	(1,019,712)
Long-term debt		\$	3,123,001		3,180,965

^{*}Represents average rate of interest from July 1, 2010 to June 30, 2011

The fair value of debt obligations was approximately \$4 2 billion at June 30, 2011 Management has determined the carrying value of the variable-rate bonds are representative of fair values as of June 30, 2011, as the interest rates are set by the market participants. The fair value of the fixed-rate tax-exempt bond obligations as of June 30, 2011 is determined by applying credit spreads for similar tax-exempt obligations in the marketplace, which are then used to calculate a price/yield for the outstanding obligations

9. Debt Obligations (continued)

A summary of scheduled principal payments on long-term debt for the next five years is as follows (in thousands)

	Am	Amounts Due		
Year Ending June 30				
2012	\$	836,201		
2013		165,772		
2014		168,572		
2015		163,383		
2016		181,132		

CHI issues the majority of its debt under the COD and is the sole obligor Bondholder security resides both in the unsecured promise by CHI to pay its obligations and in its control of its Direct and Designated Affiliates Covenants include a minimum CHI debt service coverage ratio and certain limitations on secured debt The Direct Affiliates of CHI, defined as Participants under the COD, have agreed to certain covenants related to corporate existence, maintenance of insurance and exempt use of bond-financed facilities

In July 2010, CHI converted the interest rate mode on \$120.3 million of variable-rate demand bonds to Index Notes. These bonds were previously recorded on the balance sheet as variable-rate demand bonds supported by CHI's self-liquidity. The conversion was accomplished through a direct purchase by Wells Fargo Bank. Wells Fargo Bank will hold the bonds through the initial three-year index rate term. This transaction was accounted for as an extinguishment of debt.

In November 2010, CHI issued \$116.8 million of Taxable Commercial Paper Notes, the proceeds of which were used to redeem \$60.0 million of the outstanding Colorado Health Facilities Authority Variable Rate Revenue Bonds (Catholic Health Initiatives) Series 2008C-6 and \$56.8 million of the outstanding Kentucky Economic Development Finance Authority Variable Rate Revenue Bonds (Catholic Health Initiatives) Series 2004D, all of which bore interest at long-term interest rates and were subject to mandatory tender on November 10, 2010 (the end of the then-current long-term interest rate period) CHI intends to refinance this interim taxable borrowing on a long-term basis through the issuance of additional bonds in 2011

In November 2009, CHI issued \$1 14 billion of fixed-rate and put bonds in the states of Colorado, Kentucky and Ohio for the benefit of CHI and Alegent Proceeds were used to redeem \$379 million of existing debt, including \$241 6 million in variable-rate debt with self-liquidity, as well as to reimburse CHI and participants of the COD for capital expenditures in the amount of \$579 3 million Concurrent with the issuance of these bonds, CHI converted the interest rate

9. Debt Obligations (continued)

mode on \$55 million of Series 2008 bonds, which were subject to mandatory tender on November 10, 2009, to a long-term interest period extending through November 12, 2015, and redeemed the remaining \$25 million of Series 2008 bonds subject to mandatory redemption on November 10, 2009 These bonds had been used to finance facilities of the divested Missouri operations This refinancing resulted in a loss on defeasance of \$10 million

In January 2010, CHI legally defeased bonds in the amount of \$33.4 million related to divested Missouri operations. In June 2010, CHI legally defeased bonds in the amount of \$24.1 million related to the divestiture of certain facilities in Oregon. This resulted in net losses on defeasance of \$1.5 million.

In June 2010, CHI recognized gains of \$5 4 million from the restructuring of escrowed securities held by trustees. These escrowed securities, which are not recorded for financial reporting purposes, totaled \$393 7 million and \$410 9 million at June 30, 2011 and 2010, respectively Gains (losses) on escrow restructuring and defeasance of debt are recorded as a component of nonoperating gains (losses) in the consolidated statements of operations and changes in net assets CHI reported a net gain on escrow restructuring and defeasance of debt of \$2 9 million for the year ended June 30, 2010

CHI has two types of external liquidity facilities those that are dedicated to specific series of variable-rate demand bonds (VRDBs) and those that are not dedicated to a particular series of VRDBs but may be used to support CHI's obligations to fund tenders of VRDBs and pay the maturing principal of commercial paper Liquidity facilities that are dedicated to specific series of bonds were \$623.5 million and \$521.5 million at June 30, 2011 and 2010, respectively. The dedicated liquidity facilities and repayment terms on any associated drawings extend beyond the subsequent fiscal year but due to the terms of the specific agreements, \$604.7 million and \$503.2 million at June 30, 2011 and 2010, respectively, are reported as long-term debt, and \$18.8 million and \$18.3 million at June 30, 2011 and 2010, respectively, of the dedicated facilities are required to be classified as current

Liquidity facilities not dedicated for specific series of VRDBs but used to support CHI's obligations to fund tenders and to pay maturing principal of commercial paper were \$565 million and \$690 million at June 30, 2011 and 2010, respectively At June 30, 2011, \$617 4 million of commercial paper was classified as current due to maturities of less than one year, and \$163 4 million of VRDBs were classified as current due to the holder's ability to put such VRDBs back to CHI without liquidity facilities dedicated to these bonds

9. Debt Obligations (continued)

At June 30, 2011, CHI had a \$65 million credit facility with Wells Fargo Bank Letters of credit totaling \$413 million have been issued for the benefit of third parties, principally in support of the self-insurance programs administered by FIIL At June 30, 2011 and 2010, no amounts were outstanding under this credit facility

CHI is a party to seven floating-to-fixed interest rate swap agreements with notional amounts totaling \$942 8 million and \$953 7 million at June 30, 2011 and 2010, respectively Generally, it is CHI policy that all counterparties have an AA rating or better These fixed-payor swap agreements convert CHI's variable-rate debt to fixed-rate The seven swaps have varying maturity dates ranging from May 2025 to December 2036 The fair value of the swaps is estimated based on the present value sum of anticipated future net cash settlements until the swaps' maturities At June 30, 2011 and 2010, the fair value was \$116 6 million and \$143 5 million, respectively The fair value was reported net of cash collateral balances of \$47 0 million and \$51 1 million at June 30, 2011 and 2010, respectively, and is recorded in other liabilities The change in the fair value of these agreements was a net gain of \$26 9 million and a net loss of \$(46 4) million in 2011 and 2010, respectively

10. Retirement Plans

CHI and its direct affiliates maintain noncontributory, defined benefit retirement plans (Plans) covering substantially all employees Benefits in the Plans are based on compensation, retirement age and years of service Vesting occurs over a five-year period Substantially all of the Plans are qualified as church plans and are exempt from certain provisions of both the Employee Retirement Income Security Act and Pension Benefit Guaranty Corporation premiums and coverage Funding requirements are determined through consultation with independent actuaries

CHI recognizes the funded status (that is, the difference between the fair value of plan assets and the projected benefit obligations) of its Plans in the consolidated balance sheets, with a corresponding adjustment to net assets Actuarial gains and losses that arise and are not recognized as net periodic pension cost in the same periods are recognized as a component of net assets

10. Retirement Plans (continued)

A summary of the changes in the benefit obligation, fair value of plan assets and funded status of the Plans at the June 30 measurement dates is as follows (in thousands)

	2011	2010
Change in benefit obligation		
Benefit obligation, beginning of year	\$ 2,648,696	\$ 2,250,025
Service cost	167,444	150,082
Interest cost	143,536	145,840
Actuarial (gain) loss	(80,030)	210,728
Net impact of transfers among plans	_	(4,071)
Benefits paid	(111,340)	(103,666)
Expenses paid	(318)	(242)
Benefit obligation, end of year	2,767,988	2,648,696
Change in the Plans' assets Fair value of the Plans' assets, beginning of year Actual return on the Plans' assets, net of expenses Employer contributions Net impact of transfers among plans Benefits paid Expenses paid Fair value of the Plans' assets, end of year	1,917,500 454,343 192,280 - (111,340) (318) 2,452,465	162,451 (4,128)
Funded status of the Plans	\$ (315,523)	\$ (731,196)
End-of-year values Projected benefit obligation Accumulated benefit obligation	\$ 2,767,988 2,598,491	<u>, , , , , , , , , , , , , , , , , , , </u>

Included in net assets at June 30, 2011 are the following amounts that have not yet been recognized in net periodic pension cost unrecognized prior service cost of \$1 1 million and unrecognized actuarial losses of \$650 1 million. The prior service cost and actuarial loss included in net assets and expected to be recognized in net periodic pension cost during the fiscal year ending June 30, 2012 is \$0.2 million and \$38.4 million, respectively

10. Retirement Plans (continued)

The components of net periodic pension expense are as follows (in thousands)

	2011	2010
Components of net periodic pension expense		
Service cost	\$ 167,444 \$	150,082
Interest cost	143,536	145,840
Expected return on the Plans' assets	(183,365)	(174,141)
Amortization of prior service benefit	893	1,609
Actuarial losses	 47,550	18,726
	\$ 176,058 \$	142,116
Weighted-average assumptions		
Discount rate, beginning of year	5.24%	6 44%
Discount rate, end of year	5.39	5 24
Expected return on the Plans' assets	8.00	8 00
Rate of compensation increase	4.25	4 50

The assumption for the expected return on the Plans' assets is based on historical returns and adherence to the asset allocations set forth in the Plans' investment policies. The expected return on the Plans' assets for determining pension cost was 80% in 2011 and 2010. The increase in the discount rate to 539% at June 30, 2011 decreased the pension benefit obligation by approximately \$41 million.

A summary of the Plans' asset allocation targets, ranges by asset class and allocations by asset class at the measurement dates of June 30 is as follows

_	2011	2010	Target	Range
Fixed-income securities	26 1%	24 6%	27 5%	22 5% to 32 5%
Equity securities	53 7	53 6	52 5	47 5 to 57 5
Alternative investments	20 2	21 8	20 0	20 0 to 25 0

The Plans' assets are invested in a portfolio designed to preserve principal and obtain competitive investment returns and long-term investment growth, consistent with actuarial assumptions, while minimizing unnecessary investment risk Diversification is achieved by allocating assets to various asset classes and investment styles and by retaining multiple investment managers with complementary philosophies, styles and approaches Although the objective of the Plans is to maintain asset allocations close to target, temporary periods may exist

10. Retirement Plans (continued)

where allocations are outside of the expected range due to market conditions. The use of leverage is prohibited except as specifically directed in the alternative investment allocation. The portfolio is managed on a basis consistent with the CHI social responsibility guidelines.

The Plans' assets measured at fair value on a recurring basis were determined using the following inputs at June 30 (in thousands)

2011
Fair Value Measurements at Reporting Date Using

		ran value wieasurements at Reporting Date Osing						
				(Level 1)	(Level 2)	(Level 3)
	I	Fair Value as of June 30	_	oted Prices in Active Markets	o	Other bservable Inputs	Un	observable Inputs
Cash and short-term investments	<u> </u>	133,920	\$	80,363	\$	53,557	\$	_
Marketable equity securities		1,276,810		1,276,810		´ –		_
Marketable fixed-income securities Alternative investments		547,052 494,683		122,806		424,246		- 494,683
	-\$	2,452,465	\$	1,479,979	\$	477,803	\$	494,683

2010

	Fair Value Measurements at Reporting Date Using				
		(Level 1)	(Level 2)	(Level 3)	
	Fair Value as of June 30	Quoted Prices in Active Markets	Other Observable Inputs	Unobservable Inputs	
Cash and short-term investments	\$ 89,957	\$ 46,485	\$ 43,472	\$ -	
Marketable equity securities Marketable fixed-income securities	1,008,042	1,008,042	335,378	_	
Alternative investments	415,079	_	_	415,079	
	\$ 1,917,500	\$ 1,123,571	\$ 378,850	\$ 415,079	

10. Retirement Plans (continued)

For the year ended June 30, 2011, the changes in the fair value of the Plans' investments, for which Level 3 inputs were used, are as follows (in thousands)

Beginning investments at fair value	\$ 415,079
Purchases of investments	41,499
Proceeds from sale of investments	(23,322)
Net change in unrealized appreciation on investments	
and effect of foreign currency translation	43,066
Net realized gains on investments	18,369
Net transfers out of Level 3	(8)
Ending investments at fair value	\$ 494,683

CHI expects to contribute \$180 million to the Plans in fiscal year 2012 A summary of expected benefits to be paid to the Plans' participants and beneficiaries is as follows (in thousands)

	Estimated Payments
Year Ending June 30	
2012	\$ 153,730
2013	146,298
2014	160,203
2015	179,347
2016	212,555
2017–2020	1,377,113

11. Concentrations of Credit Risk

CHI grants credit without collateral to its patients, most of whom are insured under third-party payor agreements CHI's exposure to credit risk on patient accounts receivable is limited by the geographical diversity of its MBOs. The mix of receivables from patients and third-party payors at June 30 approximated the following

	2011	2010
Medicare	23%	24%
Medicaid	7	8
Managed care	36	34
Self-pay	10	9
Commercial and other	24	25
	100%	100%

CHI maintains long-term investments with various financial institutions and investment management firms through its investment program, and its policy is designed to limit exposure to any one institution or investment Management does not believe there are significant concentrations of credit risk at June 30, 2011 and 2010

12. Commitments and Contingencies

Litigation

During the normal course of business, CHI may become involved in litigation Management assesses the probable outcome of unresolved litigation and records estimated settlements. After consultation with legal counsel, management believes that any such matters will be resolved without material adverse impact to the consolidated financial position or results of operations of CHI

Health Care Regulatory Environment

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Management believes CHI is in compliance with all applicable laws and regulations of the Medicare and Medicaid programs. Compliance with such laws and regulations is complex and can be subject to

12. Commitments and Contingencies (continued)

future governmental interpretation as well as significant regulatory action, including fines, penalties and exclusion from the Medicare and Medicaid programs Certain CHI entities have been contacted by governmental agencies regarding alleged violations of Medicare practices for certain services In the opinion of management after consultation with legal counsel, the ultimate outcome of these matters will not have a material adverse effect on CHI's consolidated financial position

In June 2008, one of CHI's MBOs was notified by the Office of Inspector General of the U S Department of Health and Human Services of its investigation into certain activities including, but not limited to, the relationship with a physician group at the MBO In July 2009, an agreement in principle was reached with the Office of the Attorney General to resolve the matter, and CHI recorded a liability of \$22 million at June 30, 2010 This agreement in principle received government approval in November 2010 and the liability was paid by the MBO

Operating Leases

Future minimum lease payments required for the next five years and thereafter for all operating leases that have initial or remaining noncancelable lease terms in excess of one year at June 30, 2011, are as follows (in thousands)

	<u>Am</u>	Amounts Due	
Year Ending June 30			
2012	\$	129,905	
2013		117,175	
2014		73,564	
2015		57,637	
2016		50,475	
Thereafter		154,642	
	\$	583,398	

Lease expense under operating leases for continuing operations for the years ended June 30, 2011 and 2010 totaled approximately \$157 million and \$145 million, respectively Lease expense under operating leases for discontinued operations was not significant in 2010

13. Insurance Programs

FIIL, a wholly owned captive insurance company of CHI, provides hospital professional liability, employment practices liability and commercial general liability coverage, primarily to MBOs related to CHI either on a directly written basis or through reinsurance fronting relationships with commercial carriers such as PPIC Policies written provide coverage with primary limits in the amount of \$8 million for each and every claim At June 30, 2011 and 2010, investments and assets limited as to use held for insurance purposes included \$58 million and \$69 million, respectively, as collateral for the reinsurance fronting arrangement with PPIC In addition, CHI purchases excess insurance of \$150 million per claim and in the aggregate for professional and general liability risks from commercial carriers

FIIL provides workers' compensation coverage, either on a directly written basis or through reinsurance fronting relationships with commercial carriers for amounts above \$1 million per claim Coverage of \$500,000 in excess of \$500,000 per claim is reinsured with an unrelated commercial carrier FIIL also underwrites the property and casualty risks of CHI for up to \$1 million per claim Unrelated commercial insurance carriers reinsure losses in excess of the perclaim limits

The liability for self-insured reserves and claims represents the estimated ultimate net cost of all reported and unreported losses incurred through June 30 The reserves for unpaid losses and loss adjustment expenses are estimated using individual case-based valuations, statistical analyses and the expertise of an independent actuary

The estimates for loss reserves are subject to the effects of trends in loss severity and frequency Although considerable variability is inherent in such estimates, management believes that the reserves for unpaid losses and loss adjustment expenses are adequate. The estimates are reviewed periodically, with consultation from independent actuaries, and any adjustments to the loss reserves are reflected in current operations. As a result of these reviews of claims experience, estimated reserves were reduced by \$19 million and \$77 million in 2011 and 2010, respectively, due to favorable loss development. The reserves for unpaid losses and loss adjustment expenses relating to the workers' compensation program were discounted, assuming a 4% annual return at June 30, 2011 and 2010, to a present value of \$148.8 million and \$139.2 million at June 30, 2011 and 2010, respectively, and represented a discount of \$32.2 million and \$32.5 million in 2011 and 2010, respectively. Reserves related to professional liability, employment practices and general liability are not discounted

13. Insurance Programs (continued)

FIIL holds \$715 7 million and \$658 4 million of investments held for insurance purposes as of June 30, 2011 and 2010, respectively Distribution of amounts from FIIL to CHI are subject to the approval of the Cayman Island Monetary Authority CHI established a captive management operation (Captive Management Initiatives, Ltd) based in the Cayman Islands, which currently manages FIIL as well as operations of other unrelated parties

CHI, through its Welfare Benefit Administration and Development Trust, provides comprehensive health and dental coverage to certain employees and dependents through a self-insured medical plan Accounts payable and accrued expenses include \$45 million and \$50 million for unpaid claims and claims adjustment expenses for CHI's self-insured medical plan at June 30, 2011 and 2010, respectively Those estimates are subject to the effects of trends in loss severity and frequency Although considerable variability is inherent in such estimates, management believes that the reserves for unpaid losses and loss adjustment expenses are adequate The estimates are reviewed periodically and, as adjustments to the liability become necessary, such adjustments are reflected in current operations CHI has stop-loss insurance to cover unusually high costs of care beyond a predetermined annual amount per enrolled participant

14. Subsequent Events

CHI's management has evaluated events subsequent to June 30, 2011 through September 13, 2011, which is the issuance date of this report. There have been no material events noted during this period that would either impact the results reflected in this report or CHI's results going forward, except as disclosed below

Statewide Health Care Network in Kentucky

Effective in June 2011, CHI entered into a formal agreement with two other parties, Jewish Hospital and St Mary's HealthCare/Jewish Hospital HealthCare Services, and the University of Louisville Hospital/James Graham Brown Cancer Center, to create a new statewide health care network in Kentucky The new network would serve more than two million patients annually at more than 91 locations, ranging from critical access hospitals to major quaternary facilities capable of transplant procedures The agreement provides CHI with a 70% controlling interest in the new network and calls for CHI to make a \$320 million capital investment The new network is pending regulatory and Church approvals

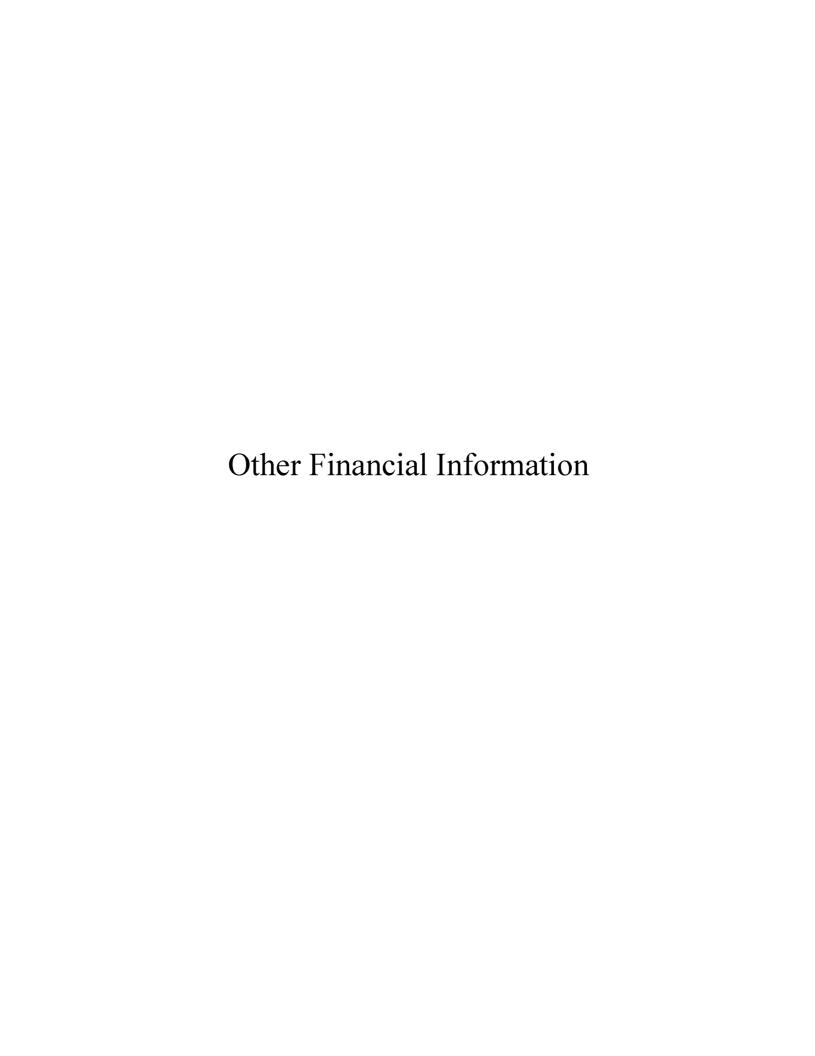
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14. Subsequent Events (continued)

Nebraska Heart Institute and Nebraska Heart Hospital

Effective in August 2011, CHI acquired Nebraska Heart Institute and Nebraska Heart Hospital for cash proceeds of \$131 million CHI is currently in the process of finalizing the purchase price allocation

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Report of Independent Auditors on Other Financial Information

Board of Stewardship Trustees Catholic Health Initiatives

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements of Catholic Health Initiatives as a whole. The following consolidating 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 audits of the consolidated financial statements and, in our opinion, based on our audits and the report of other auditors, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole

September 13, 2011

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Catholic Health Initiatives Consolidating Balance Sheet

June 30, 2011 (In Thousands)

				CHI Welfare		Eliminations	
	MBOs	Corporate	FIIL	Benefits Trust	Other	and Adjustments	Consolidated
Assets							
Current assets							
Cash and equivalents	\$ 432,606	\$ (54.915) \$	102	\$ 28.377 \$	\$ 3,504	\$ 40,000	\$ 449.674
Net patient accounts receivable, less allowance							
of \$650.617	1,133,819	_	_	_	_	_	1,133,819
Other accounts receivable	92,252	106,004	(2.319)	469	11.624	(99,182)	108,848
Current portion of investments and assets limited as to use	58,146	1.408	_	_	_	(40,000)	19,554
Inventories	173,316	_	_	_	_	_	173,316
Assets held for sale	23,987	=	_	=	-	=	23,987
Prepaid and other	47,838	22,760	17	157	33	_	70,805
Total current assets	1.961.964	75.257	.760 17 157 33		(99,182)	1.980,003	
Investments and assets limited as to use							
Internally designated for capital and other funds	2,904,604	1.625,262	_	87.315	_	_	4.617.181
Mission and Ministry Fund	_	117,832	_	_	_	_	117,832
Capital Resource Pool	_	268,690	_	_	_	=	268,690
Held by trustees	5,488	_	_	_	_	_	5,488
Held for insurance purposes	23,363	_	715,708	_	_	_	739,071
Restricted by donois	152,122	2,445	_	_	_	_	154,567
Total investments and assets limited as to use	3,085,577	2,014,229	715.708	87,315	=	_	5,902,829
Property and equipment, net	4,704,801	229,312	_	_	1,406	_	4.935.519
Deferred financing costs	568	11.253	_	_	_	_	11,821
Investments in unconsolidated organizations	262,629	135,664	_	_	11,127	(55.971)	353,449
Intangible assets	57.486	_	_	_	_	_	57.486
Notes receivable and other	65,750	2,586,254	21,620	_	_	(2,033,597)	640,027
Total assets	\$ 10,138,775	\$ 5,051,969 \$	735,128	\$ 116,318 \$	\$ 27,694	\$ (2,188,750)	\$ 13,881,134

Continued on following page

Catholic Health Initiatives Consolidating Balance Sheet (continued)

June 30, 2011 (In Thousands)

				CHI Welfare		Eliminations			
	MBOs	Corporate	FIIL	Benefits Trust	Other	and Adjustments	Consolidated		
Liabilities and net assets									
Current liabilities									
Compensation and benefits	\$ 344.238	\$ 62,037	\$ -	\$ 964 \$	1.136	\$ -	\$ 408,375		
Third-party liabilities	66,283	_	_	_	_	_	66,283		
Accounts payable and accrued expenses	521,312	133,604	3,893	45,378	2,395	(99,182)	607,400		
Variable-rate debt with self liquidity	_	163,400	_	-	_	_	163,400		
Current portion of long-term debt	179.244	780,190	_	_	_	(123.233)	836,201		
Total current liabilities	1,111,077	1,139,231	3,893	46,342	3,531	(222.415)	2,081,659		
Pension liability	5.619	309,904	_	_	_	_	315,523		
Self-insured reserves and claims	13,467	17.446	418,027	_	_	_	448,94()		
Other liabilities	163,729	105,934	_	-	(1)	_	269,662		
Long-term debt	1.976.735	3,056,630	_	_		(1,910,364)	3,123,001		
Total liabilities	3.270,627	4,629,145	421,920	46.342	3,530	(2.132.779)	6.238.785		
Net assets									
Net assets attributable to CHI	6,676,445	420,339	313,208	69.976	24,164	(55.971)	7.448.161		
Net assets attributable to noncontrolling interests	8,967	_	_	_	_	_	8,967		
Unrestricted	6,685,412	420,339	313,208	69,976	24,164	(55,971)	7,457,128		
Temporarily restricted	120,310	2,485	_	_	_	_	122,795		
Permanently restricted	62,426	_	_	_	_	_	62,426		
Total net assets	6,868,148	422,824	313,208	69,976	24,164	(55.971)	7,642,349		
Total liabilities and net assets	\$ 10,138,775	\$ 5,051,969	\$ 735,128	\$ 116,318 \$	27,694	\$ (2,188,750)	\$ 13,881,134		

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Catholic Health Initiatives Consolidating Statement of Operations

Year Ended June 30, 2011 (In Thousands)

	MBOs	Corporate	FIIL	CHI Welfare Benefits Trust		Eliminations nd Adjustments	Consolidated
Revenues Net patient services	\$ 9109778	s – \$	- \$	- \$	- \$	(104 800) \$	9 004 978
rect patient services	J 2102770	J	3	, ,	J	(11/4 (1/4/) 3	210
Nonpatient							
Donations	24 620	19	_	_	_	_	24 639
Changes in equity of unconsolidated organizations	28 989	10 864	_	_	(678)	(1 116)	38 059
Investment income from self-insured trust funds	-	-	97 907	_	-	-	97 907
()ther	313 824	779 020	98 556	368 939	4 350	(1 098 504)	466 185
Total nonpatient revenues	367 433	789 903	196 463	368 939	3 672	(1 099 620)	626 790
Total operating revenues	9 477 211	789 903	196 463	368 939	3 672	(1/204/420)	9 631 768
Expenses							
Salaries and wages	3 408 645	213 891	_	-	10 270	(45)	3 632 761
Employee benefits	845 812	41 378	_	349 333	1 428	(464 911)	773 ()4()
Purchased services medical professional fees consulting and legal	1 056 960	93 578	475	1 502	993	(286 359)	867 149
Supplies	1 541 454	7 974	-	_	266	_	1 549 694
Bad debts	718 577	-	-	-	-	-	718 577
Utilities	112 116	10.052	-	=	27	=	122 195
Rentals leases maintenance and insurance	307 774	267 164	110 019	=	873	(196 039)	489 791
Depreciation and amortization	443 554	26 772	-	=	343	=	470 669
Interest	93 066	136 833	-	-	-	(96 476)	133 423
()ther	617 706	33 503	453	569	731	(159 474)	493 488
Total operating expenses before restructuring impairment							
and other losses	9 145 664	831 145	110 947	351 404	14 931	(1 203 304)	9 250 787
Income (loss) from operations before restructuring impairment							
and other losses	331 547	(41,242)	85 516	17 535	(11/259)	(1 116)	380 981
Restructuring impairment and other losses	25 085	570		_	_	_	25 655
Income (loss) from operations	306 462	(41.812)	85 516	17 535	(11 259)	(1 116)	355 326
Nonoperating gains (losses)							
Investment income net	449 528	294 195	-	9 945	96	-	753 764
Gain on escrow restructuring and defeasance of bonds net	=	=	-	=	=	=	=
Realized and unrealized losses on interest rate swaps	_	(4.870)	-	-	-	-	(4.870)
Other nonoperating gains	16 462	=	=	=	=	=	16 462
Total nonoperating gains	465 990	289 325	_	9 945	96	_	765 356
Excess (deficiency) of revenues over expenses	\$ 772,452	\$ 247,513 \$	85,516 \$	27,480 \$	(11,163) \$	(1,116) \$	1,120,682
Excess of revenues over expenses attributable to noncontrolling interest	\$ 3.298 5	s – s	- \$	- \$	- \$	- \$	3 298
mark and a mark	φ 3.290 .	- 3	- 3	- 3	_ \$		3 270
Excess (deficiency) of revenues over expenses attributable to CHI	\$ 769 154	\$ 247.513 \$	85 516 \$	27 480 \$	(11 163) \$	(1 116) \$	1 117 384

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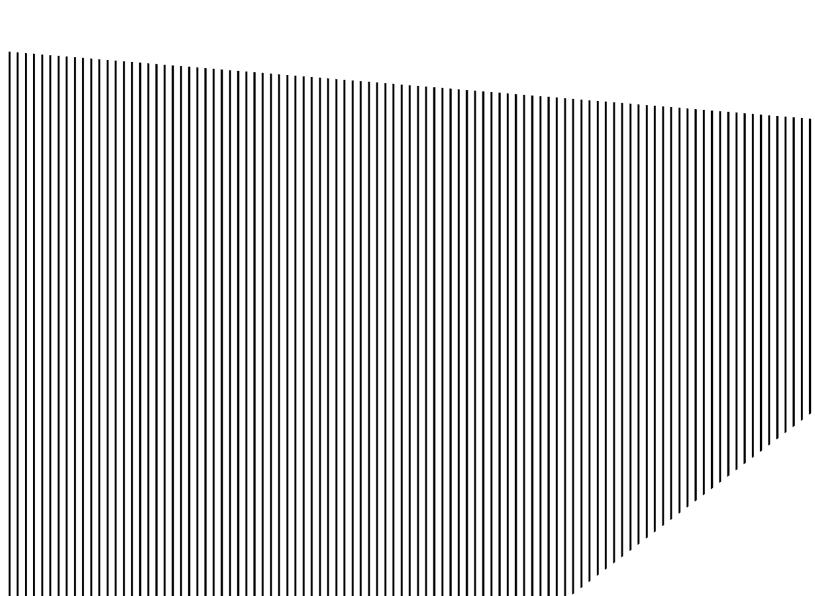
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Software ID: Software Version:

EIN: 62-0532345

Name: Memorial Health Care System

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

Compensated Employees, and Independent Contractors										
(A) Name and Title	(B) Average hours per		tion (that a	che	<u>()</u>			(D) Reportable compensation from the	(E) Reportable compensation from related	(F) Estimated amount of other compensation
	week	Individual trustee or director	Institutional Trustee	Officei	Key employee	Highest compensated employee	Former	organization (W- 2/1099-MISC)	organizations (W- 2/1099- MISC)	from the organization and related organizations
CHARLES ARANT CHAIRMAN	1 0	Х		Х						
LEO BROWN IMMEDIATE PAST CHAIRMAN	1 0	Х		х				1,568		
ERIC CONN BOARD MEMBER	1 0	Х								
MICHAEL COSTELLO BOARD MEMBER	1 0	Х								
JOAN FRIERSON BOARD MEMBER	1 0	Х								
ROBERT GREVING BOARD MEMBER	1 0	Х								
EARLINE HOBBS SCN BOARD MEMBER	1 0	Х								
JAMES HOBSON PRESIDENT/CEO	50 0	Х		х					534,481	76,095
KATHERINE LINDGREN Vice Chair	1 0	Х		х						
WARREN LOGAN JR BOARD MEMBER	1 0	Х								
CHRISTOPHER MCKEE BOARD MEMBER	1 0	Х								
MARY ELIZABETH O'BRIEN SVP OPERATIONS CHI	1 0	Х							953,385	83,485
SCOTT OSSEWARDE BOARD MEMBER	1 0	Х								
JUDITH RALEY SCN Secretary	1 0	Х								
WAYNE SCOTT BOARD MEMBER	1 0	Х								
CAROLYN SMELTZER BOARD MEMBER	1 0	Х								
CAROLYNN THOMPSON BOARD MEMBER	1 0	Х								
BETTY VANNUCCI BOARD MEMBER	1 0	Х								
John Nash Board Member	1 0	Х						7,128		
Aaron Web Board Member	1 0	Х								
James Pesnell Board Member	1 0	Х								
CAROL NEWTON VP/CFO	50 0			х				305,922		34,770
JACQUELINE JACKSON VP SERVICE LINE ADMIN	50 0				х			276,218		39,834
DEBRA MOORE SVP/ADMINISTRATION OF NORTH	50 0				Х			257,726		42,569
SARAH FELLOWES VP CHIEF MEDICAL OFFICER	50 0					Х		357,972		35,136

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

(A) Name and Title	(B) Average hours		(C) Position (check all that apply)					(D) Reportable compensation	(E) Reportable compensation	(F) Estimated amount of other	
	per week	Individual trustee or director	Institutional Trustee	Officei	Key employee	Highest compensated employee	Former	from the organization (W- 2/1099-MISC)	from related organizations (W- 2/1099- MISC)	compensation from the organization and related organizations	
ANDREW MCGILL VP BUSINESS DEVELOPMENT	50 0					х		270,718		40,644	
ANASSER KHALIFEH CHIEF PHYSICIST	50 0					х		229,538		39,314	
Gordon Utgard Project Manager	50 0					х		222,874		22,879	
Diona Brown CNO	50 0					х		206,971		30,788	
ARLENE DONOWITZ Board Member	1 0						х	22,669	457,460	24,008	