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DLN: 93493134005022

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

Open to Public

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

Open to Public Inspection

A Fo	rthe 2	2010 ca	lendar year, or tax year beg	inning 07-01-2010 and ending 06-30-20	11		_	
B Ch	eck if ap	plicable	C Name of organization Mercy Hospital Berryville			D Emp	loyer	identification number
☐ Add	ress ch	ange	F/K/A Ozarks Regions Health S	Systems Inc		71-	0759	299
┌ Na	me char	nge	Doing Business As			E Tele	ohone	number
┌ Init	ıal retur	n	Number and street (or P O bo	x if mail is not delivered to street address)	Room/sur	te (314	4)62	8-3557
Г Теі	mınated	i	214 Carter Street	,		(31	1,02	
☐ Am	ended r	eturn	City or town, state or country, Berryville, AR 72616	and ZIP + 4	_	G Gross	s receip	ots \$ 21,049,634
Г Арі	olication	pending	Berry Ville, AR 72010					
			F Name and address o	f principal officer	H(a) Is	this a group returi	n for affil	liates? Yes No
			Sherry Clouse Day 214 Carter Street		H(h) Ar	e all affiliates ii	achidad	1? Fyes F No
			Berryville, AR 72616		1 ' '			t (see instructions)
	y-eyem	pt status	▼ 501(c)(2)) ◀ (insert no)				umber ► 0928
			W MERCY NET) 4 (IIIselt III) 4347(a)(1) (II 327				
					<u> </u>			
			Corporation Trust Asso	ciation Other 🕨	L Year o	of formation 1	993	M State of legal domicile AR
Pa	rt I		mary					
3	4	STHE	-	ission or most significant activities RE US, WE BRING TO LIFE THE HEALIN EPTIONAL SERVICE	IG MINISTR	RY OF JESUS	5 THR	OUGH OUR
Ē	-							
Governance	-							
9	1		,	on discontinued its operations or disposed		an 25% of its	ı	assets
	3 1	Number	of voting members of the go	verning body (Part VI, line 1a)	•		3	10
Activities &				ers of the governing body (Part VI, line 1			4	6
5	5 T	otal nur	mber of individuals employe	d ın calendar year 2010 (Part V, line 2a)			5	222
Ş	6 ⊺	otal nur	mber of volunteers (estimate	e if necessary)			6	101
				om Part VIII, column (C), line 12			7a	0
	b ∧	let unrel	lated business taxable inco	me from Form 990-T, line 34			7b	0
						Prior Year		Current Year
o)	8		-	II, line 1h)	-		.399	15,000
į	9			II, line 2g)		22,266		21,001,635
Revenue	10			lumn (A), lines 3, 4, and 7d)	-	18,	,079	32,999
	11		·	(A), lines 5, 6d, 8c, 9c, 10c, and 11e)			0	0
	12		_	h 11 (must equal Part VIII, column (A), lı	ne	22,290,	.181	21,049,634
	13			Part IX, column (A), lines 1–3)			705	4,793
	14			art IX, column (A), line 4)			0	. 0
	15		·	ployee benefits (Part IX, column (A), lines				
\$		5-10)		, , , , , , , , , , , , , , , , , , , ,		9,348,	.332	9,418,648
Expenses	16a	Profes	sional fundraising fees (Par	t IX, column (A), line 11e)			0	0
ੜੀ	ь	Total fur	ndraising expenses (Part IX, colum	nn (D), line 25) ▶ <mark>0</mark>				
	17	Other	expenses (Part IX, column	(A), lines 11a-11d, 11f-24f)		9,767,	.057	9,881,134
	18	Total e	expenses Add lines 13-17	(must equal Part IX, column (A), line 25)		19,118,	,094	19,304,575
	19	Revenu	ue less expenses Subtract	line 18 from line 12		3,172,	.087	1,745,059
Net Assets or Fund Bafances					Begin	ning of Curre Year	ent	End of Year
tage Tage	20	Totala	ssets (Part X, line 16) .			10,634,	616	10,152,867
A B	21					1,352,		341,660
žĒ	22	Netas	sets or fund balances Subt	ract line 21 from line 20		9,281,	974	9,811,207
Pai	rt II	Sign	ature Block					
know				amined this return, including accompanying lete. Declaration of preparer (other than offi		on all inform		
Sigr		Signa	ture of officer			2012-05-11 Date		
Her		SCOT	T REYNOLDS VP FINANCE					
_			or print name and title					
		Prınt/Type preparer's		Preparer's signature	Date	Check if se		PTIN
Paid	Ti-		ne FERNST & YOUNG US LLP			J Spio yea	<u> </u>	Firm's EIN
Prep		Fırm's add	ress • 190 CARONDELET PLAZA S	SUITE 1300				
Use	Only		CLAYTON, MO 63105					Phone no ► (314) 290- 1000
May	the IRS	S discus		rer shown above? (see instructions) .				└────────────────────────────────────

FUIIII	990 (2010)				Page Z
Part		ent of Program Service A	Accomplishments to any question in this Part III		৮
1		the organization's mission			,
– AS TI		MERCY BEFORE US, WE BRING	TO LIFE THE HEALING MINIST	RY OF JESUS THROUGH OUR	COMPASSIONATE
2	the prior Form 99				es 🔽 No
3	Did the organizat services?	ion cease conducting, or make	significant changes in how it cond		es 🔽 No
4	Describe the exe Section 501(c)(3	and 501(c)(4) organizations	each of the organization's three la and section 4947(a)(1) trusts are venue, if any, for each program se	required to report the amount of	
4a	TRADITIONAL MEDIO SERVE, WITH PART:	RINGFIELD COMMUNITIES AND ITS SU CAL SETTINGS THIS ORGANIZATION,	4,393,625 including grants of \$ BSIDIARIES PROVIDE HIGH-QUALITY, COM AS PART OF MERCY HEALTH SPRINGFIELD CALLY POOR, IN THE WAY OF INPATIENT I OFFICE VISITS	COMMUNITIES, PROVIDES SERVICES	TO THE COMMUNITIES WE
4b	(Code) (Expenses \$	including grants of \$) (Revenue \$)
4 c	(Code) (Expenses \$	including grants of \$) (Revenue \$)
4d	Other program s	services (Describe in Schedule including	O) grants of \$) (Revenue \$)
4e	Total program s	ervice expenses►\$ 1	4,393,625		

art IV	Checkl	ist 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^{\bullet}	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 1	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? <i>If "Yes," complete Schedule D, Part II</i>	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? 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 quasiendowments? 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			
а	Did the organization report an amount for land, buildings, and equipment in Part X, line10? If "Yes," complete Schedule D, Part VI.	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII.	11b		No
C	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII.	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX.	11d		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		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If</i> "Yes," complete Schedule D, Parts XI, XII, and XIII	12a		Νo
b	Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(II)? If "Yes," complete Schedule E	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, and program service activities outside the United States? If "Yes," complete Schedule F, Parts I and IV	14b		Νo
15	Did the organization report on Part IX, column (A), line 3, more than $$5,000$ of grants or assistance to any organization or entity located outside the U S ? If "Yes," complete Schedule F, Parts II and IV	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $$5,000$ of aggregate grants or assistance to individuals located outside the U S ? If "Yes," complete Schedule F, Parts III and IV.	16		No
17	Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <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? <i>If</i> "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		No
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III	22		N o
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		N o
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		N o
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? If "Yes," complete Schedule L, Part IV .	28c		N o
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		N o
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		N o
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? If "Yes," complete Schedule R, Part I	33		No
34	Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1	34	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	35	Yes	
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 Yes \Box No			
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? If "Yes," complete Schedule R, Part VI	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	
		F	orm 990	(2010)

Form 990 (2010) Page 5 Statements Regarding Other IRS Filings and Tax Compliance Check if Schedule O contains a response to any question in this Part V . 🔽 No Enter the number reported in Box 3 of Form 1096 Enter -0 - if not applicable **1**a 0 **b** Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable 1h 0 c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable **1c** gaming (gambling) winnings to prize winners? Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements filed for the calendar year ending with or within the year covered by this 222 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) Did the organization have unrelated business gross income of \$1,000 or more during the За Νo If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O . 3b 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 4a account)? . . . Νo 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 Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . . . Νo 5a b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction? Νo 5b c If "Yes" to line 5a or 5b, did the organization file Form 8886-T? 5c Does the organization have annual gross receipts that are normally greater than \$100,000, and did the Νo organization solicit any contributions that were not tax deductible? **b** If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts 6b Organizations that may receive deductible contributions under section 170(c). a Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and Νo **b** If "Yes," did the organization notify the donor of the value of the goods or services provided? . . . Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to 7c Νo 7d **d** If "Yes," indicate the number of Forms 8282 filed during the year Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit 7e Νo f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?. 7f Νo g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as 7g If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a 7h 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 8 Sponsoring organizations maintaining donor advised funds. a Did the organization make any taxable distributions under section 4966? **b** Did the organization make a distribution to a donor, donor advisor, or related person? . 9b Section 501(c)(7) organizations. Enter a 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 10b facilities Section 501(c)(12) organizations. Enter 11a a Gross income from members or shareholders . . 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 12b Section 501(c)(29) qualified nonprofit health insurance issuers. a Is the organization licensed to issue qualified health plans in more than one state? 13a Note. See the instructions for additional information the organization must report on Schedule O

13c 14a Did the organization receive any payments for indoor tanning services during the tax year? . 14a Νo **b** If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O. 14b

 ${f b}$ Enter the amount of reserves the organization is required to maintain by the states

in which the organization is licensed to issue qualified health plans

c Enter the amount of reserves on hand

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

itains a response to any question in					

_Se	ection A. Governing Body and Management			
			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax			
Lu	year			
b	Enter the number of voting members included in line 1a, above, who are independent			
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	5		No
6	Does the organization have members or stockholders?	6	Yes	
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a	Yes	
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
а	The governing body?	8a	Yes	
ь	Each committee with authority to act on behalf of the governing body?	8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the			
	organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9		Νo
	ection B. Policies (This Section B requests information about policies not required by the Internal evenue Code.)			
	veriae code.)		Yes	No
10a	Does the organization have local chapters, branches, or affiliates?	10a		Νο
	If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?	10b		
11a	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990			
12a	Does the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes	
	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c	Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes,"	120	162	
	describe in Schedule O how this is done	12c	Yes	
13	Does the organization have a written whistleblower policy?	13	Yes	
14	Does the organization have a written document retention and destruction policy?	14	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	15a		No
b	Other officers or key employees of the organization	15b		Νo
	If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		No
b	If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the			1
	organization's exempt status with respect to such arrangements?	16b		
	Light the Chates with which a convertible Forms 000 to marriaged to be filed.			
17	List the States with which a copy of this Form 990 is required to be filed.			
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

- 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
- State the name, physical address, and telephone number of the person who possesses the books and records of the organization SHERRY CLOUSE DAY
 214 CARTER STREET
 BERRYVILLE, AR 72616
 (870) 423-5240

Part VII 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 organization nor any related organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours	Posi t	tion (that a	che		II		(D) Reportable compensation from the	(E) Reportable compensation from related	(F) Estimated amount of other
	per week (describe hours for related organizations in Schedule O)	Individual trustee or director	Institutional Trustee	Officei	Ke) employee	Highest compensated employee	Former	organization (W- 2/1099-MISC)	organizations (W- 2/1099- MISC)	compensation from the organization and related organizations
(1) Michele M Schaefer Sr VP - Regional Ops	60 0	х						0	444,044	65,481
(2) Eric G Spann Chairman	60 0	х						0	243,062	30,152
(3) David O Barbe Board Member	60 0	х						0	351,016	79,545
(4) Rıchard L Taylor Board Member	60 0	х						0	209,026	28,603
(5) Bill Ray Community Member	1 0	х						0	0	0
(6) Milton McGowen Community Member	1 0	х						0	0	0
(7) Owen Kendrick Community Member	1 0	х						0	0	0
(8) Pam Webb Community Member	1 0	х						0	0	0
(9) Richard Harp Community Member	1 0	х						0	0	0
(10) Suzanne Villines Secretary	1 0	х						0	0	0
(11) Chris Knackstedt CFO (started 3/2011)	60 0			х				0	666,218	59,286
(12) Scott R Reynolds VP-Finance (CFO thru 3/2011)	60 0			х				0	306,787	43,201
(13) Jon D Swope Chief executive officer	60 0			х				0	730,504	55,300
(14) Kristy K Estrem President	60 0			х				0	180,575	25,896
(15) Sherry L Clouse-Day VP-Finance	60 0				х			0	151,572	16,606
(16) Andrew David Physician	40 0					х		206,317	0	8,427
·	•		_		_	_	_			Form 900 (2010)

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

	(A) Name and Title	(B) A verage hours		(i tion that a			II		(D) Reportable compensation	(E) Reportable compensation	- 1	(F) Estima amount o	ited f other
		per week (describe hours for related organizations in Schedule O)	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)		compens from t organizati relati organiza	:he on and ed
(17) I	Janet Shapter Cian	40 0					х		209,999		0		7,132
	Mike Sieg or, pharmacy services	40 0					х		105,264		0		5,631
(19)	Milo Warner DO al director	40 0					х		239,420		0		16,973
											\dagger		
											+		
											+		
											+		
						-					+		
											+		
1b	Sub-Total						· ·	P			+		
c	Total from continuation sheets Total (add lines 1b and 1c) .							-	761,000	3,282,804	+		142,233
2	Total number of individuals (inc \$100,000 in reportable comper	ludıng but not lır	nited to	thos	e lis		above) who	received more tha				·
												Yes	No
3	Did the organization list any for on line 1a? <i>If</i> "Yes," complete Sc.									ated employee	3		N o
4	For any individual listed on line organization and related organiz	1a, is the sum o	f report	able	com	pens If "Ye	ation es." co	and o	other compensation ete Schedule I for suc	from the			

			Yes	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		No
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 I 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
Medical Solutions 9101 Western Ave Ste 101 OMAHA, NE 68114	Contract Labor	117,473
CPSI PO Box 850309 MOBILE, AL 36685	Maintenance	117,180

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

	•	(2010)	10				Pa	ge 9
Part	*411	Statement of Reven	ie		(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	excluded from tax under sections 512, 513, or
Contributions, gifts, grants and other similar amounts	b d e f	Federated campaigns	. 1c . 1d . 1e . and 1f . nes 1a-1f \$	15,000	15,000			514
Program Service Revenue	2a b c d e f	Patient Service Revenue Other Operating Revenue All other program service rev	/enue	622110 900099	20,832,095 169,540	20,832,095 169,540		
1	3 4 5 6a b	Total. Add lines 2a-2f Investment income (including and other similar amounts) Income from investment of tax-ext Royalties	g dividends, interest	(II) Personal	21,001,635 1,889 0			1,88
ue	7a b c d	Gross amount from sales of assets other than inventory Less cost or other basis and sales expenses Gain or (loss) Net gain or (loss)	(i) Securities 31,110 0 31,110	(II) O ther	31,110			31,1
Other Revenue	c 9a b c 10a	of contributions reported on See Part IV, line 18 Less direct expenses Net income or (loss) from fur Gross income from gaming a Less direct expenses Net income or (loss) from ga Gross sales of inventory, les returns and allowances Less cost of goods sold Net income or (loss) from sa Miscellaneous Revenue	a b draising events	Business Code	0			
	е	All other revenue	▶		21,049,634	21,001,635	0	32,9

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

Δ	Section $501(c)(3)$ and $501(c)(4)$ organizations must omplete column (A) but are not required to c			(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 in the U S See Part IV, line 21	4,793	4,793		
2	Grants and other assistance to individuals in the U.S. See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	44,280	27,489	16,791	
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	7,480,843	4,644,102	2,836,741	
8	Pension plan contributions (include section $401(k)$ and section $403(b)$ employer contributions)	317,053	196,826	120,227	
9	Other employee benefits	1,100,797	683,374	417,423	
10	Payroll taxes	475,675	295,299	180,376	
а	Fees for services (non-employees) Management	314,959		314,959	
b	Legal	7,180		7,180	
C	Accounting	0			
d	Lobbying	0			
е	Professional fundraising services See Part IV, line 17	0			
f	Investment management fees	0			
g	Other	1,388,580	1,223,917	164,663	
12	Advertising and promotion	7,608	38	7,570	
13	Office expenses	2,278,133	1,979,566	298,567	
14	Information technology	370,212	296,170	74,042	
15	Royalties	0			
16	Occupancy	249,299	206,392	42,907	
17	Travel	31,919	11,625	20,294	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	10,673	4,881	5,792	
20	Interest	18,250		18,250	
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	820,541	656,433	164,108	
23 24	Insurance	198,484		198,484	
а	Bad Debt Expense	4,137,029	4,137,029		
b	Miscellaneous	48,268	25,691	22,576	
c		,	,	<u> </u>	
d					
e					
f	All other expenses				
25	Total functional expenses. Add lines 1 through 24f	19,304,575	14,393,625	4,910,950	0
26	Joint costs. Check here ► ☐ if following		2 .,233,323	.,. 10,500	
	SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a				
	combined educational campaign and fundraising solicitation				

Part X Balance Sheet (A) (B) Beginning of year End of year 2.304.071 2.176.092 1 1 2 2 Savings and temporary cash investments 3 3 1,585,801 4 1,658,374 4 5 Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of 5 Schedule L . . . 6 Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) **A**ssets 6 0 7 20,000 332,843 8 347,816 8 Prepaid expenses and deferred charges 23,563 9 21,694 10a Land, buildings, and equipment cost or other basis Complete 14,610,422 Part VI of Schedule D 10a 10b 8.805.745 6.476,600 **10c** b Less accumulated depreciation 5.804.677 11 11 12 12 Investments—other securities See Part IV, line 11 13 13 Investments—program-related See Part IV, line 11 . . 14 14 24,744 15 11,208 15 16 **Total assets.** Add lines 1 through 15 (must equal line 34) . . . 10,634,616 16 10,152,867 **17** 896,645 17 16.660 Accounts payable and accrued expenses . 0 18 997 18 19 19 20 20 Liabilities 21 21 Escrow or custodial account liability $Complete\ Part\ IV\ of\ Schedule\ D$. . 22 Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified 22 23 23 Secured mortgages and notes payable to unrelated third parties . . 24 24 Unsecured notes and loans payable to unrelated third parties 25 Other liabilities Complete Part X of Schedule D 455,000 25 325.000 26 1,352,642 26 341,660 **Total liabilities.** Add lines 17 through 25 Organizations that follow SFAS 117, check here ▶ 🔽 and complete lines 27 Balances through 29, and lines 33 and 34. 27 Unrestricted net assets 9.281,974 27 9.811.207 Temporarily restricted net assets 28 28 Fund F 29 29 Permanently restricted net assets Organizations that do not follow SFAS 117, check here ▶ □ and complete lines 30 through 34. ŏ 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 32 Retained earnings, endowment, accumulated income, or other funds ž 9,281,974 9,811,207 33 33 Total net assets or fund balances 34 Total liabilities and net assets/fund balances 10.634.616 34 10,152,867

Part)

0	0 (2010)						Page 12
Ξ	Reconcilliation of Net Assets						
	Check if Schedule O contains a response to any question in this Part XI $$				•	-	<u>L</u>

21,049,634 Total revenue (must equal Part VIII, column (A), line 12)

Total expenses (must equal Part IX, column (A), line 25)

19,304,575

1,745,059

9,281,974

-1,215,826

9,811,207

2 Revenue less expenses Subtract line 2 from line 1 m

ო Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))

4

Ŋ

4 Other changes in net assets or fund balances (explain in Schedule O)

S ဖ Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B)

		Yes	§
Accounting method used to prepare the Form 990	Cash V Accrual Cother		
If the organization changed its method of accounting fron	iccounting from a prior year or checked "Other," explain in		

ŝ **2a** If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? Were the organization's financial statements compiled or reviewed by an independent accountant? Were the organization's financial statements audited by an independent accountant? Schedule 0

م

2a

Yes 20 If the organization changed either its oversight process or selection process during the tax year, explain in

If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued

ŝ ä 3b If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required 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?

Both consolidated and separated basis

✓ Consolidated basis

Separate basis

3a

on a separate basis, consolidated basis, or both

T

Form **990** (2010) audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits

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

DLN: 93493134005022

OMB No 1545-0047

SCHEDULE A

(Form 990 or 990EZ)

Name of the organization Mercy Hospital Berryville

F/K/A Ozarks Regions Health Systems Inc

Department of the Treasury Internal Revenue Service

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

Public Charity Status and Public Support

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

Inspection

Employer identification number

71-0759299

The	organı	zatıon ıs	not a privat	e foundation becaus	eıtıs (Forl	ınes 1 throu	igh 11, check	only one bo	ox)		
1	Γ	A churc	h, conventi	on of churches, or as	ssociation of	churches d	escribed in s e	ection 170(b	o)(1)(A)(i).		
2	Γ	A scho	ol described	I in section 170(b)(1	.)(A)(ii). (At	tach Schedi	ıle E)				
3	굣	A hosp	ital or a coo	perative hospital sei	rvice organiz	ation descri	bed in sectio	n 170(b)(1)	(A)(iii).		
4	Γ			n organization operat ty, and state	ed in conjun	ction with a	hospital des	cribed in sec	tion 170(b)(1)(A)(iii). Er	nter the
5	Γ	An orga	anization op	erated for the benefit	t of a college	or universi	ty owned or o	perated by a	a government	tal unit descr	ıbed ın
		sect ion	170(b)(1)(A)(iv). (Complete P	art II)						
6	Γ	A federal, state, or local government or governmental unit described in section $170(b)(1)(A)(v)$.									
7	Γ	describ	ed in	at normally receives A)(vi) (Complete P		al part of its	support from	a governme	ental unit or fi	rom the gene	ral public
8	Г			described in section		A)(vi) (Con	nnlete Part II	.)			
9	, -	An organization that normally receives (1) more than 331/3% of its support from contributions, membership fees, and gross									
-	,	receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 331/3% of									
				oss investment inco	-	=					
			_	janization after June				•		,	
10	Г			, ganızed and operatec							
11	Ē			, ganized and operated						o carry out th	e purposes of
		the box		y supported organizations the type of supp	orting organ	ı <u>za</u> tıon and d		s 11e throu	gh 11h		9(a)(3). Check III - Other
e	Г			ox, I certify that the				-			
	r			on managérs and oth							
_			509(a)(2)								
f		If the o		received a written de	etermination	from the IR	S that it is a	Type I, Type	e II or Type :	III supportin	g organization,
g				2006, has the organi	zation accer	ted any gift	or contributi	on from any	of the		'
_			g persons?	,	•	, 3		,			
				rectly or indirectly c				persons des	cribed in (ii)		Yes No
				governing body of th		_	ation?			11g(i)
				er of a person descril						11g(i	
				led entity of a persoi						11 g(i	ii)
h		Provide	the followir	ng information about	the supporte	ed organızat	ion(s)				
				(iii)	(:)						
				Type of	(iv) Is the		(v)		(vi)		
	(i)			organization	organizati		Did you no		Is th		(vii)
	Name suppoi		(ii) EIN	(described on lines 1- 9 above	col (ı) lıs		organizat		organizat col (i) org		A mount of
	rganız		LIIN	or IRC section	your gove docume		suppo	,	in the U		support
	J			(see							_
				instructions))	Yes	No	Yes	No	Yes	No	
							1				

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-tiC D-l	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 fill	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: 93493134005022

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

Se	ction 501(c)(3) organizations that	t nave filed Form 5766 (election under t have NOT filed Form 5768 (election ui s," to Form 990, Part IV, Line 5 (Pro	nder section 501(h)) Complete Part II-B Do r	not complete Part II-A
N a Mer	ction 501(c)(4), (5), or (6) organion me of the organization by Hospital Berryville A Ozarks Regions Health Systems Inc	zations Complete Part III		Employer iden 71-0759299	itification number
		ganization is exempt under s	section 501(c		organization.
1		ganızatıon's direct and indirect politic		-	
2	Political expenditures	gamzation's unect and munect pointe	ar campaign acti	vicies iii Paic IV	
3	Volunteer hours			•	\$
Par	t I-B Complete if the or	ganization is exempt under s	section 501(c	2)(3).	
1	Enter the amount of any excise	e tax incurred by the organization und	ler section 4955	▶	\$
2	Enter the amount of any excise	e tax incurred by organization manage	ers under section	4955 ▶	\$
3	If the organization incurred a s	ection 4955 tax, did it file Form 472	O 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 s	section 501(c	e) except section 50:	1(c)(3).
1	Enter the amount directly expe	ended by the filing organization for se	ction 527 exemp	t function activities 🕨	\$
2	Enter the amount of the filing of exempt funtion activities	organization's funds contributed to oth	ner organizations	for section 527	\$
3	Total exempt function expendi	tures Add lines 1 and 2 Enter here a	and on Form 1120	D-POL, line 17b ►	¢
4	Did the filing organization file F	Form 1120-POL for this year?			↑ —
5	organization made payments f amount of political contribution	nd employer identification number (EI For each organization listed, enter the ns received that were promptly and di political action committee (PAC) If a	e amount paid from rectly delivered t	m the filing organization's to a separate political orga	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 Expendit	ures During 4	4-Year Avera	ging Period		
	Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) Total
2a	Lobbying non-taxable amount					
b	Lobbying ceiling amount (150% of line 2a, column(e))					
c	Total lobbying expenditures					
d	Grassroots non-taxable amount					
e	Grassroots ceiling amount (150% of line 2d, column (e))					
f	Grassroots lobbying expenditures					

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

		(a)	(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
а	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV	Yes		2,523
j	Total lines 1c through 1i			2,523
2a	Did the activities in line 1 cause the organization to be not described in section $501(c)(3)$?		l 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?			
	A TITLA Complete if the appropriation is appropriately partial FO4/a)/4) as ation	- FO1/-	\ 	

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

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

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

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

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation
DESCRIPTION OF OTHER LOBBYING ACTIVITIES	В	THE FILING ORGANIZATION IS A MEMBER OF AND PAYS DUES TO THE FOLLOWING HOSPITAL ASSOCIATIONS AMERICAN HOSPITAL ASSOCIATION, ARKANSAS HOSPITAL ASSOCIATION AND CATHOLIC HEALTH ASSOCIATION FOR THE YEAR ENDED JUNE 30, 2011, DUES WERE \$5,062,\$9,209, AND \$2,834 RESPECTIVELY APPROXIMATELY 16 30% OF AMERICAN HOSPITAL ASSOCIATION DUES, 16 30% OF ARKANSAS HOSPITAL ASSOCIATION DUES, AND 4 68% OF CATHOLIC HEALTH ASSOCIATION DUES WERE ATTRIBUTABLE TO LOBBYING ACTIVITIES PERFORMED BY THESE ASSOCIATIONS

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DLN: 93493134005022

OMB No 1545-0047

SCHEDULE D

(Form 990)

Department of the Treasury

Supplemental Financial Statements

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

Open to Public

emal Re	evenue Service	► Attach to Fo	orm 990. ► See separate instructions.			Inspec	tion
	e of the organi			Emplo	oyer identificat	ion numbe	er
	Hospital Berryville Ozarks Regions F	e Health Systems Inc		71-0	759299		
Par	Organi	izations Maintaining Donor Ac	lvised Funds or Other Similar Fo			Comple	te if the
	organız	zation answered "Yes" to Form 99	,				
_			(a) Donor advised funds	(E) Funds and ot	her accou	nts
	otal number a	·					
		cributions to (during year)					
		its from (during year)					
		e at end of year					
	_	ration inform all donors and donor advis rganization's property, subject to the o	sors in writing that the assets held in don organization's exclusive legal control?	or advis	ed	☐ Yes	☐ No
ι	used only for c		donor advisors in writing that grant funds efit of the donor or donor advisor, or for ai		purpose	┌ Yes	┌ No
art	III Conse	rvation Easements. Complete	if the organization answered "Yes" t	<u>o Form</u>	990, Part IV,	lıne 7.	
ן -	Preservati Protection Preservati Complete lines	of natural habitat on of open space	ganization (check all that apply) on or pleasure)	certified	historic structi	-	a
					Held at the E	nd of the	Year
a T	Total number o	f conservation easements		2a			
b T	Fotal acreage i	restricted by conservation easements		2b			
c i	Number of cons	servation easements on a certified his	toric structure included in (a)	2c			
d 「	Number of cons	servation easements included in (c) ac	quired after 8/17/06	2d			
		servation easements modified, transfe ar 🛌	rred, released, extinguished, or terminate	ed by the	e organization d	urıng	
ļ [Number of stat	es where property subject to conserva	tion easement is located ►				
	_	nization have a written policy regarding the conservation easements it holds?	the periodic monitoring, inspection, hand	dling of v	violations, and	┌ Yes	┌ No
, ,	Staff and volun	teer hours devoted to monitoring, insp	ecting and enforcing conservation easem	nents du	ring the year 🛌		
' <i>I</i>	A mount of expe	enses incurred in monitoring, inspectir	ng, and enforcing conservation easements	s during	the year 🟲 🕏		
		servation easement reported on line 2) and 170(h)(4)(B)(II)?	(d) above satisfy the requirements of sec	tion		┌ Yes	┌ No
ŀ	palance sheet,		onservation easements in its revenue and he footnote to the organization's financial nents				
art			ns of Art, Historical Treasures, Yes" to Form 990, Part IV, line 8.	or Oth	er Similar A	ssets.	
a	art, historical t	reasures, or other similar assets held	116, not to report in its revenue stateme for public exhibition, education or researd ancial statements that describes these it	ch in furt			≘,
_	nistorical treas	·	116, to report in its revenue statement a public exhibition, education, or research in			•	
((i) Revenues II	ncluded in Form 990, Part VIII, line 1			► \$		
1	(ii) Assets incl	luded in Form 990, Part X			- \$		
<u>.</u> I	f the organizat	·	orical treasures, or other similar assets fo S 116 relating to these items	or financ			
		uded in Form 990, Part VIII, line 1	-		► \$		

b Assets included in Form 990, Part X

3	Using the organization's accession and othe										<u>(continued)</u>
_	items (check all that apply)		., 5, 61	_	_		_		55 65,166		
а	Public exhibition		d	Г	Loan	orexc	hange prog	rams			
b	Scholarly research		e	\sqcap	Othe	r					
c	Preservation for future generations										
4	Provide a description of the organization's co Part XIV	ollections and expla	aın hov	w the	y furthe	er the d	organızatıor	ı's ex	empt purpose	ın	
5	During the year, did the organization solicit of assets to be sold to raise funds rather than t								ular	┌ Yes	□ No
Par	t IV Escrow and Custodial Arrang		•						es" to Form 9	,	1 110
	Part IV, line 9, or reported an an							<u> </u>			
1a	Is the organization an agent, trustee, custod included on Form 990, Part X?	lian or other interm	edıary	for c	ontribi	utions	or other ass	ets r	not	┌ Yes	┌ No
b	If "Yes," explain the arrangement in Part XIV	/ and complete the	follov	ving t	able		г	-			
							-		Ar	nount	
с	Beginning balance						-	1c			
d	d Additions during the year						1d				
e	Distributions during the year						-	1e			
f	Ending balance							1f			
2a	Did the organization include an amount on Fo	orm 990, Part X, Iır	ie 21?	•						┌ Yes	☐ No
	If "Yes," explain the arrangement in Part XIV										
Pai	rt V Endowment Funds. Complete						Form 990, o Years Back		t IV, line 10. Three Years Back	(a)Eau	Voore Book
1a	Beginning of year balance	(a)Current Year	(D) Prior	rear	(c) w	o reals back	(a)	Tillee feats back	(e)roui	Years Back
ь	Contributions										
c	Investment earnings or losses							-			
d	Grants or scholarships							+			
e	Other expenditures for facilities										
_	and programs										
f	Administrative expenses										
g	End of year balance										
2	Provide the estimated percentage of the yea	r end balance held	as								
а	Board designated or quasi-endowment 🕨										
b	Permanent endowment 🕨										
С	lermendowment 🖦										
c 3a	Term endowment ► Are there endowment funds not in the posses	ssion of the organiz	atıon	that	are hel	d and a	ıdmınıstere	d for	the		
	Are there endowment funds not in the posses organization by	_		that	are hel	d and a	ıdmınıstere	d for	the	Ye	s No
	Are there endowment funds not in the posses organization by (i) unrelated organizations							d for	3a	(i)	s No
3a	Are there endowment funds not in the posses organization by (i) unrelated organizations							d for	3a	(i) (ii)	s No
3a b	Are there endowment funds not in the posses organization by (i) unrelated organizations	ns listed as require	 ed on S	Sched	· · · lule R?			d for	3a	(i) (ii)	s No
3a b 4	Are there endowment funds not in the posses organization by (i) unrelated organizations		d on S	Sched ent fu	 Iule R? Inds				3a	(i) (ii)	s No
3a b 4	Are there endowment funds not in the posses organization by (i) unrelated organizations		d on S	chec ent fu See F	 Jule R? Inds Form 9	 	art X, line	10.	3a 3a 3a	(i) (ii) b	
3a b 4	Are there endowment funds not in the posses organization by (i) unrelated organizations		d on S	Schedent fu	 Iule R? Inds			10.	3a	(i) (ii) b	Book value
b 4 Par	Are there endowment funds not in the posses organization by (i) unrelated organizations		d on S	Schedent fu	lule R? inds form 9		art X, line (b)Cost or or basis (oth	10.	3a 3 (c) Accumulated	(i) (ii) b	
3a b 4 Par	Are there endowment funds not in the posses organization by (i) unrelated organizations		d on S	Schedent fu	lule R? inds form 9		art X, line (b)Cost or obasis (oth	10.	3a 3 (c) Accumulated	(i) (ii) b	Book value
3a b 4 Par 1a b	Are there endowment funds not in the posses organization by (i) unrelated organizations		d on S	Schedent fu	lule R? inds form 9		(b)Cost or or basis (oth	10. other er)	3a 3 (c) Accumulated depreciation	(i)	Book value
3a b 4 Par 1a b 6 c 1	Are there endowment funds not in the posses organization by (i) unrelated organizations		d on S	Schedent fu	lule R? inds form 9		(b)Cost or c basis (oth	10. other er) 2,810	(c) Accumulated depreciation	(i) (ii) (b (d) (d) (d) (37)	Book value 432,810 3,829,339
3a b 4 Par 1a b c d f	Are there endowment funds not in the posses organization by (i) unrelated organizations		d on S	Schedent fu	lule R? inds form 9		(b)Cost or obasis (oth	10. other er) 2,810 0,334	(c) Accumulated depreciation 3,409,9 9,8	(i)	Book value 432,810 3,829,339 1,199

Investments—Other Securities. See	Form 990, Part X, line 12		
(a) Description of security or category	(b)Book value		d of valuation
(including name of security)	(2)2001111111	Cost or end-of	year market value
(1)Financial derivatives			
(2)Closely-held equity interests			
Other			
o ther			
Total. (Column (b) should equal Form 990, Part X, col (B) line 12)			
Part VIII Investments—Program Related. See	Form 990, Part X, line	13.	
		(c) Metho	d of valuation
(a) Description of investment type	(b) Book value	Cost or end-of	-year market value
	<u> </u>		
Total (Column (h) should equal Form 990, Part X, col.(R) line 13.)			
Total. (Column (b) should equal Form 990, Part X, col (B) line 13)			
Part IX Other Assets. See Form 990, Part X, lin	e 15.		(b) Paak value
	e 15.		(b) Book value
Part IX Other Assets. See Form 990, Part X, lin	e 15.		(b) Book value
Part IX Other Assets. See Form 990, Part X, lin	e 15.		(b) Book value
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Part IX Other Assets. See Form 990, Part X, lin	e 15.		(b) Book value
Part IX Other Assets. See Form 990, Part X, lin	e 15.		(b) Book value
Part IX Other Assets. See Form 990, Part X, lin	e 15.		(b) Book value
Part IX Other Assets. See Form 990, Part X, lin	e 15.		(b) Book value
Part IX Other Assets. See Form 990, Part X, lin	e 15.		(b) Book value
Part IX Other Assets. See Form 990, Part X, lin	e 15.		(b) Book value
Part IX Other Assets. See Form 990, Part X, lin	e 15.		(b) Book value
Part IX Other Assets. See Form 990, Part X, lin	e 15.		(b) Book value
Part IX Other Assets. See Form 990, Part X, lin	e 15.		(b) Book value
Part IX Other Assets. See Form 990, Part X, lin	e 15.		(b) Book value
Part IX Other Assets. See Form 990, Part X, lin	e 15.		(b) Book value
Part IX Other Assets. See Form 990, Part X, lin	e 15.		(b) Book value
Part IX Other Assets. See Form 990, Part X, lin (a) Descrip	e 15. tion		(b) Book value
Part IX Other Assets. See Form 990, Part X, lin	e 15. tion		(b) Book value
Part IX Other Assets. See Form 990, Part X, lin (a) Descrip Total. (Column (b) should equal Form 990, Part X, col.(B) line 1:	e 15. tion 5.)		(b) Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X	5.)		(b) Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X (a) Description of Liability	e 15. tion 5.)		(b) Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X	5.)		(b) Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X (a) Description of Liability Federal Income Taxes	5.)		(b) Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X (a) Description of Liability	5.) in the 15. fine 25. (b) A mount		(b) Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X (a) Description of Liability Federal Income Taxes	5.)		(b) Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X (a) Description of Liability Federal Income Taxes	5.)		(b) Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X (a) Description of Liability Federal Income Taxes	5.)		(b) Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X (a) Description of Liability Federal Income Taxes	5.)		(b) Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X (a) Description of Liability Federal Income Taxes	5.)		(b) Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X (a) Description of Liability Federal Income Taxes	5.)		(b) Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X (a) Description of Liability Federal Income Taxes	5.)		(b) Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X (a) Description of Liability Federal Income Taxes	5.)		(b) Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X (a) Description of Liability Federal Income Taxes	5.)		(b) Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X (a) Description of Liability Federal Income Taxes	5.)		(b) Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X (a) Description of Liability Federal Income Taxes	5.)		(b) Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X (a) Description of Liability Federal Income Taxes	5.)		(b) Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X (a) Description of Liability Federal Income Taxes	5.)		(b) Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X (a) Description of Liability Federal Income Taxes	5.)		(b) Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X (a) Description of Liability Federal Income Taxes	5.)		(b) Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X (a) Description of Liability Federal Income Taxes	5.)		(b) Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X (a) Description of Liability Federal Income Taxes	5.)		(b) Book value

Par	Reconciliation of Cl	nange in Net Assets from Forr	n 990) to Fi	nancial Statemer	<u>ıts</u>	
1	Total revenue (Form 990, Part)	VIII, column (A), line 12)				1	
2	Total expenses (Form 990, Par	t 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) or	n ınvestments				4	
5	Donated services and use of fac	cilities				5	
6	Investment expenses					6	
7	Prior period adjustments					7	
8	Other (Describe in Part XIV)					8	
9	Total adjustments (net) Add lir	nes 4 - 8				9	
10	Excess or (deficit) for the year	per financial statements Combine line	s 3 an	d 9		10	
Part	XIII Reconciliation of Re	evenue per Audited Financial	State	ment	s With Revenue p	er Re	turn
1	Total revenue, gains, and othe	r support per audited financial stateme	nts .			1	_
2	A mounts included on line 1 but	t not on Form 990, Part VIII, line 12					
а	Net unrealized gains on invest	ments	.	2a			
b	Donated services and use of fa	acılıtıes	.	2b			
С	Recoveries of prior year grants		.	2c			
d	Other (Describe in Part XIV)		.	2d			
e	Add lines 2a through 2d .					2e	
3	Subtract line ${f 2e}$ from line ${f 1}$.		•			3	
4	Amounts included on Form 990	0, Part VIII, line 12, but not on line 1					
a	Investment expenses not inclu	uded on Form 990, Part VIII, line 7b	.	4a			
b				4b			
С	Add lines 4a and 4b		•			4c	
5		d 4c. (This should equal Form 990, Par				5	
		kpenses per Audited Financia	Stat	emen	ts With Expenses	per F	Return
1	Total expenses and losses per statements					1	
2		t not on Form 990, Part IX, line 25					
а	Donated services and use of fa	icilities		2a		_	
b	•			2b		_	
С	Other losses		•	2c			
d	Other (Describe in Part XIV)		•	2d			
e	Add lines 2a through 2d		•			2e	
3	Subtract line $\mathbf{2e}$ from line 1 .		•			3	
4		O, Part IX, line 25, but not on line 1:					
a		uded on Form 990, Part VIII, line 7b		4a		_	
b	,		•	4b			
С	Add lines 4a and 4b					4c	
5		nd 4c. (This should equal Form 990, Pa	rt I, lır	ne 18)		5	
	XIV Supplemental Info						
Part	V, line 4, Part X, Part XI, line 8, cional information	Part XII, lines 2d and 4b, and Part XI			nd 4b Also complete t	his par	
	Identifier	Return Reference			Explanati	on	

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DLN: 93493134005022

OMB No 1545-0047

Open to Public Inspection

SCHEDULE H (Form 990)

Department of the Treasury Internal Revenue Service

Name of the organization

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

Hospitals

Employer identification number

	Hospital Berryville					•			
	Ozarks Regions Health Systems Inc	C		ar Community Do		0759299			
Pa	rt I Financial Assista	nce and C	ertain Oth	er Community Be	nents at cost			Yes	No
1a	Did the organization have a fir	nnancıal assı	stance polic	y during the tax year? I	f "No," skip to questio	n 6a.	1a	Yes	
ь	If "Yes," is it a written policy?	·					1b	Yes	
2	If the organization has multip assistance policy to its vario	le hospitals, i	ındıcate whic	h of the following best		of the financial		103	
	Applied uniformly to all ho	spitals		Applied uniformly	to most hospitals				
3	Answer the following based or organization's patients during			nce eligibility criteria t	hat applied to the large	est number of the			
а	Does the organization use Fer income individuals? If "Yes,"						3a	Yes	
	▽ 100% ┌ 150%	Γ 2C	о% Г	Other	<u>%</u>				
b	Does the organization use FP "Yes," indicate which of the fo						3b	Yes	
	Г _{200%} Г _{250%}	▽ 30	о% Г	350% Г 40	0%	%			
C	If the organization does not u determining eligibility for free test or other threshold, regard	or discounte	d care Inclu	de in the description w	hether the organization				
4	Did the organization's financia provide for free or discounted					uring the tax year	4	Yes	
5a	5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?								
b									
C	c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?								
6a	Does the organization prepare			ort during the tax			6a	Yes	
6b	year? If "Yes," did the organization			ublic?			6b	Yes	l
	Complete the following table userksheets with the Schedule	ısıng the worl				ubmıt these	- 02	100	
7	Financial Assistance and C	ertain Other	Community	Benefits at Cost					<u> </u>
ı	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 be expense	enefit	(f) Per total ex	
а	Financial Assistance at cost (from Worksheets 1 and 2)			290,636		29	0,636	1	920 %
	Unreimbursed Medicaid (from Worksheet 3, column a)			1,859,910	2,311,442	-45	1,532	2	980 %
С	Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)								
d '	Total Financial Assistance and Means-Tested Government Programs			2,150,546	2,311,442	-16	0,896	1	060 %
e	Other Benefits Community health improvement services and community benefit operations (from			care			6 415	^	040.0/
f	(Worksheet 4)			6,415			6,415	U	040 %
q	(from Worksheet 5) Subsidized health services			23,517		2	3,517	0	160 %
y h	(from Worksheet 6) Research (from Worksheet 7)			9,536			9,536	0	060 %
	Cash and in-kind contributions to community groups (from Worksheet 8)			61,751			1,751		410 %
-	Total Other Benefits Fotal Add lines 7d and 71			101,219 2,251,765	2,311,442	 	1,219 9,677		670 % 390 %
N.	Fotal. Add lines /d and /j		I	2,231,703	L 2,311,442	I -5	7,011	U	J9U 70

	edule H (FOIIII 990) 2010										age z
Pa	rt II Community Building activities during the of the communities in	tax year, an									ealth
	o, and communities .	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) [Direct offse revenue	etting	(e) Net communit building expense		(f) Perc total ex	
1	Physical improvements and housing			34	10				340		0 %
2	Economic development										
3	Community support										
4	Environmental improvements										
5	Leadership development and training										
6	for community members Coalition building			10,42	10			10	420		070 %
	Community health improvement			10,42	20			10,	420		070 %
8	Workforce development				_						
9	Other										
10	Total			10,76	50			10,	760	0	070 %
Pai	ttitti Bad Debt, Medicar	e, & Collec	tion Practic	es							
Soct	ion A. Bad Debt Expense									\ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \	
1	Did the organization report bac	d debt expense	e ın accordance	with Heathcare Fi	nancial N	1anagem	nent Ass	ociation		Yes	No
	Statement No 15?								1	Yes	
2 3	Enter the amount of the organi Enter the estimated amount of					2		1,834,797			
3	attributable to patients eligible				olicy	3		0			
4	Provide in Part VI the text of t	he footnote to	the organization	on's financial state	nante th	at descr	nhac had	deht evnense		i	I
•	In addition, describe the costi rationale for including a portion	ng methodolog	gy used in deter	rmining the amount							
Sect	ion B. Medicare										
5	Enter total revenue received fi	rom Medicare	(ıncludıng DSH	and IME)		5		6,690,077			
6	Enter Medicare allowable cost	s of care relat	ing to payments	s on line 5		6		6,655,276			
7	Subtract line 6 from line 5 Th		-			. 7		34,801			
8	Describe in Part VI the extent Also describe in Part VI the co Check the box that describes	osting method	ology or source								
	Cost accounting system	r c∘	st to charge ra	tio Г	Other						
Sect	ion C. Collection Practices										
9a	Does the organization have a v								9a	Yes	
b	If "Yes," does the organization patients who are known to qua								9b	Yes	
Pa	rt IV Management Com				CTIBE III	T UTC VI					ı
	(a) Name of entity	(t) Description of pr	,	(c) Organ			Officers, directors,		e) Physic	
			activity of entity	y	profit % owners		emp	ustees, or key ployees' profit %		ofıt % or ownershı	
1							orsi	tock ownership%	+-		
									+		
2											
3											
4											
5											
6											
7											
8									T		
9											
10											
11											
12											
		1							\top		

Page 3		Other (Describe)							Schedule H (Form 990) 2010
	ER-other								Sch
	ER-24 hours		×						
	Research facility								
	Critical access hospital		×						
	Teaching hospital								
	Children's hospital								
	General medical & surgical		×						
	Licensed hospital		×						
Schedule H (Form 990) 2010 Part V Facility Information	o s o s	Name and address	1 MERCY HOSPITAL BERRYVILLE 214 Carter Street Berryville, AR 72616						

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly R (list in order of size, measured by total revenue per facility, from largest to smallest)	Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility otal revenue per facility, from largest to smallest)
How many non-hospital facilities did the organization operate during the tax year?	the tax year?
Name and address	Type of Facility (Describe)
1	
1	
2	
8	
4	
2	
9	
8	

Part V Facility Information (continued)

Schedule H (Form 990) 2010

6

Complete this part to provide the following information Supplemental Information

- **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
- **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any

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- **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the needs assessments reported in Part V, Section B organization's financial assistance policy constituents it serves
- 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)
 - **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

- **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
Supplemental Information	Schedule H, Part VI Questions 1-6	PART I, LINE 3C OUR ORGANIZATION USES FEDERAL
		POVERTY GUIDELINES (FPG) AS THE CRITERIA FOR DETERMINING ELIGIBILITY FOR FREE OR DISCOUNTED
		CARE FREE CARE IS PROVIDED AT 0-100% OF THE FPG DISCOUNTED CARE IS PROVIDED UP TO 300% OF FPG
		AN ASSET TEST THAT DOES NOT INCLUDE THE APPLICANT'S PRIMARY RESIDENCE IS INCLUDED IN THE
		APPLICATION PROCESS FOR CHARITY CARE PART I, LINE 6A THE ORGANIZATION'S COMMUNITY BENEFIT
		REPORT IS PREPARED BY ITS PARENT EN TITY, MERCY
		HEALTH PART I, LINE 7, COLUMN F TOTAL EXPENSES FROM FORM 990, PART IX, LINE 2 5, AND COLUMN (A) ARE
		\$19,304,575 INCLUDED IN THIS AMOUNT IS BAD DEBT EXPENSE OF \$4,137,0 29 EXPENSES FOR THE PURPOSE
		OF CALCULATING LINE 7, COLUMN (F) ARE \$15,167,546 PART II N/A PART III, LINE 4 THE TEXT OF THE
		FOOTNOTE THAT IS INCLUDED IN MERCY HEALTH AND SUBSIDIAR IES AUDITED FINANCIAL STATEMENTS THAT
		DESCRIBES BAD DEBT EXPENSE IS AS FOLLOWS "PATIENT A CCOUNTS THAT ARE UNCOLLECTED,
		INCLUDING THOSE PLACED WITH COLLECTION
		AGENCIES, ARE INITIAL LY CHARGED AGAINST THE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS IN
		ACCORDANCE WITH COLLECTIONS POLICIES OF THE HEALTH SYSTEMS AND, IN CERTAIN CASES, ARE
		RECLASSIFIED TO CHARITY CARE IF DEEMED TO OTHERWISE MEET THE HEALTH SYSTEM'S CHARITY CARE
		POLICY THE PROVISION FOR UNCOL LECTIBLE RECEIVABLES IS BASED ON MANAGEMENT'S
		ASSESSMENT OF HISTORICAL AND EXPECTED NET CO LLECTIONS CONSIDERING BUSINESS AND ECONOMIC
		CONDITIONS, TRENDS IN HEALTHCARE COVERAGE, AND
		OTHER COLLECTION INDICATORS PERIODICALLY THROUGHOUT THE YEAR, MANAGEMENT ASSESS THE
		ADEQ UACY OF THE ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES BASED UPON THE PAYOR COMPOSITION
		AND A GING OF RECEIVABLES AS OF THE REPORTING DATE WITH CONSIDERATION OF THE HISTORICAL
		PAYMENT AND WRITE-OFF EXPERIENCE BY PAYOR CATEGORY THE RESULTS OF THESE REVIEWS ARE THEN
		USED TO MAKE ANY MODIFICATIONS TO THE PROVISION FOR UNCOLLECTIBLE RECEIVABLES TO ESTABLISH AN
		APPR OPRIATE ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES AFTER SATISFACTION OF AMOUNTS DUE
		FROM IN SURANCE, THE HEALTH SYSTEM FOLLOWS
		ESTABLISHED GUIDELINES FOR PLACING PAST-DUE BALANCES WI TH COLLECTION AGENCIES " TO
		DETERMINE THE AMOUNT OF BAD DEBT EXPENSE, AT COST, BAD DEBT EX PENSE ATTRIBUTABLE TO PATIENT
		ACCOUNTS WAS MULTIPLIED BY A RATIO OF COST TO CHARGES THE RATIO OF COST TO CHARGES USED WAS
		BASED ON DETAILED COST ACCOUNTING, WHERE AVAILABLE WHERE COST ACCOUNTING IS NOT
		AVAILABLE, COST REPORT COST TO CHARGE RATIOS WERE UTILIZED THE FI LING ORGANIZATION
		DETERMINED THAT THE ESTIMATED AMOUNT OF BAD
		DEBT EXPENSE (AT COST) ATTRI BUTABLE TO PATIENTS ELIGIBLE UNDER THE ORGANIZATION'S CHARITY CARE
		POLICY IS \$0 ALTHOUGH THE CHARITY CARE POLICY REQUIRES THE PARTICIPATION OF THE PATIENT
		REQUESTING ASSISTANCE, WE HAVE A PROCESS UNDER PRESUMPTIVE CHARITY (REFER TO DISCLOSURE FOR
		PART III, #9B) TO ADDR ESS ACCOUNTS FOR PATIENTS WHO DO NOT PROVIDE THE INFORMATION WE BELIEVE
		THAT OUR CHARITY POLICY IS COMPREHENSIVE ENOUGH TO CAPTURE ALMOST ALL PATIENTS WHO
		QUALIFY FOR CHARITY CARE PART III, LINE 8 IT IS THE POSITION OF MERCY HOSPITAL BERRYVILLE THAT 100%
		OF ANY SHORT FALL SHOULD BE TREATED AS
		OF PROVIDING SERV ICES THAT REMAIN
		UNCOMPENSATED TO THE PROVIDER THE UNREIMBURSED COSTS OF MEDICARE IS CALC ULATED
		BY THE GROSS CHARGES NET OF THE COST TO CHARGE RATIO LESS ANY PAYMENTS, DEDUCTIONS OR
		REIMBURSEMENTS USING THE ANNUAL MEDICARE COST REPORT (CMS FORM 2552-96) PART III, LINE 9B
		PRESUMPTIVE CHARITY MERCY HOSPITAL BERRYVILLE ("MERCY") DEBT COLLECTION POLICY PROVIDE S THAT
		MERCY WILL PERFORM A REASONABLE REVIEW OF EACH INPATIENT ACCOUNT BEFORE TURNING AN ACCOUNT TO
		A THIRD-PARTY COLLECTION AGENT AND PRIOR TO
		INSTITUTING ANY LEGAL ACTION FOR NO N-PAYMENT, TO ASSURE THAT THE PATIENT AND PATIENT
		GUARANTOR ARE NOT ELIGIBLE FOR ANY ASSIS TANCE PROGRAM (E.G., MEDICAID) AND DO NOT QUALIFY FOR
		COVERAGE THROUGH MERCY'S COMMUNITY A SSISTANCE POLICY AFTER HAVING BEEN TURNED OVER
		TO A THIRD-PARTY COLLECTION AGENT, ANY PAT IENT ACCOUNT THAT IS SUBSEQUENTLY DETERMINED TO
		HAVE MET THE MERCY HOSPITAL COMMUNITY ASSI STANCE POLICY IS REQUIRED TO BE RETURNED
		IMMEDIATELY BY THE THIRD-PARTY COLLECTION AGENT TO MERCY FOR APPROPRIATE FOLLOW-UP MERCY
		REQUIRES ITS THIRD-PARTY COLLECTION AGENTS TO
		INC LUDE A MESSAGE ON ALL STATEMENTS INDICATING THAT IF A PATIENT OR PATIENT GUARANTOR MEETS C
		ERTAIN STIPULATED INCOME REQUIREMENTS, THE PATIENT OR PATIENT GUARANTOR MAY BE ELIGIBLE FO R
		FINANCIAL ASSISTANCE MERCY UTILIZES THE "SEARCH AMERICA" TOOL TO ENHANCE THE ABILITY TO
		DETERMINE CHARITY QUALIFICATION PRESUMPTIVE CHARITY WILL BE GRANTED IN SITUATIONS WHERE
		MERCY HOSPITAL HAS BEEN UNABLE TO OBTAIN
		INFORMATION FROM PATIENTS OR THE INFORMATION PROV IDED IS NOT COMPLETE ENOUGH TO MAKE A
		CHARITY DETERMINATION MERCY UTILIZES PRESUMPTIVE CH ARITY PRIOR TO BAD DEBT PLACEMENT
		FOR CHARITY ADJUSTMENTS IN EXCESS OF \$10,000 IN THESE C ASES, MERCY UTILIZES THE SEARCH AMERICA
		REPORT STATUS OF "PROBABLE CHARITY" AS THE BASIS FOR ASSIGNING THE CHARITY LEVEL MERCY WILL
		PURSUE

Identifier	ReturnReference	Explanation
Supplemental Information	Schedule H, Part VI Questions 1-6	APPROPRIATE MEANS IN THE COLLECTION OF DELINQUENT ACCOUNTS FROM PATIENTS WITH AN
		ESTABLISH ED ABILITY TO PAY OR AN UNWILLINGNESS TO COOPERATE IN VALIDATING ELIGIBILITY FOR
		FINANCIAL ASSISTANCE THESE APPROPRIATE MEANS MAY INCLUDE LEGAL ACTION CONSISTENT WITH MERCY
		MISSIO N AND VALUES ADDITIONALLY THEY MAY INCLUDE LIENS UPON REAL PROPERTY AND REASONABLE
		WAGE G ARNISHMENTS LEGAL ACTIONS WILL GENERALLY NOT INCLUDE BANK GARNISHMENT, REPOSSESSION OF
		AS SETS OR FORECLOSURES TO ENFORCE SATISFACTION OF A LIEN MERCY HAS POLICIES AND PROCEDURES
		ESTABLISHED TO ADDRESS THE INITIATION OF LEGAL ACTION AND ANNUALLY REVIEWS COMPLIANCE WITH ALL
		POLICIES NEEDS ASSESSMENT *SPRINGFIELD COMMUNITY FOCUS REPORT 2009 *BUXTON/SG2 COMMU
		NITY AND ORGANIZATIONAL ASSESSMENT 2010 *COUNTY HEALTH RANKINGS 2010 *MISSOURI HOSPITAL
		AS SOCIATION SOUTHWEST REGION ASSESSING THE HEALTH OF OUR COMMUNITIES REPORT 2010
		*SPRINGFIEL D HEALTH COMMISSION REPORT 2010 *MISSOURI INFORMATION FOR COMMUNITY
		ASSESSMENT (MICA) *COM MUNITY ROUNDTABLE/EVENT INFORMATION 2010 OUR ORGANIZATION HOSTED
		COMMUNITY ROUNDTABLES TO ASK OUR COMMUNITY WHAT THEY PERCEIVE AS NEEDS IN THE COMMUNITY
		AND TO LISTEN TO WHAT THEY THOUGHT WE NEEDED TO BE DOING AS A HEALTH CARE ORGANIZATION PATIENT
		EDUCATION ELIGIBILIT Y FOR ASSISTANCE THE FILING ORGANIZATION HAS PRINTED MATERIAL AVAILABLE AT
		EACH POINT OF REGISTRATION IN OUR FACILITY, IN ADDITION TO ELECTRONICALLY AVAILABILITY AT OUR
		WEB SITE S PECIFIC INFORMATION PROVIDED FINANCIAL ASSISTANCE INFORMATION AS A PART OF
		OUR HEALING MI NISTRY, THE FILING ORGANIZATION IS COMMITTED TO PROVIDING QUALITY HEALTHCARE
		SERVICES TO PATIENTS REGARDLESS OF THEIR FINANCIAL SITUATION WE OFFER PAYMENT ASSISTANCE
		FOR THOSE WHO DO NOT HAVE INSURANCE OR WHO ARE IN FINANCIAL NEED UNINSURED PATIENT DISCOUNTS A
		DISCOUNT FROM THE HOSPITAL'S REGULAR BILLED CHARGES WILL BE PROVIDED TO PATIENTS WHO DO NOT
		HAVE INSURANCE THIS INCLUDES PATIENTS WHOSE FINANCIAL SITUATION NORMALLY WOULD NOT
		OTHERWISE Q UALIFY THEM FOR CHARITY CARE DISCOUNTS PATIENTS WITHOUT INSURANCE WHOSE
		FINANCIAL SITUATI ON QUALIFIES THEM FOR CHARITY CARE DISCOUNTS (SEE ELIGIBILITY GUIDELINES BELOW)
		MUST FIRST FIND OUT IF THEY ARE ELIGIBLE FOR MEDICAID BEFORE APPLYING FOR FINANCIAL
		ASSISTANCE PATIENTS DENIED MEDICAID ELIGIBILITY THEN MUST PROVIDE CERTAIN INFORMATION TO SHOW
		FINANCIAL N EED APPLICATIONS FOR CHARITY CARE DISCOUNTS WILL BE REVIEWED FOR ELIGIBILITY BASED
		ON THE APPLICANT'S INCOME, FAMILY SIZE, AMOUNT OF PAYMENT DUE AND AVAILABILITY OF OTHER ASSETS OR
		RESOURCES PLEASE NOTE THAT CARE MUST BE MEDICALLY NECESSARY TO BE CONSIDERED ELIGIBLE F
		OR UNINSURED PATIENT DISCOUNTS ELIGIBILITY GUIDELINES FOR CHARITY CARE DISCOUNTS THE FEDE
		RAL POVERTY GUIDELINES FOR INCOME ARE THE BASIS FOR DETERMINING ELIGIBILITY FOR CHARITY CA RE
		DISCOUNTS FOR EXAMPLE, INDIVIDUALS WITH INCOMES BELOW 100% OF THE FEDERAL POVERTY GUID ELINES
		WILL BE ELIGIBLE FOR FREE CARE INDIVIDUALS WITH INCOMES GREATER THAN 100% OF THE FEDERAL
		POVERTY GUIDELINES MAY BE ELIGIBLE FOR CARE AT DISCOUNTED RATES DEPENDING ON THEIR INCOME
		LEVEL AND/OR THE AMOUNT DUE TO THE HOSPITAL ADDITIONAL FINANCIAL ASSISTANCE AFTER
		APPROPRIATE DISCOUNTS HAVE BEEN APPLIED, ARRANGEMENTS MAY BE MADE FOR AN INTEREST-FREE
		MON THLY PAYMENT PLAN GENERALLY, NO PATIENT'S FINANCIAL RESPONSIBILITY WILL BE GREATER THAN 1
		0% OF ANNUAL HOUSEHOLD INCOME, ADJUSTED TO CONSIDER AVAILABILITY OF OTHER ASSETS THAT COUL
		D BE USED TOWARD MAKING PAYMENTS COMMUNITY INFORMATION *THE PRIMARY SERVICE AREA FOR MERC Y
		HOSPITAL BERRYVILLE IS COMPRISED OF 13 COUNTIES WITH A POPULATION OF 694,000 THE CITY OF
		SPRINGFIELD HAS TWO MAJOR NOT-FOR-PROFIT HEALTH SYSTEMS, AND COX HEALTH OUR COMMUNITY A LSO HAS
		ONE FEDERALLY QUALIFIED HEALTH CENTER (JORDAN VALLEY), ONE FREE CLINIC (THE KITCHE N CLINIC), AND
		ONE SMALL HOSPITAL (OZARK COMMUNITY HEALTH CENTER) *MERCY HOSPITAL BERRYVI LLE INCLUDES 6
		ACUTE CARE HOSPITALS, 72 CLINICS, AND 8 URGENT CARE SITES COLLECTIVELY, WE SERVE 40 COMMUNITIES
		IN MISSOURI AND AR

Compensation Information

DLN: 93493134005022

OMB No 1545-0047

Open to Public Inspection

Schedule J (Form 990)

Department of the Treasury Internal Revenue Service

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

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

► Attach to Form 990. ► See separate instructions.

Name of the organization Mercy Hospital Berryville F/K/A Ozarks Regions Health Systems Inc

Employer identification number 71-0759299

Pa	Questions Regarding Compensati	on			
				Yes	Νo
1a		provided any of the following to or for a person listed in Form III to provide any relevant information regarding these items			
	▼ First-class or charter travel	Housing allowance or residence for personal use			
	▼ Travel for companions	Payments for business use of personal residence			
	Tax idemnification and gross-up payments	Health or social club dues or initiation fees			
	Discretionary spending account	Personal services (e g , maid, chauffeur, chef)			
b		organization follow a written policy regarding payment or scribed above? If "No," complete Part III to explain	1b	Yes	
2	Did the organization require substantiation prior to	o reimbursing or allowing expenses incurred by all ve Director, regarding the items checked in line 1a?	_		
	officers, directors, trustees, and the CEO/Executi	ve Director, regarding the items checked in line 147	2	Yes	
3	Indicate which, if any, of the following the organiza organization's CEO/Executive Director Check all				
	Compensation committee	Written employment contract			
	☐ Independent compensation consultant	Compensation survey or study			
	Form 990 of other organizations	Approval by the board or compensation committee			
4	During the year, did any person listed in Form 990 or a related organization), Part VII, Section A, line 1a with respect to the filing organization			
а	Receive a severance payment or change-of-contr	ol payment from the organization or a related organization?	4a		No
b	Participate in, or receive payment from, a supplem	nental nonqualified retirement plan?	4b	Yes	
C	Participate in, or receive payment from, an equity-	-based compensation arrangement?	4c		Νo
	If "Yes" to any of lines 4a-c, list the persons and	provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only r	must complete lines 5-9.			
5	For persons listed in form 990, Part VII, Section A compensation contingent on the revenues of	A , line 1a , did the organization pay or accrue any			
а	The organization?		5a		Νo
b	Any related organization?		5b		No
	If "Yes," to line 5a or 5b, describe in Part III				
6	For persons listed in form 990, Part VII, Section A compensation contingent on the net earnings of	A, line 1a, did the organization pay or accrue any			
а	The organization?		6a		No
b	Any related organization?		6b		Νo
	If "Yes," to line 6a or 6b, describe in Part III				
7	For persons listed in Form 990, Part VII, Section payments not described in lines 5 and 6? If "Yes,"	A , line 1a , did the organization provide any non-fixed " describe in Part III	7	Yes	
8	Were any amounts reported in Form 990, Part VII				
	subject to the initial contract exception described in Part III	I in Regs section 53 4958-4(a)(3)? If "Yes," describe	_		NI -
_			8		No
9	If "Yes" to line 8, did the organization also follow t section 53 4958-6(c)?	the rebuttable presumption procedure described in Regulations	9		

Page 2

Schedule J (Form 990) 2010

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

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)(1)-(111) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a

(A) Name		(B) Breakdown of	(B) Breakdown of W-2 and/or 1099-MISC	SC compensation	(C) Retirement and	(D) Nontaxable	(E) Total of columns	(F) Compensation
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation	other deferred compensation	benefits	(B)(ı)-(D)	reported in prior Form 990 or Form 990-EZ
(1) Michele M Schaefer	(I)	0 299,631	101,437	0 42,976	0 56,692	0 8,789	0 509,525	0
(2) Eric G Spann	(E)	0 203,286	0 28,905	0 10,871	0 17,847	0 12,305	0 273,214	0
(3) David O Barbe	(E)	0 250,206	0 69,401			0 10,557	0 430,561	0
(4) Richard L Taylor	(E)	0 143,590	0 42,056	0 23,380	0 79,397	0 6,206	0 237,629	0
(5) Chris Knackstedt	(E)	0 396,268	0 228,548	0 41,402	0 47,902	0 11,384	0 725,504	0
(6) Scott R Reynolds	(E)	0 190,823	0 70,438	0 45,526	0 32,675	0 10,526	0 349,988	0
(7) Jon D Swope	(E)	0 451,973	0 256,004	0 22,527	0 43,881	0 11,419	0 785,804	0
(8) Kristy K Estrem	(E)	0 132,367	0 30,00	0 18,202	0 14,207	0 11,689	0 206,471	0
(9) Sherry L Clouse- Day	(E)	0 103,261	0 14,000	0 34,311	0 5,192	0 11,414	0 168,178	0
(10) Andrew David	(E)	184,220	7,469	14,628	8,427	0	214,744	0
(11) Janet Shapter	(E)	182,227	5,556	22,216	7,132	0	217,131	0
(12) Milo Warner DO	ΞΞ	212,395	5,023	22,002	16,973	0	256,393	0
(13)								
(14)								
(15)								
(16)								

Schedule J (Form 990) 2010

Page 3

Partition 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
SUPPLEMENTAL COMPENSATION INFORMATION		Set 1 Part I line 3 FOR THOSE CLASSIFIED AS OFFICERS (AND THUS DISQUALIFIED PERSONS), THE ORGANIZATION RELIES UPON MERCY HEALTH, WHICH USES THE FOLLOWING TO ESTABLISH THE COMPENSATION EXTERNAL MARKET SALARY SURVEYS, EXTERNAL MARKET SALARY STUDIES, WAS CREMENSATION TO MENDALINA WHICH THE ORDER OF COMPENSATION OF COMPENSATION COMPLIAND. TO FORD THE COMPENSATION OF CHARLES THE COMPENSATION OF CHARLES THE COMPENSATION OF CHARLES THE COMPENSATION OF CHARLES TRANSHIED SALARY STUDIES, AND REVIEW APPROVAL OF EXECUTIVE COMPENSATION EXTERNAL MARKET SALARY STUDIES, AND REVIEW APPROVAL OF EXECUTIVE COMPENSATION OF CHARLES TRANSHIED SALARY STUDIES, AND REVIEW APPROVAL OF EXECUTIVE MARKET SALARY STUDIES, AND REVIEW WAS COMPLETED DOING THE REPORTING YEAR FOR BUSINESS TRAVEL AND A REVIEW WAS COMPLETED DOING THE REPORTING THE CHARLES TRAVEL IS PROVIDED TO ALL FARTER TRAVEL FOR BUSINESS THE APPROVED THAT THE FINANCE DEPARTEMENT AFTER CHARLES TRAVEL FOR BUSINESS THE APPROVED THAT THE FINANCE DEPARTMENT AFTER CHARLES AND A REVIEW WAS COCONFAULD THAT THE TRAVEL FOR BUSINESS THE APPROVED THAT THE PROVIDED THAT THE PROVIDED THAT THE TRAVEL FOR BUSINESS THE APPROVED THAT THE CO-WORKER TRAVEL FOR BUSINESS THE APPROVED THAT THE PROVIDED THAT THE PROVIDED THAT THE COMPANY OF COSTS FOR THE COMPANION TRAVEL HAS RESULFED IN A TAXABLE TO THE EMPLOYEES REPROVIDED THAT OF TAXABLE TO THE EMPLOYEE SAND THAT THE TRAVEL AND THE REPROVED THAT OF THAT THE COMPANY OF COSTS FOR THE MODERN OF THE TRAVEL AND THE TRAVEL AND THE THAT THE TRAVEL AND THE TRAVEL OF THE TRAVEL AND THE TRAVEL OF THE BOON THE TESCAL THE SAND THE TRAVEL OF THE BOON

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CCHEDIII E O		OMB No 1545-0047
(Form 990 or 990-EZ)	Supplemental Information to Form 990 or 990-EZ	2010
Department of the Treasury Internal Revenue Service	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		Employer identification number
Mercy Hospital berryville F/K/A Ozarks Regions Health Systems Inc		71-0759299

ldentifier	Return Reference	Explanation
SUPPLEMENTAL INFORMATION		FORM \$90, HEADING, BOX B DURNG THE TAX YEAR BIDED JUNE 30, 2012, SISTEDS OF MERCY HEALTH SYSTEM (MERCY HEALTH) BEGANA SYSTEM-MORE REBRANDING INITIATIVE TO HEP PATIENTS, PHYSIC MANS, CO-WORKERS, AND THE PUBLIC BETTER UNDERSTAND THE FULL SCOTE AND LOCATIONS OF MERCY HEALTH'S SERVICES SEVERAL OF THE MERCY HEALTH AFFILIATES HAVE CHANGED OR ARE IN THE PROCESS OF CHANGING LISABLA NAMES PROTO TO FILING THE 2010 FORMS 90 (DUE MAY 15, 2012), MERCY HEALTH NOTEINED THE IRS OF THESE NAME CHANGES, THEREFORE BOX B "NAME CHANGE" HAS NOT BEEN OF LOCKED ON THIS PORM 990 FOR THE PERCY BOX B "NAME CHANGE" HAS NOT BEEN OF LOCKED ON THIS PORM 990 FOR THE FILING ORGANIZATION ARE PAID BY MERCY HEALTH CHAS 41, 2039, ON AS SUCH ALL REQUIRED FORM 1999 AND FORM 1999 APPORTUS AS SOME PORT THE FILING ORGANIZATION ARE PAID BY MERCY HEALTH CHAS 41, 2039, ON AS SUCH ALL REQUIRED FORM 1999 AND FORM 1999 APPORTUS AS SOME PORT THE FILING ORGANIZATION HAS A SOLE CORPORATE MEMBER. MERCY HEALTH SPRING FIELD COMMUNITIES THE CORPORATE MEMBER SHALL HAVE THE FOLLOWING POWERS AND RESPONSIBILITIES, SUBJECT TO THE RESTRICTIONS SET FORTH HUNDER THESE BY LAWSTO REVIEW, AMBO, AND ARPROVE THE MERCING NICKED SET FORTH HAS ARE SOLE CORPORATE MEMBER. MERCY HEALTH SERVING YET THE BOARD, TO AME NO THE ARTICLES OF INCORPORATION AND BY LAWS, SUBJECT TO THE RESTRICTIONS SET FORTH HAS ARE CORPORATION. AND AND ARROWS THE BOARD, TO AME NO THE ARTICLES OF INCORPORATION AND BY LAWS, SUBJECT TO THE RESTRICTIONS SET FORTH NATIFICES. OF THE CORPORATION. SUBJECT TO THE RESTRICTIONS SET FORTH NATIFICES OF THE CORPORATION. SUBJECT TO THE RESTRICTIONS SET FORTH HAS ARROWS THE CORPORATION. AND ARROWS THE CORPORATION. AND ARROWS THE CORPORATION. AND ARROWS THE CORPORATION. SUBJECT TO THE RESULT OF THE RESTRICTION SET FORTH NATIFICES. PLAN ARROWS THE CORPORATION. AND ARROWS THE CORPORATION. SUBJECT TO THE RESTRICTION SET FORTH NATIFICATE OF THE CORPORATION ARROWS THE CORPORATION. AND ARROWS THE CORPORATION. AND ARROWS THE CORPORATION. AND ARROWS THE CORPORATION. AND ARROWS THE

Identifier	Return Reference	Explanation
SUPPLEMENTAL		BY THE LEGAL DEPARTMENT PUBLIC AVAILABILITY OF GOVERNING POLICIES FORM 990, PART VI, LINE 19 GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS HAVE BEEN M ADE AVAILABLE UPON REQUEST BUT ARE NOT PUBLISHED PUBLICLY AVERAGE HOURS PER WEEK FORM 990, PART VII, SECTION A AVERAGE HOURS PER WEEK DEVOTED TO MERCY HEALTH SPRINGFIELD COMMUNITIES AND ITS SUBSIDIARIES IS DETERMINED TO BE 40 0 FOR EMPLOY EE BOARD MEMBERS AND 1 0 FOR NO N-EMPLOY EE BOARD MEMBERS, UNLESS STATED OTHERWISE OTHER CHANGES IN NET ASSETS OR FUND BAL ANCES FORM 990, PART XI, LINE 5 \$1,215,826 NET ASSETS RELEASED FROM RESTRICTION OVERSIGHT OR SELECTION PROCESS FORM 990, PART XI, QUESTION 2C THE FILING ORGANIZATIONS FINANCIAL STATEMENTS WERE INCLUDED IN MERCY HEALTH AND SUBSIDIARIES ANNUAL FINANCIAL STATEMENT AUDIT OPINI ON IS ISSUED ON THE FINANCIAL STATEMENT OPINION FROM THE EXTERNAL AUDITORS FOR FISCAL 2011 (THE TAX YEAR CURRENTLY BEING REPORTED) HOWEVER, NO SEPARATE AUDIT OPINI ON IS ISSUED ON THE FINANCIAL STATEMENT AUDIT OR NESTRICTION OF THE EXTERNAL AUDITOR RIES WITH THE FINANCIAL STATEMENT AUDIT AND SUBSICHT OF THE FINANCIAL STATEMENT AUDIT AND SUBSICHT OF THE FINANCIAL STATEMENT COMMITTEE OF MERCY HEALTH BOARD OF DIRECTORS A UDIT RESULTS ARE COMMUNICATED TO THIS COMMITTEE.

efile GRAPHIC print - DO NOT PROCESS	OO NOT PROCESS As Filed Data -					DLN: 9349	DLN: 93493134005022
SCHEDULE R	Related Organizat	rganizations	ions and Unrelated Partnerships	d Partnership	SC	OMBNo	OMB No 1545-0047
(Form 990)	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.	organization answered "Y ► Attach to Form 990.	es" to Form 990, Part IV, line 3 ▶ See separate instructions.	rt IV, line 33, 34, 35 structions.	, 36, or 37.	7	2010
Department of the Treasury Internal Revenue Service						Ins	Inspection
Name of the organization Mercy Hospital Berryville F/K/A Ozarks Regions Health Systems Inc	s Inc				Employer ident 71-0759299	Employer identification number 71-0759299	
Part I Identification	Identification of Disregarded Entities (Complete If the organization answered "Yes" on Form 990,	e if the organizatio	n answered "Yes"		Part IV, line 33.)		
Name, address, a	(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity	
Part II Identification or more relate	Identification of Related Tax-Exempt Organizations (Complete If the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)	tions (Complete ı tax year.)	f the organization	answered "Yes" (on Form 990, Part	IV, line 34 because	ıt had one
Name, address, and	(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domícile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	Section 512(b)(13) controlled organization
See Additional Data Table							
For Privacy Act and Paperwor	For Privacy Act and Paperwork Reduction Act Notice. see the Instructions for Form 990.	for Form 990.	Cat No 50135Y	135Y		Schedule R (Form 990) 2010	rm 990) 2010

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

(K) Percentage ownership							
(j) General or managing partner?	No						
Gen maı paı	Yes						
(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)							
(h) Disproprtionate allocations?	No						
	Yes						
(g) Share of end-of-year assets							
(f) Share of total income							
(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)							
(d) Direct controlling entity		4 N	NA	NA	NA	NA	
(c) Legal domicile (state or foreign country)		AR	МО	NO NO	AR	AR	
(b) Primary activity		AMBUL SURG CENTER	CENTRAL DIST	MRI Services	Emergency Med	Office Building	
(a) Name, address, and EIN of related organization		(1) Merc Ambu Surg CTR 7301 Rogers Av Fort Smith, AR72903 71-0827721	(2) RES OPT & INNOV 645 Maryville Centre Dr 200 St Louis, MO63141 46-0468368	(3) SO OK DIAG CTR 1011 14TH Ave NW Ardmore, OK73401 43-1971232	(4) Fort Smith EMS 1701 South Greenwood Fort Smith, AR72901 71-0416615	(5) St Edward Mercy Medical CTR 7301 Rogers Avenue Fort Smith, AR72903 71-0554050	

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

	ר	-		,	•		
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile	(d) Direct controlling	(e) Type of entity	(f) Share of total income	(g) Share of	(h) Percentage
		(state or foreign country)	entity	(C corp, S corp, or trust)		end-of-year assets	ownership
See Additional Data Table							

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lete if the organization answered "Yes" on Form 990, Part IV, line 34, 35, 35A, or 36.)	
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artiV Transactions With Related Organizations (Complete	
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Yes 1 During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV? Note. Complete line 1 if any entity is listed in Parts II, III or IV

- Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity Gift, grant, or capital contribution to other organization(s)

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

- Loans or loan guarantees to or for other organization(s) b
- Loans or loan guarantees by other organization(s)
- Sale of assets to other organization(s)
- Purchase of assets from other organization(s)
- **Exchange of assets**
- Lease of facilities, equipment, or other assets to other organization(s)
- Lease of facilities, equipment, or other assets from other organization(s)
- Performance of services or membership or fundraising solicitations for other organization(s)
- I Performance of services or membership or fundraising solicitations by other organization(s)
- m Sharing of facilities, equipment, mailing lists, or other assets
- Sharing of paid employees
- Reimbursement paid by other organization for expenses

o Reimbursement paid to other organization for expenses

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

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

lon thresholds	(p)
lonships and transact	(3)
including covered relat	(q)
2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line,	(3)

Z II THE ANSWEL TO ANY OF THE ADOVE IS TRES, SEE THE INSTITUCTIONS FOR INFORMATION ON WHO MUST COMPILE	vno must complete tnis line, including covered relationships and transaction t	nonsnips and transacti	on thresholds
(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) MHM Support Services			

(a) Name of other organization	Transaction type(a-r)	(c) Amount involved	Method of determining amount involved
(1) MHM Support Services	0	1.454.407	

Name of other organization	ransaction type(a-r)	Amount involved	Method of determining amount involved
(1) MHM Support Services	0	1,454,407	

- 710,584 0
- 0 (3) Resource Optimization & Innovation LLC (2) Mercy Clinic Springfield Communities

(4) Mercy Hospital Springfield

(2)

9

585,849

9,629,803

Schedule R (Form 990) 2010

Page 4

Schedule R (Form 990) 2010

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

revenue) tnat was not a related organization. See instructions regarding exciusion for certain investment partnersnips	ee instructions regarding exciu	Ision for certain inve	estment pa	irtnersnips				
(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Are all partners section 501(c)(3)	(e) Share of end-of-year assets	(f) Disproprtionate allocations?	(g) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(h) General or managing partner?	<u>-</u> _
			Yes No		Yes No		Yes No	اها
								1
								1
								l
								1
						Schodulo D (Form 990) 2010	0C (UDD w	10

Part WII Supplemental Information

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

Identifier	Return Reference	Explanation
FORM 990, SCHEDULE R, PART II		HERCH WEDICA GROUP DE STOND WARRY CLINIC ESA COMMUNITIES "ST EDWARD MERCY CLINIC FOR IN DOW MERCY CLINIC FOR CONTROLL STAND ST
		FILING ONGANIZALION HAS BEEN CLASSIFIED

Software ID: **Software Version:**

EIN: 71-0759299

Name: Mercy Hospital Berryville F/K/A Ozarks Regions Health Systems Inc

Form 990, Schedule R, Part II - Identification of Rela	ted 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	Sectio (b)(contr organi	n 512 13) olled
						Yes	No
Advance Care Hospital 300 Werner St 3rd Floor Hot Springs, AR71913 71-0816634	Hospital	AR	501(C)(3)	3	Mercy Health		
Mercy Hospital Lebanon							
100 Hospital Drive Lebanon, MO65536 43-1767432	Hospital	МО	501(C)(3)	3	MHSC		
Mercy Health Foundation Berryville							
214 Carter Street Berryville, AR72616 71-0759301	Foundation	AR	501(C)(3)	11a	MH Berryvill		
Casa de Misericordia							
1000 Mier Street Laredo, TX780404653 74-2912461	Shelter	ТХ	501(C)(3)	7	MM Laredo		
Mercy Hospital Healdton							
918 South Street Healdton, OK73438 26-3173902	Hospital	ок	501(C)(3)	3	MH Ardmore		
Laredo Medical Group							
14528 S Outer Forty Ste 100 Chesterfield, MO63017 74-2764726	Inactive	тх	501(C)(3)	9	MHS-TX		
McAuley Portfolio Management Company							
14528 S Outer Forty Ste 100 Chesterfield, MO63017 26-1708048	Port Mgmt	МО	501(C)(3)	11b	Mercy Health		
Mercy Hospital El Reno							
2115 Parkview Drive El Reno, OK73036 73-6617948	Hospital	ок	501(C)(3)	3	Mercy Health		
Mercy Emergency Medical Services Inc							
4300 W Memorial Road O klahoma City, O K73120 81-0627035	Inactive	ок	501(C)(3)	9	МНОС		
Mercy Foundation for Health Innovation							
14528 S Outer Forty Ste 100 Chesterfield, MO63017 20-0901499	Foundation	МО	501(C)(3)	11b	Mercy Health		
Mercy Health Foundation Fort Scott							
401 Woodland Hills Blvd Fort Scott, KS66701 48-1077073	Foundation	KS	501(C)(3)	11c	Mercy KS Com		
Mercy Health Foundation OK City							
4300 W Memorial Road Oklahoma City, OK73120 73-1593024	Foundation	ОК	501(C)(3)	11a	мнос		

Form 990, Schedule R, Part II - Identification of R	Telated Tax-Exempt O	Tyanizations				$\overline{}$	
(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 o(13) crolled nization
						Yes	No
Mercy Hospital Oklahoma City		'					
4300 W Memorial Road Oklahoma City, OK73120 73-0579285	Hospital	ок	501(C)(3)	3	мнос		
Mercy Hospital Columbus						T	
220 Pennsylvania Avenue Columbus, KS66725 27-0842031	Hospital	МО	501(C)(3)	3	мнѕмкс		
Mercy Health Foundation Joplin		1					
2727 McClelland Blvd Joplin, M064804 27-0906136	Foundation	МО	501(C)(3)	11a	мнѕмкс		
Mercy Hospital Joplin		1					1
2727 McClelland Blvd Joplin, MO64804 27-0814858	Hospital	МО	501(C)(3)	3	мнѕмкс		
Mercy Health SW MOKS Communitites		· '					
2727 McClelland Blvd Joplin, MO64804 30-0584463	HIth System	МО	501(C)(3)	11b	Mercy Health		
Mercy Kansas Communities Inc		,					
401 Woodland Hills Blvd Ft Scott, KS66701 48-0956045	Hospital	KS	501(C)(3)	3	мнѕмкс		
Mercy Health NW Arkansas Communities							
2710 Rife Medical Drive Rogers, AR72758 62-1684203	Phys Group	AR	501(C)(3)	11b	Mercy Health		
Mercy Health System of Texas Inc		<u> </u>					
14528 S Outer Forty Ste 100 Chesterfield, MO63017 74-2764727	Inactive	тх	501(C)(3)	11b	Mercy Health		
Mercy Health Oklahoma Communities		T '				T	T
4300 W Memorial Road O klahoma City, O K73120 73-1453048	Holding co	ок	501(C)(3)	11b	Mercy Health		
Mercy Health Foundation Independence							
800 W Myrtle Independence, KS67301 48-1079981	Foundation	KS	501(C)(3)	11a	Mercy KS Com		
Mercy Hospital of Laredo		<u> </u>					
14528 S Outer Forty Ste 100 Chesterfield, MO63017 74-1189682	Inactive	тх	501(C)(3)	3	мнѕ-тх		
Mercy Clinic East Communites		,					
645 Maryville Centre Dr St 100 St Louis, MO63141 43-1771217	Phys Group	МО	501(C)(3)	9	МНЕС		

Form 990, Schedule R, Part II - Identification of Rel	ated Tax-Exempt O	ganizations			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
Mercy Health Foundation Ardmore							
1011 14th Avenue NW Ardmore, OK73401 71-0962525	Foundation	ок	501(C)(3)	11a	MH Ardmore		
Mercy Hospital Ardmore							
1011 14th Avenue NW Ardmore, OK73401 73-1500629	Hospital	ок	501(C)(3)	3	мнос		
Mercy Clinic Oklahoma Communities							
4300 W Memorial Road O klahoma City, O K73120 27-0473057	Phys Group	ок	501(C)(3)	9	мнос		
MHM Support Services							
14528 S Outer Forty Ste 100 Chesterfield, MO63017 20-2553101	Sup Hith Sys	МО	501(C)(3)	11b	Mercy Health		
Mission Clinical Services							
300 Werner Street Hot Springs, AR71913 13-4239691	nursing home	AR	501(C)(3)	9	мннѕс		
Mercy Health							
14528 S Outer Forty Ste 100 Chesterfield, MO63017 43-1423050	Sup Hith Sys	МО	501(C)(3)	1	NA		
Mercy Family Center							
14528 S Outer Forty Ste 100 Chesterfield, MO63017 72-1069468	counseling	мо	501(C)(3)	7	Mercy Health		
Mercy Hospital Ozark							
801 W River Street O zark, AR72949 71-0689680	Hospital	AR	501(C)(3)	3	MHFS		
Mercy Hospital Paris							
500 E Academy Parıs, AR72855 71-0655753	Hospital	AR	501(C)(3)	3	MHFS		
Mercy Hospital Waldron							
1341 W 6th Street Waldron, AR72958 71-0557895	Hospital	AR	501(C)(3)	3	MHFS		
Mercy Clinic Fort Smith Communitites							
7301 Rogers Avenue Fort Smith, AR72917 26-1318597	Phys Clinic	AR	501(C)(3)	9	MHFSC		
St Edward Mercy Foundation							
PO Box 17000 Fort Smith, AR72917 23-7330425	Foundation	AR	501(C)(3)	7	MHFS		

Form 990, Schedule R, Part II - Identification of Re	iated Tax-Exempt O	rganizations		<u> </u>			
(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
Mercy Health Fort Smith Communities							
7301 Rogers Avenue Fort Smith, AR72917 26-1318515	Holding Co	AR	501(C)(3)	11b	Mercy Health		
Mercy Hospital Fort Smith							
7301 Rogers Avenue Fort Smith, AR72917 71-0240352	Hospital	AR	501(C)(3)	3	MHFSC		
Mercy St Francis Hospital							
100 W Highway 60 Mountain View, MO65548 44-0607149	Hospital	МО	501(C)(3)	3	MHSC		
Mercy Hospital Aurora							
500 Porter Avenue Aurora, MO65605 43-1936696	Hospital	МО	501(C)(3)	3	MHSC		
Mercy Hospital Cassville							
94 Main Street Cassville, MO65625 43-1936699	Hospital	МО	501(C)(3)	3	MHSC		
St John's Children's Hospital Inc							
1235 E Cherokee Street Springfield, MO65804 43-1423050	Inactive	МО	501(C)(3)	3	MHSC		
Mercy Clinic Springfield Communities							
1965 Fremont Street Ste 2950 Springfield, MO65804 43-1560263	Phys Group	МО	501(C)(3)	9	MHSC		
Mercy Health Foundation Springfield							
1235 E Cherokee Street Springfield, MO65804 32-0195818	Foundation	МО	501(C)(3)	11b	MHSC		
Mercy Health Springfield Communitites							
1235 E Cherokee Street Springfield, MO65804 43-1856028	Holding Co	МО	501(C)(3)	11b	Mercy Health		
Mercy Home Health Berryville							
214 Carter Street Berryville, AR72616 87-0781247	Home Health	AR	501(C)(3)	11c	MH Sprngfld		
Mercy Medical Research Institute							
1235 E Cherokee Street Springfield, MO65804 87-0796305	Research	МО	501(C)(3)	4	MHSC		
Mercy Health Foundation St Louis							
14528 S Outer Forty Ste 100 Chesterfield, MO63017 56-2410020	Foundation	МО	501(C)(3)	11b	МНЕС		

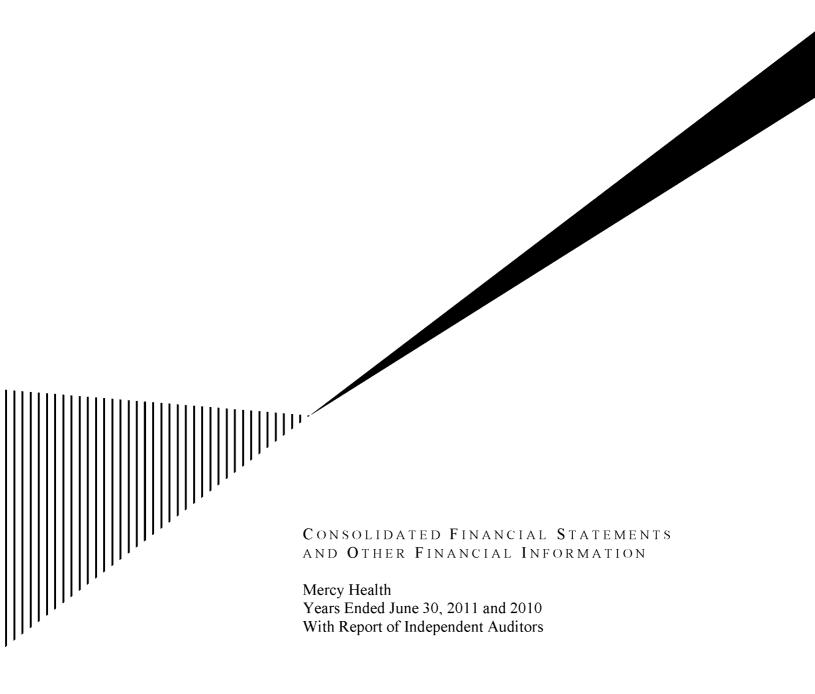
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c) (3))	(f) Direct controlling entity	Sectio (b)(contr organi	n 512 13) olled
						Yes	No
Mercy Health East Communities 14528 S Outer Forty Ste 100 Chesterfield, MO63017 43-1718408	Hith System	МО	501(C)(3)	11b	Mercy Health		
Mercy Hospitals East Communities 14528 S Outer Forty Ste 100 Chesterfield, MO63017 43-0653493	Hospital	МО	501(C)(3)	3	мнес		
Mercy Health Foundation Washington 901 E Fifth Street Washington, MO63090 56-2410022	Foundation	мо	501(C)(3)	11b	мнес		
Mercy Support Services 615 S New Ballas Road St Louis, MO63141 43-1677952	Inactive	МО	501(C)(3)	11c	MHEC		
Mercy Hospital Springfield 1235 E Cherokee Street Springfield, MO65804 44-0552485	Hospital	МО	501(C)(3)	3	MHSC		
Mercy Clinic Hot Springs Communitites 1 Mercy Lane Hot Springs, AR71913 26-1125131	Phys Clinic	AR	501(C)(3)	9	мннѕс		
Mercy Hospital Hot Springs 300 Werner Street Hot Springs, AR71913 71-0236913	Hospital	AR	501(C)(3)	3	мннѕс		
Mercy Health Foundation Hot Springs 300 Werner Street Hot Springs, AR71913 71-0804718	Foundation	AR	501(C)(3)	11b	мннѕ		
Mercy Health Hot Springs Communities 300 Werner Street Hot Springs, AR71913 26-1125064	Holding Co	AR	501(C)(3)	11b	Mercy Health		
Mercy Hospital Rogers 2710 Rife Medical Lane Rogers, AR72758 71-0294390	Hospital	AR	501(C)(3)	3	MHNWAC		
Mercy Health Foundation NW Arkansas 2710 Rife Medical Lane Rogers, AR72758 71-0601687	Foundation	AR	501(C)(3)	11c	MH Rogers		
St Mary's Hospital of Enid Oklahoma 14528 S Outer Forty Ste 100 Chesterfield, MO63017 73-0614655	Inactive	ок	501(C)(3)	3	мнос		

ganizations	
Tax-Exempt Or	
fication of Related	
, Part II - Identi	
990, Schedule R	
Form	

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c) (3))	(f) Direct controlling entity	(g) Section 512 (b)(13) controlled organization	512 3) led ation
						Yes	N _o
The Sister M Cornelia Blasko Foundation							
100 W Highway 60 Mountain View, MO65548 43-1873914	Foundation	O	501(C)(3)	11a	MSFH		
Unity Ambulatory Care							
645 Maryville Centre Dr St 100 St Louis, MO63141 43-1861745	Inactive	МО	501(C)(3)	11c	мнес		
Mercy Hospital Tishomingo							
1000 South Byrd Tishomingo, OK73460 27-4433830	Hospital	o Y	501(C)(3)	е	MH Ardmore		
Mercy Ministries of Laredo							
2500 Zacatecas Laredo, TX780466814 20-0198462	outreach	×	501(C)(3)	7	Mercy Health		

	(h) Percentage
	(g) Share of
or Trust	(f) Share of total income
a Corporation	(e) Type of entity
tions Taxable as a Corpo	(d) Direct Controlling
lated Organizat	(c) Legal Domicile
itification of Re	(b) Primary activity
Form 990, Schedule R, Part IV - Identification of Related Organiza	(a) Name, address, and EIN of related

Form 990, Schedule R, Part IV - Identification of Related Organizations Taxable as a Corporation or Trust	tification of Re	lated Organiza	tions Taxable as	a Corporation	or Trust		
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign	(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
Frontenac Properties Inc 14528 S Outer Forty Suite 100 Chesterfield, MO63017 52-1914421	HOLDING COMP	DE	-	C-Corp			
Inveno Health Inc 1235 E Cherokee Street Springfield, MO65804 26-4509571	RESEARCH	МО	-	C-Corp			
Mercy Community Services Inc 401 Woodland Hills Blvd Fort SCOTT, KS66701 48-1078101	CATERING	KS	-	C-Corp			
Mercy Health Center Condominium Inc 4300 W Memorial Rd Oklahoma City, OK73120 68-0640970	REAL ESTATE	ОК	-	C-Corp			
Mercy Health Network of the Southern Reg 1011 14th Avenue NW Ardmore, OK73401 73-1580607	НЕАLTН САRE	ОК	-	C-Corp			
Mercy Health Network Inc 4300 W Memorial Road Oklahoma City, OK73120 73-1381689	НЕАLTН САRE	ОК	-	C-Corp			
Mercy Managed Care Corporation 4300 W Memorial Road Oklahoma City, OK73120 73-1441665	HOLDING COMP	ОК	-	C-Corp			
MHP Inc 14528 S Outer Forty Suite 300 Chesterfield, MO63017 43-1697084	HOLDING COMP	DE	-	C-Corp			
UH L Corp Inc 645 Maryville Centre Drive Suite 1 St Louis, MO63141 74-2499535	HOLDING COMP	МО	-	C-Corp			
Unity Support Services Inc 645 Maryville Centre Drive Suite 1 St Louis, MO63141 43-1797042	MANAGEMENT	Ο		C-Corp			



Ernst & Young LLP



Consolidated Financial Statements and Other Financial Information

Years Ended June 30, 2011 and 2010

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Report of Independent Auditors

The Board of Directors Mercy Health

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

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

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

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Schedule of Charity Care and Unpaid Cost of Medicaid and the consolidating balance sheet, statement of operations, and statement of changes in net assets included on pages 45 through 51 are presented for the purpose of additional analysis and are not a required part of the 2011 basic consolidated financial statements. Such information, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the 2011 basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2011 consolidated financial statements taken as a whole

Ernst + Young LLP

September 26, 2011

Consolidated Balance Sheets

		Jun	e 3	0
		2011		2010
		(In Tho	แรต	nds)
Assets				
Current assets				
Cash and cash equivalents	\$	195,419	\$	128,837
Accounts receivable, net of allowance for uncollectible				
receivables of \$205,435 in 2011 and \$219,261 in 2010		459,733		453,760
Inventories		69,389		68,050
Current portion of assets limited as to use or restricted		26,958		27,353
Other current assets		155,758		70,964
Assets of discontinued operations held for sale		_		146,597
Total current assets		907,257		895,561
Assets limited as to use or restricted		1,350,133		1,198,595
Property and equipment, net		2,080,125		2,061,065
Notes receivable		12,569		14,718
Other assets		280,924		237,592
Total assets	\$	4,631,008	\$	4,407,531
Liabilities and net assets				
Current liabilities				
Current maturities of long-term obligations	\$	19,380	\$	17,864
Accounts payable	*	110,135	_	151,024
Accrued liabilities and other		461,830		431,186
Liabilities of discontinued operations held for sale		, <u> </u>		48,347
Total current liabilities		591,345		648,421
Insurance reserves and other liabilities		638,632		628,612
Long-term obligations, less current maturities		796,560		807,157
Total liabilities		2,026,537		2,084,190
Net assets				
Unrestricted		2,534,232		2,251,916
Restricted		70,239		71,425
Total net assets		2,604,471		2,323,341
Total liabilities and net assets	\$	4,631,008	\$	4,407,531

See accompanying notes.

Consolidated Statements of Operations

		Year End	ed .	
		2011 (In Tho	исл	2010
Operating revenues		(III IIIO)	H.SCE.	nas)
Net patient service revenues	\$	3,789,573	\$	3,562,164
Capitation revenues	Ψ	235,928	Ψ	206,180
Other operating revenues		255,682		189,541
Total operating revenues		4,281,183		3,957,885
Operating expenses				
Salaries and benefits		2,240,168		2,071,450
Supplies and other		1,326,084		1,183,488
Medical claims expense		105,734		118,377
Interest		6,183		6,032
Provision for uncollectible receivables		264,888		269,614
Operating expenses before depreciation and amortization		3,943,057		3,648,961
Operating income before depreciation and amortization		338,126		308,924
Depreciation and amortization		255,332		237,783
Operating income		82,794		71,141
Nonoperating gains (losses)				
Investment returns, net		171,761		101,826
Realized and unrealized losses on interest rate swaps		(259)		(21,211)
Other, net		(2,850)		(2,477)
Total nonoperating gains, net		168,652		78,138
Excess of revenues over expenses		251,446		149,279
Other changes in unrestricted net assets				
Pension liability adjustments		12,532		65,014
Gain (loss) from discontinued operations		2,447		(33,734)
Net assets released from restrictions for property acquisitions		10,139		12,417
Other		5,752		10,347
Increase in unrestricted net assets		282,316	\$	203,323

See accompanying notes.

Consolidated Statements of Changes in Net Assets

		Year Ended June 30			
	2011			2010	
		(In Thousands)			
Increase in unrestricted net assets	\$	282,316	\$	203,323	
Restricted net assets					
Pledges, bequests, and gifts for specific purposes		16,694		15,684	
Investment returns, net		5,890		4,546	
Net assets released from restrictions		(23,344)		(21,126)	
Other		(426)		2,876	
(Decrease) increase in restricted net assets		(1,186)		1,980	
Increase in net assets		281,130		205,303	
Net assets at beginning of year		2,323,341		2,118,038	
Net assets at end of year	\$	2,604,471	\$	2,323,341	

See accompanying notes.

Consolidated Statements of Cash Flows

	Year Ended June 30 2011 2010			
		(In Thousands)		
Operating activities				
Change in net assets	\$	281,130	\$	205,303
Adjustments to reconcile change in net assets to net cash				
provided by operating activities				
Net (gain) loss from discontinued operations		(2,447)		33,734
Pension liability adjustments		(12,532)		(65.014)
Pledges, bequests, and gifts for specific purposes		(16,694)		(15.684)
Transfer of sponsorship – St John's Regional Medical Center		_		(13.844)
Unrealized (gain) loss on interest rate swap		(2,112)		18,123
Depreciation and amortization		238,332		237,783
Provision for uncollectible receivables		264,888		269,614
Insurance recoveries in excess of non-cash impairment				
charges		(26,000)		_
Net loss on disposal of property		318		_
Gain from sale of Mercy CarePlus		_		(1.400)
Changes in assets and liabilities				
Accounts receivable		(270,861)		(304,114)
Assets limited as to use classified as trading		78,547		55,180
Inventories and other current assets		(25,968)		9,251
Accounts payable		(40,889)		25,202
Accrued liabilities and other		(6,685)		57,044
Insurance reserves and other liabilities		24,560		(5,166)
Net cash provided by operating activities		483,587		506,012
Investing activities				
Additions to property and equipment, net		(203,697)		(237,797)
Insurance recoveries		50,000		(237,777)
Proceeds from sale of property and equipment		529		1,099
Net change in notes receivable and other assets		(34,305)		(27,201)
Net increase in alternative investments		(259,049)		(242,720)
Business acquisitions		(70,809)		
Proceeds from sale of Mercy CarePlus		(/ 0,002)		1,400
Net cash used in investing activities		(517,331)		(505,219)
The same and in investing activities		(21/,001)		(202,217)

Consolidated Statements of Cash Flows (continued)

	Year Ended June 30 2011		
	(In Thousands)		
Financing activities			
Proceeds from issuance of long-term debt, net of original issue discount and financing costs	\$	_ \$	5 21,130
Principal payments on long-term obligations	•	(17,065)	(13,528)
Pledges, bequests, and gifts for specific purposes		16,694	15,684
Net cash (used in) provided by financing activities		(371)	23,286
		, ,	
Net (decrease) increase in cash and cash equivalents			
from continuing operations		(34,115)	24,079
Cash flows from discontinued operations Net cash provided (used) by assets of discontinued operations			
held for sale – operating activities		12,785	(21,752)
Net cash provided (used) by assets of discontinued operations		12,7.00	(=1174=)
held for sale – investing activities		109,242	(717)
Net cash used by assets of discontinued operations held for sale –		,	` ,
financing activities		(21,330)	(11,053)
Net increase (decrease) in cash and cash equivalents from			
discontinued operations		100,697	(33,522)
Net increase (decrease) in cash and cash equivalents		66,582	(9.443)
Cash and cash equivalents at beginning of year		128,837	138,280
Cash and cash equivalents at end of year	<u>\$</u>	195,419	128,837
Supplemental disclosures of cash flow information			
Cash paid for interest		11,371	14,546

See accompanying notes

Notes to Consolidated Financial Statements (Tables in Thousands)

June 30, 2011

1. Organization

Mercy Health (f/k/a Sisters of Mercy Health System, Inc) (Mercy) was incorporated in September 1986 and became the sole corporate member of various health care corporations sponsored by the Institute of the Sisters of Mercy of the Americas, Regional Community of St Louis, a religious order of the Roman Catholic Church (Sisters of Mercy) In fiscal 2008, the Sisters of Mercy applied to the Vatican for a change in Mercy's sponsorship model In June 2008, approval was granted, and Mercy's sponsorship was changed to a public juridic person The new Catholic sponsoring body, Mercy Health Ministry, is governed by members that include Sisters of Mercy and lay leaders

Mercy is incorporated as a not-for-profit corporation under the laws of the state of Missouri and is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code)

Mercy and Subsidiaries (the Health System) comprise the following corporations and their subsidiaries

- Mercy Health (f/k/a Sisters of Mercy Health System, Inc.), St. Louis, Missouri
- St Edward Mercy Health System, Inc., Fort Smith, Arkansas
- St Joseph's Mercy Health System, Inc., Hot Springs, Arkansas
- Mercy Health System of Northwest Arkansas, Inc., Rogers, Arkansas
- Mercy Health East Communities (f/k/a St John's Mercy Health Care), St Louis, Missouri
- St John's Health System, Inc., Springfield, Missouri
- Mercy Health System, Inc , Oklahoma City and Ardmore, Oklahoma
- Mercy Ministries of Laredo, Laredo, Texas
- Mercy Health System-Joplin, Inc , Joplin, Missouri, and Independence and Fort Scott, Kansas

Each subsidiary above is a separately incorporated not-for-profit corporation and is tax-exempt pursuant to Section 501(c)(3) of the Code All significant intercompany transactions and balances have been eliminated in consolidation

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

1. Organization (continued)

Significant Acquisitions and Divestitures

On June 30, 2010, Mercy committed to sell Mercy Health Plans, Inc (MHP) MHP, a for-profit corporation, is a health insurance organization that provides health maintenance organization (HMO) and preferred provider organization (PPO) insurance plans and health management services to subscribing employee groups and individuals in areas served by Mercy Effective October 1, 2010, Mercy sold MHP for \$106.7 million (see Note 6), subject to working capital adjustments In May 2011, a working capital adjustment of \$2.0 million was received, further consideration is not expected to be material

During fiscal 2011, effective July 28, 2010, and February 1, 2011, two of the Health System's subsidiaries entered into asset purchase agreements to acquire the sole corporate membership in a hospital, ambulatory surgery center, medical office buildings, ancillary equipment, and physician practices for approximately \$70 8 million in cash and the assumption of a note payable of \$8 0 million. The transactions were accounted for as acquisitions in accordance with Accounting Standards Codification (ASC) Topic 958-805, *Business Combinations – Not-for-Profit Entities* (see Note 12)

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Investments in highly liquid debt instruments with a maturity of three months or less when purchased, excluding amounts classified as assets limited as to use or restricted, are considered cash equivalents. The Health System routinely invests in money market mutual funds. These funds generally invest in highly liquid U.S. government and agency obligations. Financial instruments that potentially subject the Health System to concentrations of credit risk include the Health System's cash and cash equivalents. The Health System places its cash and cash equivalents with institutions with high credit quality. However, at certain times, such cash and cash equivalents are in excess of government-provided insurance limits.

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable and Related Allowances

The Health System provides health care services through inpatient and outpatient care facilities located in several states. The Health System grants credit to patients in return for health care services rendered to said patients, substantially all of whom are local residents of the communities served. The Health System generally does not require collateral or other security in extending credit to patients, however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, HMOs, and commercial insurance policies). At June 30, 2011 and 2010, approximately 30% and 34%, respectively, of net accounts receivable were collectible from governmental payors (including Medicare and Medicaid), with approximately 48% and 49%, respectively, of net accounts receivable collectible from commercial insurance and managed care payors

Patient accounts that are uncollected, including those placed with collection agencies, are initially charged against the allowance for uncollectible accounts in accordance with collection policies of the Health System and, in certain cases, are reclassified to charity care if deemed to otherwise meet the Health System's charity care policy. The provision for uncollectible receivables is based upon management's assessment of historical and expected net collections considering business and economic conditions, trends in health care coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible receivables based upon the payor composition and aging of receivables as of the reporting date with consideration of the historical payment and write-off experience by payor category. The results of these reviews are then used to make any modifications to the provision for uncollectible receivables to establish an appropriate allowance for uncollectible receivables. After satisfaction of amounts due from insurance, the Health System follows established guidelines for placing past-due patient balances with collection agencies.

Inventories

Inventories, which consist principally of medical supplies and pharmaceuticals, are stated at the lower of cost or market Cost is determined principally using the average cost method

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair value at the date of receipt

Depreciation is provided using the straight-line method over the estimated useful lives of land and leasehold improvements, buildings, and equipment The estimated useful lives are as follows land and leasehold improvements, 2 to 30 years, buildings, 3 to 40 years, and equipment, 2 to 20 years

Internal-use software costs are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage Costs associated with business process re-engineering, which are expensed as incurred, were \$40.8 million and \$36.6 million, respectively, in 2011 and 2010 Amounts capitalized are being amortized over eight years beginning at the time of implementation at each subsidiary. The total amount capitalized was \$382.2 million and \$338.3 million at June 30, 2011 and 2010, respectively. Amortization expense was \$43.5 million and \$33.7 million for the years ended June 30, 2011 and 2010, respectively.

Asset Impairment

The Health System periodically evaluates the carrying value of its long-lived assets for impairment when indicators of impairment are identified. These evaluations are primarily based on the estimated recoverability of the assets' carrying value. Impairment write-downs are recognized in operating income at the time the impairment is identified.

Assets and Liabilities Held for Sale

A long-lived asset or disposal group of assets and liabilities that is expected to be sold, and for which it is probable that the sale will be completed 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

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

2. Summary of Significant Accounting Policies (continued)

Other Assets

Other assets consist primarily of investment securities held under deferred compensation arrangements, land held for future development, fair value of interest rate swaps in asset positions, and investments in unconsolidated affiliates

Goodwill

The Health System records goodwill arising from a business combination as the excess of purchase price and related costs over the fair value of identifiable tangible and intangible assets acquired and liabilities assumed At June 30, 2011 and 2010, the Health System had goodwill of \$31.5 million and \$24.6 million, respectively Beginning in 2011, the Health System annually reviews, as of January 1, the carrying value of goodwill for impairment In addition, a goodwill impairment assessment is performed if an event occurs or circumstances change that would make it more likely than not that the fair value of a reporting unit is below its carrying amount Management has determined that the Health System has seven reporting units at which fair value is measured. If such circumstances suggest that the recorded amounts of any of these assets cannot be recovered, the carrying values of such assets are reduced to fair value. If the carrying value of any of these assets is impaired, a material charge may be incurred to results of operations.

Net Assets

The Health System's net assets and activities are classified into two classes, restricted and unrestricted, based on the existence or absence of donor-imposed restrictions. Restricted net assets comprise temporarily restricted net assets (70% and 72% of restricted net assets at June 30, 2011 and 2010, respectively), whose use by the Health System has been limited by donors to a specific time period or for a particular purpose, and permanently restricted net assets (30% and 28% of restricted net assets at June 30, 2011 and 2010, respectively), which must be maintained by the Health System in perpetuity with the related investment income expendable to support the donor-designated purpose. The general nature of the donor restrictions is to support the Health System's indigent care mission and health education programs and to assist with capital projects

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

2. Summary of Significant Accounting Policies (continued)

Net Patient Service Revenues

Net patient service revenues are reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered and include estimated retroactive revenue adjustments due to future audits, reviews, and investigations Retroactive third-party adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known Adjustments to revenue based on prior periods increased net patient service revenues by approximately \$14.2 million and \$14.3 million in 2011 and 2010, respectively, due to revised estimates consisting primarily of retroactive third-party adjustments for years that are subject to audits, reviews, and investigations

Revenue from the Medicare and Medicaid programs accounted for approximately 36% and 9%, respectively, of the Health System's net patient revenues for the year ended June 30, 2011 Revenue from the Medicare and Medicaid programs accounted for approximately 36% and 10%, respectively, of the Health System's net patient revenues for the year ended June 30, 2010 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 Noncompliance with Medicare and Medicaid laws and regulations can make the Health System subject to significant regulatory action, including substantial fines and penalties, as well as exclusion from the Medicare and Medicaid programs

Capitation Revenues and Medical Claims Expense

Certain Health System acute care providers (the Providers) have entered into various risk-based contracts with certain HMOs Under these arrangements, the Providers receive capitated payments based on the demographic characteristics of covered members in exchange for providing certain medical services to those members. The Providers recognize medical claims expense for services provided. The medical claims expense represents claims paid, claims reported but not yet paid, and claims incurred but not reported (IBNR). The IBNR amount is estimated based upon prior experience modified for current trends. The claims IBNR amount was \$20.8 million and \$19.6 million at June 30, 2011 and 2010, respectively, and was included in accrued liabilities and other on the consolidated balance sheets.

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

2. Summary of Significant Accounting Policies (continued)

Services to the Community

In support of its mission, the Health System provides care to patients who personally bear a significant financial burden relative to their health care services and are deemed to be medically indigent The Health System does not report charity care as net patient service revenues. The amount of charity care and services provided to the medically indigent, determined on the basis of charges, was 3 2% and 2 9% of gross patient service revenue for the years ended June 30, 2011 and 2010, respectively In addition, the Health System provides services to other medically indigent patients under various state Medicaid programs. Such programs pay providers amounts that are less than the costs of the services provided to the recipients The Health System classifies the resources utilized for the care of patients bearing a significant health care financial burden as compared to their resources as traditional charity care and unpaid cost of Medicaid Traditional charity care includes the cost of services provided to persons who cannot afford health care because of the financial burden of the health care services and/or who are uninsured or underinsured Charity care includes accounts for which the patient may not participate in the charity care process but are otherwise deemed to meet the Health System's charity care policy Unpaid cost of Medicaid represents the unpaid cost of services provided to persons covered by Medicaid

In addition to uncompensated costs, the Health System maintains community benefit programs designed to positively impact the health status of the communities served. These services include various clinics and outreach programs (designed to deliver health care services to underserved communities), medical education and research activities, and direct cash and in-kind charitable contributions

These community benefit programs also include the activities of Mercy Ministries of Laredo (MML), Mercy Caritas, Catherine's Fund, and Sister of Mercy Ministries that are administered by Mercy These programs finance charitable activities to help meet the needs of the poor, sick, and uneducated

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

2. Summary of Significant Accounting Policies (continued)

Assets Limited as to Use or Restricted

Assets limited as to use include assets set aside through resolution by the Board of Directors for future long-term purposes, including capital improvements and self insurance. In addition, assets limited as to use include amounts contributed by donors with stipulated restrictions. Investments in equity securities and debt securities are measured at fair value. The cost of securities sold is based on the specific-identification method The Health System accounts for its ownership interest in alternative investments under the equity method. For purposes of recognizing investment returns as a component of excess of revenues over expenses, substantially all investments, other than alternative investments, are considered to be trading securities. Interest, dividends, realized gains (losses), and unrealized gains (losses) on assets held in the professional liability trust fund are reported as other operating revenues. The professional liability trust fund was terminated as of June 30, 2011 (see Note 7) All other unrestricted investment returns, including alternative investments, are included in nonoperating gains (losses) in the consolidated statements of operations Investment returns arising from donor-restricted resources are reported as a direct increase in restricted net assets in the consolidated statements of changes in net assets, consistent with the donors' restrictions. In addition, cash flows from the purchases and sales of marketable securities designated as trading are reported as a component of operating activities in the accompanying consolidated statements of cash flows

Derivative Financial Instruments

Derivative instruments are contracts between the Health System and a third party (counterparty) that provide for economic payments between the parties based on changes in some defined market security or index or combination thereof. The Health System's derivative financial instruments are primarily interest rate swaps utilized as part of its debt management process. The Health System recognizes all derivative instruments as either assets or liabilities in the consolidated balance sheets at fair value. The Health System does not account for any of its interest rate swap agreements as hedges, and accordingly, realized and unrealized gains (losses) and net settlement payments are reflected as a component of nonoperating gains (losses) in the accompanying consolidated statements of operations

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

2. Summary of Significant Accounting Policies (continued)

Pledges, Bequests, and Gifts for Specific Purposes

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received Gifts are recorded as an increase in restricted net assets if they are received with donor stipulations that limit the use of the assets Upon expenditure in accordance with a donor's restrictions and when the asset is placed in service, net assets restricted for capital acquisitions are reported as direct additions to unrestricted net assets, and assets restricted for operating purposes are reported as an increase in other operating revenues Donor-restricted contributions for operating purposes whose restrictions are met within the same year as received, and contributions received by donors without restrictions, are reflected as other operating revenues in the accompanying consolidated statements of operations

Unconditional promises to give, less an allowance for uncollectible amounts, are recorded as receivables in the year made. Net pledges receivable of \$3.3 million and \$8.2 million were included in other current assets and other assets, respectively, at June 30, 2011. Pledges receivable of \$7.4 million and \$6.9 million were included in other current assets and other assets, respectively, at June 30, 2010. Management estimates that total contributions will be received as follows as of June 30, 2011.

Within one year	\$ 3,785
One to five years	8,374
	12,159
Less present value component	(64)
Less allowance for uncollectible amounts	(615)
Total pledges receivable	\$ 11,480

Functional Classification of Expenses

The Health System provides general health care services to residents within communities served, including acute inpatient, subacute inpatient, outpatient, ambulatory, long-term, and home care, as well as related general and administrative services

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

2. Summary of Significant Accounting Policies (continued)

The Health System does not present expense information by functional classification because its resources and activities are primarily related to providing health care services. Furthermore, since the Health System receives substantially all of its resources from providing health care services in a manner similar to a business enterprise, other indicators contained in these consolidated financial statements are considered important in evaluating how well management has discharged its stewardship responsibilities.

Performance Indicator

The Health System's performance indicator (excess of revenues over expenses) includes all changes in unrestricted net assets other than pension liability adjustments, loss from discontinued operations, net assets released from restrictions for property acquisitions, and other

Operating and Nonoperating Gains (Losses)

The Health System'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, and other health care services. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that result in gains or losses peripheral to the Health System's primary mission are considered to be nonoperating. Nonoperating activities include investment returns, net, excluding the earnings from the investments held by the professional liability trust fund, and realized and unrealized gains (losses) on interest rate swaps

Use of Estimates

The preparation of financial statements in conformity with U S generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements Estimates also affect the reported amounts of revenues and expenses during the reporting period Actual results could differ from those estimates

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

2. Summary of Significant Accounting Policies (continued)

Accounting Pronouncements Adopted

In January 2010, the Financial Accounting Standards Board (FASB) released Accounting Standards Update (ASU) 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 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 The guidance applies the carryover (similar to pooling) method to accounting for a merger, and the purchase accounting method to accounting for an acquisition, and clarifies the valuation basis to be used in determining the values of the assets and liabilities acquired In addition, this guidance makes provisions related to goodwill fully applicable to not-for-profit entities Effective July 1, 2010, the Health System adopted this guidance and ceased amortization of goodwill and indefinite lived intangible assets at that date A transitional impairment test was performed as of July 1, 2010, and no impairment was indicated All business combinations that occurred during the year ended June 30, 2011, were deemed to be acquisitions and were accounted for in accordance with this guidance

Recent Accounting Guidance Not Yet Adopted

In August 2010, the FASB issued ASU 2010-23, *Health Care Entities (Topic 954): Measuring Charity Care for Disclosure* ASU 2010-23 is intended to reduce the diversity in practice regarding the measurement basis used in the disclosure of charity care ASU 2010-23 requires that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct and indirect costs of providing the charity care, and requires disclosure of the method used to identify or determine such costs. This ASU is effective for the Health System on July 1, 2011. Management is currently evaluating the impact the adoption of this pronouncement may have on the Health System's disclosures.

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

2. Summary of Significant Accounting Policies (continued)

In August 2010, the FASB issued ASU 2010-24, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries* The amendments in this ASU clarify that a health care entity may not net insurance recoveries against related claim liabilities. In addition, the amount of the claim liability must be determined without consideration of insurance recoveries. This ASU is effective for the Health System on July 1, 2011. Management is currently evaluating the impact the adoption of this pronouncement may have on the Health System's financial position and results of operations.

In July 2011, the FASB released ASU 2011-7, Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Entities ASU 2011-7 requires health care entities to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient services revenues (net of contractual allowances and discounts) In addition, enhanced disclosures will be required surrounding the entity's policies for recognizing revenue and assessing bad debts ASU 2011-7 is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2011 Management is evaluating the effect of adopting ASU 2011-7

3. Assets Limited as to Use or Restricted

The following is a summary of assets limited as to use or restricted

June 30			
 2011	2010		
\$ 1,338,053 \$	1,056,500		
_	144,472		
39,038	24,976		
1,377,091	1,225,948		
(26,958)	(27,353)		
\$ 1,350,133 \$	1,198,595		
\$ 	2011 \$ 1,338,053 \$ 		

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

3. Assets Limited as to Use or Restricted (continued)

The following is a summary of assets limited as to use or restricted by investment classification

	June 30				
	2011			2010	
Cash and cash equivalents	\$	48,556	\$	201,352	
Fixed income					
Corporate debt securities		72,163		131,166	
Government agencies		3,334		38,480	
Government obligations (U S and foreign)		79,088		101,307	
Other debt securities		19,173		19,572	
Commingled and mutual funds		143,200		_	
Equity securities					
Domestic equities – common stock		298,588		225,012	
International equities – common stock		325,385		230,390	
Alternative investments					
Hedge funds		273,579		203,083	
Private equity investments		86,601		35,713	
Other		27,424		39,873	
		1,377,091		1,225,948	
Less current portion of assets limited as to use or restricted		(26,958)		(27,353)	
Total assets limited as to use or restricted	\$	1,350,133	\$	1.198,595	

The following is a summary of investment returns

	June 30			
		2011		2010
Investment returns included in other operating revenues Assets limited as to use and other investments	\$	16,955	\$	13,625
Interest and dividends		21,490		19,202
Realized gains (losses), net		35,913		5,527
Interest expense on Series 2001 bonds		(2,514)		(2,132)
Unrealized gains (losses), net		116,872		79,229
Investment returns included in nonoperating gains (losses), net		171,761		101,826
Investment returns included in restricted net assets		5,890		4,546
Total investment returns	\$	194,606	\$	119,997

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

3. Assets Limited as to Use or Restricted (continued)

The Health System's investments are exposed to various kinds and levels of risk Fixed income securities expose the Health System to interest rate risk, credit risk, and liquidity risk As interest rates change, the value of many fixed income securities is affected, particularly those with fixed rates Credit risk is the risk that the obligor of the security will not fulfill its obligations Liquidity risk is affected by the willingness of market participants to buy and sell given securities Equity securities expose the Health System to market risk, performance risk, and liquidity risk Market risk is the risk associated with major movements of the equity markets, both foreign and domestic Performance risk is the risk associated with a company's operating performance Liquidity risk as previously defined tends to be higher for foreign equities and equities related to small capitalization companies

Certain of the Health System's investments are made through alternative investments, primarily limited partnership investments, including hedge funds, and private equity funds. These investments provide the Health System with a proportionate share of the investment gains and losses and take their positions in part through derivative contracts. They generally contract with a manager who has full discretionary authority over the investment decisions. The hedge funds and private equity funds present risks similar to those of traditional investments, as well as some additional risks. Due to the fact that these funds are invested through limited partnerships or other limited access-type vehicles, pricing is infrequent and liquidity may also be limited in some cases, up to 12 months. These investments may also employ leverage, which may lead to additional risk of loss. These investments are subject to market risk, default risk, interest rate risk, and credit risk as well as various other types of risks. At June 30, 2011, the Health System has commitments to fund \$35.1 million in these investments.

At the balance sheet dates, receivables and payables for investment trades not settled are presented with other current assets and other current liabilities. Unsettled sales resulted in receivables due from brokers of \$85.6 million and \$19.2 million at June 30, 2011 and 2010, respectively. Unsettled buys resulted in payables of \$60.3 million and \$23.3 million at June 30, 2011 and 2010, respectively.

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

4. Fair Value Measurements

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. The fair value measurements and disclosures topic of the FASB ASC 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 – Quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date

Level 2 – Pricing inputs other than quoted prices included in Level 1, which are either directly observable or can be derived or supported from observable data as of the reporting date

Level 3 – Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are not observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

4. Fair Value Measurements (continued)

The fair value of financial assets and financial liabilities measured at fair value on a recurring basis was determined using the following inputs at June 30, 2011

	Level 1	Level 2	Level 3	Total
Assets				_
Cash and cash equivalents	\$ 485	\$ 48,071	\$ _	\$ 48,556
Equity securities				
Domestic equities – common				
stock	297,704	884	_	298,588
International equities – common				
stock	146,720	178,665	_	325,385
Fixed Income				
Corporate debt securities	_	72,163	_	72,163
Government agencies	_	3,334	_	3,334
Government obligations (U S				
and foreign)	_	79,088	_	79,088
Other debt securities	455	18,718	_	19,173
Commingled and mutual funds	51,218	91,982	_	143,200
Other	_	12,586	_	12,586
Assets limited as to use	496,582	505,491	_	1,002,073
Cash and cash equivalents	373	_	_	373
Equities – mutual funds	102,307	_	_	102,307
Other	_	10,678	42,572	53,250
Deferred compensation plan assets	102,680	10,678	42,572	155,930
Interest rate swap agreements	_	9,215	_	9,215
Total assets	\$ 599,262	\$ 525,384	\$ 42,572	\$ 1,167,218
Liabilities				
Interest rate swap agreements	\$ _	\$ 48,544	\$ _	\$ 48,544
Total liabilities	\$ _	\$ 48,544	\$ _	\$ 48,544

The following table is a rollforward of the deferred compensation plan assets classified within Level 3 of the valuation hierarchy

	 Otner
Fair value at July 1, 2010	\$ 37,337
Purchases, issuances, and settlements	2,409
Actual return on plan assets	2,826
Transfers in and/or out of Level 3	
Fair value at June 30, 2011	\$ 42,572

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

4. Fair Value Measurements (continued)

The fair value of financial assets and financial liabilities measured at fair value on a recurring basis was determined using the following inputs at June 30, 2010

		Level 1		Level 2		Level 3		Total
Assets								
Cash and cash equivalents	\$	201,352	\$	_	\$	_	\$	201,352
Equity securities								
Domestic equities – common								
stock		204,120		20,892		_		225,012
International equities – common								
stock		74,586		155,804		_		230,390
Fixed Income								
Corporate debt securities		_		131,166		_		131,166
Government agencies		_		38,480		_		38,480
Government obligations (U S								
and foreign)		_		101,307		_		101,307
Other debt securities		_		19,572		- -		19,572
Other		_		16,030		_		16,030
Assets limited as to use		480,058		483,251		-		963,309
Cash and cash equivalents		10,173		_		_		10,173
Equities – mutual funds		74,691		_		_		74,691
Other		_		7,353		37,337		44,690
Deferred compensation plan assets		84,864		7,353		37,337		129,554
Interest rate swap agreements		_		7,678		_		7,678
Total assets	\$	564,922	\$	498,282	\$	37,337	\$	1,100,541
Liabilities								
Interest rate swap agreements	\$	_	\$	49,118	\$	_	\$	49,118
Total liabilities	\$		<u>\$</u>	49.118	- \$		<u>\$</u>	49.118
rotal habilities	Ψ		Ψ	77,110	Ψ		ψ	77,110

The following table is a rollforward of the deferred compensation plan assets classified within Level 3 of the valuation hierarchy at June 30, 2010

	 <u>Other</u>
Fair value at July 1, 2009	\$ 26,982
Purchases, issuances, and settlements	8,690
Actual return on plan assets	1,665
Transfers in and/or out of Level 3	
Fair value at June 30, 2010	\$ 37,337

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

4. Fair Value Measurements (continued)

Assets limited as to use in the fair value tables above exclude alternative investments of \$360.2 million, which are recorded under the equity method of accounting, land of \$14.3 million, which is recorded at cost, and a note receivable of \$0.5 million at June 30, 2011. Assets limited as to use in the fair value tables above exclude alternative investments of \$262.6 million, which are recorded under the equity method of accounting, at June 30, 2010.

Deferred compensation plan assets and interest rate swaps (assets) are reported in other assets, and interest rate swaps (liabilities) are reported in insurance reserves and other liabilities in the consolidated balance sheets

The following is a description of the Health System's valuation methodologies for assets and liabilities measured at fair value Fair value for Level 1 is based upon quoted market prices. The fair value of certain Level 2 securities was determined through evaluated bid prices provided by third-party pricing services if quoted market prices were not available. These Level 2 investments include cash equivalents, international equities, corporate debt securities, government agencies, government obligations, and commingled funds. The fair values of the interest rate swap contracts, also Level 2 measurements, are determined based on the present value of expected future cash flows using discount rates appropriate with the risks involved. The valuations reflect a credit spread adjustment to the London Interbank Offered Rate (LIBOR) discount curve in order to reflect nonperformance risk. The credit spread adjustment is derived from other comparable rated entities' bonds priced in the market. The fair values of other securities in the deferred compensation plan's assets are based on unobservable inputs and are recorded based on information provided by the trustee

The carrying values of cash and cash equivalents, accounts receivable, notes receivable, pledges receivable, and current liabilities are reasonable estimates of their fair values due to the short-term nature of these financial instruments. The fair value of the Health System's fixed-rate bonds is based on quoted market prices for the same or similar issues and approximates \$9.5 million and \$11.6 million as of June 30, 2011 and 2010, respectively. The carrying amount approximates fair value for all other long-term debt, and excludes the impact of third-party credit enhancements.

Due to the volatility of the stock market, there is a reasonable possibility of changes in fair value and additional gains and losses in the near term subsequent to June 30, 2011

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

5. Property and Equipment

The following is a summary of property and equipment

	June 30				
	2011	2010			
Land and leasehold improvements	\$ 182,870	\$ 166,906			
Buildings	2,424,151	2,112,655			
Equipment	1,864,288	1,431,067			
Construction-in-progress	44,057	539,837			
	4,515,366	4,250,465			
Less accumulated depreciation	(2,435,241)	(2,189,400)			
Property and equipment, net	\$ 2,080,125	\$ 2,061,065			

At June 30, 2011, construction and software-related contracts and commitments exist for capital improvements at certain of the Health System's facilities. The remaining commitment on these contracts at June 30, 2011, was approximately \$20.7 million. During the years ended June 30, 2011 and 2010, interest of \$3.0 million and \$6.1 million, respectively, was capitalized.

6. Discontinued and Held for Sale Operations

On June 30, 2010, Mercy committed to sell Mercy Health Plans, Inc (MHP) MHP, a for-profit corporation, is a health insurance organization that provides HMO and PPO insurance plans and health management services to subscribing employee groups and individuals in areas served by Mercy Effective October 1, 2010, Mercy sold MHP for \$106 7 million, subject to working capital adjustments In May 2011, a working capital adjustment of \$2 0 million was received Management does not expect that further adjustments will be material

The operations of MHP have been classified as discontinued operations in accordance with ASC 205, *Discontinued Operations*, because the associated operations and cash flows have been eliminated from ongoing operations, and the Health System does not have significant continuing involvement in the operations of MHP For all periods presented, the operating results for these operations have been removed from continuing operations and presented separately as discontinued operations in the consolidated statements of operations, and the assets and liabilities are presented as held for sale on the consolidated balance sheets. The notes to the consolidated financial statements were adjusted to exclude discontinued operations.

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

6. Discontinued and Held for Sale Operations (continued)

The assets and liabilities held for sale at June 30, 2011 and 2010, are summarized below

	June 30			
	20)11		2010
Total current assets	\$	_	\$	93,316
Assets limited as to use or restricted		_		14,565
Property and equipment, net		_		38,176
Other assets		_		540
Total assets of discontinued operations held for sale	\$	_	\$	146,597
Total current liabilities	\$	_	\$	48,347
Total liabilities of discontinued operations held for sale	\$	_	\$	48,347

No impairment was required to be recognized to present these held-for-sale operations at the lower of cost or fair value MHP's operating revenues were \$156.5 million and \$596.4 million for the years ended June 30, 2011 and 2010, respectively MHP's results from operations consisted of income of \$0.8 million and a loss of \$33.7 million for the years ended June 30, 2011 and 2010, respectively

For fiscal 2011, the Health System had certain managed care and other contracts with the acquiring entity related to the sale of MHP, which generated continuing cash flows of approximately 6% of the Health System's total operating revenues

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

7. Liability Programs

The Health System administers a liability program to provide for general and professional liability risks within certain limits. The recorded liabilities are based upon actuarial estimates of reported claims and IBNR claims using historical claim experience and other relevant industry and hospital-specific factors and trends, discounted at an interest rate of 4.75% and 5.00% for 2011 and 2010, respectively. Until June 30, 2011, the Health System maintained assets in a revocable trust fund to cover these risks. On June 30, 2011, the trust was terminated, and the funds were merged into board-designated funds for investment purposes. Management, however, continues to monitor and track these funds separately. The discounted general and professional liability was \$141.0 million and \$145.9 million at June 30, 2011 and 2010, respectively, which is included in accrued liabilities and insurance reserves in the accompanying consolidated balance sheets.

Health care professional liabilities in excess of self-insured limits are insured on a claims-made basis subject to an annual maximum of \$20,000 over the self-insured retention of \$10,000, after which the Health System would again be responsible

8. Employee Retirement Plans

The Sisters of Mercy created a single defined benefit retirement plan (the Plan) to provide coverage under a single plan for groups acquired in business combinations. Sponsorship of the Plan and certain defined-contribution plans described below were transferred from Sisters of Mercy to the Health System during fiscal 2007. Pension benefits are provided to substantially all Health System employees through the Plan. As new employee groups were transitioned to the Plan, the Plan was modified through plan amendments to provide credit for service with the acquired provider. Plan benefits were calculated using a cash balance-type formula that is based on employee compensation and number of years of service. All participants' plan balances are credited with a guaranteed annual rate of interest based on the 30-year U.S. Treasury bill rate, subject to a floor of 5.25%. Amounts are contributed to the Plan consistent with actuarial funding requirements.

Mercy also sponsors 401(k) and 403(b) plans that are provided to substantially all Health System employees and include an employer matching contribution. In June 2010, the Health System's Board of Directors voted to transition future benefit accruals under the defined-benefit plan to the existing 401(k) plan by providing a non-matching service-based contribution and an enhanced employer matching contribution. This change occurred in July 2011

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

8. Employee Retirement Plans (continued)

The following table sets forth the Plan's and certain other of the Health System's pension plans' benefit obligations, fair value of plan assets, and funded status at the measurement date

	June 30			0
		2011		2010
Accumulated benefit obligation		945,980	\$	860,582
Changes in projected benefit obligation				
Projected benefit obligation at beginning of period	\$	876,039	\$	847,343
Service cost, benefits earned during the period	Ψ	61,090	Ψ	46,024
Interest cost on projected benefit obligation		45,523		54,258
Curtailment		_		(94,918)
Actuarial loss		41,724		77,505
Benefits paid		(57,744)		(54,173)
Projected benefit obligation at end of period	\$	966,632	\$	876,039
Changes in plan assets				
Fair value of plan assets at beginning of period	\$	598,943	\$	505,011
Actual return on plan assets		99,678	•	80,201
Employer contributions		77,612		67,904
Benefits paid		(57,744)		(54,173)
Fair value of plan assets at end of period	\$	718,489	\$	598,943
Eundad status of the Dlan	•	(2.49.1.42)	¢.	(277.00()
Funded status of the Plan		(248,143)	\$	(277,096)

Amounts recognized in the accompanying consolidated balance sheets at June 30 consist of

	 2011	2010
Accrued liabilities and other Insurance reserves and other liabilities	\$ 2,973 245,170	\$ 2,931 274,165
	\$ 248,143	\$ 277,096

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

8. Employee Retirement Plans (continued)

No plan assets are expected to be returned to the Health System during the fiscal year ended June 30, 2012

Included in unrestricted net assets are the following amounts that have not yet been recognized in net periodic pension cost

	Year Ended June 30				
	2011	2010			
Unrecognized actuarial loss Unrecognized prior service cost	\$ (300,404 (4,105	(3) \$ (312,389) (5) (4,652)			
	\$ (304,509) \$ (317,041)			

Changes in plan assets and benefit obligations recognized in unrestricted net assets include

	Year Ended June 30				
		2011		2010	
Current year actuarial loss	\$	5,606	\$	44,280	
Current year prior service cost		_		5,329	
Amortization of actuarial loss		6,379		15,214	
Amortization of prior service credit		547		191	
	\$	12,532	\$	65,014	

The estimated net actuarial loss and prior service cost included in unrestricted net assets and expected to be recognized in net periodic benefit cost during the year ended June 30, 2012, are \$9 7 million and \$0 5 million, respectively

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

8. Employee Retirement Plans (continued)

The following is a summary of the components of net periodic pension cost

	Year Ended June 30				
		2011		2010	
Service cost, benefits earned during the period Interest cost on projected benefit obligation	\$	61,090 45,523	\$	46,024 54,259	
Expected return on plan assets		(52,350)		(53,335)	
Curtailment loss Amortization of unrecognized		_		5,329	
Prior service credit		547		191	
Actuarial loss		6,379		15,214	
Net periodic pension cost		61,189	\$	67,682	

Weighted-average assumptions used to determine the Plan's projected benefit obligation and net periodic benefit costs are as follows

_	Projected Obliga		Net Per Benefit	
-	2011	2010	2011	2010
Discount rates	5.15%	5 05%	5.05%	6 55%
Rates of salary increase Expected long-term return	5.00	5 00	5.00	5 00
on plan assets	8.15	8 15	8.15	8 30

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

8. Employee Retirement Plans (continued)

The Plan's weighted-average asset allocations at June 30, 2011 and 2010, and target allocation by asset category are as follows

	2011 Target Asset	Plan Assets	at June 30
Asset Category	Allocation	2011	2010
Equity securities	40%	47%	55%
Debt securities	28	26	28
Alternative investments	30	26	14
Other	2	1	3
Total	100%	100%	100%

The fair value of the Plan's assets measured at fair value was determined using the following inputs at June 30, 2011

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	\$ 2,399	\$ 9,113	\$ _	\$ 11,512
Equity securities				
Domestic equities – common				
stock	159,531	476	_	160,007
International equities –				
common stock	77,734	94,706	_	172,440
Fixed income				
Corporate debt securities	_	38,356	_	38,356
Government agencies	_	1,774	_	1,774
Government obligations				
(US and foreign)	_	42,161	_	42,161
Other debt securities	242	23,491	_	23,733
Commingled and mutual				
funds	27,245	48,929	_	76,174
Other	_	2,229	2,882	5,111
Hedge funds	_	_	143,862	143,862
Private equity	_	_	43,359	43,359
	\$ 267,151	\$ 261,235	\$ 190,103	\$ 718,489

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

8. Employee Retirement Plans (continued)

The following table is a rollforward of the pension plan assets classified within Level 3 of the valuation hierarchy

]	Private	
	He	dge Funds		Equity	Other
Fair value at July 1, 2010	\$	78,155	\$	6,469	\$ 2,925
Purchases, issuances, and settlements		57,520		35,456	_
Actual return on plan assets		8,187		1,434	(43)
Transfers in and/or out of Level 3		_		_	
Fair value at June 30, 2011	\$	143,862	\$	43,359	\$ 2,882

The fair value of the Plan's assets measured at fair value was determined using the following inputs at June 30, 2010

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	\$ 22,857	\$ _	\$ _	\$ 22,857
Equity securities				
Domestic equities – common				
stock	135,765	10,577	_	146,342
International equities –				
common stock	57,957	120,935	_	178,892
Fixed income				
Corporate debt securities	_	105,249	_	105,249
Government obligations				
(US and foreign)	_	58,054	_	58,054
Other	_	_	2,925	2,925
Hedge funds	_	_	78,155	78,155
Private equity	_	_	6,469	6,469
	\$ 216,579	\$ 294,815	\$ 87,549	\$ 598,943

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

8. Employee Retirement Plans (continued)

The following table is a rollforward of the pension plan assets classified within Level 3 of the valuation hierarchy at June 30, 2010

			F	Private	
	Hed	lge Funds]	Equity	Other
Fair value at July 1, 2009	\$	6,817	\$	6,534	\$ 2,973
Purchases, issuances, and settlements		70,810		(991)	_
Actual return on plan assets		528		926	(48)
Transfers in and/or out of Level 3		_		_	_
Fair value at June 30, 2010	\$	78,155	\$	6,469	\$ 2,925

Fair value methodologies for Level 1 and Level 2 assets are consistent with the inputs described in Note 4 Level 3 securities, which consist of alternative investments (principally limited partnership interests in hedge funds and private equity funds) and a guaranteed investment contract, represent the Plan's ownership interest in the net asset value (NAV) of the respective partnership

Management opted to use the NAV per share, or its equivalent, as a practical expedient for fair value of the Plan's interest in hedge funds and private equity funds. Valuations provided by the respective fund's management consider variables such as the financial performance of underlying investments, recent sales prices of underlying investments, and other pertinent information. In addition, actual market exchanges at period-end provide additional observable market inputs of the exit price. The majority of these funds have restrictions on the timing of withdrawals, which may reduce liquidity, in some cases for up to 12 months. At June 30, 2011, the Plan has commitments to fund \$17.6 million in these investments.

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

8. Employee Retirement Plans (continued)

The Plan employs investment managers to invest fund balances in a structured portfolio of equity, fixed income, alternative investments, and real estate The Plan's current asset allocation policy was approved in fiscal 2009 by the Health System's Finance, Audit, and Compliance Committee The revised policy resulted in a reallocation of assets in order to meet the new target allocation. The full reallocation was initiated in fiscal 2010 and was completed in fiscal 2011. All manager performance is reviewed to test that market performance has been calculated accurately, to monitor performance versus peers and benchmarking, and to evaluate portfolio structure considering current and future needs based on economic forecasts and actuarial projections. The Plan's trustees believe that a diversified portfolio will limit the degree of risk to the Plan and stabilize the long-term results. The Plan's diversified blend of marketable securities also takes into consideration the cash flow requirements of the Plan to help ensure the ability to meet the monthly payout of benefits required. Projected rates of return for each asset category were selected after analyzing historical experience and future expectations of the returns and volatility for assets of that category

The Health System expects to contribute at least \$80 0 million to the Plan during fiscal 2012

The following benefit payments, which reflect expected future service, are expected to be paid by the Plan

	Amount	
Year Ending June 30		
2012	\$	62,100
2013		62,100
2014		62,200
2015		69,800
2016		66,000
2017 through 2021		361,900
	\$	684,100

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

8. Employee Retirement Plans (continued)

The Health System has a defined-contribution 401(k) plan (the Contribution Plan) for the benefit of substantially all employees Contributions to the Contribution Plan consist of employee contributions subject to Internal Revenue Service (IRS) limitations and Health System matching contributions in an amount equal to 50% up to the first 1% of the participant's compensation and 25% of the next 3% of the participant's compensation Employees are eligible to participate upon employment and vest in the Health System's matching contributions over three years of service The Health System also has a defined-contribution 403(b) plan for the benefit of certain employees Contributions to the plan consist solely of employee contributions For the years ended June 30, 2011 and 2010, the total expenses incurred related to the 401(k) and 403(b) plans were \$14.2 million and \$14.4 million, respectively

9. Long-Term Obligations

The following is a summary of long-term obligations

	June 30				
		2011		2010	
Revenue bonds, fixed interest rates ranging from 5 0% to 5 5% due through June 2019	\$	8,745	\$	10,655	
Revenue bonds, variable interest rates with weighted-average interest rates of 0 9% and 0 5% in fiscal 2011					
and 2010, respectively, due through June 2039		754,725		766,725	
Other notes, mortgage notes, and capital lease obligations		52,470		47,641	
		815,940		825,021	
Less current maturities on long-term obligations		(19,380)		(17,864)	
Long-term obligations, less current maturities	\$	796,560	\$	807,157	

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

9. Long-Term Obligations (continued)

Mercy's not-for-profit subsidiaries have executed a commitment agreement governing certain borrowing arrangements under the Mercy Master Trust Indenture and related agreements (Financing Agreements) While only the revenues of Mercy collateralize the outstanding borrowings of the Health System, each of these subsidiaries has committed to transfer such assets to Mercy to pay the amounts due on borrowings when they come due The Financing Agreements contain certain restrictive covenants, including debt service coverage and liquidity ratios

Tax-exempt revenue bonds have been issued by various issuing authorities, the proceeds of which were used by Mercy primarily to finance capital projects and to refinance existing indebtedness of certain subsidiaries

Mercy's Series 2001 A-C bonds are auction-rate securities aggregating to \$378.3 million. The interest rate is set through a weekly auction process among bond investors. Starting in fiscal 2008, due to the marketwide financial crisis, institutional buyers and investment banks opted not to participate in the market for securities of this type, causing a failure of the auction process and resulting in the bonds resetting to a rate predefined in the bond agreement based on the current LIBOR index.

In May 2008, Mercy issued variable-rate tax-exempt health facility revenue bonds aggregating \$110 0 million (the Series 2008 A-C Bonds) The Series 2008 A-C Bonds are subject to mandatory sinking fund redemption requirements beginning June 1, 2009, through June 1, 2019, with a current outstanding amount of \$76 4 million The Series 2008 A-C Bonds are backed by a standby bond purchase agreement in the event of a failed remarketing. If the bonds are not remarketed, the principal on the term loans would generally be payable beginning 366 days after a failed remarketing in 12 equal quarterly installments. The standby bond purchase agreement expires May 18, 2012.

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

9. Long-Term Obligations (continued)

In December 2008, Mercy issued variable-rate tax-exempt health facility revenue bonds aggregating \$300 0 million (the Series 2008 D-H Bonds) The Series 2008 D-H Bonds are subject to mandatory sinking fund redemption requirements beginning June 1, 2025, through June 1, 2039 The Series 2008 D-H Bonds are backed by standby bond purchase agreements in the unlikely event of a failed remarketing. If the bonds are not remarketed, the principal on the term loans would generally be payable beginning 366 days after a failed remarketing in 12 equal quarterly installments. The Series 2008 D-H Bonds contain a series of the bonds totaling \$150.0 million, which are backed by standby liquidity facilities with an expiration of March 14, 2012. The remaining \$150.0 million of bonds are backed by standby liquidity facilities with an expiration of March 14, 2014.

Other notes payable, mortgage notes payable, and capital lease obligations are secured by certain property and equipment of the specific borrowers

Aggregate maturities of long-term obligations as scheduled at June 30, 2011, are as follows

	Amount	
Year Ending June 30		
2012	\$	19,380
2013		30,646
2014		18,709
2015		15,968
2016		13,523
Thereafter		717,714
	\$	815,940

Certain balances in the 2010 consolidated financial statements, including the amounts classified as long-term obligations subject to short-term remarketing arrangements, were reclassified to conform to the current year presentation. The effect of such reclassification did not change total net assets or excess of revenues over expenses

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

10. Derivatives

The Health System has interest rate-related derivative instruments to manage its exposure on its variable-rate debt instruments and does not enter into derivative instruments for any purpose other than risk management Interest rate swap contracts between the Health System and a third party (counterparty) provide for the periodic exchange of payments between the parties based on changes in a defined index and a fixed rate and expose the Health System to market risk and credit risk Credit risk is the risk that contractual obligations of the counterparties will not be fulfilled Concentrations of credit risk relate to groups of counterparties that have similar economic or industry characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Counterparty credit risk is managed by requiring high credit standards for the Health System's counterparties The counterparties to these contracts are financial institutions that carry investment-grade credit ratings The interest rate swap contracts contain collateral provisions applicable to both parties to mitigate credit risk The Health System does not anticipate nonperformance by its counterparties Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken Management also mitigates risk through periodic reviews of the Health System's derivative positions in the context of its blended cost of capital

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

10. Derivatives (continued)

The following is a summary of the outstanding positions under these interest rate swap agreements at June 30, 2011

Interest Rate Swap Type	Related Bonds	Expiration Date	Health System Pays	Health System Receives	Notional Value June 30, 2011	Notional Value June 30, 2010
Fixed payor	Series 2001 bonds ⁽¹⁾	June 2, 2031	3 36% – 3 751%	70% of one- month LIBOR	\$ 252,200	\$ 252,200
Fixed payor	Series 2001 bonds ⁽¹⁾	June 2, 2031	3 848% – 3 856%	70% of one- month LIBOR	50,000	50,000
Fixed payor	Series 2008 bonds ⁽¹⁾	June 1, 2016	3 94%	67% of one- month LIBOR	36,650	43,750
Constant maturity	Not applicable ⁽²⁾	June 2, 2031	One-week SIFMA Index	89% of 10-year SIFMA Index	125,000	125,000
Constant maturity	Not applicable ⁽²⁾	January 1, 2016	89% of 10- year SIFMA Index	USD-BMA Municipal Swap Index	125,000	-

The objective of these interest rate swaps is to mitigate interest rate fluctuations and synthetically fix the interest rate of the related Bond Series

The objective of these interest rate swaps is to take advantage of yield curve differences and mitigate risk on future bond offerings. These interest rate swaps are not specifically associated with outstanding debt

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

10. Derivatives (continued)

The fair value of derivative instruments at June 30, 2011 and 2010, is as follows

Derivatives Not Designated as	Balance Sheet	June		e 30		
Hedging Instruments	Location	2011			2010	
Interest rate swap agreements Interest rate swap agreements	Other assets Other liabilities	\$	9,215 48,544	\$	7,678 49,118	

The effects of derivative instruments on the consolidated statements of operations and changes in net assets for the years ended June 30, 2011 and 2010, are reflected in realized and unrealized gains (losses) on interest rate swaps in the consolidated statements of operations

11. Operating Leases

Rent expense for the years ended June 30, 2011 and 2010, totaled \$71.2 million and \$44.4 million, respectively

Future minimum rental payments under noncancelable operating leases as of June 30, 2011, that have initial or remaining terms in excess of one year are as follows

	 Amount
Year Ending June 30	
2012	\$ 46,835
2013	38,884
2014	32,305
2015	25,942
2016	22,878
Thereafter	121,123
	\$ 287,967

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

12. Acquisitions

During fiscal 2011, effective July 28, 2010, and February 1, 2011, two of the Health System's subsidiaries entered into asset purchase agreements to acquire the sole corporate membership in a hospital, ambulatory surgery center, medical office buildings, ancillary equipment, and physician practices for approximately \$70 8 million in cash and the assumption of a note payable of \$8 0 million. The transactions were accounted for as acquisitions in accordance with ASC Topic 958-805, *Business Combinations – Not-for-Profit Entities*

Acquisitions provided the Health System's patients with access to a greater number of specialists and enhanced the coordination of health services

Revenues of the acquired entities included in the consolidated statements of operations were \$36.9 million for the year ended June 30, 2011 Acquisition-related costs were expensed as incurred

The following table summarizes the acquisition date fair values of the assets acquired and liabilities assumed

Inventory and prepaids	\$ 759
PPE	71,437
Identifiable intangible	265
Goodwill	6,613
Accrued PTO	(283)
Note payable assumed	 (7,984)
	\$ 70,807

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

13. Joplin Tornado Damages

An EF-5 tornado hit the city of Joplin on May 22, 2011 St John's Regional Medical Center (SJRMC) suffered significant physical damage to the acute care hospital and certain medical office buildings as a result of the tornado. The operations of SJRMC were expected to be approximately 5% of the Health System's consolidated net patient service revenues in fiscal 2011. The Health System continues to provide health care services in a temporary facility, but in a much diminished capacity.

For the year ended June 30, 2011, management has recorded a \$16.1 million impairment loss equal to the book value of the buildings and equipment impacted by the tornado. This is reflected in depreciation expense on the accompanying consolidated statement of operations. In addition, management has recorded a \$6.0 million impairment loss for inventory destroyed. This is reflected in supplies and other expense on the accompanying consolidated statement of operations.

The Health System expects to incur additional costs related to cleanup and security of the premises and has made a commitment to pay employees for an extended period of time. These expenses will be recorded as incurred. It is anticipated these costs will ultimately be covered by insurance.

The Health System maintains insurance coverage of \$750 million, which covers property damage, business interruption, and related costs, subject to a deductible During fiscal 2011, the Health System received a \$50 0 million initial payment from its insurance company related to this event Of the \$50 0 million, \$16 1 million is recorded as a reduction of depreciation expense to offset the impairment losses pertaining to buildings and equipment, and \$6 0 million is recorded as a reduction of supplies and other expense to offset the impairment losses pertaining to inventory. The remaining \$27 9 million is included in other operating revenues in the accompanying consolidated statement of operations. The Health System expects the ultimate settlement of the related insurance claim to take several years to finalize. Future cash payments under the policy will be recorded when received in operating income.

Notes to Consolidated Financial Statements (continued) (Tables in Thousands)

14. Commitments and Contingencies

Regulatory Compliance

The U S Department of Justice and other federal agencies are increasing resources dedicated to regulatory investigations and compliance audits of health care providers. The Health System is not exempt from these regulatory efforts and has received correspondence from federal agencies with regard to such initiatives. In consultation with legal counsel, management estimates these matters will be resolved without a material adverse effect on the Health System's consolidated financial position or results of operations.

Litigation

The Health System is involved in litigation arising in the normal course of business After consultation with legal counsel, it is management's opinion that these matters will be resolved without a material adverse effect on the Health System's consolidated financial position or results of operations

15. Subsequent Events

The Health System evaluated events and transactions occurring subsequent to June 30, 2011, through September 26, 2011, the date the consolidated financial statements were issued During this period, there were no subsequent events that required recognition in the consolidated financial statements On September 1, 2011, the Health System received \$188 0 million from its insurance company as a partial settlement for hospital and medical office building losses related to the tornado that impacted SJRMC

Other Financial Information

Schedule of Charity Care and Unpaid Cost of Medicaid (Unaudited)

June 30, 2011

Traditional charity care includes the cost of services provided to persons who cannot afford health care because of the financial burden of the health care services and/or who are uninsured or underinsured Unpaid cost of Medicaid represents the unpaid cost of services provided to persons covered by Medicaid The following is a summary of the uncompensated costs related to these services

	Year Ended June 30						
	2011 2010						
	 (In Thousands)						
Traditional charity care	\$ 114,011	\$	95,737				
Unpaid cost of Medicaid	 102,931		71,950				
	\$ 216,942	\$	167,687				

Consolidating Balance Sheet

June 30, 2011

	Fort	Hot							
	 Smith	Springs	Rogers		Joplin]	Kansas	S	t. Louis
			(In Tho	usur	ids)				
Assets									
Current assets	 	 	 						• • • • • •
Cash and cash equivalents	\$ 39.084	\$ (21.755)	\$ (8,702)	\$	(36,204)	\$	19,473	\$	29,399
Accounts receivable, net	36.949	28.977	23,708		13.696		4.134		122.770
Inventories	3,704	4.625	3,504		479		1.529		13,471
Current portion of assets limited as									
to use or restricted									
Other current assets	 (21.828)	(53)	4.114		34,753		(554)		13,080
Total current assets	57,909	11.794	22.624		12,724		24,582		178,720
Assets limited as to use or restricted	1.994	2.086	_		220		1.335		38,676
Property and equipment, net	153,698	119.183	131.485		4,404		38,838		571.943
Notes receivable	10,913	309	_		348		232		28
Other assets	 14,470	9,918	2,315		1,201		(726)		20,546
Total assets	 238,984	\$ 143,290	\$ 156,424	\$	18,897	\$	64,261	\$	809,913
Liabilities and net assets									
Current liabilities									
Current maturities of long-term									
obligations	\$ 162	\$ 403	\$ 126	\$	_	\$	_	\$	2,903
Accounts payable	3,637	5.021	3,418		5,418		1.659		26,348
Accrued liabilities and other	15,694	11,841	11.650		9,094		4,943		85,165
Total current liabilities	19,493	17,265	15,194		14,512		6,602		114,416
Insurance reserves and other									
liabilities	3,000	2,167	1		1		390		21,834
Long-term obligations, less current									
maturities	7,943	8,012	440		_		_		33,404
Total liabilities	 30.436	27,444	15.635		14,513		6.992		169.654
Net assets									
Unrestricted	207,164	113,801	134,789		2,136		56,758		618,274
Restricted	1.384	2,045	6,000		2,248		511		21,985
Total net assets	 208,548	115,846	140,789		4,384		57,269		640,259
Total liabilities and net assets	\$ 238,984	\$ 143,290	\$ 156,424	\$	18,897	\$	64,261	\$	809,913

	Springfield		Oklahoma	MML		Mercy		Eliminations	Total	
					(In Tho	usands	,)			
\$	28.244	\$	26,269	\$	767	\$	118.844	\$	- \$	5 195,419
J	148,673	Ψ	80,657	9	-	9	169	Ψ	_	459,733
	23,115		8,387		_		10,575		_	69,389
	_		_		_		26,958		_	26,958
	10.408		1.072		609		137,102		(22.945)	155,758
	210,440		116,385		1,376		293,648		(22.945)	907,257
	25,100		8,538		24.146		1.263,538		(15,500)	1.350,133
	453,872		199,223		2,837		404,642		_	2,080,125
	647		92		_		-		_	12,569
_	102,698		33,389		_		97,324		(211)	280,924
\$	792,757	\$	357,627	\$	28,359	\$	2,059,152	\$	(38,656) \$	4,631,008
\$	163	\$	392	\$		\$	15.369	\$	(138) \$	
	20,787		13,537		122		40,068		(9,880)	110,135
_	126,225		28.726		136		181.457		(13,101)	461,830
	147,175		42,655		258		236,894		(23.119)	591.345
	63.846		1.768		388		545,237		_	638,632
	397		495		_		745,869		_	796,560
	211.418		44.918		646		1,528,000		(23.119)	2,026,537
	555,284		303,553		27,519		530,491		(15,537)	2,534,232
	26.055		9,156		194		661		(13.337)	70.239
_	581,339		312,709		27,713		531,152		(15,537)	2,604,471
\$	792,757			\$	28,359	\$, ,	4,631,008

Consolidating Statement of Operations

Year Ended June 30, 2011

	Fort		Hot					
	 Smith	:	Springs	Rogers		Joplin	Kansas	St. Louis
				(In Tho	usar	nds)		
Operating revenues								
Net patient service revenues	\$ 263.513	\$	246.642	\$ 205.317	\$	203,965	\$ 68,122	\$ 1.053.346
Capitation revenues	_		224	_		_	_	6,725
Other operating revenues	 13,317		7,869	3,170		33,930	5,842	43,203
Total operating revenues	276,830		254,735	208,487		237,895	73,964	1,103,274
Operating expenses								
Salaries and benefits	132.375		136.906	100,168		93,297	38,201	569,875
Supplies and other	104,839		95,576	78,231		137,691	26,929	420,446
Medical claims expense	_		_	_		_	_	139
Interest	212		663	5.692		_	_	2.628
Provision for uncollectible receivables	24,358		21,778	13,875		15,838	3,722	38,157
Operating expenses before depreciation								
and amortization	261,784		254.923	197.966		246,826	68,852	1,031,245
Operating income (loss) before depreciation								
and amortization	15.046		(188)	10,521		(8.931)	5,112	72.029
Depreciation and amortization	12,548		12,420	11.896		1.925	3,879	63,970
Operating income (loss)	2,498		(12,608)	(1.375)		(10,856)	1,233	8,059
Nonoperating gains (losses)								
Investment returns, net	1.318		228	408		144	114	1.485
Realized and unrealized losses on interest rate swaps	_		_	_		_	_	_
Other, net	(2.244)		177	(25)		(29)	115	(300)
Total nonoperating gains (losses), net	(926)		405	383		115	229	1.185
Excess (deficit) of revenues over expenses	1.572		(12.203)	(992)		(10,741)	1,462	9.244
Other changes in unrestricted net assets								
Transfers from (to) Mercy, net	86		67.424	95,126		(194)	(450)	4.896
Pension liability adjustments	_		_	_		_	_	_
Gain (Loss) from discontinued operations	_		_	=		_	_	_
Net assets released from restrictions								
for property acquisitions	_		_	_		_	_	2,225
Other	_		(594)	(1)		664	57	(3)
Increase (decrease) in unrestricted net assets	\$ 1,658	\$	54,627	\$ 94,133	\$	(10,271)	\$ 1,069	\$ 16,362

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			Mercy										
8	Springfield	Oklahoma	MML	Mercy	Health Plans	Eliminations	Total						
	•			(In Thousands)									
\$	1.282.006	\$ 557.099	\$ 272	\$ 1.021	\$ -	\$ (91.730) \$	3,789,573						
	228,810	169	_	=	=	=	235,928						
	95.740	34,583	2.818	476,775	_	(461,565)	255,682						
	1,606,556	591.851	3.090	477.796	-	(553,295)	4.281.183						
	755,597	275.520	2,237	227.722		(91.730)	2.240,168						
	516,915	237.432		159,580		(453,099)	1,326,084						
	105,841	257,432		137,360		(246)	105,734						
	26	57		2.601	_	(5.696)	6.183						
	94.646	52,458		55	_	(3.050)	264.888						
	1,473,025	565,467	3,782	389,958	_	(550.771)	3,943,057						
	133,531	26,384	(692)	87.838	-	(2.524)	338,126						
	51.975	21.292	188	77,763	-	(2.524)	255.332						
	81,556	5,092	(880)	10,075	_	_	82,794						
	144	738	3,565	163.617	-	_	171.761						
	_	-		(259)	_	_	(259)						
	(645)	145	_	(44)	_	_	(2.850)						
	(501)	883	3,565	163.314	-	_	168,652						
	81.055	5.975	2.685	173,389	-	-	251,446						
	(67,456)	24.608	-	(145,053)	21.013	_	_						
	_	_	-	12,532	_	_	12,532						
	_	-		2.447	_	_	2.447						
	141	7.568		=	=	_	10,139						
	(295)			100,457	(95.978)	· · ·	5,752						
\$	13,445	\$ 40,372	\$ 2,907	\$ 143,772	\$ (74,965)	\$ (793) \$	3 282,316						

Consolidating Statement of Changes in Net Assets

Year Ended June 30, 2011

	Fort		Fort Hot								
	Smith		Springs		Rogers		Joplin	K	Kansas		t. Louis
						(In Thous	ands)				
Increase (decrease) in unrestricted											
net assets	\$	1.658	\$	54.627	\$	94,133	\$ (10.271)	\$	1.069	\$	16,362
Restricted net assets											
Pledges, bequests, and gifts for											
specific purposes		546		813		1.583	227		_		7,770
Investment returns, net		11		_		-	_		_		2,703
Net assets released from											
restrictions		(557)		(565)		(711)	(227)		_		(8,098)
Other		_		(443)		_	_		_		652
(Decrease) increase in restricted											
net assets		_		(195)		872	_		_		3,027
Change in net assets		1,658		54,432		95,005	(10,271)		1,069		19,389
Net assets at beginning of year	2	206,890		61,414		45,784	14,655		56,200		620,870
Net assets at end of year	\$ 2	208,548	\$	115,846	\$	140,789	\$ 4,384	\$	57,269	\$	640,259

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					Mercy										
S	Springfield		Oklahoma	lahoma MML Mercy Health Plans Eliminations							Total				
						(In	Thousands)				_				
\$	13.445	\$	40,372	\$	2.907	\$	143,772	\$	(74.965)	\$ (793)	\$ 282.316				
	1.647		1.934		1.624		550		_	-	16.694				
	3,175		1		_		_		_	_	5.890				
	(2,253)		(9.306)		(1,566)		(61)		-	_	(23.344)				
	(145)		(490)		_		_		_		(426)				
	2.424		(7.861)		58		489		_	_	(1.186)				
	15,869		32,511		2.965		144.261		(74.965)	(793)	281,130				
	565,470		280,198		24,748		386,891		74,965	(14,744)	2,323,341				
\$	581,339	\$	312,709	\$	27,713	\$	531,152	\$	_	\$ (15,537)	\$ 2,604,471				

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