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Form 990   Department of the Treasury Internal Revenue Service	<b>Return of Organization Exempt From Income Tax</b>  <b>Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)</b>  ▶ The organization may have to use a copy of this return to satisfy state reporting requirements	OMB No 1545-0047
		<b>2010</b>
		<b>Open to Public Inspection</b>

<b>A For the 2010 calendar year, or tax year beginning 07-01-2010 and ending 06-30-2011</b>		
<b>B</b> Check if applicable <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	<b>C</b> Name of organization METHODIST CHILDREN'S HOSPITAL	<b>D Employer identification number</b>  75-2428911
	Doing Business As COVENANT CHILDREN'S HOSPITAL	<b>E Telephone number</b>  (806) 725-1011
	Number and street (or P O box if mail is not delivered to street address) 3610 21ST STREET	Room/suite
	<b>G</b> Gross receipts \$ 75,482,748	
	City or town, state or country, and ZIP + 4 LUBBOCK, TX 794101218	
	<b>F</b> Name and address of principal officer JOHN GRIGSON 3615 19TH STREET LUBBOCK, TX 794101203	<b>H(a)</b> Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  <b>H(b)</b> Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) <b>H(c)</b> Group exemption number ▶
<b>I</b> Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) ◀ (Insert no ) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		
<b>J Website:</b> ▶ WWW.COVENANTHEALTH.ORG		
<b>K</b> Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶		<b>L</b> Year of formation 1998
		<b>M</b> State of legal domicile TX

<b>Part I</b>	<b>Summary</b>
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Activities & Governance	<b>1</b> Briefly describe the organization's mission or most significant activities SEE SCHEDULE O		
	<b>2</b> Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	<b>3</b> Number of voting members of the governing body (Part VI, line 1a) . . . . .	<b>3</b>	19
<b>4</b> Number of independent voting members of the governing body (Part VI, line 1b) . . . . .	<b>4</b>	13	
<b>5</b> Total number of individuals employed in calendar year 2010 (Part V, line 2a) . . . . .	<b>5</b>	278	
<b>6</b> Total number of volunteers (estimate if necessary) . . . . .	<b>6</b>	18	
<b>7a</b> Total unrelated business revenue from Part VIII, column (C), line 12 . . . . .	<b>7a</b>	0	
<b>b</b> Net unrelated business taxable income from Form 990-T, line 34 . . . . .	<b>7b</b>	0	
Revenue	<b>8</b> Contributions and grants (Part VIII, line 1h) . . . . .	<b>Prior Year</b> 0	<b>Current Year</b> 263,721
	<b>9</b> Program service revenue (Part VIII, line 2g) . . . . .	73,211,409	75,188,788
	<b>10</b> Investment income (Part VIII, column (A), lines 3, 4, and 7d ) . . . . .	37,001	30,239
	<b>11</b> Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	0	0
	<b>12</b> Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) . . . . .	73,248,410	75,482,748
Expenses	<b>13</b> Grants and similar amounts paid (Part IX, column (A), lines 1–3 ) . . . . .	0	0
	<b>14</b> Benefits paid to or for members (Part IX, column (A), line 4) . . . . .	0	0
	<b>15</b> Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	16,848,078	25,391,727
	<b>16a</b> Professional fundraising fees (Part IX, column (A), line 11e) . . . . .	0	0
	<b>b</b> Total fundraising expenses (Part IX, column (D), line 25) ▶ <sup>0</sup>		
	<b>17</b> Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f) . . . . .	44,530,757	28,842,197
	<b>18</b> Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	61,378,835	54,233,924
	<b>19</b> Revenue less expenses Subtract line 18 from line 12 . . . . .	11,869,575	21,248,824
Net Assets or Fund Balances		<b>Beginning of Current Year</b>	<b>End of Year</b>
	<b>20</b> Total assets (Part X, line 16) . . . . .	20,865,314	42,512,444
	<b>21</b> Total liabilities (Part X, line 26) . . . . .	1,663,474	1,965,284
	<b>22</b> Net assets or fund balances Subtract line 21 from line 20 . . . . .	19,201,840	40,547,160

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

<b>Sign Here</b>	▶ Signature of officer		2012-05-14	
			Date	
<b>Paid Preparer Use Only</b>	▶ JEANNA ADLER CONTROLLER			
	Type or print name and title			
	Print/Type preparer's name	Preparer's signature	Date	Check if self-employed <input type="checkbox"/> PTIN
	Firm's name ▶ ERNST & YOUNG US LLP			Firm's EIN ▶
	Firm's address ▶ 201 MAIN STREET SUITE 1100 FORT WORTH, TX 76102			Phone no ▶ (817) 335-1900

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

Part III

Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III ☐ Yes ☒ No

1

Briefly describe the organization's mission

SEE SCHEDULE O

2

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

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

3

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

If "Yes," describe these changes on Schedule O

4

Describe the exempt purpose achievements for each of the organization's three largest program services by expenses

Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a

(Code ) (Expenses \$ 52,269,943 including grants of \$ 0 ) (Revenue \$ 75,188,788 )

SEE SCHEDULE O

4b

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

4c

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

4d

















Other program services (Describe in Schedule O )

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

4e

Total program service expenses \$ 52,269,943

Part IV Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

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

<b>Part V</b> <b>Statements Regarding Other IRS Filings and Tax Compliance</b>			
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>			
		<b>Yes</b>	<b>No</b>
<b>1a</b>	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	<b>1a</b>	18
<b>b</b>	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	<b>1b</b>	0
<b>c</b>	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	<b>1c</b>	Yes
<b>2a</b>	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	<b>2a</b>	278
<b>b</b>	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?  <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	<b>2b</b>	Yes
<b>3a</b>	Did the organization have unrelated business gross income of \$1,000 or more during the year?	<b>3a</b>	No
<b>b</b>	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	<b>3b</b>	
<b>4a</b>	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	<b>4a</b>	No
<b>b</b>	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
<b>5a</b>	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	<b>5a</b>	No
<b>b</b>	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	<b>5b</b>	No
<b>c</b>	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	<b>5c</b>	
<b>6a</b>	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	<b>6a</b>	No
<b>b</b>	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	<b>6b</b>	
<b>7</b>	<b>Organizations that may receive deductible contributions under section 170(c).</b>		
<b>a</b>	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	<b>7a</b>	No
<b>b</b>	If "Yes," did the organization notify the donor of the value of the goods or services provided?	<b>7b</b>	
<b>c</b>	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	<b>7c</b>	No
<b>d</b>	If "Yes," indicate the number of Forms 8282 filed during the year.	<b>7d</b>	
<b>e</b>	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	<b>7e</b>	No
<b>f</b>	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	<b>7f</b>	No
<b>g</b>	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	<b>7g</b>	
<b>h</b>	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	<b>7h</b>	
<b>8</b>	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	<b>8</b>	
<b>9</b>	<b>Sponsoring organizations maintaining donor advised funds.</b>		
<b>a</b>	Did the organization make any taxable distributions under section 4966?	<b>9a</b>	
<b>b</b>	Did the organization make a distribution to a donor, donor advisor, or related person?	<b>9b</b>	
<b>10</b>	<b>Section 501(c)(7) organizations.</b> Enter		
<b>a</b>	Initiation fees and capital contributions included on Part VIII, line 12.	<b>10a</b>	
<b>b</b>	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	<b>10b</b>	
<b>11</b>	<b>Section 501(c)(12) organizations.</b> Enter		
<b>a</b>	Gross income from members or shareholders.	<b>11a</b>	
<b>b</b>	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	<b>11b</b>	
<b>12a</b>	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?	<b>12a</b>	
<b>b</b>	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	<b>12b</b>	
<b>13</b>	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>		
<b>a</b>	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> See the instructions for additional information the organization must report on Schedule O.	<b>13a</b>	
<b>b</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.	<b>13b</b>	
<b>c</b>	Enter the amount of reserves on hand.	<b>13c</b>	
<b>14a</b>	Did the organization receive any payments for indoor tanning services during the tax year?	<b>14a</b>	No
<b>b</b>	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	<b>14b</b>	

Part VI

Governance, Management, and Disclosure

For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.  
Check if Schedule O contains a response to any question in this Part VI

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year		
1b	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?	Yes	
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		No
6	Does the organization have members or stockholders?	Yes	
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	Yes	
7b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	Yes	
8b	Each committee with authority to act on behalf of the governing body?	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		No

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

		Yes	No
10a	Does the organization have local chapters, branches, or affiliates?		No
10b	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?		
11a	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	Yes	
11b	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	Yes	
12b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	Yes	
12c	Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done	Yes	
13	Does the organization have a written whistleblower policy?	Yes	
14	Does the organization have a written document retention and destruction policy?	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?		
15a	The organization's CEO, Executive Director, or top management official	Yes	
15b	Other officers or key employees of the organization	Yes	
15c	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?		No
16b	If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?		

Section C. Disclosure

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 ☒ Upon request

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

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization  
SHARON CLARK  
2107 OXFORD  
LUBBOCK, TX 79410  
(806) 725-5234

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

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

Form **990** (2010)



## Part VII

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 in reportable compensation from the organization: 10

## Section B. Independent Contractors

## **Section B. Independent Contractors**

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

<b>2</b> Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization ▶3	
--	--

Part VIII

Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections  512, 513, or 514		
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . . . .	1a					
	b	Membership dues . . . . .	1b					
	c	Fundraising events . . . . .	1c					
	d	Related organizations . . . . .	1d	263,721				
	e	Government grants (contributions)	1e					
	f	All other contributions, gifts, grants, and similar amounts not included above	1f					
	g	Noncash contributions included in lines 1a-1f \$						
	h	Total. Add lines 1a-1f . . . . .		263,721				
	Program Service Revenue			Business Code				
2a		PATIENT CARE SERVICES	622110	75,110,507	75,110,507			
b		CAFETERIA	722210	53,389	53,389			
c		ALL OTHER PROGRAM SERVICE REVENUE	900099	24,892	24,892			
d								
e								
f		All other program service revenue						
g		Total. Add lines 2a-2f . . . . .		75,188,788				
Other Revenue		3	Investment income (including dividends, interest and other similar amounts) . . . . .		30,239			30,239
	4	Income from investment of tax-exempt bond proceeds . . .		0				
	5	Royalties . . . . .		0				
	6a	Gross Rents	(i) Real	(ii) Personal				
		b	Less rental expenses					
		c	Rental income or (loss)					
		d	Net rental income or (loss) . . . . .					
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other				
		b	Less cost or other basis and sales expenses					
		c	Gain or (loss)					
		d	Net gain or (loss) . . . . .		0			
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .	a					
		b	Less direct expenses . . . . .	b				
		c	Net income or (loss) from fundraising events . . .		0			
	9a	Gross income from gaming activities See Part IV, line 19 . . .	a					
		b	Less direct expenses . . . . .	b				
		c	Net income or (loss) from gaming activities . . .		0			
	10a	Gross sales of inventory, less returns and allowances . . . . .	a					
		b	Less cost of goods sold . . . . .	b				
		c	Net income or (loss) from sales of inventory . . .		0			
	Miscellaneous Revenue		Business Code					
	11a							
		b						
c								
d		All other revenue . . . . .						
e		Total. Add lines 11a-11d . . . . .		0				
12	Total revenue. See Instructions . . . . .		75,482,748	75,188,788	0		30,239	

Part IX

Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.

All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the U S See Part IV, line 21	0			
2	Grants and other assistance to individuals in the U S See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees . . . . .	0			
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . . . . .	152,028	0	152,028	0
7	Other salaries and wages	17,481,116	16,751,252	729,864	0
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . .	618,037	618,037	0	0
9	Other employee benefits . . . . .	5,698,893	5,659,418	39,475	0
10	Payroll taxes . . . . .	1,441,653	1,358,855	82,798	0
a	Fees for services (non-employees)				
	Management . . . . .	57,258	57,258	0	0
b	Legal . . . . .	16,715	0	16,715	0
c	Accounting . . . . .	22,073	0	22,073	0
d	Lobbying . . . . .	0			
e	Professional fundraising services See Part IV, line 17 . . . . .	0			0
f	Investment management fees . . . . .	0			
g	Other . . . . .	14,178,874	13,593,184	585,690	0
12	Advertising and promotion . . . . .	179,541	0	179,541	0
13	Office expenses . . . . .	9,038,856	8,933,245	105,611	0
14	Information technology . . . . .	223,706	221,600	2,106	0
15	Royalties . . . . .	0			
16	Occupancy . . . . .	583,250	578,915	4,335	0
17	Travel . . . . .	37,925	11,390	26,535	0
18	Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .	0			
19	Conferences, conventions, and meetings . . . . .	10,195	6,503	3,692	0
20	Interest . . . . .	571,630	571,630	0	0
21	Payments to affiliates . . . . .	0			
22	Depreciation, depletion, and amortization . . . . .	3,630,623	3,630,623	0	0
23	Insurance . . . . .	267,068	267,068	0	0
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O )				
a	ALL OTHER EXPENSES	24,483	10,965	13,518	0
b					
c					
d					
e					
f	All other expenses				
25	Total functional expenses. Add lines 1 through 24f	54,233,924	52,269,943	1,963,981	0
26	Joint costs. Check here <input checked="" type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing . . . . .			209,606	1	413,716
	2	Savings and temporary cash investments . . . . .			5,974,486	2	9,329,735
	3	Pledges and grants receivable, net . . . . .				3	
	4	Accounts receivable, net . . . . .			10,895,142	4	12,007,191
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L . . . . .				5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions). Schedule L . . . . .				6	
	7	Notes and loans receivable, net . . . . .				7	
	8	Inventories for sale or use . . . . .				8	
	9	Prepaid expenses and deferred charges . . . . .			115,070	9	107,133
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D . . . . .	10a	5,293,506	2,442,054	10c	2,284,804
	b	Less: accumulated depreciation . . . . .	10b	3,008,702			
	11	Investments—publicly traded securities . . . . .				11	
	12	Investments—other securities. See Part IV, line 11 . . . . .				12	
	13	Investments—program-related. See Part IV, line 11 . . . . .				13	
	14	Intangible assets . . . . .				14	
	15	Other assets. See Part IV, line 11 . . . . .			1,228,956	15	18,369,865
16	Total assets. Add lines 1 through 15 (must equal line 34) . . . . .			20,865,314	16	42,512,444	
Liabilities	17	Accounts payable and accrued expenses . . . . .			1,626,686	17	1,697,141
	18	Grants payable . . . . .				18	
	19	Deferred revenue . . . . .				19	
	20	Tax-exempt bond liabilities . . . . .				20	
	21	Escrow or custodial account liability. Complete Part IV of Schedule D . . . . .				21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L . . . . .				22	
	23	Secured mortgages and notes payable to unrelated third parties . . . . .				23	
	24	Unsecured notes and loans payable to unrelated third parties . . . . .				24	
	25	Other liabilities. Complete Part X of Schedule D . . . . .			36,788	25	268,143
	26	Total liabilities. Add lines 17 through 25 . . . . .			1,663,474	26	1,965,284
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets . . . . .			19,201,840	27	40,547,160
	28	Temporarily restricted net assets . . . . .				28	
	29	Permanently restricted net assets . . . . .				29	
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds . . . . .				30	
	31	Paid-in or capital surplus, or land, building or equipment fund . . . . .				31	
	32	Retained earnings, endowment, accumulated income, or other funds . . . . .				32	
	33	Total net assets or fund balances . . . . .			19,201,840	33	40,547,160
	34	Total liabilities and net assets/fund balances . . . . .			20,865,314	34	42,512,444

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	75,482,748
2	Total expenses (must equal Part IX, column (A), line 25)	2	54,233,924
3	Revenue less expenses Subtract line 2 from line 1	3	21,248,824
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	19,201,840
5	Other changes in net assets or fund balances (explain in Schedule O)	5	96,496
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	40,547,160

Part XII Financial Statements and Reporting

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

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

SCHEDULE A  
(Form 990 or 990EZ)

Department of the Treasury  
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization  
METHODIST CHILDREN'S HOSPITAL

Employer identification number  
75-2428911

Part I

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

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

1

☐

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

2

☐

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

3

☒

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

4

☐

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

5

☐

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

6

☐

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

7

☐

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

8

☐

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

9

☐

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

10

☐

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

11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

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

f

☐

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

g

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

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

Part II

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

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

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

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

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

Part IIIPart III

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

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

Section B. Total Support						
Calendar year (or fiscal year beginning in) 	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV )						
13 Total support (Add lines 9, 10c, 11 and 12 )						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section501(c)(3) organization, check this box and <b>stop here</b> 						

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

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



Part IV

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

Additional Data

Software ID:

Software Version:

EIN: 75-2428911

Name: METHODIST CHILDREN'S HOSPITAL

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
JOHN C ANDERSON BOARD MEMBER/COMMITTEE CHAIR	3 0	X						0	0	0
SUZANNE BLAKE BOARD MEMBER	2 0	X						0	0	0
TODD BRODBECK DO BOARD MEMBER	2 0	X						0	0	0
JOE DEE BROOKS BOARD MEMBER	2 0	X						0	0	0
MONSIGNOR DAVID CRUZ BOARD MEMBER/COMMITTEE CHAIR	3 0	X						0	0	0
MICHAEL DANCHAK MD BOARD MEMBER	2 0	X						0	18,219	0
SAM HAWTHORNE BOARD MEMBER	2 0	X						0	0	0
BRENT HOFFMAN BOARD MEMBER	2 0	X						0	0	0
VAN MAY BOARD MEMBER/VICE CHAIR	3 0	X		X				0	0	0
JUAN SANCHEZ MUNOZ PHD BOARD MEMBER	2 0	X						0	0	0
RICHARD PARKS BOARD MEMBER/PRESIDENT/CEO	20 0	X		X				0	576,684	8,649
DAN POPE BOARD MEMBER/CHAIR	5 0	X		X				0	0	0
JANIE RAMIREZ BOARD MEMBER/COMMITTEE CHAIR	3 0	X						0	0	0
MICHAEL ROBERTSON MD BOARD MEMBER/COMMITTEE CHAIR	3 0	X						0	34,500	0
SISTER SUZANNE SASSUS CSJ BOARD MEMBER	2 0	X						0	0	0
SISTER MARY THERESE SWEENEY CSJ BOARD MEMBER/COMMITTEE CHAIR	3 0	X						0	0	0
TEB THAMES MD BOARD MEMBER	2 0	X						0	0	0
JOHN ZWIACHER BOARD MEMBER/SECRETARY	3 0	X		X				0	0	0
NAIDU CHEKURU MD BOARD MEMBER (UNTIL 12/31/10)	2 0	X						0	34,000	0
MARK JOHNSON MD BOARD MEMBER (UNTIL 12/31/10)	2 0	X						0	79,000	0
JOE RANDOLPH BOARD MEMBER (UNTIL 6/30/11)	2 0	X						0	1,290,925	50,729
DAVID SEIM BOARD MEMBER (UNTIL 12/31/10)	2 0	X						0	0	0
JAMES E HARRELL MD BOARD MEMBER (UNTIL 12/31/10)	2 0	X						0	608,208	19,655
JOHN GRIGSON SVP-CFO	12 0			X				0	566,076	26,856
TROY THIBODEAUX COO	20 0			X				0	0	0

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
ROXIE TAYLOR VP ADMIN LAKESIDE & JACC	20 0				X			0	452,288	24,596
KACI HILL CLINICAL PHARMACIST	50 0					X		126,672	0	13,373
DONNA NEEL MGR NURSING	50 0					X		122,706	0	33,112
KAREN BRODBECK CLINICAL PHARMACIST	50 0					X		122,298	0	29,730
AUBREY BRIDGES STAFF RN II	36 0					X		118,124	0	18,095
LINDA DURBIN STAFF RN IV	32 0					X		114,023	0	18,904
MELINDA CLARK PRESIDENT/CEO (PAST)	0 0						X	0	367,265	0

SCHEDULE D

(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2010

Open to Public  
Inspection

**Name of the organization**  
METHODIST CHILDREN'S HOSPITAL

**Employer identification number**  
  
75-2428911

Part I

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

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?	
	<div><input type="checkbox"/> Yes</div> <div><input type="checkbox"/> No</div>	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit	
	<div><input type="checkbox"/> Yes</div> <div><input type="checkbox"/> No</div>	

Part II

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

1

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

☐ Preservation of land for public use (e g , recreation or pleasure)

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

2

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

	Held at the End of the Year
2a	
2b	
2c	
2d	

3

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

4

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

5

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

☐ Yes

☐ No

6

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

7

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

8

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

☐ Yes

☐ No

9

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

Part III

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

1a

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

1b

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

(i)

Revenues included in Form 990, Part VIII, line 1

▶ \$ \_\_\_\_\_

(ii)

Assets included in Form 990, Part X

▶ \$ \_\_\_\_\_

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ \_\_\_\_\_

b

Assets included in Form 990, Part X

▶ \$ \_\_\_\_\_

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

Cat No 52283D

Schedule D (Form 990) 2010

Part III

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

3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

5

During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection?

☐ Yes

☐ No

Part IV

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

1a

Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?

☐ Yes

☐ No

b

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

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

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

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

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

(i)

unrelated organizations . . . . .

(ii)

related organizations . . . . .

b

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

	Yes	No
3a(i)		
3a(ii)		
3b		

4

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

Part VI

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

Description of investment	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land . . . . .				
b Buildings . . . . .		271,583	90,061	181,522
c Leasehold improvements . . . . .		0	0	0
d Equipment . . . . .		4,975,855	2,918,641	2,057,214
e Other . . . . .		46,068	0	46,068
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) . . . . . ▶				2,284,804

Schedule D (Form 990) 2010



Part XI

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

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

Part XII

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

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

Part XIII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

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

Part XIV

Supplemental Information

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

Identifier	Return Reference	Explanation
CONSOLIDATED AUDIT FOOTNOTE FOR FIN 48 (ASC 740)	SCHEDULE D, PART X, LINE 2	ACCOUNTING STANDARDS CODIFICATION (ASC) 740, INCOME TAXES, CLARIFIES THE ACCOUNTING FOR INCOME TAXES BY PRESCRIBING A MINIMUM RECOGNITION THRESHOLD THAT A TAX POSITION IS REQUIRED TO MEET BEFORE BEING RECOGNIZED IN THE FINANCIAL STATEMENTS. ASC 740 ALSO PROVIDES GUIDANCE ON DERECOGNITION, MEASUREMENT, CLASSIFICATION, INTEREST AND PENALTIES, DISCLOSURE, AND TRANSITION. THE GUIDANCE IS APPLICABLE TO PASS-THROUGH ENTITIES AND TAX-EXEMPT ORGANIZATIONS. NO SIGNIFICANT TAX LIABILITY FOR TAX BENEFITS, INTEREST OR PENALTIES WAS ACCRUED AT JUNE 30, 2011 OR 2010.

SCHEDULE H  
(Form 990)

Hospitals

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

OMB No 1545-0047

2010

Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

**Name of the organization**  
METHODIST CHILDREN'S HOSPITAL

**Employer identification number**  
75-2428911

Part I Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a . . . . .	Yes	
1b	If "Yes," is it a written policy? . . . . .	Yes	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year  <input checked="" type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Applied uniformly to most hospitals <input type="checkbox"/> Generally tailored to individual hospitals		
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year  <b>a</b> Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care  <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input checked="" type="checkbox"/> Other <u>175. %</u>  <b>b</b> Does the organization use FPG to determine eligibility for providing <i>discounted</i> care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care . . . . .  <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input checked="" type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %  <b>c</b> If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care  <b>4</b> Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"? . . . . .	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .	Yes	
5b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? . . . . .	Yes	
5c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? . . . . .		No
6a	Does the organization prepare a community benefit report during the tax year? . . . . .	Yes	
6b	If "Yes," did the organization make it available to the public? . . . . .  Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H	Yes	

7 Financial Assistance and Certain Other Community Benefits at Cost						
Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			1,235,883	0	1,235,883	2 280 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			31,610,813	30,495,989	1,114,824	2 060 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs . . . . .			32,846,696	30,495,989	2,350,707	4 340 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			6,841	0	6,841	0 %
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)						
j Total Other Benefits . . . . .			6,841	0	6,841	0 %
k Total. Add lines 7d and 7j . . . . .			32,853,537	30,495,989	2,357,548	4 340 %



Part IICommunity Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development						
3Community support						
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building			7,324	0	7,324	0 %
7Community health improvement advocacy						
8Workforce development						
9Other						
10Total			7,324	0	7,324	0 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1	Yes
2	Enter the amount of the organization's bad debt expense (at cost)	2	4,539,782
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	3	0
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit		

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	0
6	Enter Medicare allowable costs of care relating to payments on line 5	6	0
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	0
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other		

Section C. Collection Practices

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

Part IVManagement Companies and Joint Ventures

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

## Section A. Hospital Facilities

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

**Schedule H (Form 990) 2010**

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

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

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

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

Part VI

Supplemental Information

Complete this part to provide the following information

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

Identifier	ReturnReference	Explanation
SCHEDULE H, PART I, LINE 6A		COVENANT HEALTH SYSTEM PREPARES AN ANNUAL COMMUNITY BENEFIT REPORT THAT INCLUDES COVENANT CHILDREN'S HOSPITAL

Identifier	ReturnReference	Explanation
SCHEDULE H, PART I, LINE 7		THE AMOUNTS REPORTED IN THE TABLE WERE CALCULATED USING A COST-TO-CHARGE RATIO , WHICH WAS DERIVED FROM WORKSHEET 2, RATIO OF PATIENT CARE COST-TO-CHARGES

Identifier	ReturnReference	Explanation
SCHEDULE H, PART II	COMMUNITY BUILDING ACTIVITIES	

Identifier	ReturnReference	Explanation
SCHEDULE H, PART III, LINE 4		THE ORGANIZATION RECOGNIZES THAT A PORTION OF THE UNINSURED OR UNDERINSURED PATIENT POPULATION MAY NOT ENGAGE IN THE TRADITIONAL FINANCIAL ASSISTANCE APPLICATION PROCESS COLLECTION ACTIONS ARE NOT PURSUED ON THESE ACCOUNTS ONCE THEY ARE RECLASSIFIED AS FINANCIAL ASSISTANCE THERE IS NO OTHER AMOUNT OF BAD DEBT THAT SHOULD BE REPORTED AS FINANCIAL ASSISTANCE FINANCIAL STATEMENT FOOTNOTE DESCRIBING BAD DEBT THE ORGANIZATION RECEIVES PAYMENT FOR SERVICES RENDERED TO PATIENTS FROM FEDERAL AND STATE GOVERNMENTS UNDER THE MEDICARE AND MEDICAID PROGRAMS, PRIVATELY SPONSORED MANAGED CARE PROGRAMS FOR WHICH PAYMENT IS MADE BASED ON TERMS DEFINED UNDER FORMAL CONTRACTS, AND OTHER PAYORS THE ORGANIZATION BELIEVES THERE ARE NO SIGNIFICANT RISKS ASSOCIATED WITH RECEIVABLES FROM GOVERNMENT PROGRAMS RECEIVABLES FROM CONTRACTED AND OTHERS ARE FROM VARIOUS PAYORS WHO ARE SUBJECT TO DIFFERING ECONOMIC CONDITIONS, AND DO NOT REPRESENT ANY CONCENTRATED RISKS TO THE ORGANIZATION THE ORGANIZATION ANALYZES ITS HISTORICAL EXPERIENCE AND IDENTIFIES TRENDS FOR EACH OF ITS MAJOR PAYOR SOURCES OF REVENUE TO ESTIMATE THE APPROPRIATE ALLOWANCE FOR DOUBTFUL ACCOUNTS THE AMOUNTS REPORTED IN THE TABLE WERE CALCULATED USING A COST-TO-CHARGE RATIO SELF PAY DISCOUNTS AND DISCOUNTS FOR PROMPT PAY ARE NOT RECORDED AS BAD DEBT, BUT ARE RECORDED AS A DEDUCTION FROM REVENUE INCLUDED IN CONTRACTUAL ALLOWANCES

Identifier	ReturnReference	Explanation
SCHEDULE H, PART III, LINE 9B		COVENANT CHILDREN'S HOSPITAL PATIENT ACCOUNTS ARE NOT FORWARDED TO COLLECTION STATUS WHEN THE PATIENT MAKES A GOOD FAITH EFFORT TO RESOLVE OUTSTANDING ACCOUNT BALANCES SUCH EFFORTS INCLUDE APPLYING FOR FINANCIAL ASSISTANCE, NEGOTIATING A PAYMENT PLAN, OR APPLYING FOR MEDICAID COVERAGE PRIOR TO ADVANCING ANY ACCOUNT FOR EXTERNAL COLLECTION, THE ORGANIZATION PERFORMS AN EVALUATION TO IDENTIFY IF THE ACCOUNT QUALIFIES FOR CHARITY CARE ACCOUNTS FOR PATIENTS WHO QUALIFY FOR CHARITY CARE ARE WRITTEN OFF AND COLLECTION EFFORTS ARE NOT PURSUED



Identifier	ReturnReference	Explanation
SCHEDULE H, PART VI, LINE 2	NEEDS ASSESSMENT	A NEEDS ASSESSMENT IS COMPILED EVERY THREE YEARS WHICH DETAILS OVERARCHING HEALTHCARE CONCERNS FOR TEXAS IN GENERAL AS WELL AS MANY DETAILS AFFECTING THE LUBBOCK COMMUNITY BENEFIT SERVICE AREA IN PARTICULAR. SOME OF THE OTHER SOURCES USED FOR COVENANT'S NEEDS ASSESSMENT INCLUDE ST. JOSEPH HEALTH SYSTEM'S PRC DATA ASSESSMENT, THE UNITED WAY COMMUNITY STATUS REPORT, AND THE TEXAS DEPARTMENT OF STATE HEALTH SERVICES DATA. THE PROCESS USED FOR THE PRIORITIZATION OF THE PROGRAMS WAS DETERMINED BY GENERAL CONSENSUS. ALL ASSESSMENTS USED FOR THIS PLAN, PRIMARY AND SECONDARY DATA THAT WAS ANALYZED, INDIVIDUAL MEETINGS WITH GROUPS OF STAKEHOLDERS, AND MEMBERS OF THE COMMUNITY BENEFIT COMMITTEE ALL CONFIRMED THE PROGRAMS WHICH ARE PRIORITIZED FOR THIS PLAN. THE COMMUNITY BENEFIT COMMITTEE, WHICH IS COMPOSED OF FIVE COVENANT BOARD MEMBERS AND FIVE COMMUNITY MEMBERS, BRINGS A HISTORY OF WORK WITHIN THE COMMUNITIES WE SERVE. THE FIVE BOARD MEMBERS HAVE A BROAD OVERVIEW OF THE CORE AND SECONDARY SERVICE AREAS, THE COMMUNITY MEMBERS UNDERSTAND THE DEMOGRAPHICS AND SPECIFIC NEEDS, PARTICULARLY IN THE LUBBOCK AREA. BY HEAVILY RELYING ON THE EXPERTISE OF THESE TEN MEMBERS, PRIORITIZATION OF THE PROGRAM WAS FINALIZED.

Identifier	ReturnReference	Explanation
SCHEDULE H, PART VI, LINE 3	PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	THE ORGANIZATION POSTS NOTICES INFORMING THE PUBLIC OF THE FINANCIAL ASSISTANCE PROGRAM NOTICES ARE POSTED IN HIGH VOLUME INPATIENT AND OUTPATIENT SERVICE AREAS NOTICES ARE ALSO POSTED AT LOCATIONS WHERE A PATIENT MAY PAY THEIR BILL NOTICES INCLUDE CONTACT INFORMATION ON HOW A PATIENT CAN OBTAIN MORE INFORMATION ON FINANCIAL ASSISTANCE AS WELL AS WHERE TO APPLY FOR ASSISTANCE THESE NOTICES ARE POSTED IN ENGLISH AND SPANISH AND ANY OTHER LANGUAGES THAT ARE REPRESENTATIVE OF 5% OR GREATER OF PATIENTS IN THE HOSPITAL'S SERVICE AREA ALL PATIENTS WHO DEMONSTRATE LACK OF FINANCIAL COVERAGE BY THIRD PARTY INSURERS ARE OFFERED AN OPPORTUNITY TO COMPLETE THE FINANCIAL ASSISTANCE APPLICATION AND ARE OFFERED INFORMATION, ASSISTANCE, AND REFERRAL AS APPROPRIATE TO GOVERNMENT-SPONSORED PROGRAMS FOR WHICH THEY MAY BE ELIGIBLE

Identifier	ReturnReference	Explanation
SCHEDULE H, PART VI, LINE 4	COMMUNITY INFORMATION	<p>COVENANT IS THE ONLY SJHS MINISTRY PROVIDING SERVICES TO COMMUNITIES IN TWO STATES COVENANT PROVIDES SERVICES IN NEW MEXICO AND DRAWS PATIENTS FROM NEW MEXICO COMMUNITIES INTO LUBBOCK THE CIRCUMSTANCES OF THESE COMMUNITY MEMBERS PROFOUNDLY IMPACT THE ORGANIZATION AND THE SERVICES IT PROVIDES COVENANT HEALTH SYSTEM'S COMMUNITY BENEFIT PRIORITIES ADDRESS DUHN POPULATIONS WITHIN BOTH CORE SERVICE AREAS AND SECONDARY SERVICE AREAS FOR COMMUNITY RESIDENTS WHO ARE FACED WITH MULTIPLE HEALTH PROBLEMS AND HAVE LIMITED ACCESS TO TIMELY, HIGH-QUALITY HEALTH CARE CORE SERVICE AREAS INCLUDE THE TEXAS COUNTIES OF LUBBOCK, BAILEY, LAMB, HALE, FLOYD, MOTLEY, COCHRAN, HOCKLEY, CROSBY, DICKENS, YOAKUM, TERRY, LYNN, GARZA, KENT, GAINES, DAWSON, BORDEN, SCURRY, AND EDDY COUNTY IN NEW MEXICO ESPECIALLY WITHIN LUBBOCK, FOUR NEIGHBORHOODS, ARNETT-BENSON, HARWELL, PARKWAY-CHERRY POINT AND DUNBAR-MANHATTAN HEIGHTS, ARE DESIGNATED AS MEDICALLY UNDERSERVED AREAS (MUA'S) SECONDARY SERVICE AREAS INCLUDE PARMER, CASTRO, AND KING COUNTIES IN TEXAS LUBBOCK, THE LARGEST CITY WITHIN THE CORE AND SECONDARY SERVICE AREAS, IS LOCATED ON THE SOUTH PLAINS OF TEXAS AND HAS A POPULATION OF 204,737 AND A COUNTY (LUBBOCK COUNTY) POPULATION OF 250,446, ACCORDING TO THE 2003 ESTIMATES OF THE U.S. CENSUS LUBBOCK SERVES AS A MAJOR MEDICAL CENTER FOR THE ENTIRE SOUTH PLAINS OF TEXAS AND EASTERN NEW MEXICO REGION, CARING FOR PEOPLE WITHIN A 57-COUNTY, 80,000 SQUARE MILE RADIUS OF THE CITY THE POPULATION OF COVENANT HEALTH SYSTEM'S CORE SERVICE AREA IS EXPECTED TO INCREASE WHILE ONLY MODEST INCREASES ARE EXPECTED, THEY ARE WELCOMED, AS PREVIOUS ASSESSMENTS INDICATED A SLIGHT LOSS OF POPULATION FOR MOST OF OUR PRIMARY SERVICE AREAS IT IS IMPORTANT TO FIRST MENTION SOME OF THE HEALTH CHARACTERISTICS OF TEXAS WHICH ALSO AFFECT THE LUBBOCK AREA TEXAS HAS THE FIFTH HIGHEST POVERTY RATE AMONG THE STATES, ONE IN SIX TEXANS IS CONSIDERED POOR TEXAS HAS THE EIGHTH HIGHEST RATE OF SENIOR CITIZENS LIVING IN POVERTY ONE HALF OF CHILDREN IN TEXAS LIVE IN POVERTY OR ARE ECONOMICALLY DISADVANTAGED TEXAS CONTINUES TO BE A LOW-WAGE, LOW-BENEFIT STATE WITH THAT SAID, TEXAS HAS A CRISIS IN COVERAGE THE ECONOMIC, EDUCATIONAL, CULTURAL, AND SOCIAL STRENGTH OF TEXAS DEPENDS UPON THE HEALTH OF ITS CITIZENS, ALARMINGLY, ABOUT 24% OF ITS POPULATION IS WITHOUT INSURANCE - THE HIGHEST IN THE NATION THE INCREASING NUMBER OF UNINSURED PATIENTS PLACES AN EXTRAORDINARY ECONOMIC AND SERVICE BURDEN UPON HEALTHCARE PROVIDERS, HOSPITALS, AND THE COMMUNITIES THAT FUND THE HEALTHCARE SERVICES THE OVERALL HEALTH STATUS OF TEXANS IS POOR IN COMPARISON WITH OTHER STATES AND LIKELY TO DECLINE FURTHER WITHOUT INTERVENTION THE INCREASING NUMBER OF INDIVIDUALS WITHOUT INSURANCE OR ADEQUATE COVERAGE IS A SIGNIFICANT AND CONTINUING CONCERN FOR THE COUNTRY AND A MAJOR POLICY CHALLENGE FOR TEXAS A MILLION UNINSURED TEXANS DO NOT RECEIVE ADEQUATE CARE FOR CHRONIC DISEASES AND 2,500 DIE PREMATURELY EACH YEAR STUDIES INDICATE THE UNINSURED ARE LESS LIKELY TO SEEK PREVENTATIVE AND SCREENING SERVICES THAT MINIMIZE MORE COSTLY SERVICES LATER 5.6 MILLION TEXANS ARE CONTINUOUSLY WITHOUT MEDICAL INSURANCE THROUGHOUT THE YEAR, 8.5 MILLION GO WITHOUT INSURANCE AT SOME POINT IN THE YEAR MEDICAL EXPENSES ARE THE SINGLE LARGEST REASON FOR PERSONAL BANKRUPTCIES AMONG TEXANS LUBBOCK, TX, ESPECIALLY WITHIN SERVICE AREAS, ALSO FACES ECONOMIC AND HEALTHCARE CHALLENGES BECAUSE OF ITS DIVERSE ECONOMY, WHICH IS GROUNDED IN AGRICULTURE, MANUFACTURING, AND TRADE, THERE IS A SIGNIFICANT MIGRATION OF BOTH PERMANENT AND TEMPORARY DWELLERS INTO THE AREA IT IS A YOUTHFUL POPULATION WITH A MEDIAN AGE OF 31 COMPARED TO THE STATE MEDIAN OF 33.2, WHICH IS PARTIALLY DRIVEN BY THE UNIVERSITIES' PRESENCE IN THE REGION HOWEVER, THE REMAINING COMMUNITIES COVENANT CARES FOR WITHIN THE CORE AND SECONDARY SERVICE AREAS HAVE A DISPROPORTIONATE NUMBER OF PEOPLE WHO ARE BOTH BELOW THE FEDERAL POVERTY LEVEL AND WHO ARE ABOVE THE AGE OF 65 AND ARE IN NEED OF GREATER ACCESS TO HEALTHCARE MANY OF THESE COMMUNITIES ARE MEDICALLY UNDERSERVED AREAS (MUA'S) OR PERSISTENT POVERTY AREAS (PPA'S) OR BOTH SPECIFICALLY FOCUSING ON THE STATISTICS FOR THE ECONOMIC CHARACTERISTICS OF THE LUBBOCK AREA, THE MOST RECENT INDICATORS, FROM THE UNITED WAY'S 2008 COMMUNITY STATUS REPORT, SHOW THAT THE PERCENTAGE OF CHILDREN LIVING IN POVERTY IN LUBBOCK COUNTY IS 22.4% WHICH IS A 7% DECREASE FROM THE PREVIOUS YEAR AND 21% ABOVE THE US AVERAGE THE PERCENTAGE OF ADULTS LIVING IN POVERTY IS 18% WHICH IS A 1.7% INCREASE FROM THE PREVIOUS YEAR AND 55% ABOVE THE US AVERAGE THE PERCENTAGE OF INDIVIDUALS WITHOUT HEALTH INSURANCE IS 24.8% COMPARED TO 23.9% FOR TEXAS IN GENERAL AND 15.1% FOR THE U.S. AVERAGE IT IS CLEAR THAT COVENANT'S SERVICE TO DUHN POPULATIONS IN ADDRESSING HEALTHCARE CHALLENGES IS PRIMARILY FOCUSED ON ACCESS TO TIMELY, HIGH QUALITY HEALTHCARE BOTH THE CORE AND SECONDARY SERVICE AREAS FACE MULTIPLE HEALTH PROBLEMS WHICH RANGE F</p>

Identifier	ReturnReference	Explanation
SCHEDULE H, PART VI, LINE 4	COMMUNITY INFORMATION	<p>FROM CANCER TO UNHEALTHY LIVING HABITS THE CANCER RATE FOR COVENANT (INCLUDING VARIOUS TYPES OF CANCER) IS ABOUT 921/100,000 THE DIABETES PREVALENCE FOR COVENANT'S SERVICE REGIONS IS 11.47% COMPARED TO THE NATIONAL AVERAGE OF 7.5% WITH REGARD TO HYPERTENSION, COVENANT SERVICE REGIONS REPORT 34.99% COMPARED TO THE NATIONAL AVERAGE OF 25.5% IN ADDRESSING THE RATES OF UNHEALTHY LIVING, 15.6% OF LUBBOCK COUNTY RESIDENTS ARE SMOKERS AND 12.9% HAVE PARTICIPATED IN BINGE DRINKING IN THE PAST MONTH 71.8% OF LUBBOCK COUNTY'S ADULTS ARE OVERWEIGHT OR OBESE, AND 20.5% OF THE OVERWEIGHT OR OBESE ARE CHILDREN THE HISPANIC POPULATION IS CLOSE TO 30%, NEARLY TWICE THE NATIONAL AVERAGE ACCORDING TO THE UNITED WAY'S COMMUNITY PLANNING MODEL 2008 LUBBOCK COMMUNITY STATUS REPORT, BY 2040, IT IS PROJECTED THAT HISPANICS WILL BE AT LEAST ONE HALF OF ALL AGE GROUPS YOUNGER THAN 65, AND ABOUT TWO THIRDS OF ALL AGE GROUPS YOUNGER THAN 40 ALTHOUGH ANGLOS COMPRISED 63% OF LUBBOCK COUNTY'S POPULATION IN 2000 (WHICH ALSO REPRESENTS THE SURROUNDING COUNTIES' DEMOGRAPHICS), IT IS ESTIMATED THAT THEY WILL BE 50% OF THE POPULATION IN 2020 AND ONLY 42.8% OF THE POPULATION IN 2030</p>

Identifier	ReturnReference	Explanation
SCHEDULE H, PART VI, LINE 5	PROMOTION OF COMMUNITY HEALTH	THE GOVERNING BODY IS COMPRISED OF A MAJORITY OF PERSONS WHO RESIDE IN THE HOSPITAL'S PRIMARY SERVICE AREA AND WHO ARE NOT EMPLOYEES, CONTRACTORS, OR FAMILY MEMBERS THE SUB-COMMITTEE OF THE BOARD OF TRUSTEES, KNOWN AS THE COMMUNITY BENEFIT COMMITTEE, OVERSEES THE DEVELOPMENT AND IMPLEMENTATION OF THE COMMUNITY HEALTH NEEDS ASSESSMENT AND COMMUNITY BENEFIT PLAN EVERY THREE YEARS, AS WELL AS AN ANNUAL COMMUNITY BENEFIT REPORT THE COMMITTEE ALSO PROVIDES GENERAL DIRECTION TO COVENANT CHILDREN'S HOSPITAL REGARDING 1) BUDGETING DECISIONS, 2) COMMUNITY BENEFIT PROGRAM CONTENT, 3) COMMUNITY BENEFIT PROGRAM DESIGN, 4) TARGET GEOGRAPHIC/POPULATION, 5) PROGRAM CONTINUATION OR DISCONTINUATION, 6) FUND DEVELOPMENT SUPPORT, AND 7) COMMUNITY-WIDE ENGAGEMENT MEDICAL STAFF PRIVILEGES ARE EXTENDED TO ALL QUALIFIED PHYSICIANS IN THE COMMUNITY GIVING BACK TO THE COMMUNITY IS INTEGRATED INTO EVERY ASPECT OF OUR ORGANIZATION AS A MEMBER OF THE FAITH-BASED HEALTH MINISTRY OF ST JOSEPH HEALTH SYSTEM, WE PROVIDE FREE AND DISCOUNTED CARE VIA OUR FINANCIAL ASSISTANCE PROGRAM AND HAVE A FUNDING STREAM TO ADDRESS THE NEEDS OF THE ECONOMICALLY POOR AND VULNERABLE IN THE COMMUNITIES WE SERVE OUR MISSION IS TO PROVIDE QUALITY CARE TO ALL OUR PATIENTS, REGARDLESS OF ABILITY TO PAY WE BELIEVE THAT NO ONE SHOULD DELAY SEEKING NEEDED MEDICAL CARE BECAUSE THEY LACK HEALTH INSURANCE THAT IS WHY COVENANT CHILDREN'S HOSPITAL, AS A MINISTRY OF ST JOSEPH HEALTH SYSTEM, HAS A PATIENT FINANCIAL ASSISTANCE PROGRAM THAT PROVIDES FREE OR DISCOUNTED SERVICES TO ELIGIBLE PATIENTS ON AN ANNUAL BASIS, TEN PERCENT OF OUR NET INCOME IS DEVOTED TO FUND COMMUNITY PROGRAMS FOR THE ECONOMICALLY POOR (CARE FOR THE POOR FUNDS) SPECIFICALLY, FUNDS ARE USED FOR OUTREACH PROGRAMS, DEFINED AS THOSE SERVICES THAT ADDRESS A SPECIFIC UNMET HEALTH NEED AND ARE SEPARATE FROM TRADITIONAL ACUTE CARE SERVICES IN ADDITION TO DEVOTING A PERCENTAGE OF OUR NET INCOME TO COMMUNITY PROGRAMS FOR THE ECONOMICALLY POOR VIA CARE FOR THE POOR FUNDS, WE STRIVE TO ANNUALLY BUDGET A PORTION OF OUR TOTAL OPERATING EXPENSES FOR HEALTHY COMMUNITIES AND COMMUNITY HEALTH EFFORTS DURING THE PAST YEAR, COVENANT CHILDREN'S HOSPITAL DEDICATED \$364,498 IN CARE FOR THE POOR FUNDS AND \$125,000 TO HEALTHY COMMUNITIES AND COMMUNITY HEALTH INITIATIVES THIS FUNDING CONTRIBUTED TO THE FOLLOWING COVENANT HEALTH SYSTEM PROGRAMS HEALTH & NUTRITION EDUCATION, CHILDREN'S DENTAL, AND COVENANT BODY MIND INITIATIVE

Identifier	ReturnReference	Explanation
SCHEDULE H, PART VI, LINE 6	AFFILIATED HEALTH CARE SYSTEM	COVENANT CHILDREN'S HOSPITAL IS A HEALING MINISTRY OF ST JOSEPH HEALTH SYSTEM, AN INTEGRATED HEALTHCARE DELIVERY SYSTEM SPONSORED BY THE ST JOSEPH HEALTH MINISTRY ST JOSEPH HEALTH SYSTEM IS ORGANIZED INTO THREE REGIONS NORTHERN CALIFORNIA, SOUTHERN CALIFORNIA, AND WEST TEXAS/EASTERN NEW MEXICO THE SYSTEM INCLUDES 14 ACUTE CARE HOSPITALS, HOME HEALTH AGENCIES, HOSPICE CARE, OUTPATIENT SERVICES, COMMUNITY CLINICS, AND PHYSICIAN ORGANIZATIONS EACH ASSOCIATED MINISTRY WORKS TO LIVE OUT ITS MISSION OF IMPROVING THE HEALTH AND QUALITY OF LIFE OF THE COMMUNITIES IT SERVES IN 1986, ST JOSEPH HEALTH SYSTEM CREATED A PLAN AND BEGAN AN EFFORT TO FURTHER ITS COMMITMENT TO NEIGHBORS IN NEED WITH A VISION OF REACHING BEYOND THE WALLS OF ITS HEALTHCARE FACILITIES AND TRANSCENDING TRADITIONAL EFFORTS OF PROVIDING FREE CARE FOR THOSE IN NEED OF ACUTE SERVICES, ST JOSEPH HEALTH SYSTEM CREATED THE ST JOSEPH HEALTH SYSTEM FOUNDATION TO IMPROVE THE HEALTH OF LOW-INCOME INDIVIDUALS RESIDING IN LOCAL COMMUNITIES OUR FOUNDATIONAL DOCUMENT, A VISION OF VALUES, FORMALIZES A PROCESS THROUGH WHICH THE HOSPITAL MINISTRIES RETURN TEN PERCENT OF THEIR NET INCOME TO THE ST JOSEPH HEALTH SYSTEM FOUNDATION TO SUPPORT OUTREACH EFFORTS FOR THE MATERIALLY POOR THE FOUNDATION FUNDS PROGRAMS THAT EXEMPLIFY THE FOUR CORE VALUES OF ST JOSEPH HEALTH SYSTEM SERVICE, EXCELLENCE, DIGNITY, AND JUSTICE

Identifier	ReturnReference	Explanation
SCHEDULE H, PART VI, LINE 7	STATE FILING OF COMMUNITY BENEFIT REPORT	TEXAS MINISTRIES REPORT TO STATE OF TEXAS DEPARTMENT OF STATE HEALTH SERVICES IN ACCORDANCE WITH THE TEXAS HEALTH AND SAFETY CODE - SECTION 311.045

Schedule J  
(Form 990)

Compensation Information

OMB No 1545-0047

2010

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization  
METHODIST CHILDREN'S HOSPITAL

Employer identification number  
75-2428911

Part I

Questions Regarding Compensation

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



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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) MELINDA CLARK	(i)	0	0	0	0	0	0	0
	(ii)	0	0	367,265	0	0	367,265	0
(2) RICHARD PARKS	(i)	0	0	0	0	0	0	0
	(ii)	378,190	97,587	100,907	0	8,649	585,333	0
(3) ROXIE TAYLOR	(i)	0	0	0	0	0	0	0
	(ii)	250,890	82,300	119,098	19,557	5,039	476,884	0
(4) DONNA NEEL	(i)	117,676	5,000	30	14,428	18,684	155,818	0
	(ii)	0	0	0	0	0	0	0
(5) KAREN BRODBECK	(i)	115,441	6,802	55	5,445	24,285	152,028	0
	(ii)	0	0	0	0	0	0	0
(6) JOHN GRIGSON	(i)	0	0	0	0	0	0	0
	(ii)	346,128	115,291	104,657	9,766	17,090	592,932	0
(7) JOE RANDOLPH	(i)	0	0	0	0	0	0	0
	(ii)	710,258	241,550	339,117	22,031	28,698	1,341,654	0
(8) JAMES E HARRELL MD	(i)	0	0	0	0	0	0	0
	(ii)	597,082	2,709	8,417	8,000	11,655	627,863	0
( 9 )								
( 10 )								
( 11 )								
( 12 )								
( 13 )								
( 14 )								
( 15 )								
( 16 )								

Part IIISupplemental 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	SCHEDULE J, PART I, LINE 1A	ST JOSEPH HEALTH SYSTEM ALLOWS FOR COMPANION TRAVEL FOR CERTAIN PRE-APPROVED, MINISTRY SPONSORED EVENTS. COMPANION TRAVEL IS TREATED AS TAXABLE COMPENSATION IN MOST CASES. IN THE CASE THAT COMPANION TRAVEL IS NOT TREATED AS TAXABLE COMPENSATION, THE INDIVIDUAL IS PROVIDING A SERVICE TO THE HEALTH SYSTEM AS A REPRESENTATIVE WITH KNOWLEDGE OF THE COMMUNITIES AND MINISTRIES WE SERVE. COMPANION TRAVEL IS AN ESSENTIAL PART OF THE TRUSTEE CONFERENCE. THE FOLLOWING TRUSTEES RECEIVED A BENEFIT FOR COMPANION TRAVEL THAT WAS INTENDED TO BE COMPENSATION: MARK JOHNSON - \$375, JAMES HARRELL - \$292, BRENT HOFFMAN - \$375, JANIE RAMIREZ - \$375, MICHAEL ROBERTSON - \$342, DAVID SEIM - \$428, JOHN ZWIACHER - \$358. EXECUTIVES RECEIVE A PERCENTAGE OF BASE COMPENSATION FOR DISCRETIONARY SPENDING. THESE AMOUNTS ARE INCLUDED IN OTHER REPORTABLE COMPENSATION.
SCHEDULE J, PART I, LINE 3		THE ORGANIZATION'S CHIEF EXECUTIVE OFFICER IS PAID BY ITS TAX-EXEMPT PARENT, ST JOSEPH HEALTH SYSTEM, AND IS DISCLOSED AS A PERSON PAID BY A RELATED ORGANIZATION. SEE SCHEDULE O FORM 990, PART VI, LINE 15A AND 15B FOR THE PROCESS THAT IS COMPLETED BY THE ST JOSEPH HEALTH SYSTEM.
SCHEDULE J, PART I, LINE 4A		- MELINDA CLARK RECEIVED \$367,265 OF SEVERANCE PAID THROUGH ST JOSEPH HEALTH SYSTEM.
SCHEDULE J, PART I, LINE 7		A PORTION OF THE EXECUTIVE'S SALARY IS PLACED "AT-RISK" AND IS NOT AWARDED UNLESS SPECIFIC STRATEGIC OBJECTIVE TARGETS ARE MET OR EXCEEDED. THE AT-RISK EXECUTIVE PLAN IS DESIGNED TO MOTIVATE AND REWARD EXECUTIVES FOR TEAM PERFORMANCE THAT SUPPORTS THE STRATEGIC GOALS AND SUCCESSFUL PERFORMANCE OF ST JOSEPH HEALTH SYSTEM. AT-RISK PAY IS AWARDED TO ASSISTANT VICE PRESIDENTS, VICE PRESIDENTS, SENIOR VICE PRESIDENTS, EXECUTIVE VICE PRESIDENTS, AND THE CHIEF EXECUTIVE OFFICER BASED ON ACHIEVING OR SURPASSING SPECIFIC GOALS THAT ARE PREDETERMINED BY THE BOARD OF TRUSTEES PRIOR TO THE BEGINNING OF THE FISCAL YEAR. THE GOALS INCLUDE OUR STRATEGIC OBJECTIVES OF PERFECT CARE, SACRED ENCOUNTERS, AND HEALTHIEST COMMUNITIES AS WELL AS FISCAL STEWARDSHIP. EACH OF THESE FACTORS IS TAKEN INTO CONSIDERATION WHEN DETERMINING THE PERCENTAGE OF AT-RISK PAY.

Schedule L

(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2010

Open to Public  
Inspection

**Name of the organization**  
METHODIST CHILDREN'S HOSPITAL

**Employer identification number**  
  
75-2428911

Part I

Excess Benefit Transactions (section 501(c)(3) and section 501 (c)(4) organizations only).  
Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

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

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

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

Part II

Loans to and/or From Interested Persons.  
Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

(a) Name of interested person and purpose	(b) Loan to or from the organization?		(c) Original principal amount	(d) Balance due	(e) In default?		(f) Approved by board or committee?		(g) Written agreement?	
	To	From			Yes	No	Yes	No	Yes	No
Total . . . . . ▶ \$ _____										

Part III

Grants or Assistance Benefitting Interested Persons.  
Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

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

Part IV

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Karen Brodbeck	Wife of Dir Todd Brodbeck	152,028	Compensation for services		No

Part V

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

Identifier	Return Reference	Explanation
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SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury

Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2010

Open to Public Inspection

<b>Name of the organization</b> METHODIST CHILDREN'S HOSPITAL	<b>Employer identification number</b> 75-2428911
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Identifier	Return Reference	Explanation
ORGANIZATION'S MISSION STATEMENT	FORM 990, PART I, LINE 1 & PART III, LINE 1	AS A MEMBER OF THE ST JOSEPH HEALTH SYSTEM, COVENANT CHILDREN'S HOSPITAL IS COMMITTED TO EXTENDING THE HEALING MINISTRY OF JESUS IN THE TRADITION OF THE SISTERS OF ST JOSEPH OF ORANGE BY CONTINUALLY IMPROVING THE HEALTH AND QUALITY OF LIFE OF PEOPLE IN THE COMMUNITIES WE SERVE. OUR MISSION IS REALIZED THROUGH THE DELIVERY OF QUALITY IN-PATIENT AND OUT-PATIENT SERVICES AND FOCUSED COMMUNITY INITIATIVES AND PROGRAMS THAT ARE DEDICATED TO IMPROVING THE LIVES OF ALL WE SERVE.

Identifier	Return Reference	Explanation
PROGRAM SERVICE ACCOMPLISHMENTS	FORM 990, PART III, LINE 4A	<p>THREE MISSION OUTCOMES COVENANT HEALTH SYSTEM IS COMMITTED TO THREE SYSTEMWIDE MISSION OUTCOMES 1 EVERY INTERACTION WILL BE EXPERIENCED AS A SACRED ENCOUNTER THE GOAL OF SACRED ENCOUNTER HAS A DIRECT CONNECTION TO THE OVERALL MISSION OUR VALUE OF DIGNITY CALLS FOR US TO RESPECT EACH PERSON AS AN INHERENTLY VALUABLE MEMBER OF THE HUMAN COMMUNITY AND AS A UNIQUE EXPRESSION OF LIFE WE STRIVE TO DO THIS BY KEEPING AT THE FOREFRONT OF OUR MINDS THE UNDERSTANDING OF THE IMPACT WE CAN HAVE ON ONE ANOTHER WITH EVERY ACTION WE TAKE COVENANT COMMUNITY HEALTH OUTREACH'S HEALTH AND NUTRITION EDUCATION PROGRAM IS LEAD BY REGISTERED DIETITIAN, JULIE CRANE AS PART OF THE PROGRAM, JULIE VISITS THE LUBBOCK CHILDREN'S HEALTH CLINIC TO SEE CHILDREN AND YOUTH IN NEED OF HEALTH AND NUTRITION EDUCATION AT BOTH THE LUBBOCK CHILDREN'S HEALTH CLINIC AND THROUGHOUT THE REST OF THE COMMUNITY, SHE SEES A LARGE NUMBER OF CHILDREN STRUGGLING WITH BODY IMAGE CONCERNS, OBESITY, AND POTENTIAL AND CURRENT DIABETES PROBLEMS JULIE REFLECTS ON HOW ONE OF HER FEMALE PATIENTS STRUGGLED TO GET CONTROL OF HER DIETARY HABITS IN ORDER TO LOSE WEIGHT AND LIVE A HEALTHIER LIFESTYLE "I REMEMBER ONE PARTICULAR TEENAGE PATIENT WHO HAD BEEN TRYING SO HARD TO LOSE WEIGHT, BUT THE WEIGHT JUST WAS NOT COMING OFF BY THE TIME SHE CAME TO ME THROUGH THE HEALTH AND NUTRITION EDUCATION PROGRAM, SHE WAS VERY FRUSTRATED ABOUT HER INABILITY TO DROP TO A HEALTHIER WEIGHT RANGE DURING OUR TIME TOGETHER, SHE BECAME BETTER EDUCATED ON SOME VERY BASIC DIET AND EXERCISE CONCEPTS WE WORKED ON BUILDING HER CONFIDENCE ABOUT HOW TO BETTER TRANSFORM HER HABITS, AND SHE WAS ABLE TO SLOWLY MAKE POSITIVE CHANGES IN HER LIFE AT ONE OF HER FOLLOW-UP APPOINTMENTS THREE MONTHS LATER, SHE HAD LOST ALMOST 10 POUNDS! SHE WAS SO THRILLED AND THANKFUL FOR THE EDUCATION SHE RECEIVED IN ORDER TO LIVE A HEALTHIER, HAPPIER, AND FULLER LIFE TO BE ABLE TO GUIDE HER THROUGH HER LIFESTYLE TRANSFORMATION AND SEE HER HAPPINESS AND CONFIDENCE BLOSSOM WAS TRULY A WONDERFUL EXPERIENCE THAT I WILL NEVER FORGET " 2 ALL PATIENTS WILL RECEIVE PERFECT CARE IT IS OUR ATTENTION TO DETAIL AND THE SMALLEST IMPERFECTIONS OF EACH PATIENT'S EXPERIENCE THAT DRIVES A DEEPER UNDERSTANDING AND ULTIMATELY A SUSTAINABLE APPROACH TO THE ACHIEVEMENT OF PERFECT CARE DENTAL ENCOUNTERS WERE CONTINUED THROUGHOUT FY 11 IN BOTH THE LUBBOCK, TEXAS AREA AND THE ARTESIA, NEW MEXICO AREA AT EACH VISIT, THE DENTAL STAFF DISCUSSES THE PROCEDURES PERFORMED DURING THE VISIT WITH THE PATIENT AND THE PARENTS/GUARDIANS, OFTEN REVIEWING WITH THEM PROGRESS COMPLETED WITHIN THE DENTAL PLAN EACH VISIT INCLUDES REMINDERS ABOUT THE IMPORTANCE OF GOOD ORAL HYGIENE BETWEEN VISITS IN FY 11, THERE WERE 78 NEW PATIENTS AND 1,077 PATIENT ENCOUNTERS AT THE TEXAS CLINIC, AND 210 NEW PATIENTS AND 2,004 PATIENT ENCOUNTERS AT THE NEW MEXICO CLINIC THE TOTAL NUMBER OF NEW PATIENTS AT BOTH CHILDREN'S DENTAL CLINICS WAS 288 AND TOTAL PATIENT ENCOUNTERS WERE 3,081 FOR FY 11 THE PARENTS/GUARDIANS OF EACH NEW PATIENT MEET WITH THE DENTIST AND DISCUSS A COMPREHENSIVE DENTAL PLAN FOR THE CHILD'S DENTAL HEALTH 3 THE COMMUNITIES WE SERVE WILL BE AMONG THE HEALTHIEST IN OUR NATION WE SEEK TO DEVELOP COMMUNITY HEALTH INITIATIVES THAT IMPACT LONG-TERM HEALTH ACROSS THE ENTIRE COMMUNITY TEXAS TECH UNIVERSITY (TTU) CENTER FOR PREVENTION AND RESILIENCY (CPR) FOCUSED ON PROGRAM DELIVERY AND COMMUNITY ENHANCEMENT ACTIVITIES AT THE TALKINGTON SCHOOL FOR YOUNG WOMEN LEADERS AND OL SLATON MIDDLE SCHOOL, BOTH IN THE LUBBOCK INDEPENDENT SCHOOL DISTRICT, AND CHRIST THE KING CATHEDRAL SCHOOL THE COVENANT BMI AGAIN SPONSORED THE FIT4FUN KID'S TRIATHLON, PARTNERING WITH TEXAS TECH UNIVERSITY, AS A COMMUNITY OUTREACH ACTIVITY THERE WERE 140 PARTICIPANTS AGES 7-14 FOLLOWING THE TRIATHLON, CBMI SPONSORED THE TEXAS TECH LEISURE POOL FOR THE ATHLETES AND THEIR FAMILIES TO ENJOY TIME TOGETHER, THIS INVOLVED APPROXIMATELY 250 PEOPLE WE ALSO PARTICIPATED IN THE JUNIOR LEAGUE SPONSORED HEALTHY KIDS CAMP IN JUNE WE PRESENTED LESSONS AND ACTIVITIES FOR 30 GIRLS OUR ENHANCEMENTS CONTINUE TO BE, 6TH GRADE THE INNER BEAUTY PAGEANT, FOCUSING ON THE PERSON THE STUDENT IS ON THE INSIDE, AND BE YOUR OWN TOP CHEF, TEACHING ABOUT HEALTHY SNACKS AND ACTUALLY MAKING A HEALTHY SNACK, 7TH GRADE WEFIT, AT THE TEXAS TECH REC CENTER, AND NEW IN 2011 IS ROOTS TO RISE THIS ENHANCEMENT RELATES TO OUR IDENTITY AND BELONGING LESSONS, HELPING THE STUDENTS REALIZE THAT THERE ARE PEOPLE WHO THEY CAN IDENTIFY WITH AND GROUPS THEY BELONG TO THAT THEY MIGHT NOT HAVE BEEN AWARE OF, AND 8TH GRADE LIVESAFE, WHICH TEACHES FIRST AID FOR CHOKING AND SELF DEFENSE, AND EXPRESS YOURSELF, AN ENHANCEMENT THAT ENCOURAGES STUDENTS TO EXPRESS THEMSELVES THROUGH WRITING AND ART INITIATIVE OR PROGRAM NAME NURSING AND RADIOLOGY STUDENTS KEY COMMUNITY PARTNERS TEXAS TECH HEALTH SCIENCES CENTER (TTUHSC), SOUTH PLAINS COLLEGE, LUBBOCK CHRISTIAN UNIVERSITY TARGET POPULATION PATIENTS IN THE HOSPITAL</p>

Identifier	Return Reference	Explanation
PROGRAM SERVICE ACCOMPLISHMENTS	FORM 990, PART III, LINE 4A	<p>GOAL TO ALLOW NURSING, RADIOLOGY, AND SURGICAL TECHNICIAN STUDENTS FROM COVENANT, SOUTH PLAINS COLLEGE, TTUHSC AND LUBBOCK CHRISTIAN UNIVERSITY TO FULFILL THEIR CLINICAL ROTATION HOURS UNDER THE SUPERVISION OF CHS NURSES, RADIOLOGY TECHNICIANS, AND SURGICAL TECHNICIANS HOW WILL WE MEASURE SUCCESS? NURSING AND RADIOLOGY STUDENTS WITH HANDS ON EXPERIENCE, AND THE KNOWLEDGE TO CREATE COMPETENT REGISTERED NURSES, RADIOLOGY TECHS AND SURGICAL TECHS FY 11 ACCOMPLISHMENTS THIS PROGRAM REPORTED \$1,833,059 A DECREASE OF 35.9% FROM FY 2010 INITIATIVE OR PROGRAM NAME ALLIED HEALTH STUDENTS TARGET POPULATION PATIENTS IN THE HOSPITAL GOAL TO ALLOW HEALTH STUDENTS IN THE FIELDS OF FOOD AND NUTRITION, OCCUPATIONAL THERAPY AND PHYSICAL THERAPY TO FULFILL THEIR CLINICAL ROTATION HOURS UNDER THE SUPERVISION OF CHS ALLIED HEALTH PROFESSIONALS HOW WILL WE MEASURE SUCCESS? INCREASED NUMBER OF HEALTHCARE PROFESSIONALS IN THE SOUTH PLAINS AREA, ALLIED HEALTH STUDENTS WITH HANDS-ON EXPERIENCE AND KNOWLEDGE TO CREATE COMPETENT HEALTHCARE PROFESSIONALS FY 11 ACCOMPLISHMENTS THIS PROGRAM REPORTED \$351,573 A DECREASE OF 19.7% FROM FY 2010 INITIATIVE OR PROGRAM NAME KECC COMMUNITY RESOURCE CENTER TARGET POPULATION ANY COMMUNITY MEMBERS OR HEALTHCARE PROFESSIONAL WHO RECEIVE HEALTH-RELATED EDUCATION GOAL TO PROVIDE THE COMMUNITY AND SURROUNDING AREAS ACCESS TO HEALTH-RELATED EDUCATION RESOURCES AND TRAINING TO PROMOTE RECOVERY AND GOOD HEALTH HOW WILL WE MEASURE SUCCESS? BY BECOMING THE FIRST PLACE THAT THE COMMUNITY OF LUBBOCK AND SURROUNDING AREA TURNS TO FOR UP-TO-DATE INFORMATION ON HEALTH EDUCATION TO IMPROVE THE LIVES OF PATIENTS, THEIR FAMILIES, AND THE COMMUNITY FY 11 ACCOMPLISHMENTS THIS PROGRAM REPORTED \$1,208,975 AND REMAINED THE SAME FROM FY 2010 NAME OF INITIATIVE OR PROGRAM HEALTH AND NUTRITION EDUCATION THE DIABETES MANAGEMENT EDUCATION CLASS IS A GROWING HEALTH EDUCATION PROGRAM THE FREE CLASS IS COORDINATED AND TAUGHT BY OUR STAFF NUTRITIONIST, AND IS OFFERED FOR THOSE IN THE COMMUNITY WHO HAVE BEEN RECENTLY DIAGNOSED WITH DIABETES THE COURSE CONTENT INCLUDES OVERALL TOPICS AND VIDEOS ON DIABETES, NUTRITION, DIET, EXERCISE, AND PREVENTION, WITH SPECIALIZED TOPICS ON HYPOGLYCEMIA AND HYPERGLYCEMIA, MEAL PLANNING, ALCOHOL, DEPRESSION, FOOD LABELS, CARBOHYDRATES, DINING OUT, AND SICK-DAY MANAGEMENT PARTICIPANTS COME TO FOUR SESSIONS OVER A 4-WEEK PERIOD AND RECEIVE A FREE GLUCOMETER AFTER ATTENDING THREE CLASSES IN ORDER TO HELP THEM KEEP TRACK OF THEIR BLOOD SUGAR</p>

Identifier	Return Reference	Explanation
IN FY2011, THE HEALTH EDUCATION PROGRAM HAD 294 INDIVIDUAL PATIENT		<p>ENCOUNTERS, 396 ENCOUNTERS IN THE SCHOOL SETTING, AND HAD 96 PATIENTS COMPLETE THE FULL DIABETES EDUCATION PROGRAM THROUGH THE DIABETES MANAGEMENT EDUCATION CLASS, PATIENTS GET SH OWN THE IMPORTANCE OF DIET AND NUTRITION AS A COMPONENT OF THEIR OWN AND THEIR FAMILY'S DIABETIC HEALTH THE HEALTH EDUCATION PROGRAM STAFF DISTRIBUTED FLIERS AND POSTERS TO LOCAL AGENCIES TO MARKET THE FREE DIABETES MANAGEMENT EDUCATION PROGRAM IN ADDITION TO MAINTAINING RELATIONSHIPS WITH EXISTING REFERRAL SOURCES, HEALTH EDUCATION PROGRAM STAFF MADE 12 NEW CONTACTS WITH POTENTIAL REFERRAL SOURCES, MAKING INTRODUCTIONS, PROVIDING INFORMATION ABOUT HEP PROGRAMS AND DISTRIBUTING EDUCATIONAL AND INFORMATIVE MATERIALS TO EACH THANK YOU NOTES WERE ALSO SENT TO 16 REFERRAL SOURCES THROUGH HEP'S DIABETES EDUCATION CLASSES, PATIENTS REPORTED A TOTAL 14 REFERRAL SOURCES REFERRED TO OUR PROGRAM PRESENT EDUCATIONAL INFORMATION ON BASIC NUTRITION, EXERCISE AND DIABETES PREVENTION TO THE STUDENTS OF THE ADULT EDUCATION PROGRAM AT THE LUBBOCK INDEPENDENT SCHOOL DISTRICT'S DOROTHY LOMAX CENTER THREE EDUCATIONAL PRESENTATIONS ON BASIC NUTRITION, EXERCISE AND DIABETES PREVENTION WERE PROVIDED TO A TOTAL OF 68 STUDENTS OF THE ADULT EDUCATION PROGRAM AT LUBBOCK INDEPENDENT SCHOOL DISTRICT'S DOROTHY LOMAX CENTER A PRE- AND POST-TEST WERE ADMINISTERED TO THE STUDENTS TO MEASURE THEIR KNOWLEDGE OF BASIC NUTRITION, EXERCISE, AND DIABETES PREVENTION SCORES RESULTED IN AN AVERAGE PRE-TEST SCORE OF 85% AND AN AVERAGE POST-TEST SCORE OF 94% NAME OF INITIATIVE OR PROGRAM COMMUNITY OUTREACH CHILDREN'S DENTAL CLINICS DENTAL ENCOUNTERS WERE CONTINUED THROUGHOUT FY 11 IN BOTH THE LUBBOCK, TEXAS AREA AND THE ARTESIA, NEW MEXICO AREA AT EACH VISIT, THE DENTAL STAFF DISCUSSES THE PROCEDURES PERFORMED DURING THE VISIT WITH THE PATIENT AND THE PARENTS/GUARDIANS, OFTEN REVIEWING WITH THEM PROGRESS COMPLETED WITHIN THE DENTAL PLAN EACH VISIT INCLUDES REMINDERS ABOUT THE IMPORTANCE OF GOOD ORAL HYGIENE BETWEEN VISITS IN FY 11, THERE WERE 78 NEW PATIENTS AND 1,077 PATIENT ENCOUNTERS AT THE TEXAS CLINIC, AND 210 NEW PATIENTS AND 2,004 PATIENT ENCOUNTERS AT THE NEW MEXICO CLINIC THE TOTAL NUMBER OF NEW PATIENTS AT BOTH CHILDREN'S DENTAL CLINICS WAS 288 AND TOTAL PATIENT ENCOUNTERS WERE 3,081 FOR FY 11 THE PARENTS/GUARDIANS OF EACH NEW PATIENT MEET WITH THE DENTIST AND DISCUSS A COMPREHENSIVE DENTAL PLAN FOR THE CHILD'S DENTAL HEALTH WE PLAN TO CONTINUE EFFORTS TO PROVIDE AND EXPLAIN COMPREHENSIVE DENTAL PLANS TO EACH NEW PATIENT AND PATIENT FAMILY/GUARDIAN THE TEXAS CLINIC CONTINUES TO CULTIVATE A RELATIONSHIP WITH THE COMBEST CENTER, BUCKNER'S CHILDREN'S HOME, AND LUBBOCK CHILDREN'S HOME WE HAVE WORKED TO ESTABLISH COLLABORATIONS WITH SEVERAL COMMUNITY HEALTH PROVIDERS THIS YEAR AND HAVE ALSO STRENGTHENED OUR RELATIONSHIP WITH COVENANT MEDICAL GROUP AND THE COVENANT ADULT EMERGENCY DEPARTMENT IN ADDITION TO COMMUNITY PROVIDERS AND COVENANT PROVIDERS, THE MEDICAL PROVIDER WEBSITE ALSO SERVES AS A REFERRAL SOURCE FOR OUR CLINIC IN ORDER TO REACH PATIENTS AND TO PROVIDE CONTINUITY OF CARE FOR OUR CURRENT PATIENTS WE STARTED THE APPLICATION PROCESS TO BECOME A CHILDREN'S HEALTH INSURANCE PROGRAM (CHIP) PROVIDER WE BEGAN THE FRAMEWORK TO MOVE TOWARD A FAMILY DENTISTRY MODEL BY CREATING AN EMERGENCY DENTAL CLINIC FOR BOTH CHILDREN AND ADULTS NAME OF INITIATIVE OR PROGRAM COVENANT BODY MIND INITIATIVE TEXAS TECH UNIVERSITY (TTU) CENTER FOR PREVENTION AND RESILIENCY (CPR) FOCUSED ON PROGRAM DELIVERY AND COMMUNITY ENHANCEMENT ACTIVITIES AT THE TALKINGTON SCHOOL FOR YOUNG WOMEN LEADERS AND OL SLATON MIDDLE SCHOOL, BOTH IN THE LUBBOCK INDEPENDENT SCHOOL DISTRICT, AND CHRIST THE KING CATHEDRAL SCHOOL IN ACCORDANCE WITH OUR STATEWIDE INITIATIVE, THE FORT WORTH YOUNG WOMEN'S LEADERSHIP ACADEMY IS ALSO RECEIVING THE COVENANT BODY MIND INITIATIVE (BMI) CURRICULUM THE IRMA RANGEL MIDDLE SCHOOL IN THE DALLAS INDEPENDENT SCHOOL DISTRICT CONTINUE TO BE THE CONTROL SCHOOL FOR THE 2010-2011 SCHOOL YEAR THEY WILL BEGIN RECEIVING THE CURRICULUM IN THE FALL OF 2011, AS WILL THE HOUSTON YOUNG WOMEN'S COLLEGE PREPARATORY ACADEMY THE COVENANT BMI AGAIN SPONSORED THE FIT4FUN KID'S TRIATHLON, PARTNERING WITH TEXAS TECH UNIVERSITY, AS A COMMUNITY OUTREACH ACTIVITY THERE WERE 140 PARTICIPANTS AGES 7-14 FOLLOWING THE TRIATHLON, CBMI SPONSORED THE TEXAS TECH LEISURE POOL FOR THE ATHLETES AND THEIR FAMILIES TO ENJOY TIME TOGETHER, THIS INVOLVED APPROXIMATELY 250 PEOPLE WE ALSO PARTICIPATED IN THE JUNIOR LEAGUE SPONSORED HEALTHY KIDS CAMP IN JUNE WE PRESENTED LESSONS AND ACTIVITIES FOR 30 GIRLS OUR ENHANCEMENTS CONTINUE TO BE, 6TH GRADE THE INNER BEAUTY PAGEANT, FOCUSING ON THE PERSON THE STUDENT IS ON THE INSIDE, AND BE YOUR OWN TOP CHEF, TEACHING ABOUT HEALTHY SNACKS AND ACTUALLY MAKING A HEALTHY SNACK, 7TH GRADE WEFIT, AT THE TEXAS TECH REC CENTER, AND NEW IN 2011 IS ROOTS TO RISE THIS ENHANCEMENT RELATES TO OUR IDENTITY AND BELONGING LESSONS, HELPING THE STUDENTS REA</p>



Identifier	Return Reference	Explanation
IN FY2011, THE HEALTH EDUCATION PROGRAM HAD 294 INDIVIDUAL PATIENT		<p>LIZE THAT THERE ARE PEOPLE WHO THEY CAN IDENTIFY WITH AND GROUPS THEY BELONG TO THAT THEY MIGHT NOT HAVE BEEN AWARE OF, AND 8TH GRADE LIVESAFE, WHICH TEACHES FIRST AID FOR CHOKING AND SELF DEFENSE, AND EXPRESS YOURSELF, AN ENHANCEMENT THAT ENCOURAGES STUDENTS TO EXPRES S THEMSELVES THROUGH WRITING AND ART WE CONTINUE TO TRY AND INVOLVE THE PARENTS IN OUR PR OGRAM WE SEND OUT A QUARTERLY NEWSLETTER DONNA CLARK LOVE, A WELL KNOWN AUTHOR AND PRESE NTER ON THE TOPIC OF BULLYING, CAME TO LUBBOCK IN JANUARY 2011 AS A JOINT SPONSORSHIP BETW EEN THE COVENANT BMI AND THE FOUNDATION FOR THE EXCELLENCE OF YOUNG WOMEN THERE WERE 175 COMMUNITY MEMBERS IN ATTENDANCE OF THOSE 175, ONE THIRD OF THEM WERE PARENTS OF STUDENTS RECEIVING OUR CURRICULUM THE FIT4FUN FAMILY TIME AT THE LEISURE POOL BROUGHT OUT APPROXIM ATELY 250 PEOPLE ALL OF THE TRIATHLON PARTICIPANTS WERE REQUIRED TO HAVE A PARENT OR GUAR DIAN WITH THEM AT THE POOL OVERALL IMPROVEMENT IN HEALTH AND WELLNESS OF PROJECT PARTICIP ANTS WITHIN FIVE YEARS MEASUREMENT OF PARTICIPANT LEVELS OF DEPRESSION AND SELF-ESTEEM IS BEING TRACKED ANNUALLY BY UTILIZING BECK YOUTH DEPRESSION INVENTORY AND ROSENBERG SELF-ES TEEM INVENTORY SELF-REPORTS OF PARTICIPANT'S OVERALL ACTIVITY, FITNESS LEVEL, AND NUTRITI ON IS BEING TRACKED ANNUALLY AND MEASURED BY INSTRUMENTS SUCH AS NUTRITIONIST PRO AND FITN ESSGRAM/ACTIVITYGRAM AND, QUALITATIVE DATA INCLUDING STORIES FROM TEACHERS AND STUDENTS U SING AND RECEIVING THE CURRICULUM IS ALSO BEING GATHERED REDUCTION IN THE PREVALENCE OF C HILDHOOD OBESITY AND WEIGHT-RELATED PROBLEMS IN THE LUBBOCK AREA WITHIN FIVE YEARS REDUCT ION RATES WERE TRACKED ANNUALLY USING BMI ON ALL STUDENTS RECEIVING OUR CURRICULUM DATA F ROM SCHOOL YEAR 2010-2011 HAS BEEN COLLECTED AND ENTERED, BUT RUNNING OF DATA AND ANALY SIS IS STILL IN PROGRESS RESULTS SHOW US THAT ALMOST HALF OF OUR KIDS REMAINED HEALTHY AND D ID NOT GAIN AN UNHEALTHY AMOUNT IF THEY GAINED WEIGHT ALSO, ALMOST 20% OF THE KIDS IMPROV ED THEIR HEALTH AFTER STARTING OUT OVERWEIGHT OR OBESE THEREFORE, ALMOST 70% OF OUR KIDS IMPROVED OR REMAINED HEALTHY OF THE 382 STUDENTS WHO PARTICIPATED IN THE BMI PROGRAM OVER THE 2010-2011 ACADEMIC YEAR, 186 STUDENTS (48 69%) REMAINED IN THE HEALTHY RANGE OF LESS THAN THE 85TH PERCENTILE OF THE 382 STUDENTS WHO PARTICIPATED IN THE BMI PROGRAM OVER THE 2010-2011 ACADEMIC YEAR, 75 STUDENTS (19 63%) WHOSE BMI PERCENTILES WERE EQUAL TO OR GREA TER THAN THE 85TH PERCENTILE DECREASED THEIR BMI PERCENTILE TO A DIFFERENT PERCENTILE THE CBMI EXPANDED OUR CURRICULUM THIS YEAR AND DEVELOPED A COURSE TITLED COMPREHENSIVE WELLNE SS WE APPLIED TO THE TEXAS EDUCATION AGENCY FOR APPROVAL AS AN INNOVATIVE COURSE WE RECE IVED APPROVAL AT THE END OF FEBRUARY 2011 THIS MEANS THAT OUR COURSE MAY BE OFFERED AS A 9TH GRADE SEMESTER ELECTIVE AND THE STUDENTS WILL RECEIVE CREDIT FOR TAKING COMPREHENSIVE WELLNESS IT IS THE FIRST COMPREHENSIVE WELLNESS CURRICULUM IN THE STATE OF TEXAS WE ALSO HAD THE OPPORTUNITY TO PRESENT AT THE NATIONAL WELLNESS CONFERENCE IN JULY 2011 AS A RES ULT, INQUIRIES HAVE BEEN MADE FROM PROGRAMS IN THE US AND EVEN OUTSIDE THE US ABOUT OUR CU RRICULUM AND WELLNESS PHILOSOPHY FOR MORE INFORMATION ABOUT COVENANT HEALTH SYSTEM PLEASE VISIT <a href="http://WWW.COVENANTHEALTH.ORG">WWW.COVENANTHEALTH.ORG</a> FOR MORE INFORMATION ABOUT ST JOSEPH HEALTH SYSTEM, PLEASE VISIT <a href="http://WWW.STJOE.ORG">WWW.STJOE.ORG</a></p>

Identifier	Return Reference	Explanation
BUSINESS AND FAMILY RELATIONSHIPS	FORM 990, PART VI, LINE 2	NAIDU CHEKURU AND MARK JOHNSON HAVE A BUSINESS RELATIONSHIP

Identifier	Return Reference	Explanation
DESCRIPTION OF CLASSES OF MEMBERS OR STOCKHOLDERS	FORM 990, PART VI, LINE 6	COVENANT HEALTH SYSTEM IS THE SOLE CORPORATE MEMBER OF COVENANT CHILDREN'S HOSPITAL

Identifier	Return Reference	Explanation
DESCRIPTION OF CLASSES OF PERSONS AND THE NATURE OF THEIR RIGHTS	FORM 990, PART VI, LINE 7A	COVENANT CHILDREN'S HOSPITAL HAS A TIERED GOVERNANCE IN WHICH THE CORPORATE MEMBERS RESERVE THE RIGHT TO APPOINT TRUSTEES TO THE COVENANT CHILDREN'S HOSPITAL BOARD. ALL DIRECTORS APPOINTMENTS THAT COME FROM THE COVENANT CHILDREN'S HOSPITAL BOARD AS NOMINATIONS MUST BE APPROVED BY COVENANT HEALTH SYSTEM, AS THE CORPORATE MEMBER, AND THE ST. JOSEPH HEALTH SYSTEM, AS THE TAX EXEMPT PARENT OF COVENANT HEALTH SYSTEM, AND ST. JOSEPH HEALTH MINISTRY, AS THE ORGANIZATIONAL SPONSOR.

Identifier	Return Reference	Explanation
DESCR CLASSES OF PERSONS, DECISIONS REQUIRING APPR & TYPE OF VOTING RIGHTS	FORM 990, PART VI, LINE 7B	THE RESERVED RIGHTS IN OUR TIERED GOVERNANCE STRUCTURE CONTEMPLATE APPROVAL BY THE COVENANT HEALTH SY STEM MEMBER OF FINANCING, BUDGETS, UNBUDGETED EXPENDITURES OF DEFINED AMOUNTS, STRATEGIC PLAN, APPOINTMENT OF AUDITORS, CREATION OR INVESTMENT IN A LEGALLY RECOGNIZED ENTITY , JOINT VENTURES, PURPOSES, SALE OR DISPOSITION OF REAL PROPERTY , MERGER OR SALE OF SUBSTANTIALLY ALL ASSETS, APPOINTMENT AND REMOVAL OF TRUSTEES, ADOPTION OR AMENDMENT OF ARTICLES OR BYLAWS

Identifier	Return Reference	Explanation
DESCRIBE THE PROCESS USED BY MANAGEMENT &/OR GOVERNING BODY TO REVIEW 990	FORM 990, PART VI, LINE 11B	THE FORM 990 IS PREPARED BY THE FINANCE DEPARTMENT BASED ON INFORMATION RECEIVED FROM VARIOUS DEPARTMENTS OF THE ORGANIZATION AS APPLICABLE. THE FORM 990 IS THEN REVIEWED BY AN OFFICER OF THE ORGANIZATION. A COPY OF THE FORM 990 FILING IS DISTRIBUTED TO ALL VOTING MEMBERS OF THE BOARD FOR THE APRIL 2012 MEETING. DURING THE BOARD FINANCE COMMITTEE MEETING, MANAGEMENT PRESENTS AND DISCUSSES CERTAIN DISCLOSURES AND INFORMATION INCLUDED IN THE FORM 990. THE BOARD FINANCE COMMITTEE CHAIR THEN PROVIDES A SUMMARY AT THE FULL BOARD MEETING.

Identifier	Return Reference	Explanation
DESCRIPTION OF PROCESS TO MONITOR TRANSACTIONS FOR CONFLICTS OF INTEREST	FORM 990, PART VI, LINE 12C	OFFICERS, TRUSTEES, AND KEY EMPLOYEES ARE REQUIRED TO DISCLOSE ANNUALLY ON THE CONFLICT OF INTEREST DISCLOSURE FORM THE EXISTENCE AND NATURE OF ANY ACTUAL, APPARENT, OR POTENTIAL CONFLICTS OF INTEREST HE/SHE MAY HAVE. ADDITIONALLY, DISCLOSURES SHALL BE MADE PROMPTLY ANY TIME AN ACTUAL, APPARENT, OR POTENTIAL CONFLICT OF INTEREST ARISES AND BEFORE THE CONSUMMATION OF ANY CONTRACT, TRANSACTION, OR ARRANGEMENT THAT IS THE SUBJECT OF THE POTENTIAL CONFLICT OF INTEREST. WHEN A CONFLICT OF INTEREST IS IDENTIFIED, SUCH CONFLICT IS DISCLOSED TO THE CONFLICTS & COMPENSATION COMMITTEE OF COVENANT HEALTH SYSTEM. IF THE CONFLICT INVOLVES A MEMBER OF THAT COMMITTEE, THE REMAINING COMMITTEE MEMBERS REVIEW THE MATTER AND DETERMINE WHETHER A CONFLICT OF INTEREST EXISTS. THE OFFICER, TRUSTEE, OR KEY EMPLOYEE MAY NOT BE PRESENT DURING ANY MEETING IN WHICH THE COMMITTEE CONDUCTS ITS EVALUATION, EXCEPT TO ANSWER QUESTIONS AS MAY BE NECESSARY. ONCE ALL NECESSARY INFORMATION HAS BEEN OBTAINED, THE COMMITTEE CONDUCTS ITS EVALUATION AND FORWARDS ITS FINDINGS AND RECOMMENDATIONS TO THE SJHS CHIEF COMPLIANCE OFFICER. IF THE COMMITTEE DETERMINES AN UNRESOLVED CONFLICT OF INTEREST EXISTS, THE COMMITTEE WILL EVALUATE AND RECOMMEND CONFLICT MITIGATION STRATEGIES. THE SJHS CHIEF COMPLIANCE OFFICER, IN CONSULTATION WITH SJHS GENERAL COUNSEL, WILL REVIEW THE COMMITTEE FINDINGS, RECOMMENDATIONS, AND MITIGATION STRATEGIES, AND PRESENT RECOMMENDATIONS TO THE BOARD FOR DISCUSSION AND VOTE.

Identifier	Return Reference	Explanation
PROCESS USED TO DETERMINE COMPENSATION	FORM 990, PART VI, LINES 15A & 15B	<p>THE EXECUTIVE COMPENSATION PROCESS AT ST. JOSEPH HEALTH SYSTEM IS ADMINISTERED BY A COMMITTEE OF INDEPENDENT TRUSTEES. THEY FOLLOW A BOARD-APPROVED CHARTER AND OVERALL EXECUTIVE COMPENSATION PHILOSOPHY. THE CHARTER EMPOWERS THE SJHS BOARD WORKLIFE COMMITTEE TO ADMINISTER THE EXECUTIVE COMPENSATION PROGRAM AND PROCESS ON BEHALF OF THE FULL BOARD OF TRUSTEES OF SJHS. OVERALL, THE PHILOSOPHY IS INTENDED TO REWARD A BROAD SPECTRUM OF HIGH ORGANIZATIONAL AND INDIVIDUAL PERFORMANCE EXPECTATIONS, AS WELL AS THE RETENTION OF KEY MANAGEMENT TALENT. THE SJHS EXECUTIVE COMPENSATION PHILOSOPHY DEFINES THE MARKET FOR ADMINISTERING COMPENSATION AS A COMPARABLE SET OF NOT-FOR-PROFIT AND FOR-PROFIT HEALTH CARE DELIVERY SYSTEMS. SJHS PROVIDES COMPENSATION TO ITS SENIOR EXECUTIVE IN THE FORM OF BASE SALARY, AN ANNUAL INCENTIVE PROGRAM AND BENEFITS. TO FULFILL THEIR RESPONSIBILITY, THE COMMITTEE REGULARLY REVIEWS INFORMATION FROM MULTIPLE SOURCES OF MARKET DATA. THEY USE THIS INFORMATION TO SUPPORT THEIR DECISIONS REGARDING ONGOING EFFECTIVENESS AND ADMINISTRATION OF THE PROGRAM. THE WORKLIFE COMMITTEE IS COMPRISED OF SEVERAL INDEPENDENT MEMBERS OF THE BOARD. THEY MEET FOUR TIMES A YEAR AND ALL CRITICAL DECISIONS ARE MADE DURING THE WORKLIFE COMMITTEE MEETINGS OR IN EXECUTIVE SESSION. THESE DECISIONS ARE DOCUMENTED IN DETAILED MINUTES AND APPROVED IN SUBSEQUENT MEETINGS. THE COMMITTEE IS EMPOWERED TO ENGAGE OUTSIDE COUNSEL AND CONSULTING SUPPORT AS NEEDED. THE WORKLIFE COMMITTEE PERFORMED ITS LAST COMPENSATION REVIEW FOR ASSISTANT VICE PRESIDENTS, VICE PRESIDENTS, SENIOR VICE PRESIDENTS, EXECUTIVE VICE PRESIDENTS, AND THE CHIEF EXECUTIVE OFFICER IN SEPTEMBER 2011.</p>



Identifier	Return Reference	Explanation
AVAIL OF GOV DOCS, CONFLICT OF INTEREST POLICY, & FIN STMTS TO GEN PUBLIC	FORM 990, PART VI, LINE 19	THE ORGANIZATION MAKES ITS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS AVAILABLE TO THE PUBLIC UPON REQUEST THE SJHS COMMUNITY BENEFIT REPORTS, FINANCIAL REPORTS, AND PHILANTHROPY REPORTS ARE ALSO AVAILABLE ON THE SJHS INTERNET SITE

Identifier	Return Reference	Explanation
HOURS DEVOTED TO RELATED ORGANIZATIONS	FORM 990, PART VII	<p>BRENT HOFFMAN SERVES ON THE BOARD OF DIRECTORS OF COVENANT HEALTH SY STEM (CHS) AND COVENAN T CHILDREN'S HOSPITAL (CCH) HE DEVOTES 2 HOURS PER WEEK TO CHS AND 2 HOURS PER WEEK TO CC H DAN POPE SERVES ON THE BOARD OF DIRECTORS OF COVENANT HEALTH SY STEM (CHS) AND COVENANT CHILDREN'S HOSPITAL (CCH) HE DEVOTES 5 HOURS PER WEEK TO CHS AND 5 HOURS PER WEEK TO CCH DAVID SEIM SERVES ON THE BOARD OF DIRECTORS OF COVENANT HEALTH SY STEM (CHS) AND COVENANT CHILDREN'S HOSPITAL (CCH) HE DEVOTES 2 HOURS PER WEEK TO CHS AND 2 HOURS PER WEEK TO CCH JAMES E. HARRELL, M.D. SERVES ON THE BOARD OF DIRECTORS OF COVENANT HEALTH SY STEM (CHS) A ND COVENANT CHILDREN'S HOSPITAL (CCH) HE IS ALSO AN EMPLOYEE OF COVENANT MEDICAL GROUP (C MG), A RELATED TAX-EXEMPT ORGANIZATION HE DEVOTES 2 HOURS PER WEEK TO CHS, 2 HOURS PER WE EK TO CCH AND 46 HOURS PER WEEK TO CMG JANIE RAMIREZ SERVES ON THE BOARD OF DIRECTORS OF COVENANT HEALTH SY STEM (CHS) AND COVENANT CHILDREN'S HOSPITAL (CCH) SHE DEVOTES 3 HOURS P ER WEEK TO CHS AND 3 HOURS PER WEEK TO CCH JOE DEE BROOKS SERVES ON THE BOARD OF DIRECTOR S OF COVENANT HEALTH SY STEM (CHS), COVENANT CHILDREN'S HOSPITAL (CCH) AND COVENANT HOSPITA L LEVELLAND (CHL) HE DEVOTES 2 HOURS PER WEEK TO CHS, 2 HOURS PER WEEK TO CCH, AND 5 HOUR S PER WEEK TO CHL JOE RANDOLPH SERVES ON THE BOARD OF DIRECTORS OF COVENANT HEALTH SY STEM (CHS) AND COVENANT CHILDREN'S HOSPITAL (CCH) HE IS ALSO AN EMPLOYEE OF ST JOSEPH HEALTH SY STEM (SJHS), A RELATED TAX-EXEMPT ORGANIZATION HE DEVOTES 2 HOURS PER WEEK TO CHS, 2 H OURS PER WEEK TO CCH AND 46 HOURS PER WEEK TO SJHS JOHN C. ANDERSON SERVES ON THE BOARD O F DIRECTORS OF COVENANT HEALTH SY STEM (CHS) AND COVENANT CHILDREN'S HOSPITAL (CCH) HE DEV OTES 3 HOURS PER WEEK TO CHS AND 3 HOURS PER WEEK TO CCH JOHN GRIGSON IS THE SVP/CFO FOR COVENANT HEALTH SY STEM (CHS), COVENANT CHILDREN'S HOSPITAL (CCH) AND IS THE CEO OF COVENAN T HEALTH PARTNERS (CHP) HE DEVOTES 26 HOURS PER WEEK TO CHS, 12 HOURS PER WEEK TO CCH, AN D 12 HOURS PER WEEK TO CHP JOHN ZWIACHER SERVES ON THE BOARD OF DIRECTORS OF COVENANT HEA LTH SY STEM (CHS) AND COVENANT CHILDREN'S HOSPITAL (CCH) HE DEVOTES 3 HOURS PER WEEK TO CH S AND 3 HOURS PER WEEK TO CCH JUAN SANCHEZ MUNOZ, PH.D. SERVES ON THE BOARD OF DIRECTORS OF COVENANT HEALTH SY STEM (CHS) AND COVENANT CHILDREN'S HOSPITAL (CCH) HE DEVOTES 2 HOURS P ER WEEK TO CHS AND 2 HOURS PER WEEK TO CCH MARK JOHNSON, M.D. SERVES ON THE BOARD OF DIRE CTORS OF COVENANT HEALTH SY STEM (CHS) AND COVENANT CHILDREN'S HOSPITAL (CCH) HE IS ALSO A N EMPLOYEE OF COVENANT MEDICAL GROUP (CMG), A RELATED TAX-EXEMPT ORGANIZATION HE DEVOTES 2 HOURS PER WEEK TO CHS, 2 HOURS PER WEEK TO CCH AND 46 HOURS PER WEEK TO CMG MICHAEL DAN CHAK, M.D. SERVES ON THE BOARD OF DIRECTORS OF COVENANT HEALTH SY STEM (CHS) AND COVENANT C HILDREN'S HOSPITAL (CCH) HE DEVOTES 2 HOURS PER WEEK TO CHS AND 2 HOURS PER WEEK TO CCH MICHAEL ROBERTSON, M.D. SERVES ON THE BOARD OF DIRECTORS OF COVENANT HEALTH SY STEM (CHS), COVENANT CHILDREN'S HOSPITAL (CCH) AND COVENANT HEALTH PARTNERS (CHP) HE DEVOTES 3 HOURS PER WEEK TO CHS, 3 HOURS PER WEEK TO CCH, AND 2 HOURS PER WEEK TO CHP MONSIGNOR DAVID CRU Z SERVES ON THE BOARD OF DIRECTORS OF COVENANT HEALTH SY STEM (CHS) AND COVENANT CHILDREN'S HOSPITAL (CCH) HE DEVOTES 3 HOURS PER WEEK TO CHS AND 3 HOURS PER WEEK TO CCH NAIDU CHE KURU, M.D. SERVES ON THE BOARD OF DIRECTORS OF COVENANT HEALTH SY STEM (CHS) AND COVENANT C HILDREN'S HOSPITAL (CCH) HE IS ALSO AN EMPLOYEE OF COVENANT MEDICAL GROUP (CMG), A RELATE D TAX-EXEMPT ORGANIZATION HE DEVOTES 2 HOURS PER WEEK TO CHS, 2 HOURS PER WEEK TO CCH AND 46 HOURS PER WEEK TO CMG RICHARD PARKS, PRESIDENT AND CEO OF COVENANT HEALTH SY STEM (CHS ) AND COVENANT CHILDREN'S HOSPITAL (CCH) ALSO SERVES ON THE BOARD OF DIRECTORS OF COVENANT HEALTH SY STEM FOUNDATION (CHSF) HE DEVOTES 35 HOURS PER WEEK TO CHS, 20 HOURS PER WEEK T O CCH AND 2 HOURS PER WEEK TO CHSF ROXIE TAYLOR IS THE VP OF ADMIN LAKESIDE &amp; JACC OF COV ENANT HEALTH SY STEM (CHS) AND COVENANT CHILDREN'S HOSPITAL (CCH) AND ALSO SERVES ON THE BO ARD OF DIRECTORS OF HOSPICE OF LUBBOCK (HOL) SHE DEVOTES 28 HOURS PER WEEK TO CHS, 20 HOU RS PER WEEK TO CCH AND 2 HOURS PER WEEK TO HOL SAM HAWTHORNE SERVES ON THE BOARD OF DIRE CTORS OF COVENANT HEALTH SY STEM (CHS), COVENANT CHILDREN'S HOSPITAL (CCH) AND COVENANT HEAL TH SY STEM FOUNDATION (CHSF ) HE DEVOTES 2 HOURS PER WEEK TO CHS, 2 HOURS PER WEEK TO CCH, AND 2 HOURS PER WEEK TO CHSF SISTER MARY THERESE SWEENEY, CSJ SERVES ON THE BOARD OF DIR ECTORS OF COVENANT HEALTH SY STEM (CHS) AND COVENANT CHILDREN'S HOSPITAL (CCH) SHE DEVOTES 3 HOURS PER WEEK TO CHS AND 3 HOURS PER WEEK TO CCH SISTER SUZANNE SASSUS, CSJ SERVES ON THE BOARD OF DIRECTORS OF COVENANT HEALTH SY STEM (CHS) AND COVENANT CHILDREN'S HOSPITAL ( CCH) SHE DEVOTES 2 HOURS PER WEEK TO CHS AND 2 HOURS PER WEEK TO CCH SUZANNE BLAKE SERVE S ON THE BOARD OF DIRECTORS OF COVENANT HEALTH SY STEM (CHS) AND COVENANT CHILDREN'S HOSPIT AL (CCH) SHE DEVOTES 2 HOURS PER WEEK TO CHS AND</p>

Identifier	Return Reference	Explanation
HOURS DEVOTED TO RELATED ORGANIZATIONS	FORM 990, PART VII	2 HOURS PER WEEK TO CCH TEB THAMES, M D SERVES ON THE BOARD OF DIRECTORS OF COVENANT HEA LTH SY STEM (CHS) AND COVENANT CHILDREN'S HOSPITAL (CCH) HE DEVOTES 2 HOURS PER WEEK TO CH S AND 2 HOURS PER WEEK TO CCH TODD BRODBECK, D O SERVES ON THE BOARD OF DIRECTORS OF COV ENANT HEALTH SY STEM (CHS) AND COVENANT CHILDREN'S HOSPITAL (CCH) HE DEVOTES 2 HOURS PER W EEK TO CHS AND 2 HOURS PER WEEK TO CCH TROY THIBODEAUX IS THE COO OF COVENANT HEALTH SY ST EM (CHS) AND COVENANT CHILDREN'S HOSPITAL (CCH) HE DEVOTES 30 HOURS PER WEEK TO CHS AND 2 0 HOURS PER WEEK TO CCH VAN MAY SERVES ON THE BOARD OF DIRECTORS OF COVENANT HEALTH SY STE M (CHS) AND COVENANT CHILDREN'S HOSPITAL (CCH) HE DEVOTES 3 HOURS PER WEEK TO CHS AND 3 H OURS PER WEEK TO CCH

Identifier	Return Reference	Explanation
OTHER CHANGES IN NET ASSETS	FORM 990, PART XI, LINE 5	INTEREST INCOME REPORTED AS NON-OPERATING GAINS (LOSSES) \$ 30,239 NON-OPERATING GAINS(LOSSES) \$ 90,917 PRIOR YEAR ADJUSTMENT \$(24,660) ----- TOTAL \$ 96,496 =====

Identifier	Return Reference	Explanation
OVERSIGHT OR SELECTION PROCESS	FORM 990, PART XII, LINE 2C	THE ST JOSEPH HEALTH SYSTEM BOARD APPROVES THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND SELECTION OF THE INDEPENDENT ACCOUNTANT

SCHEDULE R  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization  
METHODIST CHILDREN'S HOSPITAL

Employer identification number  
75-2428911

Part I

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

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

Part II

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
See Additional Data Table							

Part III

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

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

Part IV

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

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

Part V

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

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

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

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

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

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

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

e Loans or loan guarantees by other organization(s)

f Sale of assets to other organization(s)

g Purchase of assets from other organization(s)

h Exchange of assets

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

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

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

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

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

n Sharing of paid employees

o Reimbursement paid to other organization for expenses

p Reimbursement paid by other organization for expenses

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

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

Yes

No

No

No

No

No

No

No

No

Yes

Yes

Yes

No

No

Yes

Yes

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

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

Schedule R (Form 990) 2010



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

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation
IDENTIFICATION OF RELATED ORGANIZATIONS TAXABLE AS A PARTNERSHIP	SCHEDULE R, PART III	ST JOSEPH HEALTH SYSTEM HOME HEALTH AGENCY EIN 33-0282945 ADDRESS 1845 W ORANGEWOOD AVENUE, STE 200 ORANGE, CA 92868-2012 ST JOSEPH HEALTH SYSTEM HOME CARE SERVICES EIN 33-0307672 ADDRESS 1845 W ORANGEWOOD AVENUE, STE 100 ORANGE, CA 92868-2012 METHODIST DIAGNOSTIC IMAGING EIN 75-2343261 ADDRESS 4005 24TH STREET LUBBOCK, TX 79410 SHA, LLC EIN 75-2569094 ADDRESS 12940 NORTH HIGHWAY 183 AUSTIN, TX 78750 LUBBOCK SURGERY CENTER, LTD EIN 75-2177401 ADDRESS 4000 24TH STREET LUBBOCK, TX 79410 COVENANT LONG-TERM CARE, LP EIN 20-5033419 ADDRESS 4000 24TH STREET LUBBOCK, TX 79410 HERITAGE INVESTMENT GROUP I, LLC EIN 27-1000061 ADDRESS 500 S MAIN STREET STE 1000 ORANGE, CA 92868 MISSION AMBULATORY SURGICENTER, LTD EIN 33-0355575 ADDRESS 27800 MEDICAL CENTER ROAD, STE 362 MISSION VIEJO, CA 92691 COMPREHENSIVE IMAGING PARTNERS OF ORANGE COUNTY, LLC EIN 26-4591502 ADDRESS ONE CITY BOULEVARD WEST, SUITE 1100 ORANGE, CA 92868

Software ID:

Software Version:

EIN: 75-2428911

Name: METHODIST CHILDREN'S HOSPITAL

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512 (b)(13) controlled organization	
						Yes	No
CAMINO HEALTH CENTER  30300 CAMINO CAPISTRANO SAN JUAN CAPISTRANO, CA92675 33-0574214	HEALTHCARE	CA	501(C)(3)	7	MHRMC		
COVENANT HEALTH PARTNERS  3615 19TH STREET LUBBOCK, TX79410 61-1573313	HEALTHCARE	TX	501(C)(3)	11, I	CHS		
COVENANT HEALTH SYSTEM  3615 19TH STREET LUBBOCK, TX79410 75-2765566	HEALTHCARE	TX	501(C)(3)	3	SJHS		
COVENANT HEALTH SYSTEM FOUNDATION  4000 24TH STREET LUBBOCK, TX79410 75-2897026	HEALTHCARE	TX	501(C)(3)	7	CHS		
COVENANT MEDICAL GROUP  3420 22ND PLACE LUBBOCK, TX79410 75-2743883	HEALTHCARE	TX	501(C)(3)	3	CHS		
HOME CARE PARTNERS  1165 MONTGOMERY DR SANTA ROSA, CA95405 68-0318656	INACTIVE	CA	501(C)(3)	3	SRMH		
HOSPICE OF LUBBOCK  1102 SLIDE ROAD LUBBOCK, TX79414 75-2133781	HEALTHCARE	TX	501(C)(3)	9	CHS		
LUBBOCK METHODIST HOSPITAL FOUNDATION  3615 19TH STREET LUBBOCK, TX79410 75-2220963	HEALTHCARE	TX	501(C)(3)	7	CHS		
METHODIST HOSPITAL LEVELLAND  1900 COLLEGE AVENUE LEVELLAND, TX79336 75-2246348	HEALTHCARE	TX	501(C)(3)	3	CHS		
METHODIST HOSPITAL PLAINVIEW  2601 DIMMITT ROAD PLAINVIEW, TX79072 75-2426010	HEALTHCARE	TX	501(C)(3)	3	CHS		
MISSION HOSPITAL REG MED CTR FDN  27700 MEDICAL CENTER ROAD MISSION VIEJO, CA92691 33-0406118	HEALTHCARE	CA	501(C)(3)	7	MHRMC		
MISSION HOSPITAL REGIONAL MEDICAL CENTER  27700 MEDICAL CENTER ROAD MISSION VIEJO, CA92691 95-1643360	HEALTHCARE	CA	501(C)(3)	3	SJHS		

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512 (b)(13) controlled organization	
						Yes	No
QUEEN OF THE VALLEY MEDICAL CENTER  1000 TRANCAS STREET NAPA, CA94558 94-1243669	HEALTHCARE	CA	501(C)(3)	3	SJHS		
REDWOOD MEMORIAL FOUNDATION  3300 RENNER DRIVE FORTUNA, CA95540 94-2779313	FOUNDATION	CA	501(C)(3)	7	RMH		
REDWOOD MEMORIAL HOSPITAL  3300 RENNER DRIVE FORTUNA, CA95540 94-1384665	HEALTHCARE	CA	501(C)(3)	3	SJHS		
SANTA ROSA MEMORIAL HOSPITAL  1165 MONTGOMERY DRIVE SANTA ROSA, CA95405 94-1231005	HEALTHCARE	CA	501(C)(3)	3	SJHS		
SISTERS OF ST JOSEPH OF ORANGE  480 S BATAVIA ORANGE, CA92868 95-1643383	RELIGIOUS ORG	CA	501(C)(3)	1	NA		
SRM ALLIANCE HOSPITAL SERVICES  400 NORTH MCDOWELL BLVD PETALUMA, CA94954 68-0395200	HEALTHCARE	CA	501(C)(3)	3	SRMH		
ST JOSEPH HEALTH FDN OF N CALIFORNIA  PO BOX 552 SANTA ROSA, CA95405 68-0338070	INACTIVE	CA	501(C)(3)	11,I	SRMH		
ST JOSEPH HEALTH MINISTRY  500 S MAIN STREET SUITE 400 ORANGE, CA92868 27-1666576	RELIGIOUS ORG	CA	501(C)(3)	1	SSJO		
ST JOSEPH HEALTH SYSTEM  500 S MAIN STREET SUITE 700 ORANGE, CA92868 95-3589356	HEALTHCARE	CA	501(C)(3)	11,I	SJHM		
ST JOSEPH HEALTH SYSTEM FOUNDATION  500 S MAIN STREET SUITE 1000 ORANGE, CA92868 33-0143024	HEALTHCARE	CA	501(C)(3)	7	SJHS		
ST JOSEPH HOME CARE NETWORK  170 PROFESSIONAL CENTER DR B ROHNERT PARK, CA94928 68-0331084	HEALTHCARE	CA	501(C)(3)	9	SJHS		
ST JOSEPH HOSPITAL OF EUREKA  2700 DOLBEER STREET EUREKA, CA95501 94-1156596	HEALTHCARE	CA	501(C)(3)	3	SJHS		

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512 (b)(13) controlled organization	
						Yes	No
ST JOSEPH HOSPITAL OF ORANGE  1100 WEST STEWART DRIVE ORANGE, CA92868 95-1643359	HEALTHCARE	CA	501(C)(3)	3	SJHS		
ST JUDE HOSPITAL YORBA LINDA  279 E IMPERIAL HWY 750 FULLERTON, CA92835 33-0185031	HEALTHCARE	CA	501(C)(3)	3	SJHS		
ST JUDE HOSPITAL INC  101 EAST VALENCIA MESA DRIVE FULLERTON, CA92835 95-1643325	HEALTHCARE	CA	501(C)(3)	3	SJHS		
ST JUDE MEMORIAL FOUNDATION  1440 N HARBOR BLVD 200 FULLERTON, CA92835 95-3607229	HEALTHCARE	CA	501(C)(3)	11, I	SJMC		
ST MARY MEDICAL CENTER  18300 HIGHWAY 18 APPLE VALLEY, CA92307 95-1914489	HEALTHCARE	CA	501(C)(3)	3	SJHS		
ST MARY OF THE PLAINS HOSPITAL FDN  4000 24TH STREET LUBBOCK, TX79410 75-1653181	HEALTHCARE	TX	501(C)(3)	7	CHS		
TALLER SAN JOSE  801 NORTH BROADWAY SANTA ANA, CA92701 59-3816355	WORKFORCE DEV	CA	501(C)(3)	2	SSJO		

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income (\$)	(g) Share of end-of- year assets (\$)	(h) Disproprtionate allocations?		(i) Code V-UBI amount on Box 20 of K-1 (\$)	(j) General or Managing Partner?		(k) Percentage ownership
							Yes	No		Yes	No	
ST JOSEPH HLTH SYS HOME HLTH  SEE PART VII LUBBOCK, TX79410 75-2177401	HOME HEALTH	CA	NA	N/A	0	0		No	0		No	0 %
ST JOSEPH HLTH SYS HOME CARE	HOME HEALTH	CA	NA	N/A	0	0		No	0		No	0 %
METHODIST DIAGNOSTIC IMAGING	HEALTHCARE SVCS	TX	NA	N/A	0	0		No	0		No	0 %
SHA LLC	HEALTHCARE SVCS	TX	NA	N/A	0	0		No	0		No	0 %
LUBBOCK SURGERY CENTER LTD	HEALTHCARE SVCS	TX	NA	N/A	0	0		No	0		No	0 %
COVENANT LONG-TERM CARE LP	HEALTHCARE SVCS	TX	NA	N/A	0	0		No	0		No	0 %
HERITAGE INVESTMENT GROUP	INVESTMENT	CA	NA	N/A	0	0		No	0		No	0 %
MISSION AMBULATORY SURGICENTER	HEALTHCARE SVCS	CA	NA	N/A	0	0		No	0		No	0 %

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income (\$)	(g) Share of end-of- year assets (\$)	(h) Disproportionate allocations?		(i) Code V-UBI amount on Box 20 of K-1 (\$)	(j) General or Managing Partner?		(k) Percentage ownership
							Yes	No		Yes	No	
COMPREHENSIVE IMAGING PARTNERS	HEALTHCARE SVCS	CA	NA	N/A	0	0		No	0		No	0 %

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income (\$)	(g) Share of end-of-year assets (\$)	(h) Percentage ownership
ST JOSEPH PROF SVCS ENTERPRISES INC 500 S MAIN STREET SUITE 700 ORANGE, CA92868 33-0155323	HEALTHCARE SVCS	CA	NA	C-CORP	0	0	0 %
AMERICAN UNITY GROUP LTD 58 PAR-LA-VILLE ROAD HAMILTON, HX BD	CAPTIVE INSURANCE	BD	NA	C-CORP	0	0	0 %
ALLIANCE PHYSICIAN SERVICES	INACTIVE	CA	NA	C-CORP	0	0	0 %
MISSION VIEJO MEDICAL VENTURES 27800 MEDICAL CENTER RD 354 MISSION VIEJO, CA92691 33-0212905	HEALTHCARE SVCS	CA	NA	C-CORP	0	0	0 %
MISSION MEDICAL CENTER ASSOCIATION 27800 MEDICAL CENTER RD 354 MISSION VIEJO, CA92691 33-0201044	HEALTHCARE SVCS	CA	NA	C-CORP	0	0	0 %
ST JOSEPH YORBA PARK	INACTIVE	CA	NA	C-CORP	0	0	0 %
LUBBOCK METHODIST HOSPITAL SERVICES PO BOX 1201 LUBBOCK, TX79410 75-2118585	HEALTHCARE SVCS	TX	NA	C-CORP	0	0	0 %
LUBBOCK METHODIST HOSPITAL PRACTICE MGMT 2107 OXFORD STREET SUITE 300 LUBBOCK, TX79410 75-2578995	INACTIVE	TX	NA	C-CORP	0	0	0 %



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

(a) Name of other organization		(b) Transaction type(a-r)	(c) Amount Involved (\$)	(d) Method of determining amount involved
(1)	COVENANT HEALTH SYSTEM FOUNDATION	C	263,721	
(2)	CAMINO HEALTH CENTER		0	
(3)	COVENANT HEALTH PARTNERS		0	
(4)	COVENANT MEDICAL GROUP		0	
(5)	HOME CARE PARTNERS		0	
(6)	HOSPICE OF LUBBOCK		0	
(7)	LUBBOCK METHODIST HOSPITAL FOUNDATION		0	
(8)	METHODIST HOSPITAL LEVELLAND		0	
(9)	METHODIST HOSPITAL PLAINVIEW		0	
(10)	MISSION HOSPITAL REG MED CTR FDN		0	
(11)	MISSION HOSPITAL REGIONAL MEDICAL CENTER		0	
(12)	QUEEN OF THE VALLEY MEDICAL CENTER		0	
(13)	REDWOOD MEMORIAL FOUNDATION		0	
(14)	REDWOOD MEMORIAL HOSPITAL		0	
(15)	SANTA ROSA MEMORIAL HOSPITAL		0	
(16)	SRM ALLIANCE HOSPITAL SERVICES		0	
(17)	ST JOSEPH HEALTH FDN OF N CALIFORNIA		0	
(18)	ST JOSEPH HEALTH SYSTEM FOUNDATION		0	
(19)	ST JOSEPH HOME CARE NETWORK		0	
(20)	ST JOSEPH HOSPITAL OF EUREKA		0	
(21)	ST JOSEPH HOSPITAL OF ORANGE		0	
(22)	ST JUDE HOSPITAL YORBA LINDA		0	
(23)	ST JUDE HOSPITAL INC		0	
(24)	ST JUDE MEMORIAL FOUNDATION		0	
(25)	ST MARY MEDICAL CENTER		0	
(26)	ST MARY OF THE PLAINS HOSPITAL FOUNDATION		0	
(27)	TALLER SAN JOSE		0	
(28)	ST JOSEPH HEALTH SYSTEM HOME HEALTH AGENCY		0	
(29)	ST JOSEPH HEALTH SYSTEM HOME CARE SERVICES		0	
(30)	METHODIST DIAGNOSTIC IMAGING		0	

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

(a) Name of other organization		(b) Transaction type(a-r)	(c) Amount Involved (\$ )	(d) Method of determining amount involved
(31)	SHA LLC		0	
(32)	LUBBOCK SURGERY CENTER LTD		0	
(33)	COVENANT LONG-TERM CARE LP		0	
(34)	HERITAGE INVESTMENT GROUP I LLC		0	
(35)	MISSION AMBULATORY SURGICENTER LTD		0	
(36)	COMPREHENSIVE IMAGING PARTNERS OF OC LLC		0	
(37)	ST JOSEPH PROF SVCS ENTERPRISES INC		0	
(38)	ALLIANCE PHYSICIAN SERVICES		0	
(39)	MISSION VIEJO MEDICAL VENTURES		0	
(40)	MISSION MEDICAL CENTER ASSOCIATION		0	
(41)	ST JOSEPH YORBA PARK		0	
(42)	LUBBOCK METHODIST HOSPITAL SERVICES		0	
(43)	LUBBOCK METHODIST HOSPITAL PRACTICE MGMT		0	

# AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

St. Joseph Health System and Affiliates,  
A St. Joseph Health Ministry Corporation  
Years Ended June 30, 2011 and 2010  
With Report of Independent Auditors

Ernst & Young LLP



St. Joseph Health System and Affiliates  
A St. Joseph Health Ministry Corporation

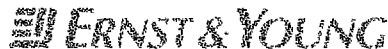
Audited Consolidated Financial Statements  
and Other Financial Information

Years Ended June 30, 2011 and 2010

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## Report of Independent Auditors

Board of Trustees  
St. Joseph Health System and Affiliates

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

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

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

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

*Ernst & Young LLP*

September 30, 2011

St. Joseph Health System and Affiliates  
A St. Joseph Health Ministry Corporation

Consolidated Balance Sheets  
(In thousands)

	June 30	
	2011	2010
<b>Assets</b>		
Current assets		
Cash and equivalents	\$ 250,712	\$ 270,409
Short-term marketable securities	715,530	563,584
Patient accounts receivable, less allowance for doubtful accounts (\$157,456 in 2011 and \$184,297 in 2010)	455,273	462,256
Inventories and other	138,699	106,359
Total current assets	1,560,214	1,402,608
Long-term marketable securities	840,399	633,519
Assets limited as to use		
Board designated	174,329	154,220
Held in trust	65,118	147,798
Total assets limited as to use	239,447	302,018
Property and equipment, net	2,241,317	2,136,646
Investments and other	67,169	63,200
Collateral held for swap counterparty	10,339	29,010
Notes receivable	5,393	8,172
Deferred financing costs, net	20,357	21,515
Goodwill and other intangibles, less accumulated amortization (\$43,112 in 2011 and \$55,447 in 2010)	42,818	61,342
	146,076	183,239
Total assets	\$ 5,027,453	\$ 4,658,030
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable	\$ 127,508	\$ 142,804
Accrued compensation and related liabilities	313,236	295,416
Accrued liabilities	229,027	165,053
Payable to third-party payors	76,119	60,523
Current maturities of long-term debt	52,017	114,890
Total current liabilities	797,907	778,686
Interest rate swaps	44,964	65,194
Other liabilities	123,978	98,520
Long-term debt, less current maturities	1,334,843	1,338,523
Total liabilities	2,301,692	2,280,923
Net assets		
Controlling interest	2,696,006	2,348,364
Noncontrolling interests in subsidiaries	29,755	28,743
	2,725,761	2,377,107
Total liabilities and net assets	\$ 5,027,453	\$ 4,658,030

See accompanying notes

St. Joseph Health System and Affiliates  
A St. Joseph Health Ministry Corporation

Consolidated Statements of Operations and Changes in Net Assets  
(In thousands)

	Year Ended June 30	
	2011	2010
Revenues		
Patient service, net of contractual allowances and discounts	\$ 3,659,620	\$ 3,499,609
Less Provision for doubtful accounts	196,250	246,051
Net patient service, less provision for doubtful accounts	3,463,370	3,253,558
Premium	654,376	675,538
Other	105,309	93,441
Total revenues, net	4,223,055	4,022,537
Expenses		
Compensation and benefits	1,901,420	1,793,309
Supplies and other	917,107	805,345
Professional fees and purchased services	966,327	972,347
Depreciation and amortization	186,761	192,252
Interest	59,988	92,231
Total expenses	4,031,603	3,855,484
Operating income	191,452	167,053
Nonoperating gains, net	171,794	104,352
Excess of revenues over expenses	363,246	271,405
Less excess of revenues over expenses attributable to noncontrolling interests	6,444	4,637
Excess of revenues over expenses attributable to controlling interests	\$ 356,802	\$ 266,768
Unrestricted net assets		
Excess of revenues over expenses attributable to controlling interests	\$ 356,802	\$ 266,768
Excess of revenues over expenses attributable to noncontrolling interests	6,444	4,637
Cumulative effect of loss on goodwill impairment upon adoption of new accounting principle	(17,901)	—
Net assets released from restrictions and other attributable to controlling interests	(566)	(9,429)
Net assets released from restrictions and other attributable to noncontrolling interests	(5,432)	1,802
Increase in unrestricted net assets	339,347	263,778
Temporarily and permanently restricted net assets		
Restricted net assets released from restrictions, restricted contributions and other, net, attributable to controlling interests	9,307	15,511
Increase in net assets	348,654	279,289
Net assets at beginning of year	2,377,107	2,097,818
Net assets at end of year	\$ 2,725,761	\$ 2,377,107

See accompanying notes

St. Joseph Health System and Affiliates  
A St. Joseph Health Ministry Corporation

Consolidated Statements of Cash Flows  
(In thousands)

	Year Ended June 30	
	2011	2010
<b>Cash flows from operating activities and nonoperating gains</b>		
Increase in net assets	\$ 348,654	\$ 279,289
Cumulative effect of loss on goodwill impairment upon adoption of new accounting principle	17,901	—
Adjustments to reconcile increase in net assets to net cash provided by operating activities and nonoperating gains		
Provision for doubtful accounts	196,250	246,051
Depreciation and amortization	186,761	192,252
Amortization of deferred financing costs	863	2,068
Restricted contributions and other, net	(9,307)	(15,511)
Change in fair value of interest rate swap agreements	(20,230)	19,909
Changes in operating assets and liabilities		
Patient accounts receivable	(189,267)	(229,208)
Inventories and other current assets	(32,340)	15,245
Marketable securities	(358,826)	(135,212)
Board-designated assets	(20,109)	(20,046)
Assets held in trust	82,680	(99,780)
Accounts payable	(15,296)	2,301
Accrued compensation and related liabilities	17,820	5,004
Accrued liabilities	63,974	(39,671)
Payable to third-party payors	15,596	3,779
Other liabilities	25,458	9,559
Net cash provided by operating activities and nonoperating gains	310,582	236,029
<b>Investing activities</b>		
Purchase of property and equipment	(290,809)	(262,763)
Increase in investments and other	(3,969)	(9,635)
Decrease (increase) in collateral held for swap counterparty	18,671	(28,404)
Decrease in notes receivable	2,779	277
Net cash used in investing activities	(273,328)	(300,525)
<b>Financing activities</b>		
Restricted contributions and other	9,307	15,511
Proceeds from line of credit	25,500	—
Repayment of line of credit	(71,500)	—
Proceeds from long-term debt	14,000	470,375
Repayment of long-term debt	(34,553)	(334,494)
Decrease (increase) in deferred financing costs	295	(3,652)
Net cash (used in) provided by financing activities	(56,951)	147,740
(Decrease) increase in cash and equivalents	(19,697)	83,244
Cash and equivalents at beginning of year	270,409	187,165
Cash and equivalents at end of year	\$ 250,712	\$ 270,409
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	\$ 71,341	\$ 72,101

See accompanying notes



St. Joseph Health System and Affiliates  
A St. Joseph Health Ministry Corporation

Notes to Consolidated Financial Statements

June 30, 2011

**1. Summary of Significant Accounting Policies**

**Organization**

St. Joseph Health System and Affiliates (the Health System) is a non-profit organization previously sponsored by the Sisters of St. Joseph of Orange, a religious order of the Roman Catholic Church, with its Motherhouse in Orange, California. The sponsorship of the Health System was expanded to include the laity in a new non-profit organization, St. Joseph Health Ministry (SJHM). SJHM is a public juridic person, a pontifical structure that allows laypeople to assume sponsorship responsibilities of “temporal goods” of the Catholic church such as the Health System. SJHM formally assumed sponsorship responsibilities previously exercised by the General Council of the Sisters of St. Joseph of Orange. There was no direct impact on the operations of the Health System and its affiliates as a result of the expanded sponsorship.

The Health System is the corporate member of 13 acute care hospital affiliates (3,621 licensed beds) which also offer associated ancillary, skilled nursing, psychiatric, substance abuse, rehabilitation, outpatient surgery, home health, and hospice services. The Health System also provides outpatient services and physician practice management through its affiliated non-profit subsidiaries and controlling interests in various partnerships. The hospital affiliates are:

*St Joseph Hospital of Orange, Orange, California*  
*St Jude Hospital, Inc (dba St Jude Medical Center), Fullerton, California*  
*Mission Hospital Regional Medical Center (dba Mission Hospital), Mission Viejo, California*  
*St Mary Medical Center, Apple Valley, California*  
*Queen of the Valley Medical Center, California, Napa, California*  
*Santa Rosa Memorial Hospital, Santa Rosa, California*  
*SRM Alliance Hospital Services (dba Petaluma Valley Hospital), Petaluma, California*  
*St Joseph Hospital of Eureka, Eureka, California*  
*Redwood Memorial Hospital, Fortuna, California*  
*Covenant Health System (dba Covenant Medical Center – Lakeside and Covenant Medical Center), Lubbock, Texas*  
*Methodist Children’s Hospital (dba Covenant Children’s Hospital), Lubbock, Texas*  
*Methodist Hospital Levelland (dba Covenant Levelland), Levelland, Texas*  
*Methodist Hospital Plainview (dba Covenant Hospital Plainview), Plainview, Texas*

St. Joseph Health System and Affiliates  
A St. Joseph Health Ministry Corporation

Notes to Consolidated Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

In 1998, the Health System entered into an affiliation agreement with Lubbock Methodist Hospital System and Affiliates (LMHS). The agreement provided for the formation of Covenant Health System (Covenant) (1,181 licensed beds) with contributions by the Health System and LMHS of substantially all of the assets, liabilities and operations of St. Mary of the Plains Hospital and Rehabilitation Center and Foundation, Lubbock, Texas, and LMHS to Covenant.

Covenant is a non-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Firstcare, a licensed Texas Health Maintenance Organization, is 67% owned by Covenant. Covenant's financial results have been consolidated with those of the Health System, as the two entities are operated under common management and control and certain Covenant hospitals are members of the Health System Obligated Group (as defined below).

Together with its hospital affiliates, the Health System owns a captive insurance company, American Unity Group, Ltd. (the Captive). The Health System's hospital affiliates are also the corporate members of St. Jude Hospital Yorba Linda dba St. Joseph Heritage Healthcare (Heritage), a non-profit corporation providing physician practice management services. The Health System is also the sole corporate member of St. Joseph Professional Services Enterprises, Inc. (PSE), a company formed to participate in health care-related ventures, Revenue Cycle Services, LLC, a company formed to provide collection services from health plan payors on behalf of the hospital affiliates, and St. Joseph Health System Foundation, a company formed to administer funds for charitable purposes. Through PSE, the Health System owns a controlling interest in Heritage Investment Group I, LLC, a real estate company formed to construct, own and manage a medical office building.

On July 1, 2009, Mission Hospital Regional Medical Center purchased substantially all of the assets of South Coast Medical Center (SCMC) for \$35,700,000, which was funded through cash from operations and a draw on a line of credit. SCMC is a 208-bed facility located in Laguna Beach, California, offering emergency, acute care, chemical dependency, psychiatric, skilled nursing, and various other inpatient and outpatient services. The business combination was accounted for as an acquisition under the purchase method.

The Health System office and its hospital affiliates, along with the northern division of the Health System's home health operations, are members of the Obligated Group, as defined under trust indentures, for purposes of entering into long-term debt arrangements (see Note 5).

St. Joseph Health System and Affiliates  
A St. Joseph Health Ministry Corporation

Notes to Consolidated Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

**Basis of Consolidation**

The accompanying consolidated financial statements include the accounts of the affiliated members of St. Joseph Health System and entities controlled by its affiliates, and Covenant. Significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

**Reclassifications**

The 2010 financial statements have been reclassified to conform to the changes in the 2011 financial statement presentation resulting from the adoption of the new noncontrolling interest and provision for doubtful accounts accounting standards. Certain other reclassifications were made to prior year financial statements to conform to current year presentation.

**Use of Estimates**

The preparation of the Health System's consolidated financial statements in conformity with accounting principles generally accepted in the United States (GAAP) 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.

**Cash and Equivalents**

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The carrying amount approximates fair value because of the short maturity of the investments.

**Marketable Securities**

Marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value based on quoted market prices or similar instruments in markets that are not active. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses, unless the income or loss is restricted by donor or law.

St. Joseph Health System and Affiliates  
A St. Joseph Health Ministry Corporation

Notes to Consolidated Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

The Health System has designated its investment portfolio as “trading.” Unrealized gains and losses on marketable securities that have been designated as trading securities are included within excess of revenues over expenses. In addition, cash flows from the purchases and sales of its investment portfolio designated as trading are reported as a component of operating activities in the accompanying consolidated statements of cash flows.

Direct investments in equity securities with readily determinable fair values and all direct investments in debt securities have been measured at fair value in the accompanying consolidated balance sheets based upon quoted market prices. Investments that are not anticipated to be utilized in the current period are classified as noncurrent.

Investments in partnerships and limited liability companies with underlying interest in equity and debt securities are recorded using the equity method of accounting with the related changes in value in earnings reported as nonoperating gains, net in the accompanying consolidated financial statements.

**Patient Accounts Receivable**

The Health System receives payment for services rendered to patients from the federal and state governments under the Medicare and Medicaid programs, privately sponsored managed care programs for which payment is made based on terms defined under formal contracts, and other payors. The following table summarizes the percentages of gross accounts receivable from all payors:

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Government	<b>40%</b>	40%
Contracted	<b>41</b>	41
Others	<b>19</b>	19
	<b>100%</b>	<b>100%</b>

St. Joseph Health System and Affiliates  
A St. Joseph Health Ministry Corporation

Notes to Consolidated Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

The Health System believes there are no significant credit risks associated with receivables from government programs. Receivables from contracted and others are from various payors who are subject to differing economic conditions, and do not represent any concentrated risks to the Health System. Accounts receivables are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Health System analyzes its historical experience and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for doubtful accounts. The Health System regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Health System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for doubtful accounts, if necessary. For receivables associated with self-pay patients, which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Health System records a significant provision for doubtful accounts in the period of service on the basis of its past experience. The difference between the standard rates, or the discounted rates if negotiated, and the amounts actually collected after all reasonable collection efforts have been exhausted is recorded against the allowance for doubtful accounts.

**Inventories**

Inventories, consisting principally of supplies, are stated at the lower of cost (first-in, first-out basis) or market value.

**Assets Limited As To Use**

Assets limited as to use primarily include assets held by trustees under indenture agreements and designated assets set aside by the Health System's Board of Trustees (the Board) for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes.

St. Joseph Health System and Affiliates  
A St. Joseph Health Ministry Corporation

Notes to Consolidated Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

**Property and Equipment**

Property and equipment acquisitions are recorded at cost. Expenditures which materially increase values, change capacities or extend useful lives are capitalized. Depreciation is recorded over the estimated useful life of each class of depreciable asset, ranging from three to 40 years, and is computed using the straight-line method. Leases which have been capitalized are amortized over the life of the lease which approximates the useful life of the assets. Lease amortization is included within depreciation. Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

**Deferred Financing Costs**

Costs incurred in obtaining long-term financing are deferred and amortized over the terms of the related obligations using the effective-interest method.

**Goodwill and Other Intangibles**

Goodwill and other intangible assets consist primarily of costs in excess of the fair value of tangible assets of acquired entities. As of July 1, 2010, the Health System adopted new accounting guidance that requires the Health System to test goodwill for impairment annually (see Note 6). Definite-lived intangible assets are amortized using the straight-line method over the estimated useful lives of the assets. The Health System is currently amortizing an intangible asset over a period of 15 years. To the extent that operating results indicate the probability that the carrying values of such assets have been impaired, provisions for losses are recorded based upon the discounted cash flows of the acquired entities over the remaining amortization period.

**Self-Insurance**

The Health System is self-insured, through the Captive, for professional and general liability risks, subject to certain limitations. Risks in excess of \$5,000,000 per occurrence are reinsured with major independent insurance companies. Based on actuarially determined estimates, provisions have been made in the accompanying consolidated financial statements (included in both accrued liabilities and other liabilities) for all known claims and incurred but not reported

St. Joseph Health System and Affiliates  
A St. Joseph Health Ministry Corporation

Notes to Consolidated Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

claims as of June 30, 2011 and 2010. The accruals for professional and general liability claims totaled \$32,808,000 and \$32,962,000 at June 30, 2011 and 2010, respectively, and are not discounted. Estimation differences between actual payments and amounts recorded in previous years are recognized as expense in the year such amounts become determinable. In management's opinion, the estimated accrued claims provide an adequate reserve for loss contingencies at June 30, 2011 and 2010.

**Workers' Compensation Insurance**

The Health System is insured for workers' compensation claims with major independent insurance companies, subject to certain deductibles of \$1,000,000 per occurrence as of June 30, 2011 and 2010. Based on actuarially determined estimates, provisions have been made in the accompanying consolidated financial statements (included in accrued compensation) for all known claims and incurred but not reported claims as of June 30, 2011 and 2010. The accruals for workers' compensation claims totaled \$76,145,000 and \$78,516,000 at June 30, 2011 and 2010, respectively, and are not discounted. In connection with the workers' compensation plan, the Health System has filed bank letters of credit with the insurance companies. Estimation differences between actual payments and amounts recorded in previous years are recognized as expense in the year such amounts become determinable. In management's opinion, the estimated accrued claims losses provided an adequate reserve for loss contingencies at June 30, 2011 and 2010.

**Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those assets whose use by the Health System has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Health System in perpetuity (see Note 12).

St. Joseph Health System and Affiliates  
A St. Joseph Health Ministry Corporation

Notes to Consolidated Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

**Donor-Restricted Gifts**

Unconditional promises to give cash and other assets to the Health System are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose for restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the consolidated financial statements.

**Net Patient Service Revenues**

The Health System has agreements with third-party payors that provide for payments at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments.

Patient service revenues are reported at net realizable amounts from patients, third-party payors, and others for services rendered, including estimated settlements under reimbursement agreements with third-party payors. Settlements are accrued on an estimated basis in the period the related services are rendered, and adjusted in future periods as final settlements are determined.

The Health System adopted the accounting standard addressing the presentation of the provision for doubtful accounts as of the current reporting period and as such, net patient service revenues are reported net of the provision for doubtful accounts on the statement of operations. The Health System records its provision for doubtful accounts based upon historical experience, as well as collections trends for major payor types.



St. Joseph Health System and Affiliates  
A St. Joseph Health Ministry Corporation

Notes to Consolidated Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

Patient service revenues, net of contractual allowances and discounts, recognized for the year ended June 30 are as follows:

	<b>2011</b>	<b>2010</b>
	<i>(In thousands)</i>	
Government	<b>\$ 1,396,129</b>	\$ 1,258,431
Contracted	<b>1,678,019</b>	1,644,217
Self-pay and others	<b>585,472</b>	596,961
	<b><u>\$ 3,659,620</u></b>	<b><u>\$ 3,499,609</u></b>

The Health System is reimbursed for services provided to patients under certain programs administered by governmental agencies. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Health System believes that they are in compliance with all applicable laws and regulations, and they are not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

**Premium Revenues**

Firstcare contracts with various employers to provide medical services to subscribing participants. Firstcare receives monthly premium payments from employers and contracts with various medical providers to provide medical care. Firstcare's premium revenue was \$288,179,000 in 2011 and \$319,289,000 in 2010.

In addition to the Firstcare contracts, the Health System has contracts with various health plans to provide medical services to subscribing participants. Under these agreements, the Health System's hospital affiliates and Heritage receive monthly capitation payments based on the number of each health plan's participants enrolled with participating affiliated or local physician groups that have designated the hospital affiliates as their provider. Under these arrangements, the hospital affiliates are responsible for hospital contracted services provided to plan

St. Joseph Health System and Affiliates  
A St. Joseph Health Ministry Corporation

Notes to Consolidated Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

participants including services received at other health care facilities. The contracts call for risk-sharing arrangements between the hospital affiliates and the participating physician groups dependent upon utilization experience. The Health System's premium revenue for the contracts was \$366,197,000 in 2011 and \$356,249,000 in 2010. The hospital affiliates have accrued for estimated risk-sharing payments, and claims for professional services and services from other providers (included in accrued liabilities). Claims accruals related to these services are generally based on claims lag analyses and are continually monitored and reviewed.

**Charity Care**

The Health System provides care to patients who meet certain criteria under its charity care policies without charge or at amounts less than its established rates. Because the Health System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Effective July 1, 2010, the Health System updated its process for determining charity care whereby the Health System analyzes patient accounts receivable for eligibility as presumptive charity care through obtaining additional financial information for uninsured or under insured patients who have not supplied the requisite information. The additional information obtained is used by the Health System to determine whether the patients qualified for charity care in accordance with the Health System's policy. As a result of the adoption of this new policy and inclusion of presumptive charity care in the reported charity care in the consolidated financial statements for the year ended June 30, 2011, the Health System recognized a \$65,761,000 increase in reported charity care and corresponding decrease in provision for doubtful accounts.

**Operating Income**

The Health System's primary purpose is to provide diversified health care services to the community served by its affiliates. Only those activities directly associated with the furtherance of this purpose are considered operating activities and classified as unrestricted operating revenues and expenses. Operating revenues include those generated from direct patient care, related support services, and other revenues related to the operation of the Health System. Other activities that result in gains or losses unrelated to the Health System's primary purpose are

St. Joseph Health System and Affiliates  
A St. Joseph Health Ministry Corporation

Notes to Consolidated Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

considered to be nonoperating. Nonoperating gains and losses include gifts, grants and bequests not restricted by donors, community benefit expenses related to various programs for the poor and underserved in local communities, investment income, realized and unrealized gains and losses on trading securities, gains and losses from the sale of property and equipment, and gains and losses on extinguishment of debt.

The Health System considers the performance indicator to be the excess of revenues over expenses.

**Income Taxes**

The principal operations of the Health System are exempt from taxation pursuant to Internal Revenue Code Section 501(c)(3) and the related state provisions.

Accounting Standards Codification (ASC) 740, *Income Taxes*, clarifies the accounting for income taxes by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. ASC 740 also provides guidance on derecognition, measurement, classification, interest and penalties, disclosure, and transition. The guidance is applicable to pass-through entities and tax-exempt organizations. No significant tax liability for tax benefits, interest or penalties was accrued at June 30, 2011 or 2010.

The Health System currently files Form 990 (informational return of organizations exempt from income taxes) and Form 990-T (business income tax return for an exempt organization) in the U.S. federal jurisdiction and the states of California and Texas. The Health System is not subject to income tax examinations prior to 2007 in major tax jurisdictions.

**California Hospital Quality Assurance Program**

The California Hospital Quality Assurance Program (the Program) was signed into law by the Governor of California and became effective on January 1, 2010. Amending legislation, to conform to changes requested by the Centers for Medicare and Medicaid Services (CMS) during the approval process, the Program was signed into law by the Governor of California and became effective September 8, 2010. The primary and amending legislation contains two components.

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Notes to Consolidated Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

The Quality Assurance Fee Act governs the “hospital fee” or “Quality Assurance Fee” (QA Fee) paid by participating hospitals. The Medi-Cal Hospital Provider Stabilization Act governs supplemental Medi-Cal payments (Supplemental Payments) made to providers from the fund. Hospital participation is mandatory with limited exceptions.

The Program was approved by CMS in December 2010. The amended legislation allowed California Department of Health Care Services (DHCS) to begin assessing fees and making supplemental payments in September 2010. DHCS began assessing fees in October 2010.

The Health System recognized payments to DHCS for the QA Fee in the amount of \$101,951,000 and pledge payments to the California Health Foundation and Trust (CHFT) of approximately \$2,496,000 within supplies and other expenses. The CHFT is administering a private program to aggregate and disburse financial resources to support charitable activities at various independent hospitals for measures to alleviate losses resulting from the implementation of the Program. The Health System recognized Supplemental Payment revenue in the amount of \$136,811,000 pertaining to the Program period from April 1, 2009 to December 31, 2010, within net patient service revenue.

**Adoption of New Accounting Pronouncements**

In July 2011, an accounting standard was released, which requires health care entities that recognize significant amounts of patient service revenue at the time the services are rendered even though a patient’s ability to pay is not assessed to reclassify the provision for doubtful accounts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). The standard also requires enhanced disclosures of policies for recognizing patient service revenue and assessing provisions for doubtful accounts. The Health System adopted the accounting standard as of the current reporting period and applied its presentation and disclosure requirements retrospectively.

In May 2009, an accounting standard was released relating to combinations of not-for-profit (NFP) entities. Under this standard, a combination may either be a merger or an acquisition, and the accounting for each is significantly different. The feature that serves to differentiate a merger from an acquisition is control. In a merger, the governing bodies of two or more NFP entities cede control of those entities to create a new entity. In an acquisition, one organization obtains

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Notes to Consolidated Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

control over the net assets of another organization or business. The accounting standard amends accounting standards for goodwill and other intangible assets in which goodwill and indefinite-lived intangible assets are no longer amortized; rather, they are now subject to an impairment test at least annually. As of July 1, 2010, the Health System completed its transitional goodwill impairment test as required and recognized an impairment of goodwill of \$17,901,000 recorded as a reduction in unrestricted net assets as an effect of a change in accounting principle (see Note 6).

This accounting standard also established new guidance governing the accounting for and reporting of noncontrolling interests in partially owned consolidated subsidiaries by requiring that noncontrolling interests (previously referred to as minority interests) be reported as a separate component of the appropriate class of net assets. The Health System applied the standard's provisions regarding noncontrolling interests prospectively, except for the presentation and disclosure requirements, which were applied retrospectively to all periods presented. As a result, upon adoption, the Health System reclassified noncontrolling interests of \$29,755,000 and \$28,743,000 as of June 30, 2011 and 2010, respectively, from other liabilities to net assets.

**Recent Accounting Pronouncements**

In August 2010, an accounting standard was released which requires health care entities to present insurance claims and related recoveries at gross values within the financial statements. This standard will be effective for the Health System on July 1, 2011. The Health System is currently evaluating the impact to the consolidated financial statements.

In May 2011, an amended accounting standard was released and effective for financial statements for annual periods beginning after December 15, 2011, relating to the intent of existing fair value measurement and disclosure requirements under ASC 820, *Fair Value Measurements and Disclosures*. The Health System is currently evaluating the impact to the consolidated financial statements.

**Subsequent Events**

The Health System has evaluated subsequent events occurring between the end of the most recent fiscal year ended June 30, 2011 and September 30, 2011, the date the financial statements were issued.

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Notes to Consolidated Financial Statements (continued)

**2. Fair Value Measurements**

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Health System utilizes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 – Pricing is based on observable inputs such as quoted prices in active markets. Financial assets in Level 1 include money market, treasury, corporate debt, and listed equities held by the Health System.
- Level 2 – Pricing inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial assets and liabilities in this category generally include money market funds, U.S. Treasury securities, corporate bonds and loans, municipal bonds, and interest rate swap obligations.
- Level 3 – Pricing inputs are generally unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are therefore determined using factors that involve considerable judgment and interpretations, including, but not limited to, private and public comparables, and discounted cash flow models. This category primarily includes certain corporate debt securities.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques as follows:

- (a) Market approach. Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- (b) Cost approach. Amount that would be required to replace the service capacity of an asset (replacement cost).

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Notes to Consolidated Financial Statements (continued)

**2. Fair Value Measurements (continued)**

(c) Income approach. Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing, and excess earnings models).

The Health System has invested in three funds which are included in long-term marketable securities and assets limited as to use in the accompanying consolidated balance sheets. These funds use strategies such as long/short equities, arbitrage, and event driven strategies to seek positive returns, regardless of market direction. The terms and conditions upon which the Health System may redeem investments in the two hedge funds range from monthly within 30 days notice to within 45 days notice at calendar quarter end. These investments are made through limited partnerships where liquidity may be limited on new contributions for up to two years. The value recorded under the equity method of accounting and included within the tables below, was \$179,832,000 at June 30, 2011, and \$116,330,000 at June 30, 2010.

The following tables provide the composition of certain assets and liabilities as of June 30, 2011 and 2010.

	June 30, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Method Investments	Equity Method Investments	Total	Valuation Technique (a,b,c)
<i>(In thousands)</i>								
Current assets								
Cash and equivalents	\$ 250,712	\$ 250,712	\$ —	\$ —	\$ 250,712	\$ —	\$ 250,712	a
Short-term marketable securities								
Money market funds	\$ 33,562	\$ 16,819	\$ 16,743	\$ —	\$ 33,562	\$ —	\$ 33,562	a
U S Treasury securities	260,355	32,794	227,561	—	260,355	—	260,355	a
Corporate debt securities	203,994	18,294	185,449	251	203,994	—	203,994	a,c
Corporate equity securities	217,619	217,619	—	—	217,619	—	217,619	a
	<u>\$ 715,530</u>	<u>\$ 285,526</u>	<u>\$ 429,753</u>	<u>\$ 251</u>	<u>\$ 715,530</u>	<u>\$ —</u>	<u>\$ 715,530</u>	
Long-term marketable securities								
Money market funds	\$ 30,454	\$ 11,326	\$ 19,128	\$ —	\$ 30,454	\$ —	\$ 30,454	a
U S Treasury securities	146,386	87,341	59,045	—	146,386	—	146,386	a
Corporate debt securities	119,700	253	117,600	1,847	119,700	—	119,700	a
Corporate equity securities	365,425	365,425	—	—	365,425	—	365,425	a
Other	178,434	—	—	—	—	178,434	178,434	
	<u>\$ 840,399</u>	<u>\$ 464,345</u>	<u>\$ 195,773</u>	<u>\$ 1,847</u>	<u>\$ 661,965</u>	<u>\$ 178,434</u>	<u>\$ 840,399</u>	

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Notes to Consolidated Financial Statements (continued)

**2. Fair Value Measurements (continued)**

	June 30, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Method Investments	Equity Method Investments	Total	Valuation Technique (a,b,c)
	<i>(In thousands)</i>							
Assets limited as to use								
Board designated								
Money market funds	\$ 85,512	\$ 85,512	\$ –	\$ –	\$ 85,512	\$ –	\$ 85,512	a
U S Treasury securities	8,157	–	8,157	–	8,157	–	8,157	a
Corporate debt securities	49,732	16,090	33,642	–	49,732	–	49,732	a
Corporate equity securities	29,530	29,530	–	–	29,530	–	29,530	a
Other	1,398	–	–	–	–	1,398	1,398	
	<u>\$ 174,329</u>	<u>\$ 131,132</u>	<u>\$ 41,799</u>	<u>\$ –</u>	<u>\$ 172,931</u>	<u>\$ 1,398</u>	<u>\$ 174,329</u>	
Held in trust								
Money market funds	\$ 65,118	\$ 65,118	\$ –	\$ –	\$ 65,118	\$ –	\$ 65,118	a
Cash collateral held by swap counterparty	\$ 10,339	\$ –	\$ 10,339	\$ –	\$ 10,339	\$ –	\$ 10,339	a
Liabilities								
Interest rate swaps	\$ 44,964	\$ –	\$ 44,964	\$ –	\$ 44,964	\$ –	\$ 44,964	c

	June 30, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Method Investments	Equity Method Investments	Total	Valuation Technique (a,b,c)
	<i>(In thousands)</i>							
Current assets								
Cash and equivalents	\$ 270,409	\$ 270,409	\$ –	\$ –	\$ 270,409	\$ –	\$ 270,409	a
Short-term marketable securities								
Money market funds	\$ 28,610	\$ 3,862	\$ 24,748	\$ –	\$ 28,610	\$ –	\$ 28,610	a
U S Treasury securities	173,556	81	173,475	–	173,556	–	173,556	a
Corporate debt securities	191,223	8,474	182,197	552	191,223	–	191,223	a,c
Corporate equity securities	170,195	150,080	20,115	–	170,195	–	170,195	a
	<u>\$ 563,584</u>	<u>\$ 162,497</u>	<u>\$ 400,535</u>	<u>\$ 552</u>	<u>\$ 563,584</u>	<u>\$ –</u>	<u>\$ 563,584</u>	
Long-term marketable securities								
Money market funds	\$ 55,436	\$ 41,202	\$ 14,203	\$ 31	\$ 55,436	\$ –	\$ 55,436	a
U S Treasury securities	94,732	85,555	9,177	–	94,732	–	94,732	a
Corporate debt securities	74,890	1,108	73,762	20	74,890	–	74,890	a
Corporate equity securities	293,750	260,911	32,839	–	293,750	–	293,750	a
Other	114,711	–	–	–	–	114,711	114,711	
	<u>\$ 633,519</u>	<u>\$ 388,776</u>	<u>\$ 129,981</u>	<u>\$ 51</u>	<u>\$ 518,808</u>	<u>\$ 114,711</u>	<u>\$ 633,519</u>	



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Notes to Consolidated Financial Statements (continued)

**2. Fair Value Measurements (continued)**

	June 30, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Method Investments	Equity Method Investments	Total	Valuation Technique (a,b,c)
Assets limited as to use								
Board designated								
Money market funds	\$ 46,173	\$ 46,173	\$ –	\$ –	\$ 46,173	\$ –	\$ 46,173	a
U S Treasury securities	49,890	43,269	6,621	–	49,890	–	49,890	a
Corporate debt securities	32,511	26,472	6,039	–	32,511	–	32,511	a
Corporate equity securities	24,027	24,027	–	–	24,027	–	24,027	a
Other	1,619	–	–	–	–	1,619	1,619	
	<u>\$ 154,220</u>	<u>\$ 139,941</u>	<u>\$ 12,660</u>	<u>\$ –</u>	<u>\$ 152,601</u>	<u>\$ 1,619</u>	<u>\$ 154,220</u>	
Held in trust								
Money market funds	\$ 63,512	\$ 63,512	\$ –	\$ –	\$ 63,512	\$ –	\$ 63,512	a
U S Treasury securities	82,866	279	82,587	–	82,866	–	82,866	a
Corporate equity securities	1,420	1,420	–	–	1,420	–	1,420	a
	<u>\$ 147,798</u>	<u>\$ 65,211</u>	<u>\$ 82,587</u>	<u>\$ –</u>	<u>\$ 147,798</u>	<u>\$ –</u>	<u>\$ 147,798</u>	
Cash collateral held by swap counterparty								
Cash and cash equivalents	\$ 2,400	\$ 2,400	\$ –	\$ –	\$ 2,400	\$ –	\$ 2,400	a
U S Treasury securities	26,610	7,979	18,631	–	26,610	–	26,610	a
	<u>\$ 29,010</u>	<u>\$ 10,379</u>	<u>\$ 18,631</u>	<u>\$ –</u>	<u>\$ 29,010</u>	<u>\$ –</u>	<u>\$ 29,010</u>	
Liabilities								
Interest rate swap	\$ 65,194	\$ –	\$ 65,194	\$ –	\$ 65,194	\$ –	\$ 65,194	c

Activity for the year ended June 30, 2011, for investments with significant unobservable inputs (Level 3) consists of the following:

	<b>Year Ended June 30, 2011</b> <i>(In thousands)</i>
Balance at July 1, 2010	\$ 603
Net transfers in	1
Purchases, net	1,686
Net unrealized losses	(192)
Balance at June 30, 2011	<u>\$ 2,098</u>

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Notes to Consolidated Financial Statements (continued)

**2. Fair Value Measurements (continued)**

The Health System received restricted and unrestricted pledges and contributions totaling approximately \$42,770,000 and \$29,557,000 for the years ended June 30, 2011 and 2010, respectively. Contributions and pledges were measured based on actual cash and pledges received. Long-term irrevocable planned gifts were measured based on discounted cash flow projections.

In accordance with ASC 350, as of July 1, 2011, goodwill with a carrying amount of \$59,373,000 was written down to its implied fair value of \$41,472,000 resulting in an impairment charge of \$17,901,000 recorded in unrestricted net assets as a cumulative effect of the adoption of the new accounting principle (see Note 6). The assets were measured using an income and market approach with significant unobservable inputs (Level 3).

In addition to amounts included in the previous table, the Health System's investments in partnerships, limited liability companies, and similarly structured entities amounting to approximately \$24,488,000 and \$19,443,000 as of June 30, 2011 and 2010, respectively, included in investments and other in the accompanying consolidated balance sheets, are accounted for using the equity method of accounting, which is not a fair value measurement.

**Investment Gains and Losses**

Net realized gains of \$66,213,000 and \$48,071,000 on sales of marketable securities are included in nonoperating gains, net for the years ended June 30, 2011 and 2010, respectively.

Also included in nonoperating gains, net are net unrealized gains of \$110,893,000 and \$57,233,000 for the years ended June 30, 2011 and 2010, respectively.

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Notes to Consolidated Financial Statements (continued)

**3. Property and Equipment**

Property and equipment consists of the following at June 30:

	<b>2011</b>	<b>2010</b>
	<i>(In thousands)</i>	
Land	\$ 147,254	\$ 146,440
Buildings and improvements	2,186,085	2,133,768
Equipment	1,492,433	1,428,901
Construction in progress	400,494	248,437
	<b>4,226,266</b>	3,957,546
Less accumulated depreciation	<b>(1,984,949)</b>	(1,820,900)
	<b><u>\$ 2,241,317</u></b>	<b><u>\$ 2,136,646</u></b>

The Health System is required to recognize a liability for the fair value of conditional asset retirement obligations if the fair value of the liability can be reasonably estimated. The fair value of a liability for conditional asset retirement obligations must be recognized when incurred, generally upon acquisition, construction or development and/or through the normal operation of the asset. The Health System estimated the fair value of known conditional asset retirement obligations relating to the costs of asbestos abatement that will result from the Health System's current plans to renovate and/or demolish certain of its facilities. This computation is based on a number of assumptions which may change in the future based on the availability of new information, technology changes, changes in costs of remediation, and other factors. The conditional asset obligation at June 30, 2011 and 2010, was \$14,534,000 and \$17,616,000, respectively, and is included in other liabilities in the accompanying consolidated balance sheets.

**Lease Financing Obligations**

In June 2006, St. Joseph Hospital of Orange (SJO) executed a 55-year lease arrangement with a developer, whereby the developer agreed to construct a 130,000 square foot medical office building and a parking structure on SJO's land. Under the ground lease, SJO received nominal base rent until construction was completed in August 2008, at which time SJO took occupancy. SJO guaranteed to lease 64,000 square feet of the medical office building for 10 years and is required to pay lease payments for the parking structure for five years. At the end of the lease term, SJO will have title to both the parking structure and the medical office building. The aggregate cost of the project was approximately \$43,527,000 and is included in buildings and improvements. All construction costs were substantially financed by the developer.

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Notes to Consolidated Financial Statements (continued)

**3. Property and Equipment (continued)**

In May 2005, SJO executed a 22-year lease arrangement, including two five-year lease term extensions, with a joint venture partnership in which SJO has a 35% ownership interest. The joint venture partnership owned and constructed a 56,000 square foot medical office building and parking structure on its land. SJO committed to leasing the whole building, but subleased approximately 43,000 square feet to Heritage for physician offices. The aggregate cost of the project was approximately \$28,158,000 and is included in building and improvements. Substantially all construction costs were financed by the joint venture partnership.

SJO is considered the owner of both the medical office buildings and parking structures for financial reporting purposes due to certain financial arrangements that effectively fund a portion of the construction costs. Heritage is also considered a separate owner of the medical office building since it is affiliated with SJO who has a 35% ownership interest in the joint venture partnership. Accordingly, the assets and long-term debt are recorded in the accompanying consolidated financial statements at June 30, 2011 and 2010 (see Note 5). The medical office buildings and parking structures are included in buildings and improvements as of June 30, 2011 and 2010. SJO and Heritage did not meet the criteria, necessary to derecognize the asset and related long-term debt when construction was complete in 2009 and the lease terms began.

The cost of the medical office buildings and parking structures are amortized over the economic life. Rent payments paid by SJO and Heritage are recorded as debt service payments on the debt obligation with the portion not relating to interest reducing the principal balance. Minimum estimated payments under lease financing obligations, excluding the effect of Consumer Price Index adjustments, are estimated to be as follows (in thousands):

<b>Year</b>	
2012	\$ 420
2013	439
2014	237
2015	254
2016	373
Thereafter	64,450
Total	<u>\$ 66,173</u>

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Notes to Consolidated Financial Statements (continued)

**4. Short-Term Debt**

The Health System has a bank credit facility that provides for the issuance of up to an aggregate of \$50,000,000 under letters of credit. Such letters of credit are collateralized under trust indentures (see Note 5). At June 30, 2011, the Health System had provided an aggregate of \$37,299,000 of these letters of credit for its workers' compensation and other insurance plans. At June 30, 2011 and 2010, none of these letters have been drawn upon.

**5. Long-Term Debt**

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

	<b>2011</b>	<b>2010</b>
	<i>(In thousands)</i>	
CSCDA Series 1999, 2000, and 2007A-F fixed rate tax-exempt bonds, net of unamortized premium of \$2,415; due in varying amounts through 2047; coupon rates of 4.0% to 5.75%	<b>\$ 636,810</b>	\$ 653,729
LHFDC Series 2008A multi-annual three-year put bonds due in 2030; coupon rate of 3.05%	<b>48,050</b>	49,275
LHFDC Series 2008B variable rate tax-exempt bonds with credit facility liquidity, due in varying amounts through 2023; interest rates varying from 0.04% to 0.29%	<b>116,005</b>	126,180
CHFFA Series 2009A fixed rate tax-exempt bonds, net of unamortized discount of \$2,828, due in varying amounts through 2039; coupon rates of 5.50% and 5.75%	<b>182,267</b>	182,166
CHFFA Series 2009BCD fixed rate multi-annual three-, five- and seven-year put bonds, net of unamortized premium of \$8,035, due in varying amounts through 2034; coupon rates of 3.00% to 5.25%	<b>243,700</b>	244,481
Collateralized bank line of credit; balloon payment due March 2014; interest rate of 0.75%	<b>34,000</b>	—

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Notes to Consolidated Financial Statements (continued)

**5. Long-Term Debt (continued)**

	<b>2011</b>	<b>2010</b>
	<i>(In thousands)</i>	
Collateralized bank line of credit; terminated and transferred in May 2011; interest rate of 0.73%	\$ —	\$ 80,000
Bank note; quarterly payments with balloon due in 2013; interest rate of 1.30%	<b>34,700</b>	39,200
Lease financing obligation (see Note 3)	<b>66,173</b>	66,578
Unsecured note payable due in varying amounts through 2018; interest rates of 1.69% to 1.81%	<b>14,000</b>	—
Capitalized lease obligations and other	<b>11,155</b>	11,804
	<b>1,386,860</b>	1,453,413
Less current portion of long-term debt	<b>(52,017)</b>	(114,890)
	<b>\$ 1,334,843</b>	<b>\$ 1,338,523</b>

The effective interest rate on tax-exempt debt was 6.16% and 6.14% at June 30, 2011 and 2010, respectively.

The aggregate amount of principal maturities and sinking fund requirements related to long-term debt at June 30, 2011, is as follows (in thousands):

2012	\$ 52,017
2013	37,347
2014	75,215
2015	39,359
2016	37,760
Thereafter	1,145,162
	<b>\$ 1,386,860</b>

At June 30, 2011, the Health System is jointly and severally liable for certificates of participation and tax exempt revenue bonds issued on its behalf by the California Statewide Communities Development Authority (CSCDA), California Health Facilities Financing Authority (CHFFA), and the Lubbock Health Facilities Development Corporation (LHFDC).

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Notes to Consolidated Financial Statements (continued)

**5. Long-Term Debt (continued)**

In August 2009, the Health System issued \$185,095,000 of CHFFA fixed rate revenue bonds, of which \$44,795,000 is due by 2029 at a 5.50% interest rate and \$140,300,000 due by 2039 at a 5.75% interest rate. The proceeds of the issuance were used to reimburse prior capital spending at the various hospitals. In addition, the Health System issued \$236,005,000 of CHFFA multi-annual put rate bonds of three-, five- and seven-year terms at interest rates varying from 3.00% to 5.25%. The proceeds from the fixed rate revenue bonds and the multi-annual put rate bonds were used to refund and convert \$293,525,000 of the Health System's variable rate demand bonds with a self-liquidity feature initially issued in 2008.

The fair value of the fixed rate tax exempt bonds approximated \$1,256,725,000 and \$1,167,719,000 at June 30, 2011 and 2010, respectively. Fair value is estimated using a discounted cash flow analysis, based on current market interest rates for similar types of borrowing arrangements. The carrying amount of the Health System's variable rate tax exempt bonds approximates its fair value as the interest rates change with the market.

At June 30, 2011, the Health System was party to seven interest rate swap agreements with a current notional amount totaling \$403,507,000 and with varying expirations. The swap agreements require the Health System to pay a fixed rate in exchange for a variable rate. The market risk exposure of these agreements occurs when the fixed rate paid is greater than the variable rate received. At June 30, 2011 and 2010, the total fair value of the interest rate swaps of \$44,964,000 and \$65,194,000, respectively, represent the estimated amount the Health System would have paid upon termination of these agreements as of these dates. Fair values are based on independent valuations obtained and are determined by calculating the value of the discounted cash flows of the differences between the fixed interest rate of the interest rate swaps and the counterparty's forward LIBOR curve, which is the input used in the valuation, taking also into account any non-performance risk. Changes in the fair value of the interest rate swaps are included within interest expense. The Health System restricted \$10,339,000 and \$29,010,000 in collateral held for the swap counterparty at June 30, 2011 and 2010, respectively, as required by its swap agreements.

The Health System has a note payable with a bank to borrow \$60,000,000. Borrowings under this note bear interest at rates based on specified margins from published indices. The note payable expires on December 31, 2013. The Health System had \$34,700,000 and \$39,200,000 in outstanding borrowings under this credit facility at June 30, 2011 and 2010, respectively.

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Notes to Consolidated Financial Statements (continued)

**5. Long-Term Debt (continued)**

Effective May 18, 2011, the Health System terminated an existing credit facility and transferred the outstanding balance to a credit facility established in March 2011 under which the Health System can cumulatively borrow up to \$80,000,000. Borrowings under this credit facility bear interest at rates based on specified margins from published indices. The Health System had \$34,000,000 and \$80,000,000 in long-term and current debt as of June 30, 2011 and 2010, respectively, in outstanding borrowings. The credit facility expires in March 2014.

The Health System has a line of credit with a bank to cumulatively borrow up to \$75,000,000. Borrowings under this credit facility bear interest at rates based on specified margins from published indices. The credit facility expires on August 25, 2011. At June 30, 2011 and 2010, the Health System did not have any outstanding borrowings under this credit facility.

The Health System has a note payable with a bank to cumulatively borrow up to \$17,800,000. Borrowings under this note bear interest at rates based on specified margins from published indices (ranging from 1.69% to 1.81% for the year ended June 30, 2011). The note expires on September 29, 2018. The Health System had \$14,000,000 in outstanding borrowings at June 30, 2011, and no outstanding borrowings at June 30, 2010.

In July 2011, the Health System issued \$302,110,000 of CHFFA variable rate tax exempt demand bonds with interest rates reset daily or weekly and liquidity supported by irrevocable credit facilities that extend through July 13, 2016, unless renewed or extended. Proceeds of this issuance will be used to finance prospective projects and reimburse prior capital spending at various hospitals. In addition, the Health System converted \$105,385,000 of LHFDC variable rate demand bonds with liquidity supported by an irrevocable credit facility into a fixed rate revenue bond at an interest rate of 3.12%.

In conjunction with the issuance of the CHFFA variable rate tax exempt demand bonds in July 2011, the Health System secured \$306,878,000 of credit facilities to provide liquidity for the outstanding bonds. The Health System also entered into a new syndicated credit arrangement for \$350,000,000 in revolving credit lines expiring on July 18, 2016.



St. Joseph Health System and Affiliates  
A St. Joseph Health Ministry Corporation

Notes to Consolidated Financial Statements (continued)

**5. Long-Term Debt (continued)**

**Debt Covenants**

The Health System's financing agreements contain restrictive covenants and limitations on certain working capital and liquidity ratios, amount of combined debt of the corporations comprising the Obligated Group, and amount of transfer of assets to Non-Obligated Group members. Additionally, the trust indentures require that funds are established with, and controlled by, a trustee during the period the bonds remain outstanding.

If the Health System does not have a maximum annual debt service coverage ratio at the end of any fiscal year, including June 30, 2011, of at least 2.0 to 1.0, pursuant to its trust indentures for the tax exempt bonds issued through CSCDA, CHFFA, and LHFDC, the Health System is required to fund the applicable debt service reserve fund seven days after the required reporting date. The calculation for its fiscal year ending June 30, 2009, indicated that the debt service coverage ratio was less than 2.0 to 1.0 due primarily to unrealized and realized losses in the investment portfolio. Accordingly, the Health System funded the applicable debt service reserve on September 5, 2009, with \$92,826,000 of cash and marketable securities included in assets held in trust at June 30, 2010. Such funds were released to the Health System on August 31, 2010, as the calculation indicated the maximum annual debt service coverage requirement was more than the 2.0 to 1.0 for the fiscal year ended June 30, 2010.

**Interest Cost**

Interest cost incurred is summarized as follows:

	<b>Year Ended June 30</b>	
	<b>2011</b>	<b>2010</b>
	<i>(In thousands)</i>	
Interest paid	\$ 71,341	\$ 72,101
Swap mark to market	(20,230)	19,909
Amortization of deferred financing costs	863	2,068
Other	8,014	(1,847)
Total interest expense	<u>\$ 59,988</u>	<u>\$ 92,231</u>

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Notes to Consolidated Financial Statements (continued)

**6. Goodwill**

The Health System adopted the new standard related to the accounting treatment for goodwill and indefinite-lived intangible assets by not-for-profit organizations effective July 1, 2010 and accordingly, ceased the amortization of its goodwill. The new accounting standard requires that the Health System test the carrying value of goodwill for impairment at the reporting unit level on an annual basis, or more frequently if significant indicators of impairment exist. The standard also requires a transitional test in the year of adoption. The Health System primarily uses the income and market approaches to valuation that include the discounted cash flow method, the guideline company method, as well as other generally accepted valuation methodologies to determine the fair value of its reporting units.

Upon completion of the transitional goodwill impairment test, the Health System determined that the estimated fair value of two of its reporting units was less than their respective carrying values. As a result, the Health System recognized an impairment of \$17,901,000 recorded as a reduction in net assets. The Health System has elected an annual measurement date of April 1 and upon completion of the annual impairment assessment, the Health System determined that no impairment was indicated as the estimated fair value of each of the two remaining reporting units with goodwill exceeded its respective carrying value and no significant indicators of impairment exist for its goodwill that would require additional analysis before its next annual evaluation.

A reconciliation of the excess of revenues over expenses, adjusted to exclude amortization expense, for the period prior to adoption is as follows:

	<b>2011</b>	<b>2010</b>
	<i>(In thousands)</i>	
Reported excess of revenues over expenses	\$ 363,246	\$ 271,405
Add back goodwill amortization	—	4,326
Adjusted excess of revenues over expenses	<u>\$ 363,246</u>	<u>\$ 275,731</u>

St. Joseph Health System and Affiliates  
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Notes to Consolidated Financial Statements (continued)

**7. Children's Hospital of Orange County**

SJO provides Children's Hospital of Orange County (CHOC) with specified facilities and ancillary services and other operating services under an agreement through March 2013 that requires CHOC to reimburse SJO for the costs of providing such services. Net patient service revenues include \$71,741,000 and \$65,148,000 for the years ended June 30, 2011 and 2010, respectively, relating to these services. SJO also provides management and other administrative support to CHOC. Revenue related to these arrangements, based on cost and included in other revenues, was \$2,000 and \$191,000 for the years ended June 30, 2011 and 2010, respectively. On March 31, 2008, CHOC provided SJO with their notice of intent to terminate this agreement effective March 31, 2013.

In January 1993, Mission Hospital Regional Medical Center (MHRMC) and CHOC entered into an asset purchase agreement, a long-term lease, and an operating agreement forming Children's Hospital at Mission (CHM). Pursuant to the asset purchase agreement, CHM purchased substantially all of the pediatric services and operations of MHRMC and certain tangible and intangible assets related to those activities and operations for \$10,200,000.

CHM rents space from MHRMC through January 2013 and has two ten-year renewal options under the long-term lease. MHRMC provides CHM and its patients certain hospital services and facilities at an agreed-upon cost plus a percentage mark-up under the operating agreement. Net patient service revenues include \$13,830,000 and \$13,924,000 for the years ended June 30, 2011 and 2010, respectively, for these services. Other revenue includes \$8,026,000 and \$6,920,000 for the years ended June 30, 2011 and 2010, respectively, for other services provided to CHM.

**8. Acquisitions and Affiliations**

**Lubbock Methodist Hospital System Affiliation**

The Health System entered into an affiliation agreement with LMHS to form Covenant. Covenant has two corporate members: the Health System and LMHS. Eight members of the Covenant Board of Trustees are appointed by each corporate member. In addition, the Health System appoints the CEO of Covenant who is also an ex-officio member of Covenant's Board of Trustees with voting rights. The Health System has management responsibility for Covenant and the operations of Covenant have been integrated into the Health System's operations.

St. Joseph Health System and Affiliates  
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Notes to Consolidated Financial Statements (continued)

**8. Acquisitions and Affiliations (continued)**

Under the terms of the affiliation agreement, net asset transfers from Covenant to the Health System are limited to \$5,000,000 in the aggregate over the life of the affiliation. Exceptions to this limitation include: (i) payments made to the Health System for management, administration, and other services provided by it; (ii) debt service, repayments of loans and similar financing costs; (iii) payment under the joint and several obligation of the Health System Master Indenture; (iv) return of capital contributed or other advances from the Health System; (v) payments consented to by the corporate members; (vi) payment for services such as insurance, self-insurance, benefit and retirement plans and similar programs administered by the Health System, provided such payments are substantially comparable to charges made to other Health System affiliates; and (vii) payment for property or services provided by third parties through the Health System.

Also, under the terms of the affiliation agreement, the Health System and Covenant are required to leave certain deposits in local Lubbock banks. The maximum local banking amount per the agreement is \$50,000,000. Covenant is required to participate in the Health System's cash and investment management program for funds in excess of the maximum local banking amount.

In connection with the affiliation agreement, the Health System and LMHS entered into a "Members Agreement." The principle underlying the Members Agreement is that the affiliation is intended to constitute a long-term relationship. Additionally, as part of the affiliation agreement, Covenant became a member of the Health System Obligated Group. The accompanying consolidated financial statements present the combined balances of the Health System and Covenant and do not reflect any potential residual or noncontrolling interest related to the reciprocal offer described below based upon the integration of the operations and the related assets of Covenant into the Health System and the Health System Obligated Group.

The Members Agreement restricts the ability of the Health System to exit its relationship with Covenant and also precludes the Health System and Covenant from entering into a wide variety of transactions which could result in Covenant assets or affiliates being conveyed to a third party, except conveyances in the ordinary course of business. These precluded transactions are referred to as Covered Transactions. Should Covenant or the Health System undertake a Covered Transaction, they are obligated to provide notice and information to LMHS and to make a

St. Joseph Health System and Affiliates  
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Notes to Consolidated Financial Statements (continued)

**8. Acquisitions and Affiliations (continued)**

“reciprocal offer” to LMHS, including an offer to purchase LMHS’s membership rights in Covenant and a simultaneous obligation to offer to sell the Health System’s membership rights in Covenant to LMHS at the same purchase price, adjusted upward by a formula that reflects the dissolution percentages (57% Health System, 43% LMHS). Covenant’s net assets totaled \$469,168,000 and \$412,423,000 at June 30, 2011 and 2010, respectively.

Certain changes in control do not constitute Covered Transactions under the Members Agreement. Generally, these changes include Covenant transactions with other federal tax-exempt organizations and transactions in which LMHS’s rights are preserved.

**9. Employee Benefit Plans**

**Retirement Plan**

The Health System sponsors a defined contribution retirement plan that covers substantially all employees. The plan provides for employer matching contributions in an amount equal to a percentage of employee pre-tax contributions, up to a maximum amount. In addition, the Health System makes contributions to all eligible employees based on years of service. The Health System contributed \$75,740,000 in 2011 and \$71,176,000 in 2010 to the plan.

**Postretirement Health**

The Health System offers a retiree health reimbursement plan to provide employees who have satisfied the conditions of eligibility, with certain retiree medical expense reimbursement benefits. Eligibility for plan benefits is based on age and years of service. The Health System enacted an amendment to the retiree health reimbursement plan in September 2010, with an effective date of July 1, 2011, which allows participants access to an established lump sum rather than a predetermined monthly amount.

St. Joseph Health System and Affiliates  
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Notes to Consolidated Financial Statements (continued)

**9. Employee Benefit Plans (continued)**

The following table sets forth the change in benefit obligations and components of net periodic benefit cost for the postretirement health plan. As of June 30, 2011 and 2010, there were no plan assets.

	<b>2011</b>	<b>2010</b>
	<i>(In thousands)</i>	
Change in benefit obligations:		
Accumulated postretirement benefit obligation at beginning of year	\$ 18,070	\$ 14,446
Service cost	1,850	822
Interest cost	1,434	950
Actuarial (gain) loss	(672)	2,265
Benefits paid	(404)	(413)
Change in plan provision	15,410	—
Accumulated postretirement benefit obligation at end of year recognized in the consolidated balance sheet	<u>\$ 35,688</u>	<u>\$ 18,070</u>
Amounts recognized in the consolidated balance sheet:		
Funded status at end of year	\$ (35,688)	\$ (18,070)
Unrecognized prior service cost	—	—
Unrecognized net (gain) or loss	—	—
Amounts recognized in the consolidated balance sheet	<u>\$ (35,688)</u>	<u>\$ (18,070)</u>
Amounts recognized in changes to unrestricted net assets:		
Prior service cost	\$ (21,846)	\$ (9,264)
Net actuarial gain	14,079	14,260
Total	<u>\$ (7,767)</u>	<u>\$ 4,996</u>
Components of net periodic benefit costs:		
Service cost	\$ 1,850	\$ 822
Interest cost	1,434	950
Amortization of net loss	(853)	(1,159)
Amortization of prior service cost	2,828	1,813
Net periodic benefit cost	<u>\$ 5,259</u>	<u>\$ 2,426</u>

St. Joseph Health System and Affiliates  
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Notes to Consolidated Financial Statements (continued)

**9. Employee Benefit Plans (continued)**

The assumptions used to determine the net benefit obligation and net periodic benefit cost for the retirement plan are set forth below:

	<u>2011</u>	<u>2010</u>
Weighted-average discount rate for benefit obligation	<b>4.85%</b>	5.00%
Weighted-average discount rate for net periodic benefit cost	<b>5.00%</b>	6.75%

The assumed annual health care cost trend rate for the retiree health plan is 9.00% for 2011, gradually decreasing to 5.00% in 2019 and remaining at that level thereafter.

Information about the expected cash flows for the retiree health reimbursement plan follows (in thousands):

Expected employer contributions 2012	\$	2,361
Expected benefit payments:		
2012	\$	2,361
2013		3,900
2014		3,675
2015		3,724
2016		3,909
2017-2021		21,263

**10. Functional Expenses**

The Health System provides general health care services to residents within the geographic locations served by its affiliates. Expenses related to providing these services follow:

	<u>Year Ended June 30</u>	
	<u>2011</u>	<u>2010</u>
	<i>(In thousands)</i>	
Health care services	<b>\$ 3,201,953</b>	\$ 2,946,614
General and administrative	<b>829,650</b>	908,870
	<b><u>\$ 4,031,603</u></b>	<b><u>\$ 3,855,484</u></b>

St. Joseph Health System and Affiliates  
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Notes to Consolidated Financial Statements (continued)

**11. Charity Care and Community Benefits**

The Health System's policy is to accept all patients regardless of their ability to pay. In assessing a patient's ability to pay, the Health System's policy uses generally recognized income levels, but also considers cases where incurred charges are significant when compared to income. Health care services rendered to patients who are unable to pay according to these criteria are classified as traditional charity care.

The Health System's policy is also to sponsor numerous health care-related programs for the general community and the medically underserved population in the area it serves. Some of these programs include mobile medical vans, health and dental clinics, prenatal programs, AIDs residences, health referral services, and bilingual health education and are referred to as community services.

In addition to traditional charity care and other direct community services, the Health System incurred a shortfall from services rendered to patients covered by certain public programs. This shortfall is defined as the cost of providing services to state Medicaid and local indigent program beneficiaries in excess of government payments.

The cost of the aforementioned programs was determined in accordance with the Catholic Health Association's "A Guide for Planning and Reporting Community Benefit," and is summarized for 2011 and 2010, as follows:

	Total Community Benefit Expense, at Cost		Direct Offsetting Revenue	Un-sponsored Community Benefit Expense, at Cost	
	Amount	% of Total Expenses		Amount	% of Total Expenses
<b>2011</b>					
<i>(In thousands)</i>					
Benefits for the poor					
Traditional charity care	\$ 94,164	2.3%	\$ 10,668	\$ 83,496	2.1%
Community services for the poor	47,661	1.2%	4,134	43,527	1.1%
Unpaid cost of state and local programs	414,480	10.3%	252,669	161,811	4.0%
Total quantifiable benefits for the poor	556,305	13.8%	267,471	288,834	7.2%
Benefits for the broader community					
Community services for the broader community	31,437	0.8%	1,349	30,088	0.7%
Total quantifiable benefits for the broader community	31,437	0.8%	1,349	30,088	0.7%
Total community benefits	\$ 587,742	14.6%	\$ 268,820	\$ 318,922	7.9%



St. Joseph Health System and Affiliates  
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Notes to Consolidated Financial Statements (continued)

**11. Charity Care and Community Benefits (continued)**

2010	Total Community Benefit Expense, at Cost		Direct Offsetting Revenue	Un-sponsored Community Benefit Expense, at Cost	
	Amount	% of Total		Amount	% of Total
		Expenses			Expenses
(In thousands)					
Benefits for the poor					
Traditional charity care	\$ 61,450	1.5%	\$ —	\$ 61,450	1.5%
Community services for the poor	38,023	0.9%	3,997	34,026	0.8%
Unpaid cost of state and local programs	132,560	3.2%	—	132,560	3.2%
Total quantifiable benefits for the poor	232,033	5.6%	3,997	228,036	5.5%
Benefits for the broader community					
Community services for the broader community	32,925	0.8%	667	32,258	0.8%
Total quantifiable benefits for the broader community	32,925	0.8%	667	32,258	0.8%
Total community benefits	\$ 264,958	6.4%	\$ 4,664	\$ 260,294	6.3%

Effective July 1, 2010, the Health System updated its policy for determining charity care whereby the Health System analyzes patient accounts receivable for eligibility as presumptive charity care. Traditional charity care for the year ended June 30, 2011, in the above table, includes presumptive charity care amounts at cost.

In addition, the Health System incurred \$316,210,000 and \$282,076,000 in costs in excess of reimbursement from the Medicare program in 2011 and 2010, respectively.

In August 2010, an accounting standard was released which required health care entities to present charity care disclosures at cost. The Health System's policy is to report charity care and community benefits disclosures on a cost basis and does not expect the new accounting standard to impact the consolidated financial statements.

The Health System affiliated hospitals dedicate approximately 10% of revenues in excess of expenses attributable to controlling interests each year to the St. Joseph Health System Foundation (Foundation). The Foundation administers various programs for the poor and underserved in local and other communities. Such programs are reflected in community services for the poor.

St. Joseph Health System and Affiliates  
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Notes to Consolidated Financial Statements (continued)

**12. Temporarily and Permanently Restricted Net Assets**

A summary of net assets at June 30 follows:

	<b>2011</b>	<b>2010</b>
	<i>(In thousands)</i>	
Unrestricted	<b>\$ 2,615,539</b>	\$ 2,276,192
Temporarily restricted	<b>102,739</b>	94,423
Permanently restricted	<b>7,483</b>	6,492
Total net assets	<b><u>\$ 2,725,761</u></b>	<b><u>\$ 2,377,107</u></b>

Temporarily and permanently restricted net assets are donor-restricted assets appropriated for plant expansion, capital acquisition, health services, and other specific purposes.

**Endowments**

The Health System's endowment consists of approximately 87 separate endowment funds included in assets limited as to use established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees of the hospital foundations to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor restrictions to the contrary. As a result of this interpretation, the Health System classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily net

St. Joseph Health System and Affiliates  
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Notes to Consolidated Financial Statements (continued)

**12. Temporarily and Permanently Restricted Net Assets (continued)**

assets until those amounts are appropriated for expenditure by the Health System in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Health System considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purposes of the hospital and the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the hospital
- g. The investment policies of the hospital

The endowment net asset composition as of June 30, 2011 and 2010, by fund type, was as follows (in thousands):

	Temporarily Permanently			
	Unrestricted	Restricted	Restricted	Total
<b>2011</b>				
Board-designated endowment funds	\$ 19,595	\$ 3,672	\$ —	\$ 23,267
Donor-restricted endowment funds	—	531	6,419	6,950
Total funds	<u>\$ 19,595</u>	<u>\$ 4,203</u>	<u>\$ 6,419</u>	<u>\$ 30,217</u>
	Temporarily Permanently			
	Unrestricted	Restricted	Restricted	Total
<b>2010</b>				
Board-designated endowment funds	\$ 14,821	\$ 3,043	\$ —	\$ 17,864
Donor-restricted endowment funds	—	474	6,182	6,656
Total funds	<u>\$ 14,821</u>	<u>\$ 3,517</u>	<u>\$ 6,182</u>	<u>\$ 24,520</u>

St. Joseph Health System and Affiliates  
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Notes to Consolidated Financial Statements (continued)

**12. Temporarily and Permanently Restricted Net Assets (continued)**

Changes in endowment net assets during the years ended June 30, 2011 and 2010, were as follows (in thousands):

<b>2011</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, July 1, 2010	\$ 14,821	\$ 3,517	\$ 6,182	\$ 24,520
Realized investment gains (losses)	1,557	33	(556)	1,034
Unrealized gains	2,790	679	—	3,469
Contributions, net	1,207	102	805	2,114
Appropriation of endowment assets for expenditure	(780)	(128)	(12)	(920)
Endowment net assets, June 30, 2011	<u>\$ 19,595</u>	<u>\$ 4,203</u>	<u>\$ 6,419</u>	<u>\$ 30,217</u>
<b>2010</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, July 1, 2009	\$ 13,192	\$ 2,551	\$ 4,783	\$ 20,526
Realized investment gains	5	23	88	116
Unrealized gains (losses)	2,399	(38)	779	3,140
Contributions, net	—	1,111	532	1,643
Appropriation of endowment assets for expenditure	(775)	(130)	—	(905)
Endowment net assets, June 30, 2010	<u>\$ 14,821</u>	<u>\$ 3,517</u>	<u>\$ 6,182</u>	<u>\$ 24,520</u>

The Health System has investment and spending policies for endowment assets that attempt to provide a stream of funding to programs supported by its endowment while balancing the risk of investment loss with the long-term preservation of purchasing power. Endowment assets include those assets of donor-restricted funds that the Health System must hold in perpetuity or for a donor-specified period as well as board-designated funds. The Health System seeks to maintain the purchasing power of the endowment assets portfolio and to achieve rates of returns which

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Notes to Consolidated Financial Statements (continued)

**12. Temporarily and Permanently Restricted Net Assets (continued)**

over time exceed inflation by a specified margin. To achieve its long-term investment objectives within prudent risk constraints, the Health System develops strategic asset allocation ranges and targets for the endowment portfolio and considers factors including, but not limited to, time horizon, liquidity, and risk tolerance. The current asset allocation targets emphasize diversification across asset classes to manage risk and enhance returns. Actual allocations may differ from target allocations in the short-term or during periods of significant market fluctuations. In addition, the Health System confirms the asset allocation ranges on an annual basis and updates the investment policy and/or target allocations, as needed, if there is a significant change in capital market expectations and/or investment objectives, including spending requirements.

The Health System expects that the returns achieved for the endowment portfolio will be accompanied by capital market risk, but the Health System seeks to achieve returns, adjusted for this risk, which will compare favorably to the returns of the applicable markets and representative peers.

The Health System's policy allows the individual hospital Board of Trustees to determine a spending rate from endowment investments. In establishing this policy, the Health System considers the fair market value and long-term expected return on its endowment and the factors described above.

St. Joseph Health System and Affiliates  
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Notes to Consolidated Financial Statements (continued)

**13. Commitments and Contingencies**

**Operating Leases**

The Health System leases land, buildings and equipment under various noncancelable operating leases excluding lease financing obligations (see Note 3) for terms up to 18 years. Lease expense was approximately \$65,733,000 in 2011 and \$56,266,000 in 2010. Sublease revenues relating to building space under various noncancelable leases were \$24,957,000 in 2011 and \$19,160,000 in 2010. The leases provide that the minimum monthly lease payments may be adjusted for inflation. Minimum lease commitments at June 30, 2011, are as follows (in thousands):

2012	\$ 51,438
2013	45,263
2014	41,250
2015	37,374
2016	30,800
Thereafter	121,648
	<u>327,773</u>
Less sublease revenue	(48,855)
	<u><u>\$ 278,918</u></u>

**Litigation**

The Civil Division of the Department of Justice (DOJ) has contacted the Health System in connection with its nationwide review of whether, in certain cases, hospital charges to the federal government relating to implantable cardio-defibrillators (ICDs) met the Centers for Medicare and Medicaid Services criteria. In connection with this nationwide review, the DOJ has indicated that it will be reviewing certain ICD billing and medical records at certain of the Health System's hospitals for the period from October 2003 to the present. The review could potentially give rise to claims against the Health System under the federal false claims act or other statutes, regulations or laws. At this time, management cannot predict what effect, if any, this review or any resulting claims could have on the Health System.

St. Joseph Health System and Affiliates  
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Notes to Consolidated Financial Statements (continued)

**13. Commitments and Contingencies (continued)**

As a result of a compliant validation survey completed by the California Department of Public Health (CDPH) in September 2010, the Centers for Medicare and Medicaid Services (CMS) concluded that, due to alleged deficiencies relating to infection control, St. Joseph Hospital of Eureka (St. Joseph Eureka) was not in compliance with certain of the conditions of participation as a provider in the Medicare program. St. Joseph Eureka submitted a plan of correction to CMS addressing the alleged deficiencies, and CDPH conducted a full survey of the facility in January 2011 to verify compliance with all conditions of participation. As a result of that January 2011 survey, CDPH identified certain continuing deficiencies relating to infection control and certain additional deficiencies relating to quality assessment and performance improvement, dietary services, the physical environment, and surgical services. In response to these survey findings, CMS issued to St. Joseph Eureka a notice of non-compliance with specified Medicare conditions of participation. On June 2, 2011, St. Joseph Eureka submitted a plan of correction for review by CMS and CDPH.

While failure to comply with Medicare conditions of participation may result in termination under the Medicare program, management of the Corporation anticipates that the deficiencies identified by CMS and not already corrected will be corrected by St. Joseph Eureka within the time periods required by CMS and that Medicare and Medicaid reimbursement will not be materially adversely affected. Management of the Corporation does not expect that the cost of correcting the deficiencies and maintaining compliance will have a material adverse effect on the Health System's financial condition.

Certain claims, suits, and complaints arising in the ordinary course of business have also been filed or are pending against the Health System. In the opinion of management, such claims, if disposed of unfavorably, would not have a material adverse effect on the Health System's consolidated financial position, results of operations or cash flows.

**Seismic Compliance (Unaudited)**

The Health System has completed facility master plans for each of its California hospitals, including an assessment of earthquake retrofit requirements. The Health System has received an extension for compliance with seismic standards for all of its California hospitals through January 1, 2013, with an additional extension to January 1, 2015, for some hospitals for factors beyond the hospital's control. The Health System projects total costs of \$1,111,343,000 to meet these seismic standards, and in some cases these projects will meet enhanced standards for 2030.

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Notes to Consolidated Financial Statements (continued)

**13. Commitments and Contingencies (continued)**

Of the total projected costs, \$618,094,000 has been spent through 2010, with additional commitments of \$368,931,000. The Health System plans to fund these projects through operations, debt issuance and philanthropy. Through June 30, 2011, the Health System has received \$286,669,000 in philanthropic support for all construction projects.



## Other Financial Information

**St. Joseph Health System and Affiliates**  
**A St. Joseph Health Ministry Corporation**

**Consolidating Balance Sheet**  
*(In thousands)*

June 30, 2011

	Consolidated	Eliminations	Total Regional Entities	American Group	Professional Services Enterprises	Heritage Investment Group I	Revenue Cycle Services	St. Joseph Health System Foundation	Obligated Group	Non-Obligated Group
<b>Assets</b>										
Current assets										
Cash and equivalents	\$ 250 712	\$ (4 453)	\$ 240 767	\$ 4 043	\$ 2 077	\$ 2 035	\$ 2 384	\$ 3 859	\$ 175 860	\$ 74 852
Short-term marketable securities	715 530	—	660 196	—	—	—	—	55 334	621 972	93 558
Patent accounts receivable less allowance for doubtful accounts	455 273	—	455 273	—	—	—	—	—	407 831	47 442
Inventories and other	138 699	—	137 494	1 114	4	60	26	1	121 666	17 033
Total current assets	1 560 214	(4 453)	1 493 730	5 157	2 081	2 095	2 410	59 194	1 327 329	232 885
Long-term marketable securities	840 399	—	778 756	61 643	—	—	—	—	729 293	111 106
Assets limited as to use										
Board designated	174 329	—	146 843	—	—	—	—	27 486	136 128	38 201
Held in trust	65 118	—	65 118	—	—	—	—	—	63 282	1 836
Total assets limited as to use	239 447	—	211 961	—	—	—	—	27 486	199 410	40 037
Property and equipment net	2 241 317	(23 494)	2 238 868	—	12 905	12 946	92	—	2 173 962	67 355
Investments and other	67 169	(16 834)	66 696	439	9 936	6 892	—	40	76 261	(9 092)
Collateral held for swap counterparty	10 339	—	10 339	—	—	—	—	—	10 339	—
Notes receivable	5 393	—	5 393	—	—	—	—	—	5 393	—
Deferred financing costs net	20 357	—	20 357	—	—	—	—	—	20 357	—
Goodwill and other intangibles less accumulated amortization	42 818	(5 525)	48 343	—	—	—	—	—	16 066	26 752
Total assets	146 076	(22 359)	151 128	439	9 936	6 892	—	40	128 416	17 660
	\$ 5 027 453	\$ (50 306)	\$ 4 874 443	\$ 67 239	\$ 24 922	\$ 21 933	\$ 2 502	\$ 86 720	\$ 4 558 410	\$ 469 043
<b>Liabilities and net assets (deficit)</b>										
Current liabilities										
Accounts payable	\$ 127 508	\$ (195)	\$ 126 663	\$ 707	\$ 45	\$ 1	\$ —	\$ 287	\$ 111 975	\$ 15 533
Accrued compensation and related liabilities	313 236	—	312 875	—	—	—	361	—	292 351	20 885
Accrued liabilities	229 027	(1 441)	208 421	19 787	95	2 165	—	—	148 152	80 875
Payable to third-party payors	76 119	—	76 119	—	—	—	—	—	73 920	2 199
Current maturities of long-term debt	52 017	—	50 684	—	1 333	—	—	—	50 544	1 473
Total current liabilities	797 907	(1 636)	774 762	20 494	1 473	2 166	361	287	676 942	120 965
Interest rate swaps	44 964	—	44 964	—	—	—	—	—	44 964	—
Other liabilities	123 978	—	110 805	13 173	—	—	—	—	92 538	31 440
Notes payable and interest due (from) to affiliates	—	(4 256)	(5 225)	102	(20)	13 686	493	(4 780)	(105 834)	105 834
Long-term debt less current maturities	1 334 843	(37 356)	1 339 688	—	32 511	—	—	—	1 317 540	17 303
Total liabilities	2 301 692	(43 248)	2 264 994	33 769	33 964	15 852	854	(4 493)	2 026 150	275 542
Net assets (deficit)										
Controlling interest	2 696 006	(10 085)	2 582 721	33 470	(9 042)	6 081	1 648	91 213	2 532 260	163 746
Noncontrolling interests in subsidiaries	29 755	3 027	26 728	—	—	—	—	—	—	29 755
Total liabilities and net assets (deficit)	2 725 761	(7 058)	2 609 449	33 470	(9 042)	6 081	1 648	91 213	2 532 260	193 501
	\$ 5 027 453	\$ (50 306)	\$ 4 874 443	\$ 67 239	\$ 24 922	\$ 21 933	\$ 2 502	\$ 86 720	\$ 4 558 410	\$ 469 043

St. Joseph Health System and Affiliates  
A St. Joseph Health Ministry Corporation

Consolidating Balance Sheet of Regional Entities  
(In thousands)

June 30, 2011

	Total Regional Entities	Eliminations	Southern California Region		Northern California Region		Texas Region	System Office
<b>Assets</b>								
Current assets								
Cash and equivalents	\$ 240 767	\$ (9 960)	\$ 79 834	\$ 30 405	\$ 103 853	\$ 36 635		
Short-term marketable securities	660 196	—	322 189	181 104	72 835	84 068		
Patient accounts receivable less allowance for doubtful accounts	455 273	—	220 275	126 798	108 200	—		
Inventories and other	137 494	—	49 292	24 008	24 427	39 767		
Total current assets	1 493 730	(9 960)	671 590	362 315	309 315	160 470		
Long-term marketable securities	778 756	—	447 895	81 221	153 934	95 706		
Assets limited as to use								
Board designated	146 843	2 365	127 367	5 985	11 126	—		
Held in trust	65 118	—	2 938	—	13 629	48 551		
Total assets limited as to use	211 961	2 365	130 305	5 985	24 755	48 551		
Property and equipment net	2 238 868	—	1 358 387	510 082	272 649	97 750		
Investments and other	66 696	—	25 384	2 296	19 135	19 881		
Collateral held for swap counterparty	10 339	—	—	—	—	10 339		
Notes receivable	5 393	—	4 530	801	62	—		
Deferred financing costs net	20 357	—	12 589	5 350	1 973	445		
Goodwill and other intangibles less accumulated amortization	48 343	—	46 996	1 347	—	—		
Total assets	151 128	—	89 499	9 794	21 170	30 665		
	<u>\$ 4,874,443</u>	<u>\$ (7,595)</u>	<u>\$ 2,697,676</u>	<u>\$ 969,397</u>	<u>\$ 781,823</u>	<u>\$ 433,142</u>		
<b>Liabilities and net assets</b>								
Current liabilities								
Accounts payable	\$ 126 663	\$ (5)	\$ 77 733	\$ 23 217	\$ 17 067	\$ 8 651		
Accrued compensation and related liabilities	312 875	—	113 718	56 677	33 574	108 906		
Accrued liabilities	208 421	—	61 617	16 157	52 492	78 155		
Payable to third-party payors	76 119	—	39 019	35 468	1 632	—		
Current maturities of long-term debt	50 684	(28 817)	13 800	3 162	12 416	50 123		
Total current liabilities	774 762	(28 822)	305 887	134 681	117 181	245 835		
Interest rate swaps	44 964	—	—	—	—	44 964		
Other liabilities	110 805	—	13 429	362	33 501	63 513		
Notes payable and interest due (from) to affiliates	(5 225)	1 183 580	23 503	3 830	(13 287)	(1 202 851)		
Long-term debt less current maturities	1 339 688	(1 164 718)	843 378	240 358	175 260	1 245 410		
Total liabilities	2 264 994	(9 960)	1 186 197	379 231	312 655	396 871		
Net assets								
Controlling interest	2 582 721	2 365	1 506 642	590 166	447 277	36 271		
Noncontrolling interests in subsidiaries	26 728	—	4 837	—	21 891	—		
Total liabilities and net assets (deficit)	<u>\$ 4,874,443</u>	<u>\$ (7,595)</u>	<u>\$ 2,697,676</u>	<u>\$ 969,397</u>	<u>\$ 781,823</u>	<u>\$ 433,142</u>		

**St. Joseph Health System and Affiliates**  
**A St. Joseph Health Ministry Corporation**

**Consolidating Balance Sheet of Southern California Region**  
*(In thousands)*

June 30, 2011

	Southern California Region	Eliminations	St. Joseph Orange	St. Jude Medical Center	Mission Hospital	St. Mary Medical Center	Heritage Foundation Southern California	St. Joseph Imaging	Mission Ambulatory Services	Mission V. rejo Medical Ventures	Mission Education Conference Center	St. Joseph Home Health South
<b>Assets</b>												
Current assets												
Cash and equivalents	\$ 79,834	\$ -	\$ 18,055	\$ 12,073	\$ 5,853	\$ 26,146	\$ 14,442	\$ 33	\$ 2,546	\$ 258	\$ 428	\$ -
Short-term marketable securities	322,189	-	100,379	81,558	93,093	33,384	13,775	-	-	-	-	-
Patient accounts receivable less allowance for doubtful accounts	220,275	-	52,417	44,129	63,396	38,894	13,324	-	2,036	-	-	6,079
Inventory and other	49,292	-	15,584	5,230	11,203	8,042	8,401	141	485	-	30	176
Total current assets	671,590	-	186,435	142,990	173,545	106,466	49,942	174	5,067	258	458	6,255
Long-term marketable securities	447,895	-	173,738	225,484	-	48,673	-	-	-	-	-	-
Assets limited as to use												
Board designated	127,367	-	53,050	16,988	56,698	631	-	-	-	-	-	-
Held in trust	2,938	-	2,938	-	-	-	-	-	-	-	-	-
Total assets limited as to use	130,305	-	55,988	16,988	56,698	631	-	-	-	-	-	-
Property and equipment net	1,358,387	(28,132)	475,592	411,725	319,963	102,652	66,519	1,615	836	-	6,144	1,473
Investments and other	25,384	(18,071)	1,825	6,940	29,833	3,412	635	758	-	52	-	-
Notes receivable	4,530	-	4,530	-	-	-	-	-	-	-	-	-
Deferred financing costs net	12,589	-	5,250	3,886	2,984	469	-	-	-	-	-	-
Goodwill and other intangibles less accumulated amortization	46,996	32,277	-	1,002	13,717	-	-	-	-	-	-	-
Total assets	89,499	14,206	11,605	11,828	46,534	3,881	635	758	-	52	-	-
	\$ 2,697,676	\$ (13,926)	\$ 903,358	\$ 809,015	\$ 596,740	\$ 262,303	\$ 117,096	\$ 2,547	\$ 5,903	\$ 310	\$ 6,602	\$ 7,728
<b>Liabilities and net assets (deficit)</b>												
Current liabilities												
Accounts payable	\$ 77,733	\$ -	\$ 31,033	\$ 11,842	\$ 12,219	\$ 10,529	\$ 9,712	\$ 603	\$ 1,551	\$ -	\$ -	\$ 244
Accrued compensation and related liabilities	113,718	-	34,728	26,157	26,080	16,246	8,526	-	303	-	-	1,678
Accrued liabilities	61,617	-	23,808	1,813	11,861	6,038	17,293	-	168	-	108	528
Payable to third-party payors	39,019	-	5,102	9,125	3,976	18,801	2,015	-	-	-	-	-
Current maturities of long-term debt	13,800	(192)	5,676	4,963	2,746	415	192	-	-	-	-	-
Total current liabilities	305,887	(192)	100,347	53,900	56,882	52,029	37,738	603	2,022	-	108	2,450
Other liabilities	13,429	-	3,663	4,272	3,519	3	411	1,517	-	-	-	44
Notes payable and interest due (from) to affiliates	23,503	-	(19,439)	(17,461)	30,884	15,187	9,049	900	134	-	(99)	4,344
Long-term debt less current maturities	843,378	(27,700)	369,922	231,064	187,135	36,319	45,454	1,184	-	-	-	-
Total liabilities	1,186,197	(27,892)	454,493	271,775	278,420	103,538	92,652	4,204	2,156	4	9	6,838
Net assets (deficit)												
Controlling interest	1,506,642	9,129	448,865	537,240	318,320	158,765	24,444	(1,657)	3,747	306	6,593	890
Noncontrolling interests in subsidiaries	4,837	4,837	-	-	-	-	-	-	-	-	-	-
Total liabilities and net assets (deficit)	1,511,479	13,966	448,865	537,240	318,320	158,765	24,444	(1,657)	3,747	306	6,593	890
	\$ 2,697,676	\$ (13,926)	\$ 903,358	\$ 809,015	\$ 596,740	\$ 262,303	\$ 117,096	\$ 2,547	\$ 5,903	\$ 310	\$ 6,602	\$ 7,728

**St. Joseph Health System and Affiliates**  
**A St. Joseph Health Ministry Corporation**

**Consolidating Balance Sheet of Northern Region**  
*(In thousands)*

June 30, 2011

	Northern California Region	Eliminations	Queen of the Valley	Santa Rosa Memorial	Petaluma Valley	St. Joseph Eureka	Redwood Memorial	Heritage Foundation Northern California	St. Joseph Home Health North	Redwood Memorial Foundation
<b>Assets</b>										
Current assets										
Cash and equivalents	\$ 30,405	\$ -	\$ 2,606	\$ 21,429	\$ 1,661	\$ -	\$ -	\$ 2,726	\$ -	\$ 52
Short-term marketable securities	181,104	-	83,157	80,266	-	2,358	13,304	-	-	2,019
Patient accounts receivable less allowance for doubtful accounts	126,798	-	37,522	46,976	10,534	22,378	5,248	2,914	1,226	-
Inventories and other	24,008	-	8,855	5,041	1,041	7,101	1,278	610	82	-
Total current assets	362,315	-	132,140	153,712	13,236	31,837	21,761	6,250	1,308	2,071
Long-term marketable securities	81,221	-	52,794	10,227	-	479	17,721	-	-	-
Assets limited as to use	5,985	-	-	2,605	2,248	1,132	-	-	-	-
Board designated	-	-	-	-	-	-	-	-	-	-
Held in trust	5,985	-	-	2,605	2,248	1,132	-	-	-	-
Total assets limited as to use	510,082	-	146,454	171,947	15,243	164,303	9,808	1,825	215	227
Property and equipment net	2,296	-	571	149	-	1,576	-	-	-	-
Investments and other	801	-	-	496	305	-	-	-	-	-
Notes receivable	5,350	-	829	2,184	1,660	651	26	-	-	-
Deferred financing costs net	1,347	-	-	-	-	1,347	-	-	-	-
Goodwill and other intangibles less accumulated amortization	9,794	-	1,400	2,829	1,965	3,574	26	-	-	-
Total assets	\$ 969,397	\$ -	\$ 332,788	\$ 341,320	\$ 32,692	\$ 201,325	\$ 49,376	\$ 8,075	\$ 1,523	\$ 2,298
<b>Liabilities and net assets (deficit)</b>										
Current liabilities										
Accounts payable	\$ 23,217	\$ (1)	\$ 6,415	\$ 9,781	\$ 1,584	\$ 4,017	\$ 688	\$ 652	\$ 81	\$ -
Accrued compensation and related liabilities	56,677	-	17,296	21,497	5,354	9,490	2,147	270	623	-
Accrued liabilities	16,157	-	981	11,162	1,984	1,535	438	(5)	62	-
Payable to third-party payors	35,468	-	5,689	12,930	1,585	11,795	3,275	183	11	-
Current maturities of long-term debt	3,162	-	751	1,473	901	-	37	-	-	-
Total current liabilities	134,681	(1)	31,132	56,843	11,408	26,837	6,585	1,100	777	-
(Other liabilities	362	-	5	-	-	-	-	4	-	-
Notes payable and interest due (from) to affiliates	3,830	1	(4,905)	(20,040)	8,008	5,475	(807)	14,901	1,195	2
Long-term debt less current maturities	240,358	-	54,437	122,641	546	60,756	1,978	-	-	-
Total liabilities	379,231	-	80,669	159,444	19,962	93,421	7,756	16,005	1,972	2
Net assets (deficit)										
Controlling interest	590,166	-	252,119	181,876	12,730	107,904	41,620	(7,930)	(449)	2,296
Noncontrolling interests in subsidiaries	-	-	-	-	-	-	-	-	-	-
Total liabilities and net assets	\$ 969,397	\$ -	\$ 332,788	\$ 341,320	\$ 32,692	\$ 201,325	\$ 49,376	\$ 8,075	\$ 1,523	\$ 2,298

# St. Joseph Health System and Affiliates A St. Joseph Health Ministry Corporation

## Consolidating Balance Sheet of Texas Region (In thousands)

June 30, 2011

	Texas Region	Eliminations	Covenant Lubbock	Covenant Levelland	Covenant Plainview	Covenant LTAC	Covenant Medical Group	Methodist Medical Group	Covenant Surgicenter	Covenant Diagnostic Imaging	Hospice of Lubbock	Covenant Health Partners	First Care Organization	Methodist Service Provider Foundation
<b>Assets</b>														
Current assets														
Cash and equivalents	\$ 103,853	\$ -	\$ 41,572	\$ 7,104	\$ 10,754	\$ 4,836	\$ 2,409	\$ -	\$ 2,229	\$ 627	\$ 3,175	\$ 3,269	\$ 15,730	\$ 8,433
Short-term marketable securities	72,835	-	50,390	-	15	-	82	-	-	-	-	-	22,348	-
Patient accounts receivable less allowance	108,200	-	79,356	1,660	4,095	3,113	10,781	-	1,650	488	611	-	6,446	-
For doubtful accounts	24,427	-	17,658	354	430	177	2,531	-	708	175	162	388	1,227	58
Inventories and other	309,315	-	188,976	9,118	15,294	8,126	15,803	-	4,587	1,290	3,948	3,657	45,751	8,491
Total current assets	153,934	-	104,472	-	-	-	-	-	-	-	-	-	40,406	4,274
Long-term marketable securities														9,056
Assets limited as to use														
Board designated	11,126	-	372	38	-	-	-	-	-	-	-	-	-	10,716
Held in trust	13,629	-	11,793	-	-	-	-	-	-	-	-	-	-	1,836
Total assets limited as to use	24,755	-	12,165	38	-	-	-	-	-	-	-	-	-	12,552
Property and equipment net	272,649	-	251,598	1,938	4,714	1,323	1,240	-	2,600	298	13	-	6,714	2,200
Investments and other	19,135	(43,308)	11,241	-	833	-	15,858	432	43	-	118	-	-	33,918
Notes receivable	62	-	-	62	-	-	-	-	-	-	-	-	-	-
Deferred financing costs net	1,973	-	1,973	-	-	-	-	-	-	-	-	-	-	-
Goodwill and other intangibles less accumulated amortization	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 781,823	\$ (43,308)	\$ 570,425	\$ 11,156	\$ 20,841	\$ 9,449	\$ 32,901	\$ 432	\$ 7,230	\$ 1,588	\$ 4,079	\$ 3,657	\$ 92,871	\$ 44,609
<b>Liabilities and net assets (deficit)</b>														
Current liabilities														
Accounts payable	\$ 17,067	\$ -	\$ 13,753	\$ 310	\$ 1,076	\$ 145	\$ 153	\$ -	\$ 326	\$ 45	\$ 165	\$ -	\$ 205	\$ -
Accrued compensation and related liabilities	33,574	-	22,992	52	783	535	7,252	-	228	178	163	-	1,362	-
Accrued liabilities	52,492	-	9,599	716	-	128	1,105	-	-	36	-	969	39,598	179
Payable to third-party payors	1,632	-	1,632	(106)	(54)	-	-	-	-	-	-	-	-	-
Current maturities of long-term debt	12,416	-	12,276	-	-	-	-	-	-	-	-	-	140	-
Total current liabilities	117,181	-	60,412	972	1,805	808	8,510	-	554	259	328	969	41,305	179
Other liabilities	33,501	-	17,211	-	-	-	15,858	432	-	-	-	-	-	-
Notes payable and interest due (from) to affiliates	(13,287)	-	(96,358)	529	11,169	344	34,164	-	180	-	78	(1,348)	-	37,459
Long-term debt less current maturities	175,260	-	172,051	-	-	-	-	-	-	-	-	-	3,209	-
Total liabilities	312,655	-	153,316	1,501	12,974	1,152	58,532	432	734	259	406	(379)	44,514	37,638
Net assets (deficit)														1,576
Controlling interest	447,277	(65,199)	417,109	9,655	7,867	8,297	(25,631)	-	6,496	1,329	3,673	4,036	48,357	6,971
Noncontrolling interests in subsidiaries	21,891	21,891	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities and net assets (deficit)	\$ 781,823	\$ (43,308)	\$ 570,425	\$ 11,156	\$ 20,841	\$ 9,449	\$ 32,901	\$ 432	\$ 7,230	\$ 1,588	\$ 4,079	\$ 3,657	\$ 92,871	\$ 44,609

St. Joseph Health System and Affiliates  
A St. Joseph Health Ministry Corporation

Consolidating Statements of Operations  
(In thousands)

For the Year Ended June 30, 2011

	Consolidated	Eliminations	Total Regional Entities	American Unity Group	Professional Services Enterprises	Heritage Investment Group I	Revenue Cycle Services	St. Joseph Health System Foundation	Obligated Group	Non-Obligated Group
<b>Revenues</b>										
Patient service net of contractual allowances and discounts	\$ 3 659 620	\$ -	\$ 3 659 620	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3 416 365	\$ 243 255
Less: Provision for doubtful accounts	196 250	-	196 250	-	-	-	-	-	175 296	20 954
Net patient service less provision for doubtful accounts	3 463 370	-	3 463 370	-	-	-	-	-	3 241 069	222 301
Premium	654 376	-	654 376	-	-	-	-	-	133 743	520 633
Other	103 309	(16 119)	99 833	15 953	1 775	354	3 513	-	69 652	35 657
Total revenues net	4 223 055	(16 119)	4 217 579	15 953	1 775	354	3 513	-	3 444 464	778 591
<b>Expenses</b>										
Compensation and benefits	1 901 420	-	1 898 544	-	-	-	2 876	-	1 654 457	246 963
Supplies and other	917 107	(15 189)	923 883	5 835	516	1 724	338	-	838 851	78 256
Professional fees and purchased services	966 327	(1 662)	967 556	108	3	54	268	-	503 560	462 767
Depreciation and amortization	186 761	(176)	186 640	-	238	28	31	-	176 701	10 060
Interest	59 988	(803)	60 394	-	264	133	-	-	59 638	350
Total expenses	4 031 603	(17 830)	4 037 017	5 943	1 021	1 939	3 513	-	3 233 207	798 396
Operating income (loss)	191 452	1 711	180 562	10 010	754	(1 585)	-	-	211 257	(19 805)
Nonoperating gains (losses) net	171 794	(21 655)	178 558	-	(810)	7	6	15 688	179 874	(8 080)
Excess (deficiency) of revenues over expenses	363 246	(19 944)	359 120	10 010	(56)	(1 578)	6	15 688	391 131	(27 885)
Less: Excess of revenues over expenses attributable to noncontrolling interests	6 444	(787)	7 231	-	-	-	-	-	-	6 444
Excess (deficiency) of revenues over expenses attributable to controlling interests	\$ 356,802	\$ (19,157)	\$ 351,889	\$ 10,010	\$ (56)	\$ (1,578)	\$ 6	\$ 15,688	\$ 391,131	\$ (34,329)

St. Joseph Health System and Affiliates  
A St. Joseph Health Ministry Corporation

Consolidating Statements of Operations of Regional Entities  
(In thousands)

For the Year Ended June 30, 2011

	Total Regional Entities	Eliminations	Southern California Region	Northern California Region	Texas Region	System Office
<b>Revenues</b>						
Patient service, net of contractual allowances and discounts	\$ 3,659,620	\$ -	\$ 1,951,607	\$ 942,752	\$ 765,261	\$ -
Less: Provision for doubtful accounts	196,250	-	80,958	28,822	86,470	-
Net patient service, less provision for doubtful accounts	3,463,370	-	1,870,649	913,930	678,791	-
Premium	654,376	-	359,101	8,646	286,629	-
Other	99,833	(210,729)	41,527	8,723	46,841	213,471
Total revenues, net	4,217,579	(210,729)	2,271,277	931,299	1,012,261	213,471
<b>Expenses</b>						
Compensation and benefits	1,898,544	(39,474)	963,932	469,664	384,087	120,335
Supplies and other	923,883	(16,197)	510,362	209,257	196,706	23,755
Professional fees and purchased services	967,556	(155,058)	547,665	174,261	337,072	63,616
Depreciation and amortization	186,640	-	90,062	44,531	46,720	5,327
Interest	60,394	-	48,957	11,480	11,710	(11,753)
Total expenses	4,037,017	(210,729)	2,160,978	909,193	976,295	201,280
Operating income	180,562	-	110,299	22,106	35,966	12,191
Nonoperating gains, net	178,558	2,365	106,634	31,451	20,063	18,045
Excess of revenues over expenses	359,120	2,365	216,933	53,557	56,029	30,236
Less: Excess of revenues over expenses attributable to noncontrolling interests	7,231	-	2,595	-	4,636	-
Excess of revenues over expenses attributable to controlling interests	\$ 351,889	\$ 2,365	\$ 214,338	\$ 53,557	\$ 51,393	\$ 30,236



St. Joseph Health System and Affiliates  
A St. Joseph Health Ministry Corporation

Consolidating Statements of Operations of Southern California Region  
(In thousands)

For the Year Ended June 30, 2011

	Southern California Region	Eliminations	St. Joseph Orange	St. Jude Medical Center	Mission Hospital	St. Mary Medical Center	Heritage Foundation Southern California	St. Joseph Imaging	Mission Ambulatory Services	Mission Viejo Medical Ventures	Camino Health Center	Mission Education Conference Center	St. Joseph Home Health South
Revenues													
Patient service net of contractual allowances and discounts	\$ 1,951,607	\$ -	\$ 594,080	\$ 441,652	\$ 474,468	\$ 277,243	\$ 113,211	\$ -	\$ 12,713	\$ -	\$ 372	\$ -	\$ 37,868
Less: Provision for doubtful accounts	80,958	-	13,123	31,414	20,209	9,793	1,643	-	345	-	43	-	4,388
Net patient service less provision for doubtful accounts	1,870,649	-	580,957	410,238	454,259	267,450	111,568	-	12,368	-	329	-	33,480
Premium	359,101	-	50,837	56,662	-	17,775	233,791	-	-	-	36	-	-
Other	41,527	(4,075)	10,226	5,221	12,910	1,581	9,197	3,690	7	-	939	1,603	228
Total revenues net	2,271,277	(4,075)	642,020	472,121	467,169	286,806	354,556	3,690	12,375	-	1,304	1,603	33,708
Expenses													
Compensation and benefits	963,932	-	294,133	219,771	208,458	133,128	77,493	1,272	3,215	-	1,555	-	24,907
Supplies and other	510,362	(2,347)	180,280	101,195	116,300	57,627	43,295	2,178	3,640	3	410	338	7,443
Professional fees and purchased services	547,665	(2,551)	96,854	77,900	78,223	48,238	243,556	291	1,348	30	236	53	3,487
Depreciation and amortization	90,062	-	29,581	25,085	21,092	8,118	5,147	320	326	-	47	183	163
Interest	48,957	(998)	18,912	14,957	11,976	2,492	1,513	87	-	-	-	-	18
Total expenses	2,160,978	(5,896)	619,760	438,908	436,049	249,603	371,004	4,148	8,529	33	2,248	574	36,018
Operating income (loss)	110,299	1,821	22,260	33,213	31,120	37,203	(16,448)	(458)	3,846	(33)	(944)	1,029	(2,310)
Nonoperating gains net	106,634	(1,522)	33,336	51,412	12,042	9,315	1,076	-	10	40	902	1	22
Excess (deficiency) of revenues over expenses	216,933	299	55,596	84,625	43,162	46,518	(15,372)	(458)	3,856	7	(42)	1,030	(2,288)
Less: Excess of revenues over expenses attributable to noncontrolling interests	2,595	2,595	-	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of revenues over expenses attributable to controlling interests	\$ 214,338	\$ (2,296)	\$ 55,596	\$ 84,625	\$ 43,162	\$ 46,518	\$ (15,372)	\$ (458)	\$ 3,856	\$ 7	\$ (42)	\$ 1,030	\$ (2,288)

St. Joseph Health System and Affiliates  
A St. Joseph Health Ministry Corporation

Consolidating Statements of Operations of Northern California Region  
(In thousands)

For the Year Ended June 30, 2011

	Northern California Region	Eliminations	Queen of the Valley	Santa Rosa Memorial	Petaluma Valley	St. Joseph Eureka	Redwood Memorial	Heritage Foundation Northern California	St. Joseph Home Health North	Redwood Memorial Foundation
Revenues										
Patient service net of contractual allowances and discounts	\$ 942,752	\$ (446)	\$ 239,025	\$ 351,876	\$ 84,544	\$ 198,156	\$ 43,311	\$ 14,686	\$ 11,600	\$ -
Less: Provision for doubtful accounts	28,822	-	(535)	11,867	6,140	7,254	2,487	1,335	274	-
Net patient service less provision for doubtful accounts	913,930	(446)	239,560	340,009	78,404	190,902	40,824	13,351	11,326	-
Premium	8,646	-	8,469	-	-	-	-	177	-	-
Other	8,723	(946)	2,749	3,578	966	705	176	1,495	-	-
Total revenues net	931,299	(1,392)	250,778	343,587	79,370	191,607	41,000	15,023	11,326	-
Expenses										
Compensation and benefits	469,664	-	136,497	166,925	47,296	83,389	19,911	5,873	9,773	-
Supplies and other	209,257	-	54,814	75,602	15,753	53,401	5,989	2,566	1,132	-
Professional fees and purchased services	174,261	(1,392)	39,049	58,026	15,539	37,231	7,703	16,961	1,144	-
Depreciation and amortization	44,531	-	13,518	18,396	3,516	7,130	1,529	362	80	-
Interest	11,480	-	3,306	7,794	59	173	134	-	14	-
Total expenses	909,193	(1,392)	247,184	326,743	82,163	181,324	35,266	25,762	12,143	-
Operating income (loss)	22,106	-	3,594	16,844	(2,793)	10,283	5,734	(10,739)	(817)	-
Nonoperating gains net	31,451	-	16,815	9,616	21	560	4,205	3	-	231
Excess (deficiency) of revenues over expenses	53,557	-	20,409	26,460	(2,772)	10,843	9,939	(10,736)	(817)	231
Excess (deficiency) of revenues over expenses attributable to controlling interests	\$ 53,557	\$ -	\$ 20,409	\$ 26,460	\$ (2,772)	\$ 10,843	\$ 9,939	\$ (10,736)	\$ (817)	\$ 231

St. Joseph Health System and Affiliates  
A St. Joseph Health Ministry Corporation

Consolidating Statements of Operations of Texas Region  
(In thousands)

For the Year Ended June 30, 2011

	Texas Region	Eliminations	Covenant Lubbock	Covenant Levelland	Covenant Plainview	Covenant LTAC	Covenant Medical Group	Methodist Medical Group	Covenant Surgicenter	Covenant Diagnostic Imaging	Hospice of Lubbock	Covenant Health Partners	First Care Organization	Methodist Service Provider	Covenant Foundation
Revenues															
Patient service net of contractual allowances and discounts	\$ 765,261	\$ (64,239)	\$ 647,691	\$ 20,454	\$ 32,710	\$ 21,478	\$ 80,416	\$ 1	\$ 13,518	\$ 6,897	\$ 6,335	\$ -	\$ -	\$ -	\$ -
Less: Provision for doubtful accounts	86,470	-	67,218	2,025	4,027	96	12,284	-	244	496	80	-	-	-	-
Net patient service less provision for doubtful accounts	678,791	(64,239)	580,473	18,429	28,683	21,382	68,132	1	13,274	6,401	6,255	-	-	-	-
Premium	286,629	(1,550)	-	-	-	-	-	-	-	-	-	-	288,179	-	-
(Other)	46,841	(22,123)	25,199	553	3,046	1	24,400	-	-	44	148	3,036	12,537	-	-
Total revenues net	1,012,261	(87,912)	605,672	18,982	31,729	21,383	92,532	1	13,274	6,445	6,403	3,036	300,716	-	-
Expenses															
Compensation and benefits	384,087	(1,550)	229,110	11,128	14,078	9,308	90,998	-	3,797	2,174	2,592	440	22,012	-	-
Supplies and other	196,706	(4,230)	158,358	3,361	7,482	5,893	12,451	-	3,710	990	1,316	32	8,207	(864)	-
Professional fees and purchased services	337,072	(87,264)	125,649	4,108	6,687	4,402	9,133	-	1,672	596	1,907	1,211	268,971	-	-
Depreciation and amortization	46,720	-	42,135	548	645	297	604	-	470	136	2	-	1,807	76	-
Interest	11,710	-	11,570	3	-	-	-	-	-	-	-	-	137	-	-
Total expenses	976,295	(93,044)	566,822	19,148	28,892	19,900	113,186	-	9,649	3,896	5,817	1,683	301,134	(788)	-
Operating income (loss)	35,966	5,132	38,850	(166)	2,837	1,483	(20,654)	1	3,625	2,549	586	1,353	(418)	788	-
Nonoperating gains (losses) net	20,063	(12,938)	22,757	103	184	12	32	-	755	1	11	10	4,438	4,803	(105)
Excess (deficiency) of revenues over expenses	56,029	(7,806)	61,607	(63)	3,021	1,495	(20,622)	1	4,380	2,550	597	1,363	4,020	5,591	(105)
Less: Excess of revenues over expenses attributable to noncontrolling interests	4,636	4,636	-	-	-	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of revenues over expenses attributable to controlling interests	\$ 51,393	\$ (12,442)	\$ 61,607	\$ (63)	\$ 3,021	\$ 1,495	\$ (20,622)	\$ 1	\$ 4,380	\$ 2,550	\$ 597	\$ 1,363	\$ 4,020	\$ 5,591	\$ (105)

**St. Joseph Health System and Affiliates**  
**A St. Joseph Health Ministry Corporation**

**Consolidating Balance Sheet**

*(In thousands)*

June 30, 2010

	Consolidated	Eliminations	Total Regional		Professional Services Enterprises	Heritage Investment Group I	Revenue Cycle Services		St. Joseph Health System Foundation	Obligated Group	Non-Obligated Group
			Entities	American Unity Group			Services	Services			
<b>Assets</b>											
Current assets											
Cash and equivalents	\$ 270,409	\$ (8,201)	\$ 264,047	\$ 5,081	\$ 1,541	\$ 4,543	\$ 1,845	\$ 1,553	\$ 218,198	\$ 52,211	
Short-term marketable securities	563,584	-	516,520	-	-	-	-	47,064	481,733	81,851	
Patient accounts receivable less allowance for doubtful accounts	462,256	-	462,256	-	-	-	-	-	411,783	50,473	
Intonotes and other	106,359	-	105,030	1,326	-	1	1	1	89,916	16,443	
Total current assets	1,402,608	(8,201)	1,347,853	6,407	1,541	4,544	1,846	48,618	1,201,630	200,978	
Long-term marketable securities	633,519	-	582,633	50,886	-	-	-	-	543,532	89,987	
Assets limited as to use											
Board designated	154,220	-	130,742	-	-	-	-	23,478	122,129	32,091	
Held in trust	147,798	-	147,798	-	-	-	-	-	146,060	1,738	
Total assets limited as to use	302,018	-	278,540	-	-	-	-	23,478	268,189	33,829	
Property and equipment net	2,136,646	(7,674)	2,136,359	-	4,007	3,837	117	-	2,090,123	46,523	
Investments and other	63,200	(4,865)	63,637	468	3,866	-	-	94	74,651	(11,451)	
Collateral held for swap counterparty	29,010	-	29,010	-	-	-	-	-	29,010	-	
Notes receivable	8,172	-	7,993	-	-	-	-	179	7,236	936	
Deferred financing costs net	21,515	-	21,515	-	-	-	-	-	21,516	(1)	
Goodwill and other intangibles less accumulated amortization	61,342	(11,989)	73,331	-	-	-	-	-	22,057	39,285	
Total assets	183,239	(16,854)	195,486	468	3,866	-	-	273	154,470	28,769	
	\$ 4,658,030	\$ (32,729)	\$ 4,540,871	\$ 57,761	\$ 9,414	\$ 8,381	\$ 1,963	\$ 72,369	\$ 4,257,944	\$ 400,086	
<b>Liabilities and net assets (deficit)</b>											
Current liabilities											
Accounts payable	\$ 142,804	\$ (194)	\$ 141,647	\$ 1,338	\$ -	\$ 13	\$ -	\$ -	\$ 131,412	\$ 11,392	
Accrued compensation and related liabilities	295,416	-	295,334	-	-	-	82	-	273,705	21,711	
Accrued liabilities	165,053	-	145,103	19,186	-	707	1	56	96,752	68,301	
Payable to third-party payors	60,523	-	60,523	-	-	-	-	-	59,093	1,430	
Current maturities of long-term debt	114,890	-	114,890	-	-	-	-	-	114,750	140	
Total current liabilities	778,686	(194)	757,497	20,524	-	720	83	56	675,712	102,974	
Interest rate swaps	65,194	-	65,194	-	-	-	-	-	65,194	-	
Other liabilities	98,520	(2,825)	83,732	13,776	3,837	-	-	-	59,817	38,703	
Notes payable and interest due (from) to affiliates	-	(8,007)	(3,582)	-	14,563	2	238	(3,214)	(72,643)	72,643	
Long-term debt less current maturities	1,338,523	(3,837)	1,342,360	-	-	-	-	-	1,333,426	5,097	
Total liabilities	2,280,923	(14,863)	2,245,201	34,300	18,400	722	321	(3,158)	2,061,506	219,417	
Net assets (deficit)											
Controlling interest	2,348,364	(21,680)	2,270,741	23,461	(8,986)	7,659	1,642	75,527	2,196,438	151,926	
Noncontrolling interests in subsidiaries	28,743	3,814	24,929	-	-	-	-	-	-	28,743	
Total liabilities and net assets (deficit)	2,377,107	(17,866)	2,295,670	23,461	(8,986)	7,659	1,642	75,527	2,196,438	180,669	
	\$ 4,658,030	\$ (32,729)	\$ 4,540,871	\$ 57,761	\$ 9,414	\$ 8,381	\$ 1,963	\$ 72,369	\$ 4,257,944	\$ 400,086	

St. Joseph Health System and Affiliates  
A St. Joseph Health Ministry Corporation

Consolidating Balance Sheet of Regional Entities  
(In thousands)

June 30, 2010

	Total Regional Entities	Eliminations	Southern California Region		Northern California Region		Texas Region	System Office
<b>Assets</b>								
Current assets								
Cash and equivalents	\$ 264,047	\$ (305)	\$ 55,040	\$ 30,041	\$ 72,845	\$ 106,426		
Short-term marketable securities	516,520	—	275,838	163,979	47,606	29,097		
Patient accounts receivable less allowance for doubtful accounts	462,256	—	222,152	129,957	110,147	—		
Inventories and other	105,030	—	48,975	24,708	26,593	4,754		
Total current assets	1,347,853	(305)	602,005	348,685	257,191	140,277		
Long-term marketable securities	582,633	3,815	320,849	55,396	122,415	80,158		
Assets limited as to use								
Board designated	130,742	(2,680)	114,153	10,238	9,031	—		
Held in trust	147,798	—	2,570	—	6,893	138,335		
Total assets limited as to use	278,540	(2,680)	116,723	10,238	15,924	138,335		
Property and equipment net	2,136,359	(1,305)	1,316,931	464,754	300,219	55,760		
Investments and other	63,637	1,305	22,629	2,892	22,951	13,860		
Collateral held for swap counterparty	29,010	—	—	—	—	29,010		
Notes receivable	7,993	—	6,706	1,253	34	—		
Deferred financing costs net	21,515	—	13,125	5,798	2,121	471		
Goodwill and other intangibles less accumulated amortization	73,331	—	65,993	7,254	84	—		
Total assets	195,486	1,305	108,453	17,197	25,190	43,341		
	\$ 4,540,871	\$ 830	\$ 2,464,961	\$ 896,270	\$ 720,939	\$ 457,871		
<b>Liabilities and net assets</b>								
Current liabilities								
Accounts payable	\$ 141,647	(2)	\$ 85,187	\$ 26,216	\$ 22,278	\$ 7,968		
Accrued compensation and related liabilities	295,334	—	107,463	50,427	31,101	106,343		
Accrued liabilities	145,103	—	42,451	6,736	43,813	52,103		
Payable to third-party payors	60,523	—	30,359	22,395	7,769	—		
Current maturities of long-term debt	114,890	(27,816)	13,401	3,084	11,891	114,330		
Total current liabilities	757,497	(27,818)	278,861	108,858	116,852	280,744		
Interest rate swaps	65,194	—	—	—	—	65,194		
Other liabilities	83,732	—	25,991	3,996	25,466	28,279		
Notes payable and interest due (from) to affiliates	(3,582)	1,221,712	9,192	(8,762)	(21,859)	(1,203,865)		
Long-term debt less current maturities	1,342,360	(1,194,199)	844,163	243,637	188,057	1,260,702		
Total liabilities	2,245,201	(305)	1,158,207	347,729	308,516	431,054		
Net assets								
Controlling interest	2,270,741	1,135	1,301,130	548,541	393,118	26,817		
Noncontrolling interests in subsidiaries	24,929	—	5,624	—	19,305	—		
Total liabilities and net assets	2,295,670	1,135	1,306,754	548,541	412,423	26,817		
	\$ 4,540,871	\$ 830	\$ 2,464,961	\$ 896,270	\$ 720,939	\$ 457,871		

**St. Joseph Health System and Affiliates**  
**A St. Joseph Health Ministry Corporation**

**Consolidating Balance Sheet of Southern California Region**  
*(In thousands)*

**June 30, 2010**

	Southern California Region	Eliminations	St. Joseph Orange	St. Jude Medical Center	Mission Hospital	St. Mary Medical Center	Heritage Foundation Southern California	St. Joseph Imaging	Mission Ambulatory Services	Mission Viejo Medical Ventures	Camino Health Center	Mission Education Center	St. Joseph Home Health South
<b>Assets</b>													
Current assets													
Cash and equivalents	\$ 55,040	\$ -	\$ 10,323	\$ 2,320	\$ 10,573	\$ 20,665	\$ 7,454	\$ -	\$ 2,678	\$ 283	\$ 323	\$ 419	\$ -
Short-term marketable securities	275,838	-	101,808	85,443	55,264	21,027	12,296	-	-	-	-	-	-
Patient accounts receivable less allowance for doubtful accounts	222,152	-	57,902	44,008	64,144	34,075	11,579	-	1,697	-	75	-	8,672
Inventories and other	48,975	-	17,459	5,237	10,663	6,751	7,278	22	509	-	781	31	244
Total current assets	602,005	-	187,492	137,008	140,644	82,518	38,607	24	4,884	283	1,179	450	8,916
Long-term marketable securities	320,849	-	113,293	173,849	-	33,707	-	-	-	-	-	-	-
Assets limited as to use													
Board designated	114,153	-	49,349	15,586	48,644	574	-	-	-	-	-	-	-
Held in trust	2,570	-	2,570	-	-	-	-	-	-	-	-	-	-
Total assets limited as to use	116,723	-	51,919	15,586	48,644	574	-	-	-	-	-	-	-
Property and equipment net	1,316,931	(28,072)	476,992	392,037	325,553	92,988	46,904	1,934	569	-	977	6,327	722
Intangibles and other	22,629	(21,061)	2,504	8,343	30,784	1,691	317	-	-	51	-	-	-
Notes receivable	6,706	-	5,949	-	-	-	-	757	-	-	-	-	-
Deferred financing costs net	13,125	-	5,465	4,057	3,108	495	-	-	-	-	-	-	-
Goodwill and other intangibles less accumulated amortization	65,993	51,274	-	1,002	13,717	-	-	-	-	-	-	-	-
Total assets	1,084,553	30,213	13,918	13,402	47,609	2,186	317	757	-	51	-	-	-
	\$ 2,464,961	\$ 2,141	\$ 843,614	\$ 731,882	\$ 562,450	\$ 211,973	\$ 85,838	\$ 2,715	\$ 5,453	\$ 334	\$ 2,156	\$ 6,777	\$ 9,638
<b>Liabilities and net assets (deficit)</b>													
Current liabilities													
Accounts payable	\$ 85,187	\$ (2)	\$ 33,782	\$ 11,066	\$ 19,432	\$ 12,817	\$ 7,187	\$ 287	\$ 428	\$ -	\$ 41	\$ -	\$ 149
Accrued compensation and related liabilities	107,463	-	34,089	24,659	24,106	13,801	8,586	-	311	-	348	-	1,563
Accrued liabilities	42,451	-	9,285	3,183	10,527	4,522	14,380	-	43	-	-	110	401
Payable to third-party payors	30,359	-	5,076	8,178	3,684	12,084	1,337	-	-	-	-	-	-
Current maturities of long-term debt	13,401	(183)	5,555	4,750	2,673	423	183	-	-	-	-	-	-
Total current liabilities	278,861	(185)	87,787	51,836	60,422	43,647	31,673	287	782	-	389	110	2,113
Other liabilities	25,991	5,698	7,730	6,235	4,400	380	229	1,244	-	-	-	-	75
Notes payable and interest due (from) to affiliates	9,192	2	(28,589)	(16,960)	30,927	19,234	(630)	900	131	20	(15)	(100)	4,272
Long-term debt less current maturities	844,163	(27,801)	375,860	236,137	189,984	36,774	31,726	1,483	-	-	-	-	-
Total liabilities	1,158,207	(22,286)	442,788	277,248	285,733	100,035	62,998	3,914	913	20	374	10	6,460
Net assets (deficit)													
Controlling interest	1,301,130	18,803	400,826	454,634	276,717	111,938	22,830	(1,199)	4,540	314	1,782	6,767	3,178
Noncontrolling interests in subsidiaries	5,624	5,624	-	-	-	-	-	-	-	-	-	-	-
Total liabilities and net assets	1,306,754	24,427	400,826	454,634	276,717	111,938	22,830	(1,199)	4,540	314	1,782	6,767	3,178
	\$ 2,464,961	\$ 2,141	\$ 843,614	\$ 731,882	\$ 562,450	\$ 211,973	\$ 85,838	\$ 2,715	\$ 5,453	\$ 334	\$ 2,156	\$ 6,777	\$ 9,638

**St. Joseph Health System and Affiliates**  
**A St. Joseph Health Ministry Corporation**

**Consolidating Balance Sheet of Northern Region**  
*(In thousands)*

June 30, 2010

	Northern California Region	Eliminations	Queen of the Valley	Santa Rosa Memorial	Petaluma Valley	St. Joseph Eureka	Redwood Memorial	Heritage Foundation Northern California	St. Joseph Home Health North	Redwood Memorial Foundation
<b>Assets</b>										
Current assets										
Cash and equivalents	\$ 30 041	\$ -	\$ 14 500	\$ 12 730	\$ 639	\$ -	\$ -	\$ 1 141	\$ -	\$ 24
Short-term marketable securities	163 979	-	81 122	54 702	-	13 597	12 572	-	-	1 986
Patient accounts receivable less allowance for doubtful accounts	129 957	-	36 688	50 697	10 612	23 302	4 946	2 692	1 020	-
Inventory and other	24 708	-	8 761	5 275	15 10	7 216	1 395	463	88	-
Total current assets	348 685	-	141 071	123 404	12 761	44 115	20 054	4 162	1 108	2 010
Long-term marketable securities	55 396	-	39 595	558	-	401	14 842	-	-	-
Assets limited as to use	10 238	-	-	6 672	2 761	805	-	-	-	-
Board designated	-	-	-	-	-	-	-	-	-	-
Held in trust	-	-	-	-	-	-	-	-	-	-
Total assets limited as to use	10 238	-	-	6 672	2 761	805	-	-	-	-
Property and equipment net	464 754	-	132 644	179 748	12 383	129 076	9 569	818	289	227
Investments and other	2 892	-	487	344	-	2 061	-	-	-	-
Notes receivable	1 253	-	-	613	640	-	-	-	-	-
Deferred financing costs net	5 798	-	869	2 266	1 959	675	29	-	-	-
Goodwill and other intangibles less accumulated amortization	7 254	-	-	-	-	7 254	-	-	-	-
Total assets	17 197	-	1 356	3 223	2 599	9 990	29	-	-	-
	\$ 896 270	\$ -	\$ 314 666	\$ 313 605	\$ 30 504	\$ 184 387	\$ 44 494	\$ 4 980	\$ 1 397	\$ 2 237
<b>Liabilities and net assets (deficit)</b>										
Current liabilities										
Accounts payable	\$ 26 216	\$ 2	\$ 10 409	\$ 8 804	\$ 1 305	\$ 4 643	\$ 612	\$ 410	\$ 31	\$ -
Accrued compensation and related liabilities	50 427	-	14 671	20 075	5 188	7 814	1 863	160	656	-
Accrued liabilities	6 736	-	1 739	2 627	488	1 579	243	(8)	68	-
Payable to third-party payors	22 395	-	4 008	8 076	1 741	5 401	3 002	93	74	-
Current maturities of long-term debt	3 084	-	743	1 448	856	-	37	-	-	-
Total current liabilities	108 858	2	31 570	41 030	9 578	19 437	5 757	655	829	-
(Other liabilities)	3 996	-	1 323	569	-	1 881	223	-	-	-
Notes payable and interest due (from) to affiliates	(8 762)	(2)	(3 746)	(12 589)	4 210	(3 664)	(717)	7 359	209	178
Long-term debt less current maturities	243 637	-	55 230	124 179	1 488	60 722	2 018	-	-	-
Total liabilities	347 729	-	84 377	153 189	15 276	78 376	7 281	8 014	1 038	178
Net assets (deficit)	548 541	-	230 289	160 416	15 228	106 011	37 213	(3 034)	359	2 059
Controlling interest	-	-	-	-	-	-	-	-	-	-
Noncontrolling interests in subsidiaries	548 541	-	230 289	160 416	15 228	106 011	37 213	(3 034)	359	2 059
Total liabilities and net assets	\$ 896 270	\$ -	\$ 314 666	\$ 313 605	\$ 30 504	\$ 184 387	\$ 44 494	\$ 4 980	\$ 1 397	\$ 2 237

St. Joseph Health System and Affiliates  
A St. Joseph Health Ministry Corporation

Consolidating Balance Sheet of Texas Region  
(In thousands)

June 30, 2010

	Texas Region	Eliminations	Covenant Lubbock	Covenant Levelland	Covenant Plainview	Covenant LTAC	Covenant Medical Group	Methodist Medical Group	Covenant Surgicenter	Covenant Diagnostic Imaging	Hospice of Lubbock	Covenant Health Partners	First Care Organization	Methodist Service Provider Foundation
<b>Assets</b>														
Current assets														
Cash and equivalents	\$ 72,845	\$ -	\$ 25,111	\$ 6,423	\$ 7,652	\$ 4,150	\$ 7,586	\$ 129	\$ 2,349	\$ 277	\$ 2,667	\$ 2,768	\$ 4,230	\$ 3,169
Short-term marketable securities	47,606	-	27,087	-	15	-	73	-	-	-	-	-	20,431	-
Patient accounts receivable less allowance														
for doubtful accounts	110,147	-	78,263	2,183	3,942	3,914	9,834	-	1,594	476	594	-	6,439	2,908
Inventories and other	26,593	-	19,412	407	988	220	2,422	-	578	171	51	-	1,802	-
Total current assets	257,191	-	149,873	9,013	12,597	8,284	19,915	129	4,521	924	3,312	2,768	32,902	6,077
Long-term marketable securities	122,415	-	83,314	-	-	-	-	-	-	-	-	-	33,748	5,353
Assets limited as to use														
Board designated	9,031	-	380	37	-	-	-	-	-	-	-	-	-	8,614
Held in trust	6,893	-	5,155	-	-	-	-	-	-	-	-	-	-	1,738
Total assets limited as to use	15,924	-	5,535	37	-	-	-	-	-	-	-	-	-	10,352
Property and equipment net	300,219	-	279,672	2,186	2,531	1,561	1,844	-	2,927	416	-	-	6,793	2,276
Investments and other	22,951	(40,245)	12,003	-	1,269	-	16,406	628	166	-	108	-	1,637	30,443
Notes receivable	34	-	-	34	-	-	-	-	-	-	-	-	-	-
Deferred financing costs net	2,121	-	2,121	-	-	-	-	-	-	-	-	-	-	-
Goodwill and other intangibles less accumulated amortization	84	-	84	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 720,939	\$ (40,245)	\$ 532,602	\$ 11,270	\$ 16,397	\$ 9,845	\$ 38,165	\$ 757	\$ 7,614	\$ 1,340	\$ 3,420	\$ 2,768	\$ 75,080	\$ 38,796
<b>Liabilities and net assets (deficit)</b>														
Current liabilities														
Accounts payable	\$ 22,278	\$ -	\$ 19,455	\$ 327	\$ 760	\$ 558	\$ 714	\$ 106	\$ 249	\$ 40	\$ 169	\$ 12	\$ (112)	\$ -
Accrued compensation and related liabilities	31,101	-	19,127	453	860	606	8,528	-	243	156	139	-	989	-
Accrued liabilities	43,813	-	10,017	372	-	128	919	-	-	64	1	982	30,399	77
Payable to third-party payors	7,769	-	7,499	172	98	-	-	-	-	-	-	-	-	-
Current maturities of long-term debt	11,891	-	11,751	-	-	-	-	-	-	-	-	-	140	-
Total current liabilities	116,852	-	67,849	1,324	1,718	1,292	10,161	106	492	260	309	994	31,416	77
Other liabilities	25,466	(972)	8,798	-	-	-	16,012	628	-	-	-	1,000	-	-
Notes payable and interest due (from) to affiliates	(21,859)	-	(88,868)	226	9,837	177	23,341	(2,904)	138	-	60	(1,899)	-	37,434
Long-term debt less current maturities	188,057	-	184,533	-	-	-	-	-	-	-	-	-	3,524	-
Total liabilities	308,516	(972)	172,312	1,550	11,555	1,469	49,514	(2,170)	630	260	369	95	34,940	37,511
Net assets (deficit)														
Controlling interest	393,118	(58,578)	360,290	9,720	4,842	8,376	(11,349)	2,927	6,984	1,080	3,051	2,673	40,140	1,285
Noncontrolling interests in subsidiaries	19,305	19,305	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities and net assets (deficit)	\$ 720,939	\$ (40,245)	\$ 532,602	\$ 11,270	\$ 16,397	\$ 9,845	\$ 38,165	\$ 757	\$ 7,614	\$ 1,340	\$ 3,420	\$ 2,768	\$ 75,080	\$ 38,796



St. Joseph Health System and Affiliates  
A St. Joseph Health Ministry Corporation

Consolidating Statements of Operations  
(In thousands)

For the Year Ended June 30, 2010

	Consolidated	Eliminations	Total Regional Entities		Professional Services Enterprises		Heritage Investment Group I		Revenue Cycle Services		St. Joseph Health System Foundation	Obligated Group	Non-Obligated Group
Revenues													
Patient service net of contractual allowances and discounts	\$ 3 499 609	\$ -	\$ 3 499 609	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3 276 635	\$ 222 974
Less Provision for doubtful accounts	246 051	-	246 051	-	-	-	-	-	-	-	-	229 715	16 336
Net patient service net of provision for doubtful accounts	3 253 558	-	3 253 558	-	-	-	-	-	-	-	-	3 046 920	206 638
Premium	675 538	-	675 538	-	-	-	-	-	-	-	-	128 073	547 465
Other	93 441	(15 670)	89 212	18 025	1 419	-	-	-	455	-	-	61 097	32 344
Total revenues net	4 022 537	(15 670)	4 018 308	18 025	1 419	-	-	-	455	-	-	3 236 090	786 447
Expenses													
Compensation and benefits	1 793 309	-	1 792 975	-	-	-	-	-	334	-	-	1 559 308	234 001
Supplies and other	805 345	(14 211)	810 756	8 240	504	-	1	55	-	-	-	713 594	91 751
Professional fees and purchased services	972 347	(246)	971 015	145	1	-	12	1 420	-	-	-	493 177	479 170
Depreciation and amortization	192 252	1 400	189 326	-	1 519	-	-	7	-	-	-	179 517	12 735
Interest	92 231	(2 722)	94 890	-	63	-	-	-	-	-	-	94 500	(2 269)
Total expenses	3 855 484	(15 779)	3 858 962	8 385	2 087	-	13	1 816	-	-	-	3 040 096	815 388
Operating income (loss)	167 053	109	159 346	9 640	(668)	-	(13)	(1 361)	-	-	-	195 994	(28 941)
Nonoperating gains net	104 352	(24 069)	111 030	-	53	-	22	3	3	17 313	-	97 186	7 166
Excess (deficiency) of revenues over expenses	271 405	(23 960)	270 376	9 640	(615)	-	9	(1 358)	-	-	-	293 180	(21 775)
Less Excess of revenues over expenses attributable to noncontrolling interests	4 637	\$ 4 632	-	-	-	-	-	-	-	-	-	-	4 637
Excess (deficiency) of revenues over expenses attributable to controlling interests	\$ 266 768	\$ (23 965)	\$ 265 744	\$ 9 640	\$ (615)	\$ 9	\$ 9	\$ (1 358)	\$ 17 313	\$ (1 358)	\$ 17 313	\$ 293 180	\$ (26 412)

St. Joseph Health System and Affiliates  
A St. Joseph Health Ministry Corporation

Consolidating Statements of Operations of Regional Entities  
(In thousands)

For the Year Ended June 30, 2010

	Total Regional Entities	Eliminations	Southern California Region		Northern California Region		Texas Region	System Office
Revenues								
Patient service net of contractual allowances and discounts	\$ 3 499 609	\$ -	\$ 1 835 062	\$ 927 597	\$ 736 950	\$ -		
Less Provision for doubtful accounts	246 051	-	107 319	55 691	83 041	-		
Net patient service net of provision for doubtful accounts	3 253 558	-	1 727 743	871 906	653 909	-		
Premium	675 538	-	351 308	6 528	317 702	-		
Other	89 212	(61 516)	40 073	7 149	39 402	64 104		
Total revenues net	4 018 308	(61 516)	2 119 124	885 583	1 011 013	64 104		
Expenses								
Compensation and benefits	1 792 975	-	911 802	462 986	379 015	39 172		
Supplies and other	810 756	(67)	428 117	182 694	187 990	12 022		
Professional fees and purchased services	971 015	(61 449)	507 933	148 758	362 760	13 013		
Depreciation and amortization	189 326	-	90 929	45 612	50 750	2 035		
Interest	94 890	-	48 908	11 718	12 538	21 726		
Total expenses	3 858 962	(61 516)	1 987 689	851 768	993 053	87 968		
Operating income (loss)	159 346	-	131 435	33 815	17 960	(23 864)		
Nonoperating gains net	111 030	1 135	61 616	17 745	18 053	12 481		
Excess (deficiency) of revenues over expenses	270 376	1 135	193 051	51 560	36 013	(11 383)		
Less Excess of revenues over expenses attributable to noncontrolling interests	4 632	-	1 890	-	2 742	-		
Excess (deficiency) of revenues over expenses attributable to controlling interests	\$ 265 744	\$ 1,135	\$ 191,161	\$ 51,560	\$ 33,271	\$ (11,383)		

**St. Joseph Health System and Affiliates**  
**A St. Joseph Health Ministry Corporation**

**Consolidating Statements of Operations of Southern California Region**  
*(In thousands)*

For the Year Ended June 30, 2010

	Southern California Region	Eliminations	St. Joseph Orange	St. Jude Medical Center	Mission Hospital	St. Mary Medical Center	Heritage Foundation Southern California	St. Joseph Imaging	Mission Ambulatory Services	Mission Viejo Medical Ventures	Camino Health Center	Mission Education Conference Center	St. Joseph Home Health South
<b>Revenues</b>													
Patient service net of contractual allowances and discounts	\$ 1 835 062	\$ -	\$ 564 348	\$ 411 977	\$ 457 811	\$ 246 387	\$ 102 737	\$ -	\$ 11 825	\$ -	\$ 913	\$ -	\$ 39 064
Less Provision for doubtful accounts	107 319	-	32 228	23 188	29 344	19 796	2 009	-	567	-	95	-	92
Net patient service net of provision for doubtful accounts	1 727 743	-	532 120	388 789	428 467	226 591	100 728	-	11 258	-	818	-	38 972
Premium	351 308	-	48 330	55 897	-	17 348	229 583	-	-	-	150	-	-
Other	40 073	(2 012)	12 043	5 146	11 676	1 766	5 634	1 788	5	-	2 216	1 565	246
Total revenues net	2 119 124	(2 012)	592 493	449 832	440 143	245 705	335 945	1 788	11 263	-	3 184	1 565	39 218
<b>Expenses</b>													
Compensation and benefits	911 802	-	282 097	209 159	200 690	119 751	69 042	964	3 132	-	3 405	-	23 562
Supplies and other	428 117	(2 120)	144 184	86 250	95 423	52 846	37 915	1 430	3 372	1	838	326	7 652
Professional fees and purchased services	507 933	(420)	90 240	70 319	66 906	41 386	232 886	174	1 195	48	605	62	4 532
Depreciation and amortization	90 929	163	30 011	25 456	21 161	7 972	4 943	454	335	-	118	183	133
Interest	48 908	(910)	19 513	14 567	12 096	2 613	924	69	-	-	-	-	36
Total expenses	1 987 689	(3 287)	566 045	405 751	396 276	224 568	345 710	3 091	8 034	49	4 966	571	35 915
Operating income (loss)	131 435	1 275	26 448	44 081	43 867	21 137	(9 765)	(1 303)	3 229	(49)	(1 782)	994	3 303
Nonoperating gains net	61 616	(5 907)	15 480	31 205	13 772	4 241	1 041	-	27	35	1 678	3	41
Excess (deficiency) of revenues over expenses	193 051	(4 632)	41 928	75 286	57 639	25 378	(8 724)	(1 303)	3 256	(14)	(104)	997	3 344
<b>Less: Excess of revenues over expenses attributable to noncontrolling interests</b>	1 890	1 890	-	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of revenues over expenses attributable to controlling interests	\$ 191 161	\$ (6 522)	\$ 41 928	\$ 75 286	\$ 57 639	\$ 25 378	\$ (8 724)	\$ (1 303)	\$ 3 256	\$ (14)	\$ (104)	\$ 997	\$ 3 344

St. Joseph Health System and Affiliates  
A St. Joseph Health Ministry Corporation

Consolidating Statements of Operations of Northern California Region  
(In thousands)

For the Year Ended June 30, 2010

	Northern California Region	Eliminations	Queen of the Valley	Santa Rosa Memorial	Petaluma Valley	St. Joseph Eureka	Redwood Memorial	Heritage Foundation Northern California	St. Joseph Home Health North	Redwood Memorial Foundation
Revenues										
Patient service net of contractual allowances and discounts	\$ 927,597	\$ (359)	\$ 255,614	\$ 350,513	\$ 84,602	\$ 177,359	\$ 39,941	\$ 7,792	\$ 12,135	\$ -
Less: Provision for doubtful accounts	55,691	-	8,644	25,733	5,935	10,115	4,453	536	275	-
Net patient service net of provision for doubtful accounts	871,906	(359)	246,970	324,780	78,667	167,244	35,488	7,256	11,860	-
Premium	6,528	-	6,499	-	-	-	-	29	-	-
Other	7,149	(256)	2,229	3,421	946	633	176	-	-	-
Total revenues net	885,583	(615)	255,698	328,201	79,613	167,877	35,664	7,285	11,860	-
Expenses										
Compensation and benefits	462,986	-	137,263	173,547	47,535	73,889	18,616	2,341	9,795	-
Supplies and other	182,694	-	45,168	73,768	12,264	42,448	6,167	1,672	1,207	-
Professional fees and purchased services	148,758	(615)	33,903	54,280	14,399	32,473	6,588	7,137	593	-
Depreciation and amortization	45,612	-	13,723	18,937	3,230	7,981	1,507	114	120	-
Interest	11,718	-	3,341	7,814	110	284	151	-	18	-
Total expenses	851,768	(615)	233,398	328,346	77,538	157,075	33,029	11,264	11,733	-
Operating income (loss)	33,815	-	22,300	(145)	2,075	10,802	2,635	(3,979)	127	-
Nonoperating gains net	17,745	-	9,539	3,914	82	1,224	2,502	3	240	241
Excess (deficiency) of revenues over expenses	51,560	-	31,839	3,769	2,157	12,026	5,137	(3,976)	367	241
Excess (deficiency) of revenues over expenses attributable to controlling interests	\$ 51,560	\$ -	\$ 31,839	\$ 3,769	\$ 2,157	\$ 12,026	\$ 5,137	\$ (3,976)	\$ 367	\$ 241



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