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

A For the 2010 calendar year, or tax year beginning 09-01-2010 and ending 08-31-2011		
B Check if applicable <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization SFH Inc	D Employer identification number 58-2504530
	Doing Business As	E Telephone number (864) 255-1000
	Number and street (or P O box if mail is not delivered to street address) One St Francis Drive	Room/suite
	G Gross receipts \$ 468,500,286	
	City or town, state or country, and ZIP + 4 Greenville, SC 296013955	
	F Name and address of principal officer Ronnie Hyatt One St Francis Drive Greenville, SC 296013955	H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) H(c) Group exemption number ▶ 0928
I Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () ◀ (Insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		
J Website: ▶ www.stfrancishealth.org		
K Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶		L Year of formation 1932
M State of legal domicile SC		

Part I	Summary
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Activities & Governance	1 Briefly describe the organization's mission or most significant activities Provides acute care hospital services		
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	18
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	14
	5 Total number of individuals employed in calendar year 2010 (Part V, line 2a)	5	2,797
6 Total number of volunteers (estimate if necessary)	6	285	
7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	457,555	
b Net unrelated business taxable income from Form 990-T, line 34	7b	-239,820	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	431,086	4,667,895
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	434,198,980	456,648,660
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	1,044,833	1,199,148
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	4,163,486	5,926,029
		439,838,385	468,441,732
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	798,354
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	154,933,975	158,462,712
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶ ⁰		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	240,829,906	243,084,480
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	395,763,881	402,345,546
	19 Revenue less expenses Subtract line 18 from line 12	44,074,504	66,096,186
Net Assets or Fund Balances		Beginning of Current Year	End of Year
	20 Total assets (Part X, line 16)	506,998,161	576,738,604
	21 Total liabilities (Part X, line 26)	320,202,068	329,674,334
	22 Net assets or fund balances Subtract line 21 from line 20	186,796,093	247,064,270

Part II	Signature Block
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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.

Sign Here	▶ _____ Signature of officer		2012-07-12 Date		
	▶ Ronnie Hyatt Chief Financial Officer Type or print name and title				
Paid Preparer Use Only	Print/Type preparer's name Laura L Catlett	Preparer's signature Laura L Catlett	Date	Check if self-employed <input type="checkbox"/>	PTIN
	Firm's name ▶ DELOITTE TAX LLP				Firm's EIN ▶
	Firm's address ▶ 1750 TYSONS BLVD MCLEAN, VA 221024219				Phone no ▶ (703) 251-1000

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

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

The mission is to bring compassion to health care and to be good help to those in need, especially those who are poor and dying. As a system of caregivers, we commit ourselves to help bring people and communities to health and wholeness.

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

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 \$ 366,905,541 including grants of \$ 798,354) (Revenue \$ 459,779,767)



















Bon Secours St Francis Health System (BSSFHS) primarily serves Greenville County, which is comprised of approximately 450,000 residents with an 18% population increase over the last decade. 15.3% of residents in Greenville County are in households that fall below the federal poverty guidelines. Currently, 27% of Greenville County residents are considered medically uninsured. Two specific populations with large growth rates in the county are the senior population, with a 17% growth of residents 60 and older since 2000, and the Hispanic population, with an estimated growth of over 147% over the past decade. The three leading causes of death for Greenville County are cancer, cardiovascular disease and accidents. BSSFHS is currently working with Greenville Hospital System, SC Department of Health and Environmental Control (DHEC) and other local organizations to complete a CHNA as imposed in the new IRS Notice 2011-52. Anticipated completion of this CHNA for Greenville County will be on or before August 31st, 2012. Development of Implementation strategies for addressing unmet needs in the community is projected to be complete by January 31st, 2013. See Community benefit information in Schedule H. The Community Benefit Report is available on the SFH website.

[illegible][illegible]

4d Other program services (Describe in Schedule O)
(Expenses \$ _____ including grants of \$ _____) (Revenue \$ _____)

4e	Total program service expenses	\$ 366,905,541
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Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I 	3	No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III	5	
6 Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10	No
11 If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, 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? Note. Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <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	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b	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	Yes	
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 type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance			
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>			
		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	189
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes
2a	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.	2a	2,797
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	Yes
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a	No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c	
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	
7	Organizations that may receive deductible contributions under section 170(c).		
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a	No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c	No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8	
9	Sponsoring organizations maintaining donor advised funds.		
a	Did the organization make any taxable distributions under section 4966?	9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10	Section 501(c)(7) organizations. Enter		
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11	Section 501(c)(12) organizations. Enter		
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.	13a	
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b	
c	Enter the amount of reserves on hand.	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b	

Part VI

Governance, Management, and Disclosure

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year		
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	
	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?	Yes	
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?	Yes	

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. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request
19	Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶ Ronnie Hyatt One St Francis Drive Greenville, SC 296053955 (864) 255-1000

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

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

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

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

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

[illegible]

Part VII

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
See Additional Data Table										
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								3,038,382	2,803,065	543,868

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▶108

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Hospital Medicine Associates PO Box 634850 Cincinnati, OH 45263	ER Physician Staffing	1,178,579
Cameron Construction PO Box 15120 Greenville, SC 29610	Construction	1,178,532
American Security PO Box 100199 Columbia, SC 29202	Security Services	996,232
Brains on Fire 148 River Street Suite 100 Greenville, SC 29601	Public Relations	914,749
Sleepworks LLC 554 Hall Road Thomasville, GA 31757	Sleep Study Services	862,275
2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization 31		

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	1,577,378			
	e	Government grants (contributions)	1e	3,090,517			
	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		4,667,895			
	Program Service Revenue	2a	Business Code				90,996
		Patient Service Rev	622110	449,504,814	449,413,818		
b		Disprop Share Income	561499	7,143,846	7,143,846		
c							
d							
e							
f		All other program service revenue					
g		Total. Add lines 2a-2f		456,648,660			
Other Revenue		3	Investment income (including dividends, interest and other similar amounts)		463,097		
	4	Income from investment of tax-exempt bond proceeds . . .					
	5	Royalties					
	6a	Gross Rents	(i) Real 480,548	(ii) Personal			
	b	Less rental expenses					
	c	Rental income or (loss)	480,548				
	d	Net rental income or (loss)			480,548	3,377	477,171
	7a	Gross amount from sales of assets other than inventory	(i) Securities 782,204	(ii) Other 12,401			
	b	Less cost or other basis and sales expenses		58,554			
	c	Gain or (loss)	782,204	-46,153			
	d	Net gain or (loss)			736,051		736,051
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events . . .					
	9a	Gross income from gaming activities See Part IV, line 19 . . .	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities . . .					
	10a	Gross sales of inventory, less returns and allowances	a				
	b	Less cost of goods sold	b				
	c	Net income or (loss) from sales of inventory . . .					
		Miscellaneous Revenue	Business Code				
	11a	Cafeteria/Vending/Gift	561499	1,988,413			1,988,413
	b	Regency Hospital	900099	1,488,522			1,488,522
c	Supply Rebates	900099	689,775			689,775	
d	All other revenue		1,278,771		363,182	915,589	
e	Total. Add lines 11a-11d		5,445,481				
12	Total revenue. See Instructions		468,441,732	456,557,664	457,555	6,758,618	

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	798,354	798,354		
2	Grants and other assistance to individuals in the U S See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	2,096,359	1,886,723	209,636	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	123,361,248	111,025,123	12,336,125	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	6,539,348	5,885,413	653,935	
9	Other employee benefits	18,225,094	16,402,585	1,822,509	
10	Payroll taxes	8,240,663	7,416,597	824,066	
a	Fees for services (non-employees)				
	Management				
b	Legal	931,799	838,619	93,180	
c	Accounting	223,724	201,352	22,372	
d	Lobbying	18,368	16,531	1,837	
e	Professional fundraising services See Part IV, line 17				
f	Investment management fees				
g	Other	13,021,073	11,718,966	1,302,107	
12	Advertising and promotion	1,798,187	1,618,368	179,819	
13	Office expenses	2,840,249	2,556,224	284,025	
14	Information technology	2,703,730	2,433,357	270,373	
15	Royalties				
16	Occupancy	9,142,390	8,228,151	914,239	
17	Travel	611,602	550,442	61,160	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	521,537	469,383	52,154	
20	Interest	7,562,446	7,562,446		
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	12,194,333	10,974,900	1,219,433	
23	Insurance	1,433,320	1,289,988	143,332	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	Medical supplies	89,431,648	80,488,483	8,943,165	
b	Bad Debt	39,584,702	39,584,702		
c	Purchased Services	29,065,818	26,159,236	2,906,582	
d	BSHSI Mgmt Allocation	6,730,817	6,057,735	673,082	
e	Repairs & Maintenance	6,708,839	6,037,955	670,884	
f	All other expenses	18,559,898	16,703,908	1,855,990	
25	Total functional expenses. Add lines 1 through 24f	402,345,546	366,905,541	35,440,005	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					1	
	2	Savings and temporary cash investments				166,160,882	2	234,525,058
	3	Pledges and grants receivable, net					3	
	4	Accounts receivable, net				46,078,742	4	56,901,792
	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				10,631,266	8	13,130,586
	9	Prepaid expenses and deferred charges				1,671,800	9	1,504,357
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a	266,393,935	171,140,655	10c	165,188,410	
	b	Less: accumulated depreciation	10b	101,205,525				
	11	Investments—publicly traded securities					11	
	12	Investments—other securities. See Part IV, line 11				14,490,060	12	16,330,910
	13	Investments—program-related. See Part IV, line 11					13	
	14	Intangible assets					14	
	15	Other assets. See Part IV, line 11				96,824,756	15	89,157,491
	16	Total assets. Add lines 1 through 15 (must equal line 34)				506,998,161	16	576,738,604
Liabilities	17	Accounts payable and accrued expenses				41,528,486	17	49,904,277
	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				278,673,582	25	279,770,057
	26	Total liabilities. Add lines 17 through 25				320,202,068	26	329,674,334
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				186,796,093	27	247,064,270
	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				186,796,093	33	247,064,270
34	Total liabilities and net assets/fund balances				506,998,161	34	576,738,604	

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	468,441,732
2	Total expenses (must equal Part IX, column (A), line 25)	2	402,345,546
3	Revenue less expenses Subtract line 2 from line 1	3	66,096,186
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	186,796,093
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-5,828,009
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	247,064,270

Part XII Financial Statements and Reporting

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

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

SCHEDULE A

(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2010

Open to Public
Inspection

Name of the organization SFH Inc	Employer identification number 58-2504530
-------------------------------------	--

Part I

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

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

- 1

☐

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

☐

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

☒

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

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

f

☐

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

g

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

Part II

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

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

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

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

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

Part 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 section 501(c)(3) organization, check this box and stop here 						

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

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

Part IV

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

SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527
▶ **Complete if the organization is described below.**
▶ **Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.**

OMB No 1545-0047

2010

Open to Public Inspection

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

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

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

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

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

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

Name of the organization SFH Inc	Employer identification number 58-2504530
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Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1	Provide a description of the organization’s direct and indirect political campaign activities in Part IV	
2	Political expenditures	▶ \$ _____
3	Volunteer hours	_____

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

1	Enter the amount of any excise tax incurred by the organization under section 4955	▶ \$ _____
2	Enter the amount of any excise tax incurred by organization managers under section 4955	▶ \$ _____
3	If the organization incurred a section 4955 tax, did it file Form 4720 for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4a	Was a correction made?	<input type="checkbox"/> Yes <input type="checkbox"/> No
b	If “Yes,” describe in Part IV	

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

1	Enter the amount directly expended by the filing organization for section 527 exempt function activities	▶ \$ _____
2	Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities	▶ \$ _____
3	Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b	▶ \$ _____
4	Did the filing organization file Form 1120-POL for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
5	Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization’s funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV	

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

Part II-A

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

A

Check

☐

if the filing organization belongs to an affiliated group

B

Check

☐

if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing Organization's Totals	(b) Affiliated Group Totals												
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)															
b Total lobbying expenditures to influence a legislative body (direct lobbying)															
c Total lobbying expenditures (add lines 1a and 1b)															
d Other exempt purpose expenditures															
e Total exempt purpose expenditures (add lines 1c and 1d)															
f Lobbying nontaxable amount Enter the amount from the following table in both columns															
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g Grassroots nontaxable amount (enter 25% of line 1f)															
h Subtract line 1g from line 1a If zero or less, enter -0-															
i Subtract line 1f from line 1c If zero or less, enter -0-															
j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes <input type="checkbox"/> No													

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

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

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

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
Explanation of Other Lobbying Activities	Part II-B, Line 1i	SFH, Inc. paid dues to the South Carolina Hospital Association (SCHA), American Hospital Association (AHA), and the Catholic Hospital Association (CHA), a portion of which is used for lobbying activities. The portion of dues allocated to lobbying activities for each of these organizations is as follows: Lobbying activity for AHA (\$7,113 or 24.2%), SCHA (\$8,571 or 67%), CHA (\$2,684 or 46.8%) for a total of \$18,368.

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
SFH Inc

Employer identification number
58-2504530

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

2a

Total number of conservation easements

2b

Total acreage restricted by conservation easements

2c

Number of conservation easements on a certified historic structure included in (a)

2d

Number of conservation easements included in (c) acquired after 8/17/06

Held at the End of the Year

3

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

4

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

5

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

☐ Yes

☐ No

6

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

7

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

8

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

☐ Yes

☐ No

9

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

Part III

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

1a	If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items	
b	If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items	
	(i) Revenues included in Form 990, Part VIII, line 1	▶ \$ _____
	(ii) Assets included in Form 990, Part X	▶ \$ _____
2	If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items	
a	Revenues included in Form 990, Part VIII, line 1	▶ \$ _____
b	Assets included in Form 990, Part X	▶ \$ _____

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

3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

5

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

☐ Yes

☐ No

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

1a

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

☐ Yes

☐ No

b

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

	Amount
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		18,689,610		18,689,610
b Buildings		156,886,269	35,862,407	121,023,862
c Leasehold improvements		645,127	352,709	292,418
d Equipment		68,400,171	44,865,068	23,535,103
e Other		21,772,758	20,125,341	1,647,417
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				165,188,410

Part XI

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

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

Part XII

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

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

Part XIII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

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

Part XIV

Supplemental Information

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

Identifier	Return Reference	Explanation
Description of Uncertain Tax Positions Under FIN 48	Part X	Schedule D, Part X, Line 2 requires that the organization provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48. FIN 48 addresses the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a threshold of more-likely-than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The adoption of FIN 48 by BSHSI on September 1, 2007 did not have a material impact on BSHSI's consolidated financial statements. As the organization does not conduct a separate audit of its financial statements, below is the related statement from the Bon Secours Health System, Inc. consolidated audited financial statements. The System and most of its subsidiaries (including certain joint venture entities) are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The system accounts for uncertain tax positions in accordance with ASC Topic 740. Income taxes of the System's for-profit subsidiaries are not material to the accompanying consolidated financial statements. The System's taxable subsidiaries have approximately \$89,500 and \$98,300 of net operating loss carryforwards as of August 31, 2011 and 2010, respectively, which expire in varying periods through 2031 and are available to offset future taxable income. The System's deferred tax assets are fully reserved at August 31, 2011 and 2010. Any changes to the valuation allowance on the deferred tax asset are reflected in the year of the change.

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
SFH Inc

Employer identification number
58-2504530

Part I

Financial Assistance and Certain Other Community Benefits at Cost

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

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			4,431,506		4,431,506	1 220 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			21,827,133	21,637,470	189,663	0 050 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			26,258,639	21,637,470	4,621,169	1 270 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	20	78,578	1,981,687	5,675	1,976,012	0 550 %
f Health professions education (from Worksheet 5)	1	2,864	1,413,741		1,413,741	0 390 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)	4	586	625,078		625,078	0 170 %
j Total Other Benefits	25	82,028	4,020,506	5,675	4,014,831	1 110 %
k Total. Add lines 7d and 7j)	25	82,028	30,279,145	21,643,145	8,636,000	2 380 %

Part II

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support	6	453,799	390,811		390,811	0 110 %
4 Environmental improvements	1	411	21,249		21,249	0 010 %
5 Leadership development and training for community members	1	31	6,847		6,847	0 %
6 Coalition building						
7 Community health improvement advocacy	1	100	28,790		28,790	0 010 %
8 Workforce development						
9 Other						
10 Total	9	454,341	447,697		447,697	0 130 %

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1	Yes
2	Enter the amount of the organization's bad debt expense (at cost)	2	7,725,805
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	3	
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit		

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	106,650,906
6	Enter Medicare allowable costs of care relating to payments on line 5	6	122,914,623
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	-16,263,717
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
9b	If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI	9b	Yes

Part IV

Management Companies and Joint Ventures

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1 1 Upstate Surgery Center	Ambulatory Surgery Center	58 090 %		23 700 %
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? 2

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? 21

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

Identifier	ReturnReference	Explanation
		Part I, Line 6a BSSFHS annually develops a report to the community, describing the various community benefit services and programs in which our organization leads and participates This report also includes the annual financial commitment of the local system to the community, detailing monetary contributions for government sponsored healthcare shortfall, community benefit programs and charity care at cost This report is published each year and posted on the web at http://www.stfrancishealth.org/communityreport.php on or around January 24, commemorating Foundation Day of the Sisters of Bon Secours

Identifier	ReturnReference	Explanation
		<p>Part I, Line 7 Part I, line 7a Charity Care at cost is computed by applying a cost-to-charge ratio to the aggregate charity adjustments recorded in the general ledger Part I, line 7b Unreimbursed Medicaid is computed by determining the cost of Medicaid services supplied less payments received for these services To determine the cost of Medicaid services provided, a cost-to-charge ratio is applied to traditional and managed Medicaid gross charges recorded in the general ledger Payments include payments for individual claims, payments from the Medicaid program paid outside the claim process (such as medical education payments) and expected or actual cost report settlements Part I, line 7b(f) Prior to 2006, Medicaid in the state of South Carolinawas reimbursed to hospitals on a fixed prospective basis (fixed rates notdirectly related to costs) For years 2006 - 2011, the state has adjustedtheir methodology from a fixed prospective basis to a cost-to-care basis(actual costs to provide services) As a result of this change, a greaterpercentage of Medicaid is reimbursed to hospitals and unreimbursedMedicaid as a percentage of total expenses is significantly lower thanthose of hospitals in other states As a nonprofit hospital in SouthCarolina, the unreimbursed Medicaid percentage for SFH, Inc is fairlyconsistent with those of other hospitals in the state Part I, line 7c Unreimbursed costs from other means-tested government programs are computed by applying a cost-to-charge ratio to the total charges to patients covered under these programs The charges are identified by the financial class assigned to the patient For Part I, Line 7 a-c computations The cost-to-charge ratio is derived using the suggested computation in Worksheet 2, Ratio of Patient Care Cost-to-Charges Operating expenses and Gross patient charges are taken from the general ledger Expenses for nonpatient care activities recorded in operating expenses are approximated as directly equaling otheroperating revenue, assuming these activities do not provide profit Part I, line 7e Community health improvement services and community benefit operations are accumulated throughout the year and reported at actual cost in a software program that specifically addresses this purpose Part I, line 7f Health professions education cost is determined as the direct and indirect cost of qualifying education activities as traditionally reported in columns 21-24 on Worksheet B of the Medicare cost report as a Medical Education program, nursing school or other allied health program</p>

Identifier	ReturnReference	Explanation
		Part I, L7 Col(f) Current year bad debt expense not included in the calculation for line 7, Column (f) \$39,584,702

Identifier	ReturnReference	Explanation
Community Building Activities	Part II	<p>The Bon Secours' Building Healthy Communities Initiative was created in 2008 to lead efforts towards building healthier communities in which each Bon Secours facility serves. Using a multi-level process of community engagement, grassroots advocacy, and strategic partnerships with public or private organizations and individuals, the Bon Secours St. Francis Healthy Community Initiative works to strengthen the assets of the community while identifying needs to ultimately improve the overall health of community residents. Through intense research and asset mapping, the Sterling community was identified as a vulnerable area where this Initiative could work to create positive health outcomes among its residents. The Bon Secours St. Francis Healthy Community Initiative seeks to leverage our health care resources, outreach services and programs, clinical expertise, and relationships to best target the sources of poor health rather than just address the symptoms. Data collected from 2010, measuring the health and environment of Sterling, suggests that the Sterling Community has higher rates of hypertension, chronic illness, and poverty. Furthermore, the community faces high traffic speeds, limited sidewalks or sidewalks in need of repair, limiting opportunity for safe and convenient exercising. Since the start of this initiative and in response to this specific community assessment, the following activities have taken place using the neighborhood and its residents to affect positive health change. Sterling has become home to the first organic community garden, the Odessa Street Community Garden, which is operated by residents. Through this garden development, seniors and residents have engaged in growing their own produce since its inception in 2010. Preliminary plans are underway to add additional gardens to the community and create an Urban Farm on vacant satellite sites that will help create jobs and grow healthy foods that serve Sterling and beyond. Agreements currently exist with two property owners in the community to be farm/co-op sites in 2012. The first phase of a biking/walking trail that sits between our health system and the historic core of the community has been completed, offering residents and safe and convenient place to exercise. Bon Secours St. Francis was able to assist in the restoration of the Sterling Community Center's weight room, which has been transformed into a complete fitness room with cardiovascular and strength training equipment, free and open to the community.</p>

Identifier	ReturnReference	Explanation
		<p>Part III, Line 4 Part III, line 2 Bad Debt Expense at cost is computed by applying the cost-to-charge ratio computed on Worksheet 2 to the aggregate bad debt expense for patient accounts recorded in the general ledger Bad debt expense on the general ledger includes 1) actual write offs of discounted gross charges where it is determined an uninsured patient can pay and does not pay, and 2) the estimated write offs for uninsured patient accounts with outstanding balances after discount Estimates are based on historical collection rates When an uninsured patient is billed for patient care services, the charges are automatically discounted and the patient is requested to only pay the amount after discount The discount is recorded as an adjustment to gross revenue and is not recorded in bad debt expense If the balance after discount is not paid or not paid in full, the unpaid amount will be written off to bad debt expense When a patient remits a payment on an account that has already been written off to bad debt expense, the payment is recorded as a recovery of bad debt, which reduces bad debt expense Part III, line 3 The organization does not report an estimate for the portion of bad debt expense that may have been likely to qualify for financial assistance under the hospitals charity care policy The organization takes the position that ample opportunity and assistance is provided to the patient to qualify under the financial assistance policy If sufficient information is not provided, the organization must assume the patient does not qualify</p>

Identifier	ReturnReference	Explanation
		<p>Part III, Line 8 Part III, Line 6 Medicare allowable costs reflected in Part III come directly from the facility's Medicare cost report The cost report segregates the total facility actual expenses into costs for support departments, clinical departments (routine and ancillary) and nonreimbursable departments The cost report uses appropriate statistical bases to "step down" support costs to allowable clinical and nonreimbursable departments The charges for clinical departments are matched to the total cost for these departments for a cost-to-charge ratio Medicare-specific allowable costs for in- and outpatient ancillary departments are computed by applying the department-specific cost-to-charge ratio to the Medicare program charges by department For routine departments, a per diem total cost is computed and applied to Medicare program days for the Medicare routine program cost Part III, Line 8 The organization feels the total shortfall of Medicare reimbursement compared to computed Medicare allowable costs should be treated as community benefit The hospital improves access to patient care by providing services regardless of a patients ability to pay or the hospitals ability to receive full cost reimbursement for services The hospital also relieves the government of a financial burden when it provides care to publically insured patients where reimbursement is less than cost of providing the service</p>

Identifier	ReturnReference	Explanation
		Part III, Line 9b Part III, Line 9b The hospital has a written policy that describes collection practices applying to patients that qualify for charity care or financial assistance. If full assistance is approved, no collection efforts are pursued on that patient's account(s). If partial assistance is provided, the patient is responsible for the adjusted account balance and collection efforts will follow the established practices for all patients where a self-pay balance exists. Collection efforts are not pursued on any pending FAP account. Specific criteria exist for how much financial assistance, partial or total, will be provided to the patient based on the assessed need. Criteria is based on Federal Poverty Guidelines and is reviewed and updated annually. Once a patient has been deemed eligible for the Patient Financial Assistance Program (FAP), the patient is notified by letter within 60 days after receipt of the application and supporting documentation. The patient retains eligibility for a period of twelve months from the date of the application. This eligibility is signaled to hospital admissions, billing and collection staff by the assignment of a specific financial class with accompanying eligibility dates. At the end of those twelve months, the patient is responsible for reapplying for FAP eligibility.

Identifier	ReturnReference	Explanation
		Part VI, Line 2 Bon Secours St Francis has participated in local needs assessments of the medically underserved in Greenville County on a quinquennial basis through a collaborative partnership of several local agencies and organizations The first health care assessment was conducted in 1998 Subsequent assessments since then have reflected successes and critical areas for action A full report of findings, including over 400 pages of charts, graphs, and slide for the 2008 assessment can be found at http //www greenvilleforward com/healthassessment An additional needs assessment was conducted in 2010, specifically targeting the Sterling Community BSSFHS is in the planning process with local constituents to complete a more updated needs assessment to debut in approximately 2013 This needs assessment will correlate to the new guidelines imposed by the IRS Notice 2011-52, and will measure carefully identified health indicators to determine the most critical needs in Greenville County

Identifier	ReturnReference	Explanation
		<p>Part VI, Line 3 Patient financial assistance policy is communicated to patients verbally upon scheduling, registration, visible postings of the policy in common areas throughout the hospital, brochures and on Bon Secours website. In addition, patient statements request that patients apply for financial assistance, if needed, once any patient financial obligation is determined. Bon Secours is committed to ensuring access to health care services for all. As a health care provider, Bon Secours treats all patients, whether insured, underinsured or uninsured, with dignity, respect and compassion throughout admission, delivery of services, discharge and billing and collection processes. Bon Secours addresses the needs of the uninsured by providing free or reduced fees on hospital services, community outreach efforts to assist with enrollment in Medicaid and other medical coverage programs, including free community-based preventive and primary care services. Bon Secours proactively screens to identify individuals and their families who may qualify for federal, state or local health insurance programs or the Bon Secours Patient Financial Assistance Program (FAP) and assist the potential eligible patients through the qualification process. Potentially eligible patients that do not qualify for a federal or state health insurance program are referred to the Financial Assistance Coordinator located in Patient Financial Services for assistance in completing the documentation required to establish FAP eligibility. Patients are responsible for providing the information necessary to complete the documentation. The FAP aids uninsured and underinsured patients who do not qualify for government-sponsored health insurance and who communicate their inability to pay for their medical care. The FAP provides 100% financial assistance to uninsured patients with annual family incomes at or below 200% of the Federal Poverty Guidelines (FPG), as adjusted by the Medicare geographic wage index for each community served to reflect that community's relative cost of living (Adjusted FPG). Adjustments to these guidelines are made in certain States, where applicable. A sliding scale assistance policy is afforded patients that exceed the income guidelines for 100% assistance. Sliding scale assistance is provided to patients and progressively declines in proportion to the patient's higher income level. Additionally, all uninsured (i.e. self-pay) patients are given a reduction to the amount of the full charges for medically necessary services through a community service adjustment (CSA). The CSA is market adjusted and based on the payment discount received by other health care payers doing business in the community. For these patients, the FAP also sets a maximum annual family payment liability to ensure that no family suffers a catastrophic financial burden to receive necessary health care services. Based on research conducted by the Tax Foundation, a non-partisan tax research group based in Washington DC, the maximum annual family liability is based on a sliding scale determined by the family income and size. The standard sliding scale is adjusted by the Medicare geographic wage index of each community served to reflect that community's relative cost of living. All patients are also eligible for a Prompt Pay Discount. In addition, a variety of other potential payment options are available. Bon Secours is dedicated to meeting the needs of non-English speaking patients by having on-site Spanish translators, and other language translation services. In addition, Bon Secours employs a telephone language service which assists in meeting any language needs that arise. The translation services are offered to non-English speaking patients from admission to discharge, including the financial process.</p>

Identifier	ReturnReference	Explanation
		<p>Part VI, Line 4 BSSFHS primarily serves Greenville County, which is comprised of approximately 450,000 residents with an 18% population increase over the past decade. Greenville County is the largest county in the state and one of the fastest growing. Conveniently located along Interstate 85 and less than a two-hour drive to Atlanta, Georgia and Charlotte, North Carolina, Greenville County has become a premiere destination for capital investment that totaled approximately \$250 million in 2010. Greenville is home to world-class companies such as Lockheed, General Electric, and IBM. Greenville County has announced over \$1.1 Billion in new capital investment and 6,195 new jobs in the last five years, while the SC Department of Commerce indicates that Greenville is home to more corporate headquarters than any other region in SC (Greenville Area Development Cooperation, 2011). As of 2010, the median household income for Greenville County is \$45,917. 15.3% of residents in Greenville County are in households that fall below the federal poverty guidelines, while 19% of children under the age of 18 live in poverty (US Census). It is estimated that 21% of the population under age 65 are without health insurance (CountyHealthRankings.org). 14.4% are currently using or qualify for Medicare and/or Medicaid. Two specific populations with large growth rates in the county are the senior population, with a 17% growth of residents 60 and older since 2000, and the Hispanic population, with an estimated growth of over 1200% estimated between 1990 and 2013 (Greenville County Health Assessment, 2008). The major health problems plaguing Greenville residents are cardiovascular disease, cancer and stroke. Greenville County data from 2008 indicates an age-adjusted rate of 181.4 (per 100,000) for cancer deaths. State level data from 2008 indicates an age-adjusted rate of 186.3 (per 100,000) for cancer deaths. Prevalence of cardiovascular disease in Greenville County is 5.5%, whereas the state of SC has a prevalence rate of 4.6%. Mortality rates for stroke for Greenville County reached an age-adjusted rate (per 100,00) of 51.6 in 2007, while the state of South Carolina had an age-adjusted rate (per 100,000) of 53.3 (State of South Carolina, Department of Health and Environmental Control, Bureau of Community Health and Chronic Disease Prevention, County Chronic Disease Fact Sheet, February 2010). Risk factors that contribute to the incidence of these diseases are also an issue in Greenville County. County level data indicates 20% of Greenville County residents smoke, compared to 22% of South Carolina. Additionally, 26% of Greenville residents are considered obese, less than the approximate 30% by the state (CountyHealthRankings.org). Finally 42% of Greenville County residents have high cholesterol, not significantly different from 43% reflected by the state (State of South Carolina, Department of Health and Environmental Control, Bureau of Community Health and Chronic Disease Prevention, County Chronic Disease Fact Sheet, February 2010). BSSFHS uses these statistics to develop community programming in partnership with local agencies, as well as improve services within the hospital. For example, the Pearlie Harris Breast Health Center, which was granted a full accreditation designation by the National Accreditation Program for Breast Centers (NAPBC), offers free mammograms, breast ultrasounds, breast MRI's and needle biopsies for patients who are unable to pay for these breast procedures with the help of funds received by the Susan G. Komen Foundation. In addition, two full-time Breast Health Navigators are available at no cost to patients who have mammogram results indicative of breast cancer, as well as those whose results are abnormal but non-cancerous. They offer emotional support to ensure our patients know all of their options and understand exactly what to expect during their testing and treatment. BSSFHS has several specialty services that are recognized centers of excellence. The first is a fully accredited bone marrow transplant unit that is one of just three programs in South Carolina. In 2010, the unit underwent a major expansion that more than doubled capacity for both inpatient and outpatient services. In 2011, St. Francis oncology rehab program earned STAR certification. The STAR (Survivorship Training and Rehabilitation) Program is a nationally recognized cancer survivorship program that focuses on helping survivors to heal physically and emotionally as well as possible. Based on conventional medicine, like orthopedic and cardiac rehabilitation, the STAR Program utilizes an interdisciplinary approach in which caregivers from different specialties team up to help patients increase strength and energy, alleviate pain and improve daily function and well-being. Also, in 2011, St. Francis was awarded designation as a Center of Excellence for Minimally Invasive Gynecologic Surgery by the American Association of Gynecologic Laparosc</p>

Identifier	ReturnReference	Explanation
		opists for the high quality use of minimally invasive techniques such as robotic surgery o r single incision laparoscopic surgery

Identifier	ReturnReference	Explanation
		<p>Part VI, Line 6 BSSFHS has an open medical staff with privileges available to all qualified physicians BSSFHS operates an emergency room at both of its hospitals which provide services 24 hours a day, seven days a week to ensure access to needed emergency care for all persons In 2010-2011, the health system was driven by the Bon Secours mission to serve the community by the leadership of a governing board that included 15 members, twelve of whom are representative of the community Additionally, BSSFHS supports several community programs through the Bon Secours mission to be good help to those in need As part of this mission, BSSFHS provides dedicated staff and services with the sole purpose of measuring the needs of the community and engaging community partners to address the needs These include the Community Ministries department, the Faith Community Nursing Program, LifeWisetm (a community initiative targeting adults 55 and older), and Open Arms Hospice, a partnership providing the only community Hospice House in the region The dedicated staff assist in the following programs and also work to build collaborative partnerships in the community Access to Oral Health Care Program Oral disease is the most common, yet preventable, chronic health problem among children - five times more common than asthma (CDC, Jan 2005) The BSSFHS Oral Health Services program provides access to oral health care through an integrated service partnership providing a mutually beneficial relationship between businesses, funding agencies, a dental hygiene training program, and a college of dentistry The St Francis Mobile Dental Unit provides the opportunity to reach out to outlying portions of the county and reach populations that face multiple barriers to care, including transportation The fixed sites at the Greenville Free Medical Clinic and the New Horizon Family Dental Care ensure that a range of comprehensive oral health services are available in the community on a sliding fee scale or at no cost for the underserved During Fiscal Year 2010-2011, the BSSFHS Oral Health Services program was able to conduct 4,358 oral health screenings, hygiene cleanings, and dental restorations to low income adults and children Screenings and cleanings were provided by Greenville Technical College dental hygiene students through October 2010 The Medical University of South Carolina College of Dentistry joined BSSFHS in December of 2010 to create a new model of service for the Mobile Dental Unit Under the direct supervision of a licensed dentist (employed by BSSFHS) and credentialed faculty from the Medical University of South Carolina, senior dental students performed limited restorative services to underserved populations in our Greenville communities This new model also allows Greenville Technical College dental assisting students to work in tandem with the Medical University of South Carolina senior dental students to provide comprehensive oral health prevention and dental services, while receiving hands-on-training experience Since 2006, the BSSFHS Oral Health Services program has served over 10,900 residents We continue to grow in the areas of restorative care services, working with new community partners and establishing new community sites to implement programs and services Care for Families and Children Annually, BSSFHS provides each family with a 4 year old kindergarten student residing in Greenville County a self-care manual/resource for accessing appropriate health care in Greenville The self-care guides are purchased from the American Institute of Preventive Medicine (Health at Home) explains common medical issues and provides a decision tree for how to care for the problem at home and how and when to seek appropriate medical care In 2010-2011, this health literacy project, "A Healthy You", documented a six-month follow-up study concluding that 47% of families surveyed were able to avoid one or more visits to the doctor in the past 6 months because of the Health at Home book (10% said they were able to avoid a visit to the doctor 4-7 times) In addition, 66% of families specified that Health at Home books helped them decide when to see a doctor, and 61% of families thought that the Health at Home books saved them money on medical or health care in the past 6 months Another way BSSFHS reaches out to families is through financial support of case management of childrens services through Communities in Schools (CIS) CIS works to improve services among high-risk children in Greenville County, and works with seven Title I schools in Greenville County (a school is considered Title I when over 60% of students are eligible for free and reduced lunch) Each school involved in the CIS program works directly with school nurses and additional school staff to identify health-related problems of students and determine the barriers to receiving needed care Services provided by CIS staff include coordinating the child's health care</p>

Identifier	ReturnReference	Explanation
		<p>re appointments, accompanying the child to the appointment, age appropriate education during visits and follow-up with the child's family. Particular attention is paid to the parent, child, and staff relationship. Finally, the Center for Developmental Services (CDS) is a local organization that ensures children with special developmental needs and their families are linked with appropriate interventions in a comfortable, convenient and organized manner, parents, siblings, and caregivers are supported throughout their time in the service delivery system. BSSFHS financially supports the Bilingual Support and Hispanic Outreach program administered by CDS. This program assists thousands of Spanish-speaking families in making certain their children with developmental delays and disabilities receive services in a culturally respectful and understandable way. From January to October 2011, over 700 Hispanic families received translation services at CDS because of BSSFHS's involvement. Additionally, BSSFHS unveiled a new, state-of-the-art bilingual kiosk in the CDS waiting area. This kiosk links Spanish speaking families to on-line health resources and information that might not otherwise be available in Spanish. On average, 200 health-related sites are visited each month by families using CDS services. The kiosk also offers Spanish-language take-home health materials and a telephone available that immediately links the person to United Way's 211 system, Greenville County's comprehensive source for community health and human service assistance. The Faith Community Nursing Program. In addition to the volunteer parish nurses and lay health promoters who met the needs of their local congregations, BSSFHS employs three nurses and a licensed social worker, who directly serves and minister to vulnerable populations. These Faith Community nurses and social worker work with organizations throughout Greenville, focusing on the needs of the underserved in local organizations such as Triune Mercy Center, Mercy Housing's Mulberry Court and St. Anthony of Padua Catholic Church. These four individuals keep the community healthy by helping people with major health issues connect to the appropriate resources available in the community with an emphasis on spiritual health. BSSFHS's Faith Community Nursing program is actively involved in strong partnerships that exist with the following local organizations: United Way of Greenville County, New Horizon Family Health Services (a federally-qualified health center), Greenville Free Medical Clinic, Greenville Technical College, Greenville Forward, Greenville County School District, Upstate Homeless Coalition, Mercy Housing, Meals on Wheels, and local churches and universities. These local organizations support BSSFHS to identify community needs, as well as gaps in services and work collaboratively to improve the health and wellness of Greenville County.</p>

Identifier	ReturnReference	Explanation
		<p>Part VI, Line 7 Bon Secours Health System, Inc , a Maryland nonprofit, nonstock membership corporation (BSHSI), and all of the other entities that are controlled directly or indirectly by Bon Secours, Inc , a Maryland nonprofit, nonstock membership corporation (BSI) are described collectively as the System BSI, which is the sole corporate member of BSHSI, has no healthcare operations The System was organized in June 1983 to fulfill the healthcare mission of the United States Province of the Congregation of the Sisters of Bon Secours of Paris, a congregation of religious women of the Roman Catholic Church founded in France in 1824 The System's activities are in the states of New York, Pennsylvania, Maryland, Virginia, Kentucky, South Carolina, and Florida, each referred to as a local system The Ministry of BSHSI aids those in need, particularly those who are sick and dying, by offering services that include but are not limited to acute inpatient, outpatient, pastoral, palliative, home health, nursing home, rehabilitative, primary and secondary care and assisted living without regard to race, religion, color, gender, age, marital status, national origin, sexual orientation, or disability BSHSI's vision to bring about the holistic health of the communities it serves is implemented through its Strategic Quality Plan which provides focus in four goal areas for the current three year period (2010-2012) One of those goals is to partner with communities to co-create a more humane world, improve health and model social justice To accomplish this, two key strategies are to - Engage communities to identify needs and assets and building partnerships to improve health and quality of life of a specific population - Demonstrate sustainable stewardship for healing the earth as a way to improve health and life quality As a member of the Catholic health ministry and BSHSI, Bon Secours St Francis Health System, Inc (BSSFHS) is called to live the teachings and promises of Jesus The community benefit services provided by BSSFHS include programs and partnership working to improve access to health care and the quality of life and holistic health of the communities served BSSFHS exists to benefit the people living in the communities it serves Through all of the services offered to the community, the mission is "to bring compassion to health care and to be good help to those in need, especially those who are poor and dying As a System of caregivers, we commit ourselves to help bring people and communities to health and wholeness as part of the healing ministry of Jesus Christ and the Catholic Church" BSSFHS shares the BSHSI Vision "Inspired by the healing ministry of Jesus Christ and the charism of Bon Secours, Bon Secours Health System will be recognized for its leadership in justice, transforming the communities in which we serve and work into places of health and hope, and being a prophetic voice for systemic US health reform and a more humane world" BSSFHS is comprised of two general acute care hospitals (St Francis - Downtown and St Francis - Eastside), a physician joint-ventured ambulatory surgery center (Upstate Surgery Center) and leased space in a medical office building at the Millennium campus, all of which are located in Greenville, South Carolina St Francis downtown is located in downtown Greenville and has 245 licensed beds, 16 operating rooms and offers a full range of medical/surgical services Core clinical areas of excellence include cardiology/CV surgery, orthopedics, and general surgery St Francis eastside is located in a suburb of Greenville County which is considered a fast growing area in regards to residential growth as well as commercial and business growth This facility has 93 licensed beds (13 of which are Labor/Delivery/Recovery rooms), an Intermediate NICU and eight operating rooms Core clinical areas of excellence include OB/GYN, ENT, and orthopedics The health system operates two emergency departments on opposite sides of the county to ensure that all persons, regardless of their ability to pay, have access to emergency care Additionally, St Francis Hospital, Inc leases approximately 38,000 sq ft in a medical office building on the Millennium campus for community education, cardiac rehab and diagnostic services Finally, The Upstate Surgery Center is a physician joint-ventured ambulatory surgery center that is located on the eastside of Greenville County, very close in proximity to St Francis eastside This facility has two licensed operating rooms, focusing on ENT and ophthalmology surgical procedures</p>

Identifier	ReturnReference	Explanation
Reports Filed With States	Part VI, Line 7	SC

Additional Data

Software ID:
Software Version:
EIN: 58-2504530
Name: SFH Inc

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

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility (list in order of size, measured by total revenue per facility, from largest to smallest)	
How many non-hospital facilities did the organization operate during the tax year? <u>21</u>	
Name and address	Type of Facility (Describe)
St Francis Outpatient Center 3 St Francis Drive Floor 12 Greenville, SC 29601	Outpatient services
St Francis Eastside Outpatient Lab 135 Commonwealth Drive Suite 255 Greenville, SC 29615	Outpatient Lab
St Francis Rehab 131 Commonwealth Drive Suite 200 Greenville, SC 29615	Outpatient Rehabilitation - Physical, Occupational, Speech, & Massage therap
St Francis Outpatient Rehab 120 Sumner Street Greenville, SC 29601	Outpatient Rehabilitation
St Francis Physical Therapy 712 Congaree Rd Greenville, SC 29607	Outpatient Rehabilitation
St Francis Therapy Services 1130 Grove Rd Greenville, SC 29605	Outpatient Rehabilitation
St Francis Powdersville Rehab 3407 HWY 153 Piedmont, SC 29673	Outpatient Rehabilitation
St Francis Physical Therapy 209 Patewood Dr Suite 100 Greenville, SC 29615	Outpatient Rehabilitation
St Francis Homecare 131 Commonwealth Drive Suite 230 Greenville, SC 29615	Homecare Offices
McCall Hospice House 1836 West Georgia Rd Simpsonville, SC 29680	Hospice
St Francis Sleep Disorder Center 3 St Francis Drive Suite 340 Greenville, SC 29601	Sleep Disorder Center
St Francis Wound Healing Center 131 Commonwealth Drive Suite 100 Greenville, SC 29615	Wound Care Rehab
Central Registration & Lab 2 Innovation Drive Suite 110 Greenville, SC 29607	Registration and Lab
HealThy Self Cardiovascular Rehabilitati 2 Innovation Drive Suite 200 Greenville, SC 29607	Cardiac/Pulmonary/Vascular Fitness/Diabeties Care
Sleep Lab 2 Innovation Drive Suite 340 Greenville, SC 29607	Sleep Lab
Sports Medicine & Workwell Admin 135 Commonwealth Drive Suite 250 Greenville, SC 29615	Workwell & Sports Administration Offices
Workwell Occupational Health 135 Commonwealth Drive Suite 120 Greenville, SC 29615	Occupational Health/ Employee Health
Early Detection & Renewal 2 Innovation Drive Suite 350 Greenville, SC 29607	Diagnostics & Early Detection Center
Sports & Exe Medi & Phy Therapy 2 Innovation Drive Suite 250 Greenville, SC 29607	Sports & Exercise Medicine and Physical Therapy
Nu-Life 2 Innovation Drive Suite 330 Greenville, SC 29607	Executive Physicals
Community Education 2 Innovation Drive Suite 100 Greenville, SC 29607	Classroom

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
SFH Inc

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

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

OMB No 1545-0047

2010

Open to Public
Inspection

Employer identification number
58-2504530

Part I General Information on Grants and Assistance

1

Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance?

☒ Yes ☐ No

2

Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than \$5,000. Check this box if no one recipient received more than \$5,000. Part II can be duplicated if additional space is needed. ☐

1 (a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) St Francis Hospital Foundation IncOne St Francis Drive Greenville, SC 29601	26-0012031	501(c)(3)	798,354				Cost of admin services provided to the Foundation by SFH, Inc

2

Enter total number of section 501(c)(3) and government organizations

1

3

Enter total number of other organizations

0

Part III

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

(a)Type of grant or assistance	(b)Number of recipients	(c)Amount of cash grant	(d)Amount of non-cash assistance	(e)Method of valuation (book, FMV, appraisal, other)	(f)Description of non-cash assistance

Part IV

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

Identifier	Return Reference	Explanation
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Schedule J (Form 990) <div>Department of the Treasury Internal Revenue Service</div>	<div>Compensation Information</div> <div>For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees</div> <div>▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.</div> <div>▶ Attach to Form 990. ▶ See separate instructions.</div>	OMB No 1545-0047
		2010
		Open to Public Inspection

Name of the organization SFH Inc	Employer identification number 58-2504530
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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><input type="checkbox"/> First-class or charter travel</div> <div><input type="checkbox"/> Travel for companions</div> <div><input type="checkbox"/> Tax idemnification and gross-up payments</div> <div><input type="checkbox"/> Discretionary spending account</div> <div><input type="checkbox"/> Housing allowance or residence for personal use</div> <div><input type="checkbox"/> Payments for business use of personal residence</div> <div><input type="checkbox"/> Health or social club dues or initiation fees</div> <div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</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	1b		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2		
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><input checked="" type="checkbox"/> Compensation committee</div> <div><input checked="" type="checkbox"/> Independent compensation consultant</div> <div><input type="checkbox"/> Form 990 of other organizations</div> <div><input checked="" type="checkbox"/> Written employment contract</div> <div><input checked="" type="checkbox"/> Compensation survey or study</div> <div><input checked="" type="checkbox"/> Approval by the board or compensation committee</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?	4a	Yes	
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	5a		No
b	Any related organization?	5b		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	6a		No
b	Any related organization?	6b		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7		No
8	Were any amounts reported in Form 990, Part VII, paid or 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	8		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	9		

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(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) Jeff Oak	(i)	0	0	0	0	0	0	0
	(ii)	304,801	69,644	26,258	17,150	31,032	448,885	0
(2) Thomas Morris PhD	(i)	0	0	0	0	0	0	0
	(ii)	258,451	70,978	22,137	28,541	12,448	392,555	0
(3) Mark Nantz	(i)	0	0	0	0	0	0	0
	(ii)	437,094	328,628	319,362	30,500	25,777	1,141,361	0
(4) Ronnie Hyatt	(i)	323,005	117,458	4,324	46,671	10,764	502,222	0
	(ii)	0	0	0	0	0	0	0
(5) Johnna Reed	(i)	186,806	59,337	11,124	7,257	5,581	270,105	0
	(ii)	0	0	0	0	0	0	0
(6) Teresa Ficicchy	(i)	228,631	85,902	75,430	39,804	6,656	436,423	32,386
	(ii)	0	0	0	0	0	0	0
(7) Patricia Fowler	(i)	173,959	55,996	2,302	20,210	5,713	258,180	0
	(ii)	0	0	0	0	0	0	0
(8) Daniel Duggan	(i)	0	0	0	17,831	20,871	38,702	0
	(ii)	276,156	64,882	23,595	0	0	364,633	0
(9) Mary Jo Cagle	(i)	348,774	127,215	27,774	42,559	18,945	565,267	58,410
	(ii)	0	0	0	0	0	0	0
(10) Bradley Howard MD	(i)	267,268	45,732	623	0	14,969	328,592	0
	(ii)	0	0	0	0	0	0	0
(11) Mark Klapperich	(i)	227,673	166	216	6,956	14,003	249,014	0
	(ii)	0	0	0	0	0	0	0
(12) Nancy Graebner	(i)	240,366	88,933	2,192	51,092	11,318	393,901	0
	(ii)	0	0	0	0	0	0	0
(13) Lisa Slayton	(i)	193,342	61,242	1,667	24,447	4,338	285,036	0
	(ii)	0	0	0	0	0	0	0
(14) John Shea	(i)	0	0	0	0	0	0	0
	(ii)	67,836	0	433,221	4,848	5,348	511,253	89,556
(15) Richard Hanson	(i)	0	0	0	0	0	0	0
	(ii)	91,580	680	7,762	6,444	2,207	108,673	69,611
(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
	Part I, Lines 4a-b	Part I, Lines 4a Bon Secours Health System, Inc. has system wide severance policies for various levels of executive management. Executive positions throughout the system may include, but are not limited to, CEO/President, CFO, COO, EVP, SVP, VP and Directors. Severance periods vary based on length of service, subsequent employment and violations of the severance policy. Generally, severance periods can be up to 24 months. Benefits may include, but are not limited to, base salary, certain health benefits and payment of unused vacation. The following individual(s) received severance payments during the applicable calendar year: John Shea, \$228,582. Part I, Lines 4b The filing organization participates in a BSHSI sponsored executive retirement program that allows for deposits into additional retirement plans and available only to officers and key employees. The 457F plan is a non-qualified plan and is subject to a minimum three-year service requirement before vesting on deposits are made into this plan. The following individuals received payments in 2011: John Shea - \$105,932; Richard Hanson - \$71,180; Mary Jo Cagle - \$112,931; Teresa Ficicchy - \$63,161.
Supplemental Information	Part III	Part I, Line 3 Bon Secours Health System, Inc., a related organization of SFH, Inc., uses the following to establish the compensation of the organization's CEO/Executive Director: Compensation Committee; Independent Compensation Consultant; Written Employment Contract; Compensation Survey or Study; Approval by the Board or Compensation Committee.

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
SFH Inc

Employer identification number
58-2504530

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) Katie Hertwig	See Part V	165,317	Employment		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
Sch L, Part IV, Business Transactions Involving Interested Persons		(a) Name of Person Katie Hertwig(b) Relationship Between Interested Person and Organization Daughter-in-Law of BM Camilla Hertwig

SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2010

Open to Public
Inspection

Name of the organization SFH Inc	Employer identification number 58-2504530
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Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 2		Board member Sam B Phillips and board member David Poole have a business relationship

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 6		Bon Secours Health System, Inc is the sole member of Bon Secours St Francis Health System, Inc , which in turn is the sole member of SFH, Inc

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 7a		The governing body of SFH, Inc is appointed by its member Bon Secours St Francis Health System, Inc and subject to approval by Bon Secours Health System, Inc

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 7b		Certain authorities of SFH, Inc are reserved to its member or to Bon Secours Health System, Inc

Identifier	Return Reference	Explanation
Form 990, Part VI, Section B, line 11		The process the organization uses to review the Form 990 consists of a review by the local system's audit and compliance board-committee and providing the form to the local system board of directors to allow for a thorough review by both before the filing date of July 16, 2012. The local system's audit and compliance committee and board of directors have reviewed the Form 990, scheduled time on meeting agendas, and asked questions regarding the Form 990 before the return is filed July 16, 2012.

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 12c	The organization regularly and consistently monitors compliance with the conflict of interest policy. On an annual basis, all persons subject to the policy, including all officers, directors and key employees are required to make certain disclosures. These include disclosures related to certain personal, financial and organizational relationships that may present a conflict, or the appearance of a conflict of interest with the organization. All disclosures go through a three-part review process: (1) disclosures are reviewed first by the corporate responsibility officer (CRO), (2) a governance team comprised of the CEO, board president, board chair, CRO, and the BSHSI CRO participate in a second review of all disclosures during which recommendations are made as to the resolution of any conflicts or potential conflicts. Depending on the facts and circumstances, resolutions may include ongoing disclosure, recusal or removal of the conflict, and (3) all disclosures and recommendations are reviewed by a board committee (audit and compliance committee reviews the disclosures of management and the governance committee reviews the disclosures of the board and board committee members).

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15	<p>The compensation committee of the board of Bon Secours Health System, Inc (BSHSI) engages in a comprehensive process for the oversight and management of remuneration for executive employees and disqualified parties of the BSHSI. The compensation committee consists of a group of independent board members and engages independent external compensation consultant to ensure they receive appropriate analysis of market and follow the practices necessary to obtain full compliance with the IRS' rebuttable presumption of reasonableness. The committee establishes and maintains a compensation philosophy, reviews pay practices against local, regional and national healthcare organizations and approves all remunerative decisions for this group of individuals. The committee reviews and receives assurances that all levels of pay within the organization are reasonable based on performance and validates incentives are met. These decisions are documented in the BSHSI board of directors and compensation committee minutes. Form 990, Part VI, Section B, Line 15b - Compensation Process Other Officers/ Key Employees. For those key employees and highest paid employees that are not reviewed by the BSHSI compensation committee, the process included a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision. In the review, the positions of other officers or key employees of the organization were compared to similar position market data in comparably situated organizations taking into consideration geographic location and organization size where appropriate. During the review and approval of the compensation, documentation of the decision was recorded in human resources.</p>

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section C, line 19	SFH, Inc provides any documents open to public inspection upon request

Identifier	Return Reference	Explanation
	Form 990, Part VII	Hours worked are not tracked on an entity by entity basis. All officer's and director's hours reported on Form 990, Part VII, Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors represent aggregate hours worked per week. Volunteer Board Members are not compensated for their time. Mark Nantz's compensation is paid by Bon Secours Health System, Inc., a related organization. The compensation he receives is for his role as the CEO of Bon Secours St. Francis Health System, which includes direct management, monitoring and oversight of Bon Secours St. Francis Health System and its related organizations. Jeff Oak's compensation is paid by Bon Secours Health System, Inc., a related organization. The compensation he receives is for his role as the Chief Corporate Responsibility and Development Officer of Bon Secours Health System, Inc. Thomas Morris' compensation is from Bon Secours Health System, Inc., a related organization. The compensation he receives is for the role as an SVP of Sponsorship at Bon Secours Health System, Inc. Brother Peter Campbell does not receive payroll distributions as he has taken a vow of poverty.

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Net unrealized gains on investments 734,329 Transfers to HSO for principal and swap - 7,189,727 Distributions from Upstate 627,389 Total to Form 990, Part XI, Line 5 -5,828,009

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
SFH Inc

Employer identification number
58-2504530

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
(1) Physicians' Surgery Center at St Francis LLC One St Francis Drive Greenville, SC 29601	No activity	SC			SFH Inc
(2) Bon Secours St Francis Diagnostic Services LLC One St Francis Drive Greenville, SC 29601 80-0520229	No activity	SC			SFH Inc

Part II

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) Bon Secours Health System Inc 1505 Marriottsville Road Marnottsville, MD 21104 52-1301088	Parent Org - Management Services	MD	501(c)(3)	11b	Bon Secours Inc		No
(2) Bon Secours St Francis Health System Inc 1 St Francis Drive Greenville, SC 296013955 58-2504528	Local System Parent Org	SC	501(c)(3)	11b	Bon Secours Health System Inc		No
(3) St Francis Hospital Foundation Inc 1 St Francis Drive Greenville, SC 296013955 26-0012031	Grant Making Foundation	SC	501(c)(3)	7	SFH Inc	Yes	
(4) St Francis Physician Services 1 St Francis Drive Greenville, SC 296013955 13-4290167	Physician Services	SC	501(c)(3)	11a	Bon Secours St Francis Health System Inc		No

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) Upstate Surgery Center 1 St Francis Drive Greenville, SC296013955 56-2186977	Ambulatory Surgery Center	SC	SFH Inc	Related				No			No	58.090 %

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) Health Care Enterprises Inc & Subs 1 St Francis Drive Greenville, SC296013955 57-1012852	Holding Company	SC	Bon Secours St Francis Health System Inc	C			

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

Yes

Yes

No

No

No

No

No

Yes

No

Yes

Yes

No

No

Yes

Yes

Yes

Yes

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) Upstate Surgery Center	R	627,388	Actual
(2) Upstate Surgery Center	K	90,996	Cost
(3) St Francis Hospital Foundation Inc	B	798,354	Actual
(4) St Francis Hospital Foundation Inc	C	1,577,378	Actual
(5)			
(6)			

Schedule R (Form 990) 2010

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

[illegible]

Part VII **Supplemental Information**

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

Identifier	Return Reference	Explanation
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**BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES**

Consolidated Financial Statements and Consolidating Schedules

August 31, 2011 and 2010

(With Independent Auditors' Report Thereon)



KPMG LLP
1 East Pratt Street
Baltimore, MD 21202-1128

Independent Auditors' Report

The Board of Directors
Bon Secours Health System, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Bon Secours Health System, Inc. and Subsidiaries (the System) as of August 31, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bon Secours Health System, Inc. and Subsidiaries as of August 31, 2011 and 2010, and the consolidated results of their operations, changes in their net assets, and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 2(y)(1) to the consolidated financial statements, the Company has changed its method of accounting for noncontrolling interests in consolidated subsidiaries by presenting the noncontrolling interests as a separate component of the appropriate class of consolidated net assets and including the excess of revenues over expenses attributable to both the system and noncontrolling interests in the consolidated excess of revenues over expenses due to the adoption of new accounting guidance.

KPMG LLP

November 4, 2011

**BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES**

Consolidated Balance Sheets

August 31, 2011 and 2010

(In thousands)

Assets	2011	2010
Current assets		
Cash and cash equivalents	\$ 159.635	180.255
Accounts receivable, net		
Patient and third-party payors	385.296	348.307
Other	37.319	15.238
Total accounts receivable, net	422.615	363.545
Assets limited or restricted as to use	78.893	62.187
Inventories	54.628	49.231
Prepaid expenses and other current assets	18.134	21.553
Total current assets	733.905	676.771
Assets limited or restricted as to use, less current portion	869.845	790.687
Property, plant, and equipment, net	1,085.226	1,077.741
Deferred financing costs, net	12.794	12.774
Goodwill and other assets, net	279.785	247.187
Total assets	\$ 2,981.555	2,805.160
Liabilities and Net Assets		
Current liabilities		
Current portion of long-term debt	\$ 61.023	26.573
Accounts payable	182.491	169.874
Accrued salaries, wages, and benefits	158.424	152.763
Other accrued expenses	107.679	99.442
Total current liabilities	509.617	448.652
Long-term debt, less current portion	1,014.319	1,033.041
Other long-term liabilities and deferred credits	606.582	638.212
Total liabilities	2,130.518	2,119.905
Net assets		
Unrestricted-controlling interest	638.462	500.722
Unrestricted-noncontrolling interest	164.810	144.397
Total unrestricted	803.272	645.119
Temporarily restricted	40.911	33.381
Permanently restricted	6.854	6.755
Total net assets	851.037	685.255
	\$ 2,981.555	2,805.160

See accompanying notes to consolidated financial statements

**BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES**

Consolidated Statements of Operations

Years ended August 31, 2011 and 2010

(In thousands)

	<u>2011</u>	<u>2010</u>
Revenues		
Net patient service revenue	\$ 3,166,054	2,993,910
Other revenue	142,821	90,964
Total revenues	<u>3,308,875</u>	<u>3,084,874</u>
Expenses		
Salaries, wages, and benefits	1,540,009	1,430,410
Supplies	539,578	498,997
Purchased services and other	747,024	683,072
Provision for bad debts	235,887	212,478
Depreciation and amortization	119,801	123,292
Interest	41,099	34,939
Total expenses	<u>3,223,398</u>	<u>2,983,188</u>
Operating income from continuing operations	85,477	101,686
Nonoperating gains (losses), net		
Nonoperating investment gains (losses), net	65,518	(41,210)
Loss on early retirement of debt	(1,172)	—
Gain on sale of assets, net	967	561
Other nonoperating activities, net	(35,591)	(31,205)
Excess of continuing revenues over expenses	115,199	29,832
Gain on discontinued operations, net	—	3,421
Excess of revenues over expenses	115,199	33,253
Other changes in unrestricted net assets		
Net change in unrealized gains on other-than-trading securities	1,563	1,729
Net assets released from restrictions used for purchase of property, plant, and equipment	3,661	1,359
Transfers to affiliates and other changes, net	(7,132)	(3,769)
Net change in equity of joint ventures	3,060	(3,982)
Distributions to noncontrolling interest owners	(5,080)	(6,091)
Pension and other postretirement adjustments	46,882	(49,513)
Increase (decrease) in unrestricted net assets	158,153	(27,014)
Unrestricted net assets, beginning of year	645,119	672,133
Unrestricted net assets, end of year	<u>\$ 803,272</u>	<u>645,119</u>

See accompanying notes to consolidated financial statements

**BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES**

Consolidated Statements of Changes in Net Assets

Years ended August 31, 2011 and 2010

(In thousands)

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Balance at August 31, 2009	\$ 672,133	24,638	6,641	703,412
Excess of revenues over expenses	33,253	—	—	33,253
Grants and restricted contributions	—	11,823	85	11,908
Net change in unrealized gains on other-than-trading securities	1,729	299	—	2,028
Investment income	—	51	—	51
Net assets released from restrictions used for purchase of property, plant, and equipment	1,359	(1,359)	—	—
Net assets released from restrictions used for operations	—	(1,720)	—	(1,720)
Net change in equity of joint ventures	(3,982)	—	—	(3,982)
Distributions to noncontrolling interest owners	(6,091)	—	—	(6,091)
Pension and other postretirement adjustments	(49,513)	—	—	(49,513)
Transfers (to) from affiliates and other changes, net	(3,769)	(351)	29	(4,091)
(Decrease) increase in net assets	(27,014)	8,743	114	(18,157)
Balance at August 31, 2010	645,119	33,381	6,755	685,255
Excess of revenues over expenses	115,199	—	—	115,199
Grants and restricted contributions	—	13,897	118	14,015
Net change in unrealized gains on other-than-trading securities	1,563	398	—	1,961
Investment income	—	129	—	129
Net assets released from restrictions used for purchase of property, plant, and equipment	3,661	(3,661)	—	—
Net assets released from restrictions used for operations	—	(3,136)	—	(3,136)
Net change in equity of joint ventures	3,060	—	—	3,060
Distributions to noncontrolling interest owners	(5,080)	—	—	(5,080)
Pension and other postretirement adjustments	46,882	—	—	46,882
Transfers to affiliates and other changes, net	(7,132)	(97)	(19)	(7,248)
Increase in net assets	158,153	7,530	99	165,782
Balance at August 31, 2011	\$ 803,272	40,911	6,854	851,037

See accompanying notes to consolidated financial statements

**BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

Years ended August 31, 2011 and 2010

(In thousands)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 165,782	(18,157)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Gain on discontinued operations, net	—	(3,421)
Provision for bad debts	235,887	212,478
Depreciation and amortization, including \$2,154 and \$3,283 reported in nonoperating activities, net in 2011 and 2010, respectively	121,955	126,575
Amortization of deferred financing costs and bond discount, net	2,537	1,677
Equity in income of joint ventures	(32,649)	(21,193)
Distributions received from investments in joint ventures	25,429	29,359
Net realized unrealized (gains) losses on certain investments and derivative instruments	(59,108)	47,560
Loss on early retirement of debt	1,172	—
Gain on sale of assets	(967)	(561)
Gain on sale of service line	(30,000)	—
Pension and other postretirement adjustments	(46,882)	49,513
Contributions restricted by donor	(14,015)	(11,908)
Cash distributions to noncontrolling interest owners	5,080	6,091
Cash (used in) provided by changes in assets and liabilities		
Increase in accounts receivable	(294,957)	(231,519)
Increase in inventories, prepaid expenses and other current assets	(1,978)	(2,446)
Increase in goodwill and other assets, net	(7,038)	(22,093)
Increase in accounts payable and other current liabilities	24,929	35,220
Increase in other long-term liabilities and deferred credits	60,922	33,854
Net cash provided by operating activities	<u>156,099</u>	<u>231,029</u>
Cash flows from investing activities		
Investment in joint ventures	(21,511)	(3,797)
Proceeds from sale of joint venture	10,700	—
Purchases of securities, net of sales and maturities	(25,606)	(27,537)
Property, plant, and equipment additions, net of disposals	(131,364)	(97,654)
Proceeds from sale of assets	6,425	—
Proceeds from sale of service line	30,000	—
Cash paid for acquisitions	(8,891)	—
Cash flows from hedging activities	(57,405)	(22,436)
Net cash used in investing activities	<u>(197,652)</u>	<u>(151,424)</u>
Cash flows from financing activities		
Proceeds from issuance of long-term debt	214,095	—
Payments of long-term debt	(25,971)	(27,015)
Retirements of long-term debt	(173,355)	—
Payment of deferred financing fees	(2,771)	—
Proceeds from contributions restricted by donors	14,015	4,708
Cash distributions to noncontrolling interest owners	(5,080)	(6,091)
Net cash provided by (used in) financing activities	<u>20,933</u>	<u>(28,398)</u>
Net (decrease) increase in cash and cash equivalents	(20,620)	51,207
Cash and cash equivalents, beginning of year	<u>180,255</u>	<u>129,048</u>
Cash and cash equivalents, end of year	<u>\$ 159,635</u>	<u>180,255</u>
Supplemental disclosures		
(a) Cash paid for taxes was \$517 and \$791 for 2011 and 2010, respectively		
(b) System received a restricted capital contribution of \$7,200 in 2010		

See accompanying notes to consolidated financial statements

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(In thousands)

(1) Organization and Mission

(a) Organizational Structure

Bon Secours Health System, Inc., a Maryland nonprofit, nonstock membership corporation (BSHSI), and all of the other entities that are controlled directly or indirectly by Bon Secours, Inc., a Maryland nonprofit, nonstock membership corporation (BSI) are described collectively as the System. BSI, which is the sole corporate member of BSHSI, has no healthcare operations. The System was organized in June 1983 to fulfill the healthcare mission of the United States Province of the Congregation of the Sisters of Bon Secours of Paris (*Sisters of Bon Secours*), a congregation of religious women of the Roman Catholic Church founded in France in 1824.

The Sisters of Bon Secours have ministered to the healthcare needs of people in the United States since 1881. To ensure the sustainability of the ministry into the future as well as to broaden their collaboration with the laity in areas of influence, the Sisters of Bon Secours petitioned the Vatican to establish Bon Secours Ministries, an entity comprised of both laypersons and Sisters of Bon Secours to oversee the Catholic healthcare ministry of BSHSI. Bon Secours Ministries, which is referred to as a "public juridic person" in the Catholic Church's *Code of Canon Law*, was established by the Vatican on May 31, 2006 with the specific responsibility to oversee (and, as appropriate, initiate) the healthcare ministries within the System and, in particular, BSHSI's Catholic identity and mission. This formal relationship with the Catholic Church and the specific ministry is commonly referred to as "sponsorship." The Sisters of Bon Secours formally transferred the responsibility of sponsorship of the System to Bon Secours Ministries on November 1, 2006. Since then, Bon Secours Ministries has provided an active presence of leadership and direction for BSHSI to ensure its operations and use of resources are aligned with the mission, values and fundamentals of Catholic social teaching.

The System's principal activities comprise health and nursing care services in the states of New York, Maryland, Virginia, Kentucky, South Carolina, and Florida.

(b) Mission

The Mission of the System is to bring compassion to healthcare and to be good help to those in need, especially those who are poor and dying. As a system of caregivers, the System is committed to helping to bring people and communities to health and wholeness as part of the healing ministry of Jesus Christ and the Catholic Church.

The ministry of BSHSI aids those in need, particularly those who are sick and dying, by offering a wide variety of services, including acute inpatient, outpatient, pastoral, palliative, home health, nursing home, rehabilitative, primary and secondary care and assisted living, in Florida, Kentucky, Maryland, New York, South Carolina, and Virginia without regard to race, religion, color, gender, age, marital status, national origin, sexual orientation, or disability. Activities directly associated with this purpose are considered operating activities. Operating activities also include other incidental services that are closely related to healthcare.

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(c) Community Benefits

The System exists to benefit the people in the communities it serves. In pursuing its mission, the System advocates for and provides services to help meet healthcare and related socioeconomic needs of poor and disadvantaged individuals and the broader community. The System provides services in the communities served by holistically ministering to its patients with respect and without regard to their ability to pay.

Programs and services for the uninsured and underinsured represent the financial commitment of the System to everyone in the community. The System's financial assistance policy ensures that all members of the community receive this basic human right to access healthcare.

The categories included as programs and services for the poor and disadvantaged are as follows:

(i) Charitable Services – Financially Disadvantaged Persons

The System provides care to patients regardless of their ability to pay all or a portion of the charges incurred. This care is classified as charity care based upon the System's established policies. In accordance with the Catholic Health Association (CHA) guidelines, charity care represents the unpaid costs of free or discounted health services provided to persons who cannot afford to pay and who meet the organization's criteria for financial assistance.

In assessing a patient's ability to pay, the System utilizes generally recognized poverty income levels, financially supporting 100% of the healthcare services provided to patients with annual family income at or below 200% of the federal poverty guidelines. Additional assistance is provided by a reduction in charges for medically necessary services through a community service adjustment.

(ii) Charitable Services – State Programs

The System provides services to indigent patients under various state programs, including state Medicaid, that generally pay healthcare providers amounts that are less than the cost of the services provided to the recipients. Unreimbursed costs of the care provided to these disadvantaged patients are also reported as charitable services.

(iii) Other Community Benefits

Other community benefits include community services for the poor and disadvantaged as well as the broader community. The programs cover a broad spectrum of services and are financially supported by the System.

- Primary Care access – providing free community-based preventive and primary care services through free-standing clinics and mobile health vehicles.

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- Health Screenings and Immunizations – provision of free health screenings and immunizations for a variety of health conditions for women, children, and senior residents.
- Child programs – providing oral healthcare, asthma and childhood obesity interventions.
- Caregiver and senior programs – focused on support, health screenings, and services to assist older adult populations.
- Education – providing medical and other health professional programs.
- Leadership activities – a full-time healthy community leader is provided in each community served who works to expand community capacity, identify community health needs and address social health conditions

The cost of charitable services and community benefits provided by the System is determined in accordance with the System's accounting policies. These costs are computed by using the cost to charge ratio applied by Medicaid and other state programs as well as specific patient visits identified under the System's charity care policies. The cost of these services is as follows for the years ended August 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Charitable services and other community benefits		
Cost of services to financially disadvantaged persons	\$ 128,309	121,445
Unpaid cost of state programs (e.g., Medicaid) to financially disadvantaged persons	84,216	84,646
Cost of other community benefits	<u>57,533</u>	<u>48,975</u>
Total community benefits, at cost	<u>\$ 270,058</u>	<u>255,066</u>

(2) Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of all members of the corporate group controlled by BSHSI. Members of the corporate group include all entities that BSHSI directly or indirectly controls, even if the System has less than 50% of the ownership or membership interest in the entity. Investments in entities where the System holds 50% or less of an entity's operations and does not have operational control are recorded under the equity or cost method of accounting. The System has included its equity share of income or losses and changes in net assets from investments in unconsolidated affiliates in other revenue and changes in unrestricted net assets, respectively, in the accompanying consolidated statements of operations. All material intercompany transactions and account balances have been eliminated in consolidation.

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(In thousands)

(b) Use of Estimates

The preparation of financial statements in conformity with U S generally accepted accounting principles (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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In the years ended August 31, 2011 and 2010, the System recorded income of \$16,623 and \$22,476, respectively, related to expense reductions and increases in net patient service revenue as a result of the reassessment of various third-party payor settlement issues and changes in estimates associated with other operating assets and liabilities.

(c) Cash and Cash Equivalents

For purposes of the consolidated financial statements, cash and cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less, excluding investments limited or restricted as to use.

(d) Accounts Receivable

Accounts receivable is presented net of allowances for uncollectible amounts of \$163,100 and \$147,714 at August 31, 2011 and 2010, respectively. The System grants credits to patients and generally does not require collateral or other security. However, it routinely obtains assignment of patients' benefits under their health insurance policies. Most of the System's net patient service revenue is derived from third-party payment programs. Medicare, Medicaid, and Blue Cross comprise approximately half of the System's consolidated third-party payor revenue.

The respective percentages of amounts due from patients and third-party payors at August 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Medicare	24%	25%
Medicaid	10	11
Blue Cross	7	6
Managed care	33	31
Other, including self-pay	26	27
	<u>100%</u>	<u>100%</u>

(e) Assets Limited or Restricted as to Use and Investment Income

Assets limited or restricted as to use include assets held by trustees under indentures, self-insurance trust arrangements, assets related to donor-restricted net assets, and assets designated by the board of directors over which it retains control and may, at its discretion, use for other purposes. The fair

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value of investments, with the exception of alternative investments, is based upon quoted market prices or other observable market inputs. The System elected to fair value its investments in its equity and fixed income commingled funds. Alternative investments are recorded under the equity method.

Unrealized gains or losses on trading securities are included in nonoperating investment gains (losses), net. As of August 31, 2011 and 2010, all investments and assets limited or restricted as to use are designated as trading securities, except for certain Foundation investments.

Investment income on donor-restricted funds is recorded as an addition to donor-restricted net assets provided the income has been restricted by the donor. Investment income on trustee-held funds, professional/general liability, workers' compensation, and health benefit self-insurance funds is reported in other revenue for the years ended August 31, 2011 and 2010, respectively. All other investment income is reported within nonoperating investment (losses), net.

(f) *Inventories*

Inventories, consisting primarily of pharmaceuticals and medical supplies, are stated at the lower of cost or market, principally on a first-in, first-out basis.

(g) *Property, Plant, and Equipment*

Property, plant, and equipment are recorded at cost or, if donated, at fair value on the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the accompanying consolidated financial statements. Estimated useful lives of the assets are as follows:

Buildings	20 to 50 years
Fixed equipment	10 to 20 years
Major movable equipment	3 to 5 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit donor restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Interest cost is capitalized as part of the cost of constructing capital assets, net of any interest income earned on unexpended bond proceeds borrowed for a specific project, during the construction period. The System capitalizes the direct costs, including internal costs, associated with the implementation

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of new information systems for internal use. Capitalized amounts are amortized over the estimated lives of the software, which generally are five years.

(h) Asset Impairment

The System regularly evaluates whether events or changes in circumstances have occurred that could indicate an impairment in the value of long-lived assets. In accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 360-10, *Impairment or Disposal of Long-Lived Assets*, if events or changes in circumstances indicate that the carrying value of an asset is not recoverable, the System's management estimates the projected undiscounted cash flows, excluding interest and taxes, of the related individual facilities to determine if an impairment loss should be recognized. The amount of impairment loss is determined by comparing the historical carrying value of the asset to its estimated fair value. Estimated fair value is determined through an evaluation of recent and projected financial performance of facilities using standard industry valuation techniques.

In addition to consideration of impairment upon the events or changes in circumstances described above, management regularly evaluates the remaining lives of its long-lived assets. If estimates are changed, the carrying value of affected assets is allocated over the remaining lives. In estimating the future cash flows for determining whether an asset is impaired and if expected future cash flows used in measuring assets are impaired, the System groups their assets at the lowest level for which there are identifiable cash flows independent of other groups of assets. No impairment charges were recorded during the years ended August 31, 2011 and 2010, respectively.

(i) Goodwill and Other Assets, Net

Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired in a business combination. ASC Topic 350, *Intangibles – Goodwill and Other*, requires that tangible and indefinite-lived assets, as well as Goodwill, must be analyzed in order to determine whether their value has been impaired.

In conjunction with the implementation of the provisions of ASC 350, effective September 1, 2010, the System no longer amortizes goodwill, but tests the carrying value annually for impairment (see note 2(y)(i)). Pursuant to ASC 350, the System determined that it had one reporting unit, which is the aggregate of all of the System's entities, and performed an initial impairment test as of September 1, 2010. To accomplish this, the System determined the carrying value of such reporting unit by assigning the assets and liabilities, including the existing goodwill, to the reporting unit. The System estimated the fair value of this reporting unit based on a discounted cash flow analysis as well as using standard industry valuation techniques and concluded that goodwill was not impaired as of September 1, 2010. In addition, goodwill was evaluated as of August 31, 2011 with no impairment charges recorded.

Total goodwill recognized on acquisitions, less accumulated amortization, was \$98,359 and \$92,898 as of August 31, 2011 and 2010, respectively, and is included in goodwill and other assets, net. Accumulated amortization of goodwill amounted to \$50,890 at August 31, 2011 and 2010.

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Goodwill and other assets, net, consist of the following at August 31, 2011 and 2010

	2011	2010
Goodwill, net of accumulated amortization	\$ 98,359	92,898
Investment in joint venture (note 10)	113,059	94,907
Self insurance receivable	33,451	12,439
Other assets	19,194	34,541
Pledges and notes receivable	15,722	12,402
Total goodwill and other assets, net	<u>\$ 279,785</u>	<u>247,187</u>

Prior to the adoption of the new accounting guidance pursuant to ASC 350, goodwill was amortized on a straight-line basis over 15 – 40 years

(j) *Deferred Financing Costs, Net*

Financing costs incurred in connection with the issuance of long-term debt have been capitalized and included in other assets. These costs are being amortized using the effective-interest method over the term of the related obligations. Accumulated amortization of long-term debt issuance costs amounted to \$7,966 and \$7,297 at August 31, 2011 and 2010, respectively.

(k) *Leases*

Lease arrangements, including assets under construction, are capitalized when such leases convey substantially all the risks and benefits incidental to ownership. Capital leases are amortized over either the lease term or the life of the related assets, depending upon available purchase options and lease renewal features. Amortization related to capital leases is included in the consolidated statements of operations within depreciation and amortization expense.

(l) *Other Long-Term Liabilities and Deferred Credits*

Other long-term liabilities and deferred credits consist of the following at August 31, 2011 and 2010

	2011	2010
Accrued pension liability (note 9)	\$ 310,567	350,856
Self-insurance liabilities	118,861	85,175
Environmental liabilities	13,967	13,811
Derivative instrument valuations (note 7)	88,081	135,435
Medical office building liabilities (note 13(e))	40,070	40,070
Other long-term liabilities	35,036	12,865
	<u>\$ 606,582</u>	<u>638,212</u>

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(m) *Donor-Restricted Gifts*

Unconditional promises to give cash and other assets to the 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 is satisfied, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying consolidated statements of operations as net assets released from restrictions. Such amounts are classified as other revenue or transfers for additions to property, plant, and equipment. Donor-restricted contributions whose restrictions are satisfied within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

(n) *Net Assets*

The System classifies net assets based on the existence or absence of donor-imposed restrictions. Unrestricted net assets represent contributions, gifts, and grants that have no donor-imposed restrictions or that arise as a result of operations. Temporarily restricted net assets are subject to donor-imposed restrictions that must or will be met either by satisfying a specific purpose and/or passage of time. Temporarily restricted net assets of \$40,911 and \$33,381 at August 31, 2011 and 2010, respectively, primarily consisted of pledges and funds received for capital projects, various healthcare programs, and community outreach programs. Permanently restricted net assets are subject to donor-imposed restrictions that must be maintained in perpetuity. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for specific purposes.

(o) *Fair Values*

The carrying values of financial instruments classified as current assets and current liabilities approximate fair values. The fair values of investments and assets limited or restricted as to use, with the exception of alternative investments, are based on quoted market prices or other observable inputs. Alternative investments are recorded under the equity method. The System elected to record its investments in equity and fixed income commingled funds at fair value in 2011. See note 4 for additional disclosures of investments and assets limited or restricted as to use. The carrying values of other long-term liabilities approximate fair values. See note 6 for the fair value of long-term debt.

(p) *Net Patient Service Revenue*

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors. Retroactive reimbursement adjustments are estimated in the period in which the related services are rendered and adjusted in future periods as final settlements are determined.

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(q) Other Revenue

Other revenue includes income from Equity investments in joint ventures, gains on sales of operating activities, grant revenues (including Meaningful Use-Health Information Technology for Economic and Clinical Health Act (HITECH) Stimulus Grants), assisted living, and cafeteria and meal sales. The System recorded approximately \$13,300 of revenues related to Medicare's incentive payments for meeting the criteria for electronic health records during the year ended August 31, 2011 (see note 10).

(r) Nonoperating Activities, Net

Other activities, which are largely unrelated to the System's primary mission, are recorded as other nonoperating gains (losses), include rental activities of medical office buildings, school of nursing, general donations, and fund-raising activities.

(s) Performance Indicator

The accompanying consolidated statements of operations include a performance indicator, excess of continuing revenues over expenses. Changes in unrestricted net assets that are excluded from the performance indicator, consistent with industry practice, include discontinued operations, unrealized gains on other-than-trading securities, permanent transfers of assets to and from unconsolidated affiliates for other than goods and services, pension and other postretirement adjustments, the System's allocated share of joint ventures' change in equity, distributions to noncontrolling interest owners and contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purpose of acquiring such assets).

(t) Discontinued Operations

The System accounts for discontinued operations under relevant FASB accounting guidance, which requires that a component of an entity that has been disposed of or is classified as held-for-sale and has operations and cash flows that can be clearly distinguished from the rest of the entity be reported as discontinued operations. In the period that a component of an entity has been disposed of or classified as held-for-sale, the results of operations for prior periods are reclassified to discontinued operations in the accompanying consolidated statements of operations. The System recognized gains on discontinued operations of \$3,421 for the year ended August 31, 2010 (none in 2011).

(u) Income Taxes

The System and most of its subsidiaries (including certain joint venture entities) are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The system accounts for uncertain tax positions in accordance with ASC Topic 740. Income taxes of the System's for-profit subsidiaries are not material to the accompanying consolidated financial statements. The System's taxable subsidiaries have approximately \$89,500 and \$98,300 of net operating loss carry forwards as of August 31, 2011 and 2010, respectively, which expire in varying periods through 2031 and are available to offset future taxable income. The System's deferred tax

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assets are fully reserved at August 31, 2011 and 2010. Any changes to the valuation allowance on the deferred tax asset are reflected in the year of the change.

(v) *Derivative Instruments*

ASC Topic 815, *Derivatives and Hedging*, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. An entity is required to recognize all derivatives as either assets or liabilities in the consolidated balance sheets and measure those instruments at fair value. In addition, for those derivative instruments that meet the criteria of an effective hedge, the hedged item must also be recorded at its fair value, with the changes in fair value reflected in other changes in unrestricted net assets.

Derivative instruments, specifically interest rate swaps, are recorded on the balance sheets at their respective fair values. The System's current derivative instruments do not qualify for hedge accounting, and the changes in fair value of such derivative instruments are reflected in nonoperating investment losses, net in the accompanying consolidated statements of operations in the period of change. Net settlement payments made or received on nonqualifying derivatives are recorded as nonoperating investment losses, net.

(iv) *Self-Insurance*

Under the System's self-insurance programs (professional/general liability, workers' compensation, and employee health benefits), claims are reflected as based upon actuarial estimation, including both reported and incurred but not reported claims, taking into consideration the severity of incidents and the expected timing of claim payments.

(x) *Reclassifications*

Certain prior year amounts have been reclassified to conform to current period presentation, the effect of which is not material.

(y) *Recently Issued Accounting Pronouncements*

- (i) In April 2009, the FASB issued new guidance relating to not-for-profit mergers and acquisitions that will apply prospectively to mergers with merger dates on or after December 15, 2009, and to acquisitions with acquisition dates on or after the beginning of the first annual reporting period beginning on or after December 15, 2009. This new guidance prescribes how to determine whether a combination is a merger or acquisition, how to account for each, and the disclosures that should be made. This guidance does not apply to formations of joint ventures, acquisitions of assets or a group of assets that do not constitute either a business or a nonprofit activity, a combination between not-for-profit entities under common control or transaction or other events where a not-for-profit entity obtains control of another entity but does not consolidate that entity. In addition, under the new guidance, goodwill and indefinite-lived identifiable intangible assets recognized in a not-for-profit entity's acquisition

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of a business or nonprofit activity are not amortized. Such assets are tested for impairment at least annually. On September 1, 2010, the date the statement was initially applied, the System determined that it had one reporting unit based on its reporting structure at that date. After establishing its reporting unit, goodwill was tested for impairment as of September 1, 2010 upon adoption of the statement and at August 31 annually thereafter. The system determined that goodwill was not impaired in 2011.

The guidance also requires the presentation of noncontrolling interests in the net assets of consolidated subsidiaries be reported as a separate component of the appropriate class of net assets in the consolidated balance sheets and the amount of consolidated excess of revenues over expenses attributable to the System and to the noncontrolling interest to be disclosed. The provisions of the standard related to the presentation and disclosure of noncontrolling interest are to be applied retrospectively to all periods presented. The adoption of this standard did not have a material impact on the Corporation's consolidated financial statements, except for the following:

- a. Noncontrolling interests of \$130.043 as of September 1, 2009 were reclassified from other long-term liabilities to unrestricted net assets, separate from the System's unrestricted net assets.
 - b. Consolidated excess of revenues over expenses includes excess revenues over expenses attributable to both the System and noncontrolling interests. See note 8 for such allocation.
 - c. The consolidated statements of cash flows now begin with change in net assets (including noncontrolling interests) with excess of revenues over expenses from noncontrolling interests included in changes in assets and liabilities and is no longer a reconciling item in arriving at net cash provided by operating activities. Distributions and contributions to/from noncontrolling owners are reported in cash flows from financing activities.
- (ii) In January 2010, the FASB issued guidance that clarifies and requires new disclosures about fair value measurements. The clarifications and requirement to disclose the amounts and reasons for significant transfers between Level 1 and Level 2, as well as significant transfers in and out of Level 3 of the fair value hierarchy, is effective for interim and annual reporting periods beginning after December 15, 2009. The new guidance also requires that purchases, sales, issuances, and settlements be presented gross in the Level 3 reconciliation and that requirement is effective for fiscal years beginning after December 15, 2010 and for interim periods within those years, with early adoption permitted. Since this new guidance only amends the disclosure requirements, it did not impact the System's financial position, results of operations or cash flows.

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- (iii) In August 2010, the FASB issued Accounting Standards Updated (ASU) No. 2010-23, *Health Care Entities (Topic 954) Measuring Charity Care for Disclosure*. ASU No. 2010-23 is intended to reduce the diversity in practice regarding the measurement basis used in the disclosure of charity care. ASU No. 2010-23 requires that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct or indirect cost of providing the charity care, and requires disclosure of the method used to identify or determine such costs. The adoption of this new guidance is effective for the System beginning September 1, 2011.
- (iv) In August 2010, the FASB issued ASU No. 2010-24, *Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries*. ASU No. 2010-24 is intended to address current diversity in practice to the accounting by healthcare entities for medical malpractice claims and similar liabilities and their related anticipated insurance recoveries. Most healthcare entities have netted anticipated insurance recoveries against the related accrued liability, although some entities have presented the anticipated insurance recovery and related liability on a gross basis. The existing guidance does not permit offsetting of conditional or unconditional liabilities with anticipated insurance recoveries from third parties. This update clarifies that a healthcare entity should not net insurance recoveries against related claim liability. Additionally, the amount of the claim liability should be determined without consideration of insurance recoveries. The adoption of this new guidance is effective for the System beginning September 1, 2011.
- (v) In July 2011, the FASB issued ASU No. 2011-07, *Health Care Entities (Topic 954), Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, which requires a healthcare entity to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patients service revenue from an operating expense to a deduction from patients service revenue (net of contractual allowances and discounts). Additionally, enhanced disclosures about an entity's policies for recognizing revenue, assessing bad debts, as well as qualitative and quantitative information about changes in the allowance for doubtful accounts are required. The adoption of ASU 2011-07 is effective for the System beginning September 1, 2012.
- (vi) In September 2011, the FASB issued ASU No. 2011-08, *Intangibles-Goodwill and Other (Topic 350), Testing Goodwill for Impairment*, which permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. The System adopted ASU 2011-08 as of August 31, 2011 and determined that it was not more-likely-than-not that the fair value of its reporting unit was less than its carrying amount. Accordingly, the System concluded that goodwill was not impaired as of August 31, 2011 without having to perform the two-step impairment test.

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(3) Property, Plant, and Equipment, Net

Property, plant, and equipment, net consist of the following at August 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Land	\$ 81,505	82,105
Land improvements	46,371	46,400
Buildings	905,886	902,794
Fixed equipment	70,366	66,582
Major movable equipment	969,807	858,379
Leasehold improvements	66,049	63,919
Construction in progress	121,874	124,190
	<u>2,261,858</u>	<u>2,144,369</u>
Less accumulated depreciation	<u>1,176,632</u>	<u>1,066,628</u>
	<u>\$ 1,085,226</u>	<u>1,077,741</u>

Included in construction in progress at August 31, 2011 and 2010 are costs mainly associated with an electronic medical records project, facility renovations, and expansions. The System anticipates expending an additional \$109,053 in future periods to complete strategic capital projects. Depreciation expense for the System was \$121,955 and \$122,187 for the years ended August 31, 2011 and 2010, respectively.

(4) Assets Limited or Restricted as to Use

The composition of assets limited or restricted as to use consists of the following at August 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Board-designated funds		
Cash and cash equivalents	\$ 95,865	81,398
Equity mutual funds	45,151	15,673
Equity commingled funds	54,553	59,611
Common and preferred stocks	269,268	258,107
Fixed income mutual funds	77,899	146,269
Fixed income commingled funds	75,320	—
U S government and agency securities	779	803
Corporate obligations	35,380	52,329
Alternative investments	121,926	80,005
Land and other investments, at cost	52	901
	<u>776,193</u>	<u>695,096</u>

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	<u>2011</u>	<u>2010</u>
Donor-restricted funds		
Cash and cash equivalents	\$ 8.676	11.141
Equity mutual funds	6.170	258
Equity commingled funds	725	980
Common and preferred stocks	7.125	2.894
Fixed income mutual funds	2.194	857
Fixed income commingled funds	1.001	—
U S government and agency securities	210	437
Corporate obligations	1.693	1.325
Alternative investments	1.829	—
Land and other investments, at cost	57	121
	<u>29.680</u>	<u>18.013</u>
Funds held by indenture trustees		
Cash and cash equivalents	20.729	26.808
Government and agency bonds	28.342	33.255
Corporate obligations	17.409	15.170
	<u>66.480</u>	<u>75.233</u>
Self-insurance funds		
Cash and cash equivalents	8.051	6.334
Equity commingled funds	13.655	11.611
Common and preferred stocks	10.205	8.626
Fixed income mutual funds	22.259	33.475
Fixed income commingled funds	22.215	—
Corporate obligations	—	4.486
	<u>76.385</u>	<u>64.532</u>
Assets limited or restricted as to use	948.738	852.874
Available for current liabilities	<u>(78.893)</u>	<u>(62.187)</u>
Long-term assets limited or restricted as to use	<u>\$ 869.845</u>	<u>790.687</u>

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The portion of the System's investments available for current liabilities consists of the following at August 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Current portion of debt and interest rate swap collateral	\$ 13,361	14,528
Self-insurance programs	54,836	38,460
Foundation programs	6,355	4,758
General board-designated	4,341	4,441
	<u>\$ 78,893</u>	<u>62,187</u>

The System's consolidated total return on investments consists of the following for the years ended August 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Dividends and interest	\$ 17,252	16,201
Net realized gains (losses) on securities	37,719	(7,610)
Net unrealized gains on securities	31,420	43,218
	86,391	51,809
Realized and unrealized losses on derivative instruments	(10,031)	(83,168)
	<u>\$ 76,360</u>	<u>(31,359)</u>

Total investment return is classified in the accompanying consolidated financial statements as follows for the years ended August 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Nonoperating investment gains (losses), net	\$ 65,518	(41,210)
Investment income, net on trustee-held funds recorded as other revenue	8,752	7,772
Investment income and net unrealized gains on securities in restricted net assets	527	350
Net unrealized gains on other-than-trading securities	1,563	1,729
Total investment return	<u>\$ 76,360</u>	<u>(31,359)</u>

The System's ability to generate investment income is dependent in large measure on market conditions. The market value of the System's investment portfolio, as well as the System's investment income, have fluctuated significantly in the past and are likely to continue to fluctuate in the future. The System's investment portfolio assets are designated as trading securities as discussed in ASC Topic 320, *Investments – Debt and Equity Securities*. The System's entire portfolio is actively managed by third-party

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investment managers. Trading generally reflects active and frequent buying and selling, and trading securities are generally used with the objective of generating profits on short-term differences in price. As required by U.S. GAAP, realized and unrealized gains and losses on an investment portfolio designated as a trading portfolio are accounted for as nonoperating investment income and are included in excess of revenues over expenses. Because of this designation as a trading portfolio, management anticipates fluctuations in excess of revenues over expenses.

At August 31, 2011 and 2010, the System had invested approximately \$123,755 and \$80,005, or 13.0% and 9.4%, respectively, of the portfolio in alternative investments, which are allocated between hedge funds of funds and real estate investment funds.

(5) Fair Value of Financial Instruments

The System determines the fair values of its financial instruments based on the fair value hierarchy established in ASC Topic 820, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include cash and cash equivalents, debt and equity securities and mutual funds that are traded in an active exchange market, as well as government and agency securities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain equity mutual funds, corporate-debt securities, equity commingled funds, fixed income commingled funds, and interest rate swaps.

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

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

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the

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immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

Fair values for the System's fixed maturity securities are based on prices provided by its investment managers and its custodian bank. Both the investment managers and the custodian bank use a variety of pricing sources to determine market valuations. Each designate specific pricing services or indexes for each sector of the market based upon the provider's expertise. The System's fixed maturity securities portfolio is highly liquid, which allows for a high percentage of the portfolio to be priced through pricing services.

Fair values of equity securities have been determined by the System from observable market quotations, when available. Private placement securities and other equity securities where a public quotation is not available are valued by using broker quotes.

Fair values for the System's interest rate swaps have been determined using pricing models developed based on the LIBOR swap rate and other observable market data. The values were determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and the System.

BSHSI has elected to record equity and fixed income commingled funds using the fair value option contained within FASB ASC Topic 825, *Financial Instruments*.

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The following table presents the System's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of August 31, 2011

		Fair value measurements at August 31, 2011 using		
	Fair value	Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	\$ 133,321	132,884	437	—
Equity mutual funds	51,321	50,191	1,130	—
Equity commingled funds	68,933	—	68,933	—
Common and preferred stocks	286,598	286,598	—	—
Fixed income mutual funds	102,352	102,352	—	—
Fixed income commingled funds	98,536	—	98,536	—
U S Government and agency securities	29,331	29,212	119	—
Corporate obligations	54,482	17,770	36,586	126
Total investments	\$ 824,874	619,007	205,741	126
Liabilities				
Interest rate swaps	\$ 88,081	—	88,081	—
Total liabilities	\$ 88,081	—	88,081	—

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The following table presents the System's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of August 31, 2010

		Fair value measurements at August 31, 2010 using		
	Fair value	Level 1	Level 2	Level 3
Financial instruments				
Investments				
Cash and cash equivalents	\$ 125,681	125,681	—	—
Equity mutual funds	15,931	15,369	562	—
Equity commingled funds	72,202	—	72,202	—
Common and preferred stocks	269,627	269,627	—	—
Fixed income mutual funds	180,601	180,601	—	—
U S Government and agency securities	34,495	34,495	—	—
Corporate obligations	73,310	15,349	57,961	—
Total investments	\$ 771,847	641,122	130,725	—
Liabilities				
Interest rate swaps	\$ 135,435	—	135,435	—
Total liabilities	\$ 135,435	—	135,435	—

There were no significant transfers between Level 1, 2 and 3 during the year ended August 31, 2011 and 2010

The change in the fair value of the assets and liabilities using significant unobservable inputs (Level 3) was due to the following

	Level 3 assets Corporate bonds
Beginning balance, September 1, 2010	\$ —
Total net gains unrealized	1
Total net losses unrealized	(4)
Purchases	248
Sales	(119)
Transfers in (out) of Level 3	—
Ending balance, August 31, 2011	<u>\$ 126</u>

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The System has incorporated an Investment Policy Statement (IPS) into its investment program. The IPS, which has been formally adopted by the Board of Directors, contains numerous standards designed to ensure adequate diversification by asset category and geography. The IPS also limits investments by manager and position size, and limits fixed-income positions based on credit ratings, which serves to further mitigate the risks associated with the investment program. At August 31, 2011, management believes that its investment positions are in accordance with the guidelines in the IPS.

(6) Long-Term Debt

Long-term debt consists of the following at August 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Master Trust Notes and Hospital Revenue Bonds		
Series 1992B and 1992C Virginia fixed rate term bonds payable in installments through August 2027, interest at 5.93%	\$ 64,644	65,943
Series 1995 Maryland fixed rate term bonds payable in installments through August 2024, interest at 5.50%	5,135	5,400
Series 1995 Memorial Regional Medical Center fixed rate serial and term bonds payable in installments through August 2018, interest at 6.375% to 6.50%	25,730	28,580
Series 1996 Virginia fixed rate serial and term bonds payable in installments through August 2020, interest at 5.40% to 6.25%	12,735	13,780
Series 1997 Virginia fixed rate serial and term bonds payable in installments through August 2023, interest at 4.70% to 5.25%	12,315	13,130
Series 1997 New York fixed rate serial and term bonds payable in installments through July 2027, interest at 5.00% to 5.50%	33,075	34,350
Series 2002A Kentucky fixed rate term bond payable in installments beginning November 2023 through November 2030, interest at 5.625%	42,970	42,970
Series 2002A South Carolina fixed rate and serial term bonds payable in installments beginning November 2015 through November 2030, interest at 5.50% to 6.00%	225,200	225,200
Series 2002A Henrico, Virginia fixed rate term bond payable in installments beginning November 2023 through November 2030, interest at 5.60%	46,400	46,400

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	<u>2011</u>	<u>2010</u>
Series 2002B Florida variable rate demand bond payable in installments beginning November 2017 through November 2026 subject to a fifteen day put provision, interest at 2.0% and 0.33% at August 31, 2011 and 2010, set at prevailing rates	\$ 4.250	4.250
Series 2002B Kentucky variable rate demand bond payable in installments through November 2026 subject to a fifteen day put provision, interest at 2.0% and 0.33% at August 31, 2011 and 2010, set at prevailing rates	14.075	14.725
Series 2008B-C Virginia fixed rate serial and term bond payable in installments through November 2042, interest at 4.50% to 5.25% at August 31, 2011	—	173.355
Series 2008B-C Virginia variable rate demand bonds subject to a seven day put provision payable in installments beginning November 2032 through November 2042, interest at 0.33% at August 31, 2010, set at prevailing rates	173.355	—
Series 2008D Virginia variable rate demand bonds subject to a seven day put provision payable in installments through November 2025, interest at 0.15% to 0.18% at August 31, 2011 and 0.24% to 0.33% at August 31, 2010, set at prevailing rates	69.925	69.925
Series 2008A South Carolina variable rate demand bonds subject to a seven day put provision payable in installments beginning November 2032 through November 2042, interest at 3.00% and 0.33% at August 31, 2011 and 2010, set at prevailing rates	230.250	242.840
Series 2008D South Carolina variable rate demand bonds subject to a seven day put provision payable in installments through November 2025, interest at 0.15% and 0.33% at August 31, 2011 and 2010, set at prevailing rates	26.425	27.785
Series 2010 Virginia variable rate demand bonds subject to a seven day put provision payable in installments through November 2042, interest at 0.18% at August 31, 2011, set at prevailing rates	40.740	—
Total Master Trust Notes and Hospital Revenue Bonds	<u>1,027.224</u>	<u>1,008.633</u>

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	<u>2011</u>	<u>2010</u>
Other debt secured by certain property, plant, and equipment		
9.25% note payable to HUD, due April 2025	\$ 6,788	7,025
3.00% note payable to Wells Fargo	1,425	1,575
Capital leases obligations (interest at 5.00-6.00%)	12,668	16,060
Notes payable	31,120	30,428
Other long-term debt	154	890
Total other debt	<u>52,155</u>	<u>55,978</u>
Total long-term debt	1,079,379	1,064,611
Less bond discount, net of accumulated amortization	<u>4,037</u>	<u>4,997</u>
	1,075,342	1,059,614
Less current portion	<u>61,023</u>	<u>26,573</u>
Long-term debt, less current portion	<u>\$ 1,014,319</u>	<u>1,033,041</u>

Master Notes have been issued by certain members of the System. Master Notes consist of payment obligations evidencing or securing serial and term indebtedness incurred on behalf of Members of the Obligated Group, as defined in the related debt agreements, or affiliates of BSHSI. The Master Notes are issued under a Master Trust Indenture dated October 1, 1985, as restated, supplemented, and amended. The indebtedness is subject to mandatory redemption or maturity annually at various dates through 2042. Each Master Note is a joint and several obligation of each Member of the Obligated Group, but is not secured by any mortgage of, or security interest in, any real or personal property of the Members of the Obligated Group, other than a security interest in their Unrestricted Receivables. Approximately 40.9% and 40.1% of the indebtedness represented or secured by the Master Notes is secured, as to payments of principal and interest, by bond insurance policies as of August 31, 2011 and 2010, respectively. Approximately 28.8% and 26.7% of the indebtedness represented or secured by the Master Notes is secured, as to payments of principal and interest, by letters of credit as of August 31, 2011 and 2010, respectively.

The Master Trust Indenture and related agreements require the Obligated Group to maintain minimum financial ratios, place restrictions on the disposition of assets and changes in members of the Obligated Group, and provide for the maintenance of certain trustee-held funds, among other things. At August 31, 2010, management had requested and received waivers of compliance with the debt to capitalization covenant for the fiscal year ended August 31, 2010 from each of the credit enhancers.

On January 15, 2008, the System completed a bond financing of approximately \$243,300 (Series 2008A-C Bonds). The proceeds of the sale of the Series 2008A-C Bonds together with other funds, were used to (i) pay or reimburse, or refinance certain indebtedness, the proceeds of which were used for the payment of the costs of acquiring, constructing, equipping, expanding, enlarging and improving certain healthcare facilities, (ii) refund the outstanding portion of certain prior bonds, which were outstanding with an aggregate principal amount of \$80,000, and (iii) pay certain costs incurred in connection with the issuance

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of the Series 2008A-C Bonds and the refunding of the prior bonds, including the costs of bond insurance policies and liquidity enhancement (in the form of standby bond purchase agreements) for the Series 2008A-C Bonds. The 2008A-C Bonds are bonds remarketed weekly that bear interest at a weekly interest rate established by the market.

The 2008A-C Bonds, while subject to long-term amortization periods, may be put at the option of the bondholders. At such point, the banks would advance funds on behalf of the System to the bondholders under the standby bond purchase agreements. The standby bond purchase agreements have notional amounts of \$69,925, \$80,695, \$46,440, and \$46,220, all four of the standby bond purchase agreements have a stated expiration date of January 14, 2013. If funds are advanced on the standby bond purchase agreements to purchase bonds, no payments are due from the System to the bank(s) until 367 days after the bank(s) purchases such bonds. Beginning on the first business day following the 367th day, the System must repay the advances semiannually in equal or near equal amounts over the subsequent four years, unless certain events occur.

On October 17, 2008, the Obligated Group completed a bond financing of approximately \$293,600 (referred to as the Series 2008D Bonds). The proceeds of the sale of the Series 2008D Bonds, together with other funds, were used to (i) currently refund and/or purchase all of the outstanding principal amount of the South Carolina Jobs-Economic Development Authority Variable Rate Economic Development Revenue Bonds, Series 2002B (Bon Secours Health System, Inc.) outstanding in the aggregate principal amount of \$30,400, (ii) currently refund and/or purchase all of the Economic Development Authority of Hanover County Variable Rate Revenue Bonds, Series 2002B (Bon Secours Health System, Inc.) outstanding in the aggregate principal amount of \$31,500, (iii) currently refund and/or purchase all of the Economic Development Authority of Henrico County, Virginia Variable Rate Revenue Bonds, Series 2002B (Bon Secours Health System, Inc.) outstanding in the aggregate principal amount of \$53,900, (iv) currently refund and/or purchase all of the Economic Development Authority of the City of Norfolk Variable Rate Revenue Refunding Bonds, Series 2005A (Bon Secours Health System, Inc.) outstanding in the aggregate principal amount of \$40,300, (v) purchase and redeem all of the Economic Development Authority of Hanover County Variable Rate Revenue Bonds, Series 2005A outstanding in the aggregate amount of \$93,200, (vi) purchase and redeem all of the Economic Development Authority of the City of Norfolk Variable Rate Revenue Bonds, Series 2002B (Bon Secours Health System, Inc.) outstanding in the aggregate amount of \$44,300, and (vii) pay-related costs. The Series 2008D Bonds are bonds remarketed weekly that bear interest at a weekly interest rate established by the market.

On September 29, 2010, BSHSI terminated six irrevocable direct pay letters of credit that secured Series 2008D variable rate debt bonds. On the same date, BSHSI entered into four new and two amended and restated irrevocable direct pay letters of credit to secure the Series 2008D bonds with stated maturities ranging from September 2013 to September 2015. The direct pay letters of credit have notional amounts of (i) \$27,785 Series 2008D SCJEDA, (ii) \$28,805 Series 2008D-1 Hanover, VA, (iii) \$36,805 Series 2008D-1 Norfolk, VA, (iv) \$42,415 Series 2008D Henrico, (v) \$42,050 Series 2008D-2 Norfolk, and (vi) \$92,765 Series 2008D-2.

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The Series 2008D Bonds, while subject to long-term amortization periods, may be put at the option of the bondholders. At such point, the banks would advance funds on behalf of the System to the bondholders under the letter-of-credit arrangements. If funds are advanced on the letters of credit to purchase bonds, no payments are due from the System to the bank(s) until 367 days after the bank(s) purchases such bonds. With respect to three of the bank agreements, (i), (ii), and (iii) as described above, the System must repay these advances on the first day of the 13th month succeeding the stated expiration date (currently September 2013). To secure its obligations to reimburse these banks, BSHSI issued separate direct note obligations. With respect to the other three letter-of-credit agreements, (iv), (v), and (vi) as described above, reimbursement to the bank begins on the first business day following the 367th day, and the system must repay these advances semiannually in equal or nearly equal amounts over the subsequent three to five years unless certain events occur. The bonds are remarketed weekly that bear interest at a weekly interest rate established by the market.

On October 19, 2010, the Obligated Group converted the interest rate mode of \$173,355 of the Series 2008B-C bonds from variable interest rate to fixed interest rate. The bonds were converted to fixed rate serial and term bonds. The original variable interest rate bonds were secured by bond insurance policies and four standby bond purchase agreements. The standby bond purchase agreements were terminated on October 19, 2010, however, the bond insurance policies remained in effect. Principal and interest are payable in installments through November 2042 at fixed interest rates ranging from 4.50% to 5.25%.

The conversion satisfied a one-time covenant for the benefit of certain credit enhancers to cause the percentage of the principal amount of its long-term indebtedness, which bears interest at other than a fixed rate to be reduced to not greater than 40% of the Obligated Group's long-term indebtedness.

Additionally, on October 19, 2010 the Obligated Group completed a bond financing of \$40,740 (referred to as the Series 2010 Bonds). The proceeds of the sale of the Series 2010 Bonds were used to (i) pay the swap termination payment of \$38,972 and (ii) pay related costs of issuance. The Series 2010 Bonds were issued through the Virginia Small Business Financing Authority. The bonds are secured by an irrevocable direct pay letter of credit with a stated maturity of September 2013. The Series 2010 Bonds are bonds remarketed weekly and bear interest at a weekly rate established by the market.

The Series 2010 Bonds, while subject to long-term amortization periods, may be put at the option of the bondholders. At such time, the bank would advance funds on behalf of the System to the bondholders under the letter-of-credit agreement. If funds are advanced on the letter of credit to purchase bonds, no payments are due from the System to the bank(s) until 367 days after the bank(s) purchases such bonds. Beginning on the first business day following the 367th day, the system must repay these advances semiannually in equal or nearly equal amounts over the subsequent three years unless certain events occur. To secure its obligations to reimburse the bank BSHSI issued a direct note obligation.

The fair value of the Master Notes and the underlying indebtedness is \$1,030,767 and \$1,020,718 as of August 31, 2011 and 2010, respectively. The fair value of the Master Notes was determined by comparing current market prices of similar debt.

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Scheduled principal repayments on long-term debt are as follows

2012	\$	61,023
2013		24,790
2014		26,690
2015		26,302
2016		29,767
Thereafter		910,807
Total	\$	<u>1,079,379</u>

The System has entered into four leases maturing in 5-10 years that are classified as capital leases for building and equipment. In addition, the System has consolidated two limited liability corporations with amounts outstanding under notes totaling \$29,095 as of August 31, 2011. Such notes have an interest rate of 7.75% and maturity dates in 2021.

Frances Schervier Home and Hospital (Schervier) is located in the Bronx, New York and is indirectly controlled by BSHSI. Schervier is not a member of the BSHSI obligated group. Schervier is the obligor on certain Series 1997 fixed rate bonds issued by the Dormitory Authority of the State of New York with an outstanding principal amount of \$33,075. Pursuant to its loan agreement, Schervier covenanted to maintain certain minimum financial ratios. At December 31, 2010, Schervier was not in compliance with its annual debt service coverage ratio (the Coverage Ratio). Therefore, such debt is included within the current portion of long-term debt as of August 31, 2011.

Total interest expense was \$41,099 and \$34,939 for the years ended August 31, 2011 and 2010, respectively. Cash paid for interest was \$36,175 and \$28,212 for the years ended August 31, 2011 and 2010, respectively, and includes capitalized interest for construction projects of \$3,005 and \$1,899, net of investment income, for the years ended August 31, 2011 and 2010, respectively.

(7) Interest Rate Risk Management

The System uses fixed and variable-rate debt to finance capital needs and develop an appropriate debt structure. Variable-rate debt exposes the System to variability in interest expense due to changes in interest rates. Conversely, fixed-rate debt obligations can be more expensive to the System in times of declining interest rates. The System manages and monitors its cost of capital on a regular basis and from time to time enters into derivative instruments with financial institutions to help manage interest rate risk.

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At August 31, 2011 and 2010, the System had eleven and fifteen derivative instruments, respectively, which did not qualify for hedge accounting treatment under ASC Topic 815. Fair value changes of these instruments were reported under nonoperating investment losses, net. The following is a summary of the derivative instruments in place at August 31, 2011:

Description	#	Outstanding notional amount	Pay rates	Maturity dates	Collateral Posted @ 8/31/2011	Counterparties	Mark to market	Collateral thresholds
Fixed Payer	1	\$ 56,360	3.448%	Nov-2025	\$ —	Goldman Sachs	\$ (6,864)	10,000
Fixed Payer	1	84,540	3.491%	Nov-2025	—	Deutsche Bank	(10,515)	20,000
			3.420%	Aug-2026				
Fixed Payer	2	127,575	4.460%	Nov-2028	—	Merrill Lynch	(24,010)	*
			3.384%	Oct-2025				
Fixed Payer	2	125,200	4.485%	Oct-2026	11,086	JP Morgan	(26,085)	15,000
Fixed Payer	1	69,925	3.454%	Nov-2042	—	Citigroup	(15,209)	*
	7	463,600			11,086	Citigroup	(82,683)	
Fixed Basis	1	200,000	SIFMA	Jan-2029	—	Merrill Lynch	(1,533)	20,000
Variable Basis	3	501,000	SIFMA	Nov-2029	—		(12,610)	*
Total derivatives	11	\$ 1,164,600			\$ 11,086		(96,826)	\$ 65,000
						Valuation adjustments	8,745	
							\$ (88,081)	

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The following is a summary of the derivative instruments in place at August 31, 2010

Description	#	Outstanding notional amount	Pay rates	Maturity dates	Collateral Posted @ 8/31/2010	Counterparties	Mark to market	Collateral thresholds
Fixed Payer	1	\$ 61,410	3.448%	Nov-2025	\$ —	Goldman Sachs	\$ (7,656)	10,000
Fixed Payer	1	92,115	3.491%	Nov-2025	—	Deutsche Bank	(11,733)	20,000
			3.420%	Aug-2026				
Fixed Payer	2	133,075	4.460%	Nov-2028	—	Merrill Lynch	(25,792)	*
			3.384%	Oct-2025				
Fixed Payer	2	128,950	4.485%	Oct-2026	11,199	JP Morgan	(27,739)	15,000
Fixed Payer	1	69,925	3.454%	Nov-2042	—	Citigroup	(16,555)	*
Fixed Payer	† 1	46,440	3.454%	Nov-2042	—	Citigroup	(10,995)	*
Fixed Payer	† 3	126,915	3.454%	Nov-2042	—	Citigroup	(30,048)	*
	11	658,830			11,199		(130,518)	
Fixed Basis	1	200,000	SIFMA	Jan-2029	—	Citigroup	(2,762)	20,000
Variable Basis	3	512,500	SIFMA	Nov-2029	—	Merrill Lynch	(16,079)	*
Total derivatives	15	\$ 1,371,330			\$ 11,199		(149,359)	\$ 65,000
						Valuation adjustments	13,924	
							\$ (135,435)	

* Derivative instrument does not provide for the posting of collateral

† Derivative instrument terminated in 2011

The unrealized gains of \$8,402 and unrealized losses of \$60,732 for the years ended August 31, 2011 and 2010, respectively, relating to these nonqualifying derivative activities are recorded within nonoperating investment losses, net in the accompanying consolidated statements of operations.

The System utilizes a diversified group of swap counterparties and has sought to limit its obligations to post collateral in the agreements governing its derivative instruments. In addition, the System routinely evaluates its derivative portfolio and may decide at any time to terminate certain of the derivative instruments discussed above and/or enter into new derivative instruments. Should the System decide to terminate any of such instruments, it may be required to make termination or breakage payments under the terms of those instruments.

On September 28, 2010, the System terminated four fixed payor swaps with a notional value of \$173,355 that were integrated with the Series 2008B-C bonds converted from variable rate to fixed interest rate bonds. On October 19, 2010, the System paid \$38,972 to the counterparty to terminate these swaps.

(8) Noncontrolling Interest

The following table presents a reconciliation of the changes in consolidated unrestricted net assets attributable to the System's controlling interest and noncontrolling interest, including amounts such as the

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performance indicator, change in pension and other postretirement adjustments and other changes in unrestricted net assets as of and for the years ended August 31, 2011 and 2010

	Unrestricted net assets- controlling interest	Unrestricted net assets- noncontrolling interest	Total unrestricted net assets
Balance as of August 31, 2009	\$ 542,090	130,043	672,133
Excess of revenues over expenses	12,808	20,445	33,253
Net change in unrealized gains on other than trading securities	1,729	—	1,729
Net assets released from restrictions used for purchase of property, plant, and equipment	1,359	—	1,359
Net change in equity of joint venture	(3,982)	—	(3,982)
Pension and other postretirement adjustments	(49,513)	—	(49,513)
Distributions to noncontrolling interest owners	—	(6,091)	(6,091)
Transfers to affiliates and other changes, net	(3,769)	—	(3,769)
(Decrease) increase in net assets	(41,368)	14,354	(27,014)
Balance as of August 31, 2010	500,722	144,397	645,119
Excess of revenues over expenses	85,886	29,313	115,199
Net change in unrealized gains on other than trading securities	1,563	—	1,563
Net assets released from restrictions used for purchase of property, plant, and equipment	3,661	—	3,661
Net change in equity of joint venture	3,060	—	3,060
Pension and other postretirement adjustments	46,882	—	46,882
Distributions to noncontrolling interest owners	—	(5,080)	(5,080)
Transfers to affiliates and other changes, net	(3,312)	(3,820)	(7,132)
Increase in net assets	137,740	20,413	158,153
Balance as of August 31, 2011	\$ 638,462	164,810	803,272

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(9) Pension Plan

Most of the System's employees are covered by one of the System's several noncontributory defined benefit pension plans, while a portion are covered by defined contribution retirement plans. The System's noncontributory defined benefit pension plans provide benefits based upon age at retirement, years of credited services, and average earnings. Seven of the System's eight defined benefit plans are deemed church plans under the Internal Revenue Code. For defined benefit pension plans deemed to be church plans under the Internal Revenue Code, the System's funding policy is to make contributions to fund the annual service cost of the plans plus a 15 year amortization of the unfunded Accumulated Benefit Obligation. Defined benefit pension plans that are subject to the Employee Retirement Income Security Act of 1974 guidelines are funded in accordance with those guidelines. The service cost and projected benefit obligation are based upon the projected unit credit actuarial method.

In July 2011, the company announced the closure of the defined benefit pension plans to all new employees. Existing defined benefit plan participants were given a choice option. This choice option allows a one time election to maintain participation in the defined benefit pension plan or move to a defined contribution retirement plan. Based on an actuarial review of demographic data, the System recognized a curtailment charge of \$571 and an increase in unrestricted net assets of \$16,666 related to the estimated reduction in the projected benefit obligation.

The investment policy and objectives for defined benefit plan assets are established by BSHSI and are based on a long-term perspective. An investment advisory firm engaged by BSHSI reviews asset performance and allocation on a periodic basis throughout the fiscal year. The percentage allocation to each asset class may vary depending upon market conditions and is adjusted when it falls outside the established ranges set for each asset class.

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The following are deferred pension costs, which have not yet been recognized in periodic pension expense but are accrued in unrestricted net assets, as of August 31, 2011 and 2010. Unrecognized actuarial losses represent unexpected changes in the projected benefit obligation and plan assets over time, primarily due to changes in assumed discount rates and investment experience. Unrecognized prior service cost is the impact of changes in plan benefits applied retrospectively to employee service previously rendered. Deferred pension costs are amortized into annual pension expense over the expected average remaining assumed service period for active employees.

	Amounts in unrestricted net assets at August 31, 2011	Amounts in unrestricted net assets at August 31, 2010	Amounts in unrestricted net assets to be recognized in fiscal year 2012
Net prior service cost	\$ 565	964	199
Net actuarial losses	235,410	281,900	16,130
Transition asset	(22)	(29)	(7)
Total	<u>\$ 235,953</u>	<u>282,835</u>	<u>16,322</u>

The components of the funded status, net periodic benefit costs, and actuarial assumptions used in accounting for defined benefit pension plans for the years ended August 31, 2011 and 2010 are as follows:

	2011	2010
Change in projected benefit obligation		
Net projected benefit obligation at beginning of year	\$ 727,447	643,771
Service cost	23,817	20,256
Interest cost	38,771	37,489
Actuarial loss	1,730	50,632
Plan amendments	498	(583)
Curtailments	(16,095)	—
Gross benefits paid	(25,614)	(24,118)
Projected benefit obligation at end of year	<u>750,554</u>	<u>727,447</u>
Change in plan assets		
Fair value of plan assets at beginning of year	376,591	353,824
Actual return on plan assets	50,645	26,218
Employer contributions	38,365	20,667
Gross benefits paid	(25,614)	(24,118)
Fair value of plan assets at end of year	<u>439,987</u>	<u>376,591</u>
Net amount recognized at end of year	<u>\$ (310,567)</u>	<u>(350,856)</u>

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	<u>2011</u>	<u>2010</u>
Accumulated benefit obligation at end of year	\$ 718,417	680,879
Amounts recognized in the consolidated balance sheets consist of		
Accrued benefit costs – long term	\$ (310,567)	(350,856)
Components of net periodic benefit cost		
Service cost	\$ 23,817	20,256
Interest cost	38,771	37,489
Expected return on plan assets	(34,884)	(34,591)
Amortization of		
Actuarial loss	16,518	8,397
Prior service cost	325	416
Transition asset	(7)	(7)
Total net periodic benefit costs	<u>\$ 44,540</u>	<u>31,960</u>
Weighted average assumptions used to determine benefit obligations at August 31		
Discount rate	5.35%	5.30%
Rate of compensation increase	3.50	3.50
Weighted average assumptions used to determine net periodic benefit cost at August 31		
Discount rate	5.30%	5.80%
Expected return on plan assets	7.80	7.80
Rate of compensation increase	3.50	3.50

Net pension expense is included as a component of fringe benefits recorded as salaries, wages, and benefits in the accompanying consolidated statements of operations.

The expected long-term rate of return of the pension plan assets used for determining pension expense was 7.80% and was determined based upon a review of the System's long-term rate of return experienced in the capital markets for the target asset allocation employed to invest pension assets.

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The System's pension plan asset allocation is planned to include approximately 65% equities, 30% fixed income/cash, and 5% alternatives. Equity investments are balanced between type and size of investment and investment managers are monitored against benchmarks. Pension plan assets at August 31, 2011 and 2010 by asset category are as follows:

	<u>2011</u>	<u>2010</u>
Asset category		
Equity mutual and commingled funds and securities	59%	60%
Fixed income mutual funds and securities	27	32
Alternative investments	10	5
Cash	4	3
Total	<u>100%</u>	<u>100%</u>

The following table presents the System's fair value hierarchy for the pension plan assets measured at fair value on a recurring basis as of August 31, 2011:

	<u>Fair value</u>	<u>Fair value measurements</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Cash and cash equivalents	\$ 15,519	14,839	680	—
Equity mutual funds	5,396	5,396	—	—
Equity commingled funds	47,150	—	47,150	—
Common and preferred stocks	206,625	206,625	—	—
Fixed income mutual funds	63,238	63,238	—	—
U.S. Government and agency securities	15,744	15,744	—	—
Corporate obligations	41,720	—	41,660	60
Alternative investments	44,595	—	—	44,595
Total investments	<u>\$ 439,987</u>	<u>305,842</u>	<u>89,490</u>	<u>44,655</u>

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The following table presents the System's fair value hierarchy for the pension plan assets measured at fair value on a recurring basis as of August 31, 2010

	Fair value	Fair value measurements		
		Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	\$ 11,511	11,511	—	—
Equity mutual funds	7,537	7,537	—	—
Equity commingled funds	43,498	—	43,498	—
Common and preferred stocks	174,029	174,029	—	—
Fixed income mutual funds	87,132	87,132	—	—
Corporate obligations	33,129	—	33,129	—
Alternative investments	19,755	—	—	19,755
Total investments	\$ 376,591	280,209	76,627	19,755

There were no significant transfers between Level 1, 2 and 3 during the years ended August 31, 2011 and 2010

The change in the fair value for the pension assets valued using significant unobservable inputs (Level 3) was due to the following

		Level 3 assets		
		Fixed maturities	Corporate Bonds	Alternative investments
Beginning balance September 1, 2009	\$	—	—	—
Total net gains realized		2	—	—
Total net gains unrealized		—	—	255
Purchases		322	—	19,500
Sales		(324)	—	—
Ending balance August 31, 2010		—	—	19,755
Total net gains realized		—	1	—
Total net (losses) gains unrealized		—	(2)	1,340
Purchases		—	130	23,500
Sales		—	(69)	—
Ending balance August 31, 2011	\$	—	60	44,595

The System applies ASU No 2009-12, *Fair Value Measurements and Disclosures (Topic 820) Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent)*, to its pension plan asset portfolio. The guidance amends ASC Topic 820 and permits, as a practical expedient, fair value of

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investments within its scope to be estimated using net asset value or its equivalent. The alternative investments classified within Level 3 of the fair value hierarchy have been recorded using Net Asset Value (NAV).

The following summarizes redemption and commitment terms for the alternative investment vehicles held in the pension plan assets as of and for the year ended August 31, 2011.

Pension Plan Alternative Investment Terms as of August 31, 2011

	<u>Hedge fund</u>	<u>Hedge fund</u>
Redemption timing		
Redemption frequency	Monthly	Quarterly
Required notice	70 days	95 days
Audit reserve		
Percentage held back for audit reserve	10%	10%
Gates		
Potential gate holdback	—%	—%
Potential gate release timeframe	n/a	n/a
Unfunded commitments	\$ —	—

The System expects to contribute \$34.992 to its pension plans in fiscal year 2012.

Future pension benefit payments, which reflect expected future service, as appropriate, are expected as follows:

Fiscal year	
2012	\$ 42.836
2013	32.521
2014	35.628
2015	36.520
2016	39.183
2017 – 2021	229.250

The System also has various contributory, tax-deferred annuity, and savings plans with participation available to certain employees. The System matches employee contributions up to 7% of compensation under certain defined contribution plans. The System contributed approximately \$17.617 and \$14.202 towards these plans during the years ended August 31, 2011 and 2010, respectively. Total expense was \$18.515 and \$15.537 in 2011 and 2010, respectively.

In addition to the retirement plan described above, other postretirement healthcare benefits are provided to certain qualified retirees who meet certain eligibility requirements. The net obligation recognized in the

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accompanying consolidated balance sheets at August 31, 2011 and 2010 is \$3.795 and \$3.812, respectively

(10) Reimbursement Programs

The System participates in the Medicare and Medicaid programs. Payment rates for inpatient services provided to program beneficiaries are governed by the applicable regulations and implementation provisions thereunder, based generally on prospectively determined rates using clinical and diagnostic charges. Capital costs are also generally based upon prospectively determined rates. However, certain services are subject to cost-based reimbursement principles, subject to certain limitations. The System also participates in Blue Cross and other managed care programs. Generally, these programs provide for payments based on negotiated rates, however, certain plans utilize cost-based or charge-based payment principles.

Programs utilizing cost-based reimbursement principles are subject to review and final determination by appropriate program representatives. In the opinion of management, adequate provision has been made for any adjustments that may result from such reviews. Due to third-party payors, net, is included in other accrued expenses in the accompanying consolidated balance sheets.

In 2005, the Centers for Medicare and Medicaid Services (CMS) implemented a new demonstration project using recovery audit contractors (RACs) as part of the CMS's further efforts to assure accurate patient payments. The project uses the RACs to search for potentially inaccurate Medicare payments that may have been made to healthcare providers and that were not detected through existing CMS program integrity efforts. Once a RAC identifies a claim it believes is inaccurate, it makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. Certain System affiliates have been the subject of RAC audits. As of August 31, 2011, the BSHSI hospitals in Kentucky, South Carolina, New York, and Virginia had received notices. To date, the BSHSI hospitals in South Carolina and New York have had a nominal amount of Medicare claims denied and the BSHSI hospital in Kentucky has had a nominal amount of claims denied. Additional RAC assessments against the System are anticipated, however, the outcome of such assessments is unknown and cannot be reasonably estimated.

During 2008 and 2009, State Medicaid Integrity Programs (referred to as MIPs) were initiated by CMS through contractors. Virginia, Florida and New York are the only states in which BSHSI operates where MIP audits have been initiated. As of August 31, 2011, MIP audits have been initiated in BSHSI hospitals in Virginia and New York with nominal findings. The outcome of any open audit reports is uncertain and cannot be reasonably estimated. In addition to RAC and MIP audits, System affiliates may from time to time be subject to other audits by state or federal agencies, including state Medicaid programs. The outcome of these audits is uncertain and the impact cannot be reasonably estimated at this time.

The System's management strives to anticipate factors that affect payment changes and develop plans to address them. Management attempts to address these issues proactively through its policies and practices that focus on areas such as charity and uninsured care as well as effective managed care contracting, accounts receivable and revenue cycle best practices and analysis of potential government payment

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changes. Nonetheless, future actions by federal, state, and private payors could have a significant adverse effect on the System's operating results, cash flows, and liquidity. In addition, management pursues the highest level of compliance, but state and federal audits by the Offices of the Inspector General do create uncertainty. At this time, the System has one audit underway. The outcome of this audit is uncertain and the impact cannot be reasonably estimated at this time.

As a result of recently enacted federal healthcare reform legislation, substantial changes are anticipated in the U.S. healthcare system. Such legislation includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement of healthcare providers, and the legal obligations of health insurers, providers, and employers. These provisions are currently slated to take effect at specified times over approximately the next decade.

Two specific changes have been enacted by CMS this year, both of which present opportunities to the System. The first is value-based purchasing. On May 6, 2011, CMS issued the final rule that establishes a hospital value-based purchasing program for acute care hospitals paid under the Medicare Inpatient Prospective Payment System. Beginning in federal fiscal year 2013, value-based incentive payments will be made based upon achievement of or improvement on a set of clinical and patient experience of care quality measures designed to foster improved clinical outcomes for hospital patients as well as improve how patients experience inpatient care. The System's hospitals are currently measuring quality indicators consistent with the CMS value-based purchasing methodology and creating action plans to continue improvement in future periods in an effort to maximize the System's reimbursement opportunities.

The second change is Meaningful Use – HITECH Stimulus Grants. On July 13, 2010, CMS issued rules to implement the Medicare and Medicaid electronic health record (EHR) incentive program established under the Health Information Technology for Economic and Clinical Health Act (HITECH Act). Certain hospitals and eligible healthcare professionals (EPs) that demonstrate "meaningful use" of certified EHR technology can qualify for Medicare payments beginning in 2011. Medicaid requires that hospitals and EPs "adopt, implement or upgrade" certified EHR, which includes purchasing the technology, in order to receive incentive payments in 2011. Beginning in federal fiscal year 2015, Medicare payment reduction penalties will be assessed against hospitals and EPs that do not achieve meaningful use of EHR. BSHSI had four Virginia hospitals, the South Carolina hospitals and many EPs qualify for EHR incentive payments of approximately \$13,300 during the System's fiscal year 2011. As BSHSI has made a substantial investment in qualified EHR, the System expects to qualify providers for Medicaid payments in all States where the State Medicaid Health Information Technology Plan has been submitted to and approved by CMS.

(11) Investments in Joint Ventures and Nonpublic Entities

The System has invested in a number of joint ventures, limited liability corporations and other nonpublic entities to provide specialty healthcare services or engage in other activities. These investments range from minority investments with no control to majority investments or investments with control.

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(a) *Roper St. Francis Healthcare – South Carolina*

BSHSI, The Medical Society of South Carolina, and the Carolinas Health System, Inc are members of Care Alliance Health Services (d/b/a Roper St Francis Healthcare) Roper St Francis Healthcare is the sole member of and operates Bon Secours – St Francis Xavier Hospital, Roper Hospital, a supporting foundation and physician practices located in Charleston, South Carolina BSHSI is obligated to provide 27% of any capital contribution to Roper St Francis Healthcare and is entitled to 27% of any surplus capital BSHSI accounts for its interest in Roper St Francis Healthcare under the equity method and includes its interest in Roper St Francis Healthcare's excess of revenue over expenses in its consolidated statements of operations as other revenue Roper St Francis Healthcare, The Medical Society of South Carolina, and the Carolinas Health System, Inc are not otherwise affiliated with BSHSI and are not Members of the Obligated Group

The System recorded income of \$10,171 and \$6,332 related to its equity interest for the years ended August 31, 2011 and 2010, respectively Included in these amounts were the System's allocated share of investment gains of \$6,287 and \$1,842 for the years ended August 31, 2011 and 2010, respectively In addition, adjustments of \$3,259 and \$1,091 were recorded as net change in equity of joint ventures in 2011 and 2010, respectively, to reflect the System's 27% interest in the net assets of this joint venture

The total assets, total liabilities, and net assets as of August 31, 2011 and 2010 and the total revenue, total expenses, investment gains, net, and change in unrestricted net assets for the years then ended for Roper St Francis Healthcare are as follows

	<u>2011</u>	<u>2010</u>
Total assets	\$ 846,700	813,943
Total liabilities	510,675	508,414
Net assets	336,025	305,529
Total revenue	719,956	708,449
Total expenses	704,956	691,815
Investment gains, net	23,285	6,822
Change in unrestricted net assets	40,174	22,327

In May 2008, Roper St Francis Healthcare began construction of a third 85-bed general acute care hospital and a medical office building, which opened on November 1, 2010 In addition, in June 2009, Roper St Francis Healthcare received state approval for the construction of an additional 50-bed general acute care hospital located in Berkeley County, South Carolina The approval of this project is currently under appeal at the request of a local hospital that also received state approval for a 50-bed facility These capital construction projects will be financed through Roper St Francis Healthcare's equity Distributions are expected to be foregone during this construction period

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(b) *Bon Secours Holy Family Regional Health System – Pennsylvania*

On November 1, 2004, Bon Secours Holy Family Regional Health System, which owned and operated Bon Secours Holy Family Hospital (now known as Bon Secours Hospital), located in Altoona, Pennsylvania, merged with Altoona Hospital, Inc. to form Altoona Regional Health System (referred to as ARHS). ARHS owns and operates Altoona Hospital and Bon Secours Hospital. Until March 8, 2011, Central Pennsylvania Health Services Corporation held a 90% membership interest in ARHS and BSHSI held the remaining 10% membership interest. BSHSI recorded its membership interest in ARHS under the equity method due to the extent of its board powers, and included its interest in ARHS's change in net assets in its consolidated statements of operations as other revenue.

The ARHS bylaws provided that upon the occurrence of certain defined events and dates, BSHSI could exercise a "put" option to require ARHS to purchase BSHSI's membership interest in ARHS at fair market value. In November 2010, BSHSI exercised its "put" option, and on March 8, 2011, BSHSI and ARHS entered into an agreement under which BSHSI withdrew as a member of ARHS, and received a distribution from ARHS of approximately \$10,000.

(c) *Sentara Princess Anne*

On August 3, 2011, BSHSI, DePaul Medical Center and Bon Secours Hampton Roads Health System (referred to as Bon Secours Hampton Roads) entered a joint venture with Sentara Healthcare (Sentara) to own a 154-bed general acute care hospital to be located in Virginia Beach, Virginia. Bon Secours Hampton Roads contributed 42 licensed but unstaffed beds and the remaining beds came from certificates of public need (referred to as CONs) obtained by Sentara or reallocated from existing Sentara facilities.

The new joint venture hospital opened for operations during August 2011 and is owned by a newly formed Virginia not-for-profit, nonstock corporation, in which Sentara holds a 70% membership interest and DePaul Medical Center holds a 30% membership interest. The joint venture is managed by Sentara and the agreements provide the members with rights to "put" and "call" the Bon Secours Hampton Roads' membership interest at fair market value terms upon the occurrence of certain events and dates.

Approximately 80% of the project costs for the new joint venture hospital were financed by the proceeds of tax-exempt borrowings by Sentara, which borrowings were assumed by the joint venture. The remaining project costs plus appropriate working capital is funded 70% by Sentara and 30% by Bon Secours Hampton Roads. The System's cash capital contributions to the joint venture in 2011 were approximately \$20,600. The joint venture will fund operating and capital reserves from its operations. Distributions to members will occur in accordance with the respective membership interests following the build up by the joint venture of days cash on hand above certain thresholds. If the joint venture undertakes major capital projects, such projects will be funded by a portion of joint venture indebtedness and use of capital reserves, and if necessary, by capital contributions of the members in accordance with their respective membership interests.

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The total assets, total liabilities, and net assets as of August 31, 2011 for Sentara Princess Anne Hospital are as follows

	<u>2011</u>
Total assets	\$ 240,570
Total liabilities	174,727
Net assets	65,843

(12) Sales and New Businesses

On October 21, 2010, eight System affiliates located in Richmond and Hampton Roads, Virginia sold their outreach clinical reference laboratory services business to an independent third party. These laboratory services contributed less than 1.0% of the System's total revenue during the fiscal year ended August 31, 2010 and the assets that were sold were nominal. The sale of the laboratory services was undertaken to take advantage of favorable market conditions before future reimbursement and market uncertainties change and generated an approximate gain of \$30,000, reported in other revenue during the year ended August 31, 2011.

(13) Other Commitments and Contingent Liabilities

(a) General and Professional Liability Insurance

The System participates in a self-insurance program for health professional/general liability (HPL/GL Program) by policies issued under a member of the System, Bon Secours Assurance Company, LTD (BSAC). BSAC is incorporated in the Cayman Islands. BSHSI is the sole shareholder of BSAC. Assets are available under the HPL/GL Program to provide specified levels of claims-made coverage for health professional liabilities and occurrence-based coverage for general liabilities, with excess layers reinsured through commercial carriers under policies written on a claims-made basis.

The provision for claims and related funding levels for the HPL/GL Program is established annually based upon the recommendations of consulting actuaries. BSAC has accrued claims including liabilities for incidents incurred but not reported of approximately \$102,346 and \$69,958 at August 31, 2011 and 2010, respectively. The current portion of such accruals is included in other accrued expenses, and the remainder is reported within other long-term liabilities in the accompanying consolidated balance sheets. Amounts recorded for unpaid claims are based upon the estimated present value of future claim payments and such amounts are undiscounted and based upon an actuarial estimate.

(b) Workers' Compensation Insurance

The System's workers' compensation program primarily consists of self-insurance programs in various states with excess coverage through a commercial insurer. Mary Immaculate Hospital, which is also a participant of the System's workers' compensation program, is insured under a large

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(In thousands)

deductible policy. Accrued workers' compensation claims of \$40,486 and \$35,699, of which the current portion is reported as other accrued expenses and the remainder is reported within other long-term liabilities in the accompanying consolidated balance sheets, include estimates for incidents incurred but not reported at August 31, 2011 and 2010, respectively. Amounts recorded for unpaid claims are based upon the estimated present value of future claim payments using a discount rate of 3.0% and 3.5%, as of August 31, 2011 and 2010, respectively.

(c) Employee Health Insurance

Employee health benefits of the System are principally provided through the System's self-insurance program. Accrued claims associated with this program, reported as other accrued expenses in the accompanying consolidated balance sheets, of approximately \$17,375 and \$14,739 include estimates for claims incurred but not reported at August 31, 2011 and 2010, respectively.

(d) Litigation

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments. The System's compliance with these laws and regulations can be subject to periodic governmental review and interpretation, which can result in regulatory action unknown or unasserted at this time. Management is aware of certain asserted and unasserted legal claims and regulatory matters arising in the ordinary course of business. It is management's opinion that the ultimate resolution of these pending claims and regulatory matters will not have a material adverse effect on the System's consolidated results of operations or financial position.

(e) Operating Leases

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred. Total rental expense was \$90,050 and \$82,830 in 2011 and 2010, respectively. Future rental payments under noncancelable operating leases with durations in excess of one year are as follows:

2012	\$	69,399
2013		55,198
2014		49,180
2015		39,886
2016		28,836
Thereafter		81,157

Certain local systems entered into agreements to lease space in medical office buildings (MOBs) under construction by external development companies. Based on the provisions of ASC Topic 840-40-05-5, *Lessee Involvement with Construction*, local systems were considered the owner of the MOBs during construction. These transactions do not qualify for sale-leaseback accounting and as such are treated as financing transactions. Accordingly, the associated financing obligations, along with their related construction in progress or building assets of \$40,070 at August 31, 2011 and

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(In thousands)

2010, are included in other long-term liabilities and construction in progress or buildings and equipment in the accompanying consolidated balance sheets. The financing obligations associated with these transactions will not result in cash payments in excess of amounts paid under the related operating lease payments. All future cash obligations related to leased space within these MOB's are included as future minimum lease payments in the amounts reported above.

Subsequent to August 31, 2011, the System has entered into additional operating leases and developments as a matter of ongoing business.

(f) Guaranty Agreements

Affiliates of the System entered into several limited partnership agreements during the period from 1997 through 2010. The limited partnerships are involved in housing projects in the System's Baltimore market. System affiliates have entered into guaranty agreements with the limited partnerships during 1997 through 2010, whereby they have agreed to advance funds to the partnerships under specified conditions. The termination of each guaranty agreement is predicated on the occurrence of certain events. All such guaranty agreements are still in effect as of August 31, 2011. System affiliates have not been obligated to make any guarantee payments under the guaranty agreements to date through August 31, 2011. The maximum potential amount of future payments the System affiliates are obligated to make was \$14,795 and \$5,583 as of August 31, 2011 and 2010, respectively.

(14) Net Assets

BSHSI's endowments consist of approximately 79 individual funds established for a variety of purposes. Net assets associated with endowment funds, including board-designated funds, are classified and reported based on the existence or absence of donor or board-imposed restrictions and the nature of the restrictions, if any.

The System's endowment net assets are comprised of permanently restricted funds, which were \$6,854 and \$6,755 at August 31, 2011 and 2010, respectively. The System does not hold any board-designated endowment funds within unrestricted net assets or temporarily restricted net assets.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the System to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. There were no significant deficiencies at August 31, 2011 and 2010.

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(In thousands)

The System has investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the System must hold in perpetuity or for a donor-specified period as well as board-designated funds. The practice allows the endowment assets to be invested in a manner that is intended to produce investment returns that exceed the price and yield the results of the allocation index while assuming a moderate level of investment risk. The System expects its endowment funds to provide a rate of return that preserves the gift and generates earnings to achieve the endowment purpose.

To satisfy its long-term rate-of-return objectives, the System relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and interest and dividend income. The System uses diversified asset allocation to achieve its long-term return objectives within prudent risk constraints to preserve capital.

BSHSI has a practice of distributing the major portion of current year earnings on the endowment funds, if the restrictions have been met. This is consistent with the System's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

(15) Functional Expenses

The functional breakdown of expenses incurred by the System in fulfilling its mission for the years ended August 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Healthcare services	\$ 2,934,952	2,700,692
General and administrative	288,446	282,496
Total expenses	<u>\$ 3,223,398</u>	<u>2,983,188</u>

(16) Subsequent Events

Management evaluated all events and transactions that occurred after August 31, 2011 and through November 4, 2011. The System did not have any material recognizable subsequent events during this period.

Additional Data

Software ID:
Software Version:
EIN: 58-2504530
Name: SFH Inc

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(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			
Charlton Armstrong III MD Board Member	4 00	X						0	0	0
Leonard Byrne Board Member	4 00	X						0	0	0
Brother Peter Campbell Board Member	4 00	X						0	0	0
Greg Haselden Board Member	4 00	X						0	0	0
Camilla Hertwig Board Member	4 00	X						0	0	0
Robert Hitt Board Member	4 00	X						0	0	0
Valerie Hollinger Board Member	4 00	X						0	0	0
Fletcher Kirkland Board Member	4 00	X						0	0	0
Wayne McDonald MD Board Member	4 00	X						0	0	0
Joanie Martin Board Member	4 00	X						0	0	0
Jeff Oak Board Member	50 00	X						0	400,703	48,182
Sam B Phillips Board Member	4 00	X						0	0	0
David Poole Board Member	4 00	X						0	0	0
Linton B Puckett Board Member	4 00	X						0	0	0
Joe Sullivan Board Member	4 00	X						0	0	0
Pearlie Harris Chairperson	6 00	X		X				0	0	0
Thomas Morris PhD President	50 00	X		X				0	351,566	40,989
Mark Nantz CEO - BSSFHS	50 00	X		X				0	1,085,084	56,277
Ronnie Hyatt Treas/CFO - BSSFHS	50 00			X				444,787	0	57,435
Irene Holcombe Secretary	50 00			X				80,925	0	9,588
Johnna Reed Senior VP/Ancillary	50 00				X			257,267	0	12,838
Teresa Ficicchy CNO	50 00				X			389,963	0	46,460
Patricia Fowler VP/Surgical Services	50 00				X			232,257	0	25,923
Daniel Duggan EVP/COO	50 00				X			0	364,633	38,702
Mary Jo Cagle SVP, Medical Affairs	50 00					X		503,763	0	61,504

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			
Bradley Howard MD Chief Medical Officer	50 00					X		313,623	0	14,969
Mark Klapperich CRNA	50 00					X		228,055	0	20,959
Nancy Graebner SVP, Physician Services	50 00					X		331,491	0	62,410
Lisa Slayton Senior VP/HR	50 00					X		256,251	0	28,785
John Shea Former Int CEO - BSSFHS	0 00						X	0	501,057	10,196
Richard Hanson Former Int CEO - BSSFHS	0 00						X	0	100,022	8,651