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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 10-01-2010 and ending 09-30-2011

B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization  
DEACONESS HOSPITAL INC

Doing Business As

Number and street (or P O box if mail is not delivered to street address)  
600 MARY STREET

Room/suite

City or town, state or country, and ZIP + 4  
EVANSVILLE, IN 47747

F Name and address of principal officer  
SHAWN MCCOY  
600 MARY STREET  
EVANSVILLE, IN 47747

H(a) Is this a group return for affiliates?

☐ Yes ☒ No

H(b) Are all affiliates included?

☐ Yes ☐ No

If "No," attach a list (see instructions)

H(c) Group exemption number ▶

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

J Website: ▶ WWW DEACONESS COM

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

L Year of formation 1895

M State of legal domicile IN

Part I	Summary																																
Activities & Governance	<div><div>1</div><div>Briefly describe the organization's mission or most significant activities PROVIDE QUALITY HEALTH CARE SERVICES WITH A COMPASSIONATE AND CARING SPIRIT CONTINUE TO SCH O TO PERSONS, FAMILIES AND COMMUNITIES OF THE TRI-STATE</div></div>																																
	<div><div>2</div><div>Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets</div></div>																																
	<table><tr><td>3</td><td>Number of voting members of the governing body (Part VI, line 1a)</td><td>3</td><td>17</td></tr><tr><td>4</td><td>Number of independent voting members of the governing body (Part VI, line 1b)</td><td>4</td><td>9</td></tr><tr><td>5</td><td>Total number of individuals employed in calendar year 2010 (Part V, line 2a)</td><td>5</td><td>5,419</td></tr><tr><td>6</td><td>Total number of volunteers (estimate if necessary)</td><td>6</td><td>117</td></tr><tr><td>7a</td><td>Total unrelated business revenue from Part VIII, column (C), line 12</td><td>7a</td><td>8,658,993</td></tr><tr><td>7b</td><td>Net unrelated business taxable income from Form 990-T, line 34</td><td>7b</td><td>28,948</td></tr></table>	3	Number of voting members of the governing body (Part VI, line 1a)	3	17	4	Number of independent voting members of the governing body (Part VI, line 1b)	4	9	5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	5	5,419	6	Total number of volunteers (estimate if necessary)	6	117	7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	8,658,993	7b	Net unrelated business taxable income from Form 990-T, line 34	7b	28,948								
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Part II

Signature Block

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

Sign Here

Signature of officer

SHAWN MCCOY CHIEF ADMINISTRATIVE OFFICER

2012-03-05

Date

Paid Preparer Use Only

Print/Type preparer's name ANGELA L ZIRKELBACH CPA

Preparer's signature ANGELA L ZIRKELBACH CPA

Date

Check if self-employed ☐

PTIN

Firm's name ▶ BLUE & CO LLC

Firm's EIN ▶

Firm's address ▶ ONE AMERICAN SQUARE 2200 INDIANAPOLIS, IN 46282

Phone no ▶ (317) 633-4705

May the IRS discuss this return with the preparer shown above? (see instructions)

☒ Yes ☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2010)

Part III

Statement of Program Service Accomplishments

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

1

Briefly describe the organization's mission

SEE SCHEDULE O

2

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

Yes

No

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

3

Did the organization cease conducting, or make significant changes in how it conducts, any program services?

Yes

No

If "Yes," describe these changes on Schedule O

4

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

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

4a

(Code ) (Expenses \$ 157,158,579 including grants of \$ 0 ) (Revenue \$ 307,222,085 )

PATIENT SERVICE REVENUE SEE SCHEDULE O

4b

(Code ) (Expenses \$ 304,562,246 including grants of \$ 0 ) (Revenue \$ 184,297,424 )

CHARITY CARE/SUBSIDIZED CARE SEE SCHEDULE O

4c

(Code ) (Expenses \$ 15,858,968 including grants of \$ 0 ) (Revenue \$ 9,908,846 )

GRADUATE MEDICAL EDUCATION, MEDICAL EDUCATION AND COMMUNITY BENEFIT SEE SCHEDULE O

4d

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

(Expenses \$ 270,222 including grants of \$ 270,222 ) (Revenue \$ 22,865,964 )




















4e

Total program service expenses

\$ 477,850,015

Part IV

Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I 	3	No
4 <b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 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	No
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 Yes	
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	No
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 Yes	
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III . . . . .	19	No
20a Did the organization operate one or more hospitals? If "Yes," complete Schedule H . . . . . 	20a Yes	
b If "Yes" to line 20a, did the organization attach its audited financial statement to this return? <b>Note.</b> Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b Yes	

Part IV

Checklist of Required Schedules (continued)

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

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	366		
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	5,419		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?  <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	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	Yes		
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b	Yes		
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	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			No
9 Sponsoring organizations maintaining donor advised funds.					
a	Did the organization make any taxable distributions under section 4966?	9a			No
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			No
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	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> 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? <b>Note.</b> See the instructions for additional information the organization must report on Schedule O.	13a			
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b			
c	Enter the amount of reserves on hand.	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b			

Part VI

Governance, Management, and Disclosure

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

Section A. Governing Body and Management

			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	17	
b	Enter the number of voting members included in line 1a, above, who are independent	1b	9	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5		No
6	Does the organization have members or stockholders?	6	Yes	
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a	Yes	
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	7b		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	8a	Yes	
b	Each committee with authority to act on behalf of the governing body?	8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	Yes	

Section B. Policies

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	IN
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	JOHN L ZABROWSKI 600 MARY STREET EVANSVILLE, IN 47747 (812) 450-3467

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

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

Form **990** (2010)



## Part VII

(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										
<b>1b Sub-Total</b>										
<b>c Total from continuation sheets to Part VII, Section A</b>										
<b>d Total (add lines 1b and 1c)</b>								7,001,782	1,053,383	1,174,965

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 182

		Yes	No
3	Did the organization list any <b>former</b> officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i> . . . . .	3	No
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <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
BOVIS LEND LEASE INC 1801 W END AVE SUITE 600 NASHVILLE, TN 37203	BUILDING CONTRACTOR	38,595,550
EVANSVILLE SURGERY CENTER ASSOC LLC 520 MARY STREET EVANSVILLE, IN 47710	SURGICAL SERVICES	30,578,896
EPIC SYSTEMS CORPORATION PO BOX 88314 MILWAUKEE, WI 53288	SOFTWARE/ CONSULTING	6,457,604
ARUP LABORATORIES PO BOX 27964 SALT LAKE CITY, UT 84127	LABORATORY	2,151,272
WINK CONSTRUCTION INC 4007 E EICHEL AVE EVANSVILLE, IN 47716	BUILDING CONTRACTOR	2,067,297
<b>2</b> Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization <b>74</b>		

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	216,383			
	d Related organizations . . . . .	1d				
	e Government grants (contributions)	1e	170,968			
	f All other contributions, gifts, grants, and similar amounts not included above	1f	1,170,439			
	g Noncash contributions included in lines 1a-1f \$		7,961			
	h Total. Add lines 1a-1f . . . . .		1,557,790			
	Program Service Revenue	2a	Business Code			
NET PATIENT REVENUE		900099	501,428,355	501,428,355		
b						
c						
d						
e						
f All other program service revenue						
g Total. Add lines 2a-2f . . . . .			501,428,355			
Other Revenue		3 Investment income (including dividends, interest and other similar amounts) . . . . .				
			6,830,797			6,830,797
	4 Income from investment of tax-exempt bond proceeds . .		217			217
	5 Royalties . . . . .					
	6a Gross Rents	(i) Real	(ii) Personal			
		6,611,143				
	b Less rental expenses	2,859,705				
	c Rental income or (loss)	3,751,438				
	d Net rental income or (loss) . . . . .			3,751,438		3,751,438
	7a Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other			
		33,064,065	375,700			
	b Less cost or other basis and sales expenses	32,410,179	985,883			
	c Gain or (loss)	653,886	-610,183			
	d Net gain or (loss) . . . . .			43,703		43,703
	8a Gross income from fundraising events (not including \$ 216,383 of contributions reported on line 1c) See Part IV, line 18 . . . . .	a				
		39,640				
	b Less direct expenses . . . . .	b	91,378			
	c Net income or (loss) from fundraising events . .			-51,738		-51,738
	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 INVESTMENT IN JOINT VE	900099	22,865,964	22,865,964			
b LABORATORY SALES	621500	8,258,335		8,258,335		
c OTHER HOSPITAL SERVICE	900099	5,719,913			5,719,913	
d All other revenue . . . . .		400,658		400,658		
e Total. Add lines 11a-11d . . . . .		37,244,870				
12 Total revenue. See Instructions . . . . .		550,805,432	524,294,319	8,658,993	16,294,330	

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	270,222	270,222		
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 . . . . .	5,222,083		5,222,083	
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	175,160,446	170,169,552	4,756,502	234,392
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . .	14,031,570	12,818,090	1,213,480	
9	Other employee benefits . . . . .	25,681,945	24,178,658	1,503,287	
10	Payroll taxes . . . . .	12,701,159	12,003,160	697,999	
a	Fees for services (non-employees)				
	Management . . . . .				
b	Legal . . . . .	789,509	379,971	409,538	
c	Accounting . . . . .	116,539		116,539	
d	Lobbying . . . . .	30,132		30,132	
e	Professional fundraising services See Part IV, line 17 . . . . .				
f	Investment management fees . . . . .	294,990		283,801	11,189
g	Other . . . . .	55,753,567	54,225,886	1,519,891	7,790
12	Advertising and promotion . . . . .	1,255,243	195,470	1,059,773	
13	Office expenses . . . . .	93,132,215	92,232,058	852,057	48,100
14	Information technology . . . . .	8,098,960	7,011,601	1,087,359	
15	Royalties . . . . .				
16	Occupancy . . . . .	16,883,721	15,467,609	1,416,112	
17	Travel . . . . .	687,983	586,613	100,988	382
18	Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .				
19	Conferences, conventions, and meetings . . . . .	869,648	685,987	183,661	
20	Interest . . . . .	9,065,847	9,065,847		
21	Payments to affiliates . . . . .				
22	Depreciation, depletion, and amortization . . . . .	30,695,739	28,858,583	1,836,845	311
23	Insurance . . . . .	3,950,360	3,934,143	16,217	
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	PROVISION FOR BAD DEBT	26,914,235	26,914,235		
b	EQUIP RENTAL/MAINTENANC	12,200,725	12,066,398	134,327	
c	AGENCY COLLECTION FEES	6,034,020	6,034,020		
d	MISCELLANEOUS	642,680	473,268	105,999	63,413
e	DUES & SUBSCRIPTIONS	577,959	278,644	295,375	3,940
f	All other expenses				
25	Total functional expenses. Add lines 1 through 24f	501,061,497	477,850,015	22,841,965	369,517
26	Joint costs. Check here <input 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 . . . . .				45,404,178	2	47,488,383
	3	Pledges and grants receivable, net . . . . .					3	
	4	Accounts receivable, net . . . . .				103,136,210	4	110,821,835
	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 . . . . .				5,359,268	8	4,376,580
	9	Prepaid expenses and deferred charges . . . . .				4,844,936	9	4,629,844
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D . . . . .	10a	688,014,101		325,111,997	10c	334,521,835
	b	Less: accumulated depreciation . . . . .	10b	353,492,266				
	11	Investments—publicly traded securities . . . . .				192,039,805	11	195,636,448
	12	Investments—other securities. See Part IV, line 11 . . . . .				31,252,043	12	31,470,720
	13	Investments—program-related. See Part IV, line 11 . . . . .					13	
	14	Intangible assets . . . . .				15,940,119	14	15,522,009
	15	Other assets. See Part IV, line 11 . . . . .				11,529,694	15	12,008,530
16	Total assets. Add lines 1 through 15 (must equal line 34) . . . . .				734,618,250	16	756,476,184	
Liabilities	17	Accounts payable and accrued expenses . . . . .				55,207,479	17	50,602,508
	18	Grants payable . . . . .					18	
	19	Deferred revenue . . . . .					19	
	20	Tax-exempt bond liabilities . . . . .				224,161,915	20	219,065,919
	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 . . . . .				19,721	23	
	24	Unsecured notes and loans payable to unrelated third parties . . . . .					24	
	25	Other liabilities. Complete Part X of Schedule D . . . . .				81,809,111	25	90,029,188
	26	Total liabilities. Add lines 17 through 25 . . . . .				361,198,226	26	359,697,615
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 . . . . .				365,289,535	27	388,425,141
	28	Temporarily restricted net assets . . . . .				3,424,795	28	3,304,070
	29	Permanently restricted net assets . . . . .				4,705,694	29	5,049,358
	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 . . . . .				373,420,024	33	396,778,569
	34	Total liabilities and net assets/fund balances . . . . .				734,618,250	34	756,476,184

**Part XI**    **Reconciliation of Net Assets**

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

<b>1</b>	Total revenue (must equal Part VIII, column (A), line 12) . . . . .	<b>1</b>	550,805,432
<b>2</b>	Total expenses (must equal Part IX, column (A), line 25) . . . . .	<b>2</b>	501,061,497
<b>3</b>	Revenue less expenses Subtract line 2 from line 1 . . . . .	<b>3</b>	49,743,935
<b>4</b>	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . . . . .	<b>4</b>	373,420,024
<b>5</b>	Other changes in net assets or fund balances (explain in Schedule O) . . . . .	<b>5</b>	-26,385,390
<b>6</b>	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B)) . . . . .	<b>6</b>	396,778,569

**Part XII**    **Financial Statements and Reporting**

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

		Yes	No
<b>1</b>	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		
<b>2a</b>	Were the organization's financial statements compiled or reviewed by an independent accountant? . . . . .		No
<b>b</b>	Were the organization's financial statements audited by an independent accountant? . . . . .	Yes	
<b>c</b>	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	
<b>d</b>	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		
<b>3a</b>	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133? . . . . .		No
<b>b</b>	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits . . . . .		

SCHEDULE A  
(Form 990 or 990EZ)

Department of the Treasury  
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization  
DEACONESS HOSPITAL INC

Employer identification number  
35-0593390

Part I

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

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

1

☐

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

2

☐

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

3

☒

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

4

☐

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

5

☐

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

6

☐

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

7

☐

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

8

☐

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

9

☐

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

10

☐

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

11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

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

f

☐

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

g

☐

Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?  
(i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?  
(ii) a family member of a person described in (i) above?  
(iii) a 35% controlled entity of a person described in (i) or (ii) above?

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

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

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

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

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

Part IIISupport 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).

Facts And Circumstances Test

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 DEACONESS HOSPITAL INC	Employer identification number 35-0593390
--	--

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

- 1

Provide a description of the organization’s direct and indirect political campaign activities in Part IV
- 2

Political expenditures

▶ \$ \_\_\_\_\_
- 3

Volunteer hours

\_\_\_\_\_

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

- 1

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

▶ \$ \_\_\_\_\_
- 2

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

▶ \$ \_\_\_\_\_
- 3

If the organization incurred a section 4955 tax, did it file Form 4720 for this year?

☐ Yes

☐ No
- 4a

Was a correction made?

☐ Yes

☐ No
- b

If "Yes," describe in Part IV

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

- 1

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

▶ \$ \_\_\_\_\_
- 2

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

▶ \$ \_\_\_\_\_
- 3

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

▶ \$ \_\_\_\_\_
- 4

Did the filing organization file **Form 1120-POL** for this year?

☐ Yes

☐ No
- 5

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

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

Part II-A

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

A

Check

☐

if the filing organization belongs to an affiliated group

B

Check

☐

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing Organization's Totals	(b) Affiliated Group Totals												
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)															
b Total lobbying expenditures to influence a legislative body (direct lobbying)															
c Total lobbying expenditures (add lines 1a and 1b)															
d Other exempt purpose expenditures															
e Total exempt purpose expenditures (add lines 1c and 1d)															
f Lobbying nontaxable amount Enter the amount from the following table in both columns															
<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				30,132
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	30,132
	b If "Yes," enter the amount of any tax incurred under section 4912			
	c If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
	d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
EXPLANATION OF OTHER LOBBYING ACTIVITIES	PART II-B, LINE 1I	LOBBYING EXPENDITURES CONSISTED OF A PORTION OF MEMBERSHIP DUES TO PROFESSIONAL ORGANIZATIONS IN WHICH DEACONESS HOSPITAL AND ITS EMPLOYEES ARE MEMBERS. THE LOBBYING PORTION OF THE DUES IS NOTED ON THE MEMBERSHIP APPLICATION OR BILLING STATEMENT.

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 DEACONESS HOSPITAL INC	Employer identification number 35-0593390
--	--

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>Yes</div> <div>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>Yes</div> <div>No</div>	

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

1

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

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

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

2

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

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

3

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

4

Number of states where property subject to conservation easement is located

5

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

Yes

No

6

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

7

Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year

\$

8

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

Yes

No

9

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

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

1a

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

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

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	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 . . . . .	8,130,489	7,433,786	7,797,671		
b Contributions . . . . .	1,293,267	1,683,536	931,781		
c Investment earnings or losses . . . . .	294,514	281,910	337,059		
d Grants or scholarships . . . . .	7,052	192,998	329,950		
e Other expenditures for facilities and programs . . . . .	1,048,880	790,792	1,014,396		
f Administrative expenses . . . . .	308,910	284,953	288,387		
g End of year balance . . . . .	8,353,428	8,130,489	7,433,778		

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶ 69 000 %

b

Permanent endowment ▶ 31 000 %

c

Term endowment ▶ 0 %

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 . . . . .

3a(i)

☐

No

3a(ii)

☐

No

b

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

3b

☐

4

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

Part VI

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

Description of investment	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land . . . . .		10,268,530		10,268,530
b Buildings . . . . .		412,984,109	199,127,298	213,856,811
c Leasehold improvements . . . . .				
d Equipment . . . . .		197,148,694	154,364,968	42,783,726
e Other . . . . .		67,612,768		67,612,768
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) . . . . . ▶				334,521,835

Schedule D (Form 990) 2010



Part XIReconciliation 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 XIIReconciliation 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 XIIIReconciliation 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 XIVSupplemental 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 INTENDED USE OF ENDOWMENT FUNDS	PART V, LINE 4	THE DEACONESS HOSPITAL FOUNDATION UTILIZES ENDOWMENT FUNDS TO SUPPORT AND BENEFIT THE MISSION OF DEACONESS HOSPITAL. SPECIFICALLY, ENDOWMENT FUNDS ARE USED TO HELP SUPPORT ACTIVITIES OR PROJECTS THAT HELP TO PROVIDE QUALITY HEALTHCARE SERVICES WITH A COMPASSIONATE AND CARING SPIRIT TO PERSONS, FAMILIES, AND COMMUNITIES OF THE TRI-STATE.
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA REQUIRE MANAGEMENT TO EVALUATE TAX POSITIONS TAKEN BY THE SYSTEM AND RECOGNIZE A TAX LIABILITY IF THE SYSTEM HAS TAKEN AN UNCERTAIN POSITION THAT MORE LIKELY THAN NOT WOULD NOT BE SUSTAINED UPON EXAMINATION BY VARIOUS FEDERAL AND STATE TAXING AUTHORITIES. MANAGEMENT HAS ANALYZED THE TAX POSITIONS TAKEN BY THE SYSTEM AND HAS CONCLUDED THAT AS OF SEPTEMBER 30, 2011 AND 2010, THERE ARE NO UNCERTAIN POSITIONS TAKEN OR EXPECTED TO BE TAKEN THAT WOULD REQUIRE RECOGNITION OF A LIABILITY OR DISCLOSURE IN THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS. THE SYSTEM IS SUBJECT TO ROUTINE AUDITS BY TAXING JURISDICTIONS, HOWEVER, THERE ARE CURRENTLY NO AUDITS FOR ANY TAX PERIODS IN PROGRESS.
		PART VII AND IX ARE NOT COMPLETED DUE TO THE TOTAL OF EACH LINE BEING LESS THAN 5% OF THE TOTAL ASSETS LISTED ON PART X, LINE 16. PART XI, XII, AND XIII ARE NOT REQUIRED AS THE ORGANIZATION IS PART OF A CONSOLIDATED FINANCIAL STATEMENT. THE CONSOLIDATED FINANCIAL STATEMENT IS AUDITED BY AN INDEPENDANT ACCOUNTING FIRM AND IS PREPARED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.



SCHEDULE G  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Supplemental Information Regarding  
Fundraising or Gaming Activities

Complete if the organization answered "Yes" to Form 990, Part IV, lines 17, 18, or 19,  
or if the organization entered more than \$15,000 on Form 990-EZ, line 6a.  
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public  
Inspection

Name of the organization DEACONESS HOSPITAL INC	Employer identification number 35-0593390
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Part I Fundraising Activities. Complete if the organization answered "Yes" to Form 990, Part IV, line 17.

- 1 Indicate whether the organization raised funds through any of the following activities. Check all that apply.

a ☐ Mail solicitations

b ☐ Internet and e-mail solicitations

c ☐ Phone solicitations

d ☐ In-person solicitations

e ☐ Solicitation of non-government grants

f ☐ Solicitation of government grants

g ☐ Special fundraising events

2a Did the organization have a written or oral agreement with any individual (including officers, directors, trustees or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services? ☐ Yes ☐ No

b If "Yes," list the ten highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least \$5,000 by the organization. Form 990-EZ filers are not required to complete this table.

(i) Name and address of individual or entity (fundraiser)	(ii) Activity	(iii) Did fundraiser have custody or control of contributions?		(iv) Gross receipts from activity	(v) Amount paid to (or retained by) fundraiser listed in col (i)	(vi) Amount paid to (or retained by) organization
		Yes	No			
Total . . . . . ▶						

- 3 List all states in which the organization is registered or licensed to solicit funds or has been notified it is exempt from registration or licensing.

Part II Fundraising Events. Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than \$15,000 on Form 990-EZ, line 6a. List events with gross receipts greater than \$5,000.

		(a) Event #1	(b) Event #2	(c) Other Events	(d) Total Events
		DH PARTY OF YR (event type)	DH CLASSIC (event type)	0 (total number)	(Add col (a) through col (c))
Revenue	1	Gross receipts . . . .	153,125	102,898	256,023
	2	Less Charitable contributions . . . .	130,625	85,758	216,383
	3	Gross income (line 1 minus line 2) . . . .	22,500	17,140	39,640
Direct Expenses	4	Cash prizes . . . .			
	5	Non-cash prizes . . . .			
	6	Rent/facility costs . . . .			
	7	Food and beverages . . . .	1,000	17,670	18,670
	8	Entertainment . . . .	8,095	16,863	24,958
	9	Other direct expenses . . . .	34,582	13,168	47,750
	10	Direct expense summary Add lines 4 through 9 in column (d) . . . . . ▶			91,378
	11	Net income summary Combine lines 3 and 10 in column (d). . . . . ▶			-51,738

Part III Gaming. Complete if the organization answered "Yes" to Form 990, Part IV, line 19, or reported more than \$15,000 on Form 990-EZ, line 6a.

Revenue		(a) Bingo	(b) Pull tabs/Instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming (Add col (a) through col (c))
	1 Gross revenue . . . . .				
Direct Expenses	2 Cash prizes . . . . .				
	3 Non-cash prizes . . . . .				
	4 Rent/facility costs . . . . .				
	5 Other direct expenses . . . . .				
	6 Volunteer labor . . . . .	<div><div><input type="checkbox"/> Yes %</div><div><input type="checkbox"/> No</div></div>	<div><div><input type="checkbox"/> Yes %</div><div><input type="checkbox"/> No</div></div>	<div><div><input type="checkbox"/> Yes %</div><div><input type="checkbox"/> No</div></div>	
	7 Direct expense summary Add lines 2 through 5 in column (d) . . . . . ▶				
	8 Net gaming income summary Combine lines 1 and 7 in column (d) . . . . . ▶				

9 Enter the state(s) in which the organization operates gaming activities \_\_\_\_\_

a Is the organization licensed to operate gaming activities in each of these states? . . . . . ☐ Yes ☐ No

b If "No," Explain \_\_\_\_\_

10a Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year? . . . . . ☐ Yes ☐ No

b If "Yes," Explain \_\_\_\_\_

11

Does the organization operate gaming activities with nonmembers?

☐ Yes ☐ No

12

Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming?

☐ Yes ☐ No

13

Indicate the percentage of gaming activity operated in

a	The organization's facility	13a
b	An outside facility	13b

14

Provide the name and address of the person who prepares the organization's gaming/special events books and records

Name

Address

15a

Does the organization have a contract with a third party from whom the organization receives gaming revenue?

☐ Yes ☐ No

b

If "Yes," enter the amount of gaming revenue received by the organization \$ and the amount of gaming revenue retained by the third party \$

c

If "Yes," enter name and address

Name

Address

16 Gaming manager information

Name

Gaming manager compensation \$

Description of services provided

☐ Director/officer

☐ Employee

☐ Independent contractor

17

Mandatory distributions

a

Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license?

☐ Yes ☐ No

b

Enter the amount of distributions required under state law distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year \$

Part IV Complete this part to provide additional information for responses to question on Schedule G (see instructions.)

Identifier	ReturnReference	Explanation
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SCHEDULE H  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2010

Open to Public  
Inspection

**Name of the organization**  
DEACONESS HOSPITAL INC

**Employer identification number**  
35-0593390

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a . . . . .	Yes	
1b	If "Yes," is it a written policy? . . . . .	Yes	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year  <input checked="" type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Applied uniformly to most hospitals <input type="checkbox"/> Generally tailored to individual hospitals		
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year  <b>a</b> Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care  <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input checked="" type="checkbox"/> Other <u>300.000000000000 %</u>  <b>b</b> Does the organization use FPG to determine eligibility for providing <i>discounted</i> care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care . . . . .  <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input checked="" type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %  <b>c</b> If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care  <b>4</b> Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"? . . . . .	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .	Yes	
5b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? . . . . .	Yes	
5c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? . . . . .		No
6a	Does the organization prepare a community benefit report during the tax year? . . . . .	Yes	
6b	If "Yes," did the organization make it available to the public? . . . . .  Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H	Yes	

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			24,814,686		24,814,686	4 770 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			52,475,514	17,314,788	35,160,726	6 760 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			77,290,200	17,314,788	59,975,412	11 530 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			813,331	83,718	729,613	0 140 %
f Health professions education (from Worksheet 5)			3,899,792	1,444,783	2,455,009	0 470 %
g Subsidized health services (from Worksheet 6)			8,963,481	7,049,451	1,914,030	0 370 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)			834,835	339,059	495,776	0 100 %
j Total Other Benefits			14,511,439	8,917,011	5,594,428	1 080 %
k Total. Add lines 7d and 7j			91,801,639	26,231,799	65,569,840	12 610 %

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		193		193	0 %
2	Economic development		6,655		6,655	0 %
3	Community support		15,122		15,122	0 %
4	Environmental improvements					
5	Leadership development and training for community members		1,200		1,200	0 %
6	Coalition building		4,526		4,526	0 %
7	Community health improvement advocacy		405		405	0 %
8	Workforce development		40,590	14,005	26,585	0 010 %
9	Other					
10	Total		68,691	14,005	54,686	0 010 %

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	8,426,847
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	127,727,071
6	Enter Medicare allowable costs of care relating to payments on line 5 . . . . .	6	145,399,292
7	Subtract line 6 from line 5. This is the surplus or (shortfall) . . . . .	7	-17,672,221
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 type="checkbox"/> Cost to charge ratio <input checked="" type="checkbox"/> Other		

Section C. Collection Practices

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

Part IV

Management Companies and Joint Ventures

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

## Section A. Hospital Facilities

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

**Schedule H (Form 990) 2010**

Part V

Facility Information (continued)

Section B. Facility Policies and Practices.

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

Name of Hospital Facility: DEACONESS HOSPITAL INC

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

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2010)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 . . . . . If "Yes," indicate what the Needs Assessment describes (check all that apply)	1	
a <input type="checkbox"/> A definition of the community served by the hospital facility		
b <input type="checkbox"/> Demographics of the community		
c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input type="checkbox"/> How data was obtained		
e <input type="checkbox"/> The health needs of the community		
f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess all of the community's health needs		
j <input type="checkbox"/> Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	4	
5 Did the hospital facility make its Needs Assessment widely available to the public? . . . . . If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)	5	
a <input type="checkbox"/> Hospital facility's website		
b <input type="checkbox"/> Available upon request from the hospital facility		
c <input type="checkbox"/> Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)		
a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community		
b <input type="checkbox"/> Execution of the implementation strategy		
c <input type="checkbox"/> Participation in the development of a community-wide community benefit plan		
d <input type="checkbox"/> Participation in the execution of a community-wide community benefit plan		
e <input type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the Needs Assessment		
g <input type="checkbox"/> Prioritization of health needs in the community		
h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care to low income individuals? . . . If "Yes," indicate the FPG family income limit for eligibility for free care 300 000000000000%	9	Yes

Part V

Facility Information (continued)

		Yes	No
10	Used FPG to determine eligibility for providing <i>discounted</i> care to low income individuals? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 000000000000</u> %	10	Yes
11	Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input checked="" type="checkbox"/> Income level b <input checked="" type="checkbox"/> Asset level c <input checked="" type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input checked="" type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11	Yes
12	Explained the method for applying for financial assistance? . . . . .	12	Yes
13	Included measures to publicize the policy within the community served by the hospital facility? . . . . . If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input checked="" type="checkbox"/> Other (describe in Part VI)	13	Yes

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy that explained actions the hospital facility may take upon non-payment? . . . . .	14	Yes
15	Check all of the following collection actions against a patient that were permitted under the hospital facility's policies at any time during the tax year a <input checked="" type="checkbox"/> Reporting to credit agency b <input checked="" type="checkbox"/> Lawsuits c <input checked="" type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other (describe in Part VI)		
16	Did the hospital facility engage in or authorize a third party to engage in any of the following collection actions during the tax year? . . . . . If "Yes," check all collection actions in which the hospital facility or a third party engaged (check all that apply) a <input checked="" type="checkbox"/> Reporting to credit agency b <input checked="" type="checkbox"/> Lawsuits c <input checked="" type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other (describe in Part VI)	16	Yes
17	Indicate which actions the hospital facility took before initiating any of the collection actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input checked="" type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input checked="" type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input checked="" type="checkbox"/> Documented its determination of whether a patient who applied for financial assistance under the financial assistance policy qualified for financial assistance e <input type="checkbox"/> Other (describe in Part VI)		



Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

		Yes	No
18	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? . . . . . If "No," indicate the reasons why (check all that apply)	Yes	
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility did not have a policy relating to emergency medical care		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> Other (describe in Part VI)		

Charges for Medical Care

19	Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care (check all that apply)			
a	<input type="checkbox"/> The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility			
b	<input type="checkbox"/> The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility			
c	<input type="checkbox"/> The hospital facility used the Medicare rate for those services			
d	<input type="checkbox"/> Other (describe in Part VI)			
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? . . . . . If "Yes," explain in Part VI	20		No
21	Did the hospital facility charge any of its patients an amount equal to the gross charge for services provided to that patient? . . . . . If "Yes," explain in Part VI	21		No

Part V

Facility Information (continued)

Section B. Facility Policies and Practices.

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

Name of Hospital Facility:DEACONESS GATEWAY HOSPITAL

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

	Yes	No
<b>Community Health Needs Assessment</b> (Lines 1 through 7 are optional for 2010)		
<b>1</b> During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 . . . . . If "Yes," indicate what the Needs Assessment describes (check all that apply) <b>a</b> <input type="checkbox"/> A definition of the community served by the hospital facility <b>b</b> <input type="checkbox"/> Demographics of the community <b>c</b> <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community <b>d</b> <input type="checkbox"/> How data was obtained <b>e</b> <input type="checkbox"/> The health needs of the community <b>f</b> <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups <b>g</b> <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs <b>h</b> <input type="checkbox"/> The process for consulting with persons representing the community's interests <b>i</b> <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess all of the community's health needs <b>j</b> <input type="checkbox"/> Other (describe in Part VI)	<b>1</b>	
<b>2</b> Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
<b>3</b> In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	<b>3</b>	
<b>4</b> Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	<b>4</b>	
<b>5</b> Did the hospital facility make its Needs Assessment widely available to the public? . . . . . If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) <b>a</b> <input type="checkbox"/> Hospital facility's website <b>b</b> <input type="checkbox"/> Available upon request from the hospital facility <b>c</b> <input type="checkbox"/> Other (describe in Part VI)	<b>5</b>	
<b>6</b> If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) <b>a</b> <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community <b>b</b> <input type="checkbox"/> Execution of the implementation strategy <b>c</b> <input type="checkbox"/> Participation in the development of a community-wide community benefit plan <b>d</b> <input type="checkbox"/> Participation in the execution of a community-wide community benefit plan <b>e</b> <input type="checkbox"/> Inclusion of a community benefit section in operational plans <b>f</b> <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the Needs Assessment <b>g</b> <input type="checkbox"/> Prioritization of health needs in the community <b>h</b> <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community <b>i</b> <input type="checkbox"/> Other (describe in Part VI)		
<b>7</b> Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	<b>7</b>	
<b>Financial Assistance Policy</b>		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
<b>8</b> Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	<b>8</b>	Yes
<b>9</b> Used federal poverty guidelines (FPG) to determine eligibility for providing free care to low income individuals? . . . If "Yes," indicate the FPG family income limit for eligibility for free care <u>300 000000000000</u> %	<b>9</b>	Yes

Part V

Facility Information (continued)

		Yes	No
10	Used FPG to determine eligibility for providing <i>discounted</i> care to low income individuals? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 000000000000</u> %	10	Yes
11	Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input checked="" type="checkbox"/> Income level b <input checked="" type="checkbox"/> Asset level c <input checked="" type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input checked="" type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11	Yes
12	Explained the method for applying for financial assistance? . . . . .	12	Yes
13	Included measures to publicize the policy within the community served by the hospital facility? . . . . . If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input checked="" type="checkbox"/> Other (describe in Part VI)	13	Yes

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy that explained actions the hospital facility may take upon non-payment? . . . . .	14	Yes
15	Check all of the following collection actions against a patient that were permitted under the hospital facility's policies at any time during the tax year a <input checked="" type="checkbox"/> Reporting to credit agency b <input checked="" type="checkbox"/> Lawsuits c <input checked="" type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other (describe in Part VI)		
16	Did the hospital facility engage in or authorize a third party to engage in any of the following collection actions during the tax year? . . . . . If "Yes," check all collection actions in which the hospital facility or a third party engaged (check all that apply) a <input checked="" type="checkbox"/> Reporting to credit agency b <input checked="" type="checkbox"/> Lawsuits c <input checked="" type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other (describe in Part VI)	16	Yes
17	Indicate which actions the hospital facility took before initiating any of the collection actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input checked="" type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input checked="" type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input checked="" type="checkbox"/> Documented its determination of whether a patient who applied for financial assistance under the financial assistance policy qualified for financial assistance e <input type="checkbox"/> Other (describe in Part VI)		

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

	Yes	No
<b>18</b> Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? . . . . . If "No," indicate the reasons why (check all that apply)	Yes	
<b>a</b> <input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
<b>b</b> <input type="checkbox"/> The hospital facility did not have a policy relating to emergency medical care		
<b>c</b> <input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
<b>d</b> <input type="checkbox"/> Other (describe in Part VI)		

Charges for Medical Care

<b>19</b> Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care (check all that apply)			
<b>a</b> <input type="checkbox"/> The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility			
<b>b</b> <input type="checkbox"/> The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility			
<b>c</b> <input type="checkbox"/> The hospital facility used the Medicare rate for those services			
<b>d</b> <input type="checkbox"/> Other (describe in Part VI)			
<b>20</b> Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? . . . . . If "Yes," explain in Part VI	20		No
<b>21</b> Did the hospital facility charge any of its patients an amount equal to the gross charge for services provided to that patient? . . . . . If "Yes," explain in Part VI	21		No

Part V

Facility Information (continued)

Section B. Facility Policies and Practices.

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

Name of Hospital Facility: DEACONESS CROSS POINTE

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 3

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2010)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 . . . . . If "Yes," indicate what the Needs Assessment describes (check all that apply)	1	
a <input type="checkbox"/> A definition of the community served by the hospital facility		
b <input type="checkbox"/> Demographics of the community		
c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input type="checkbox"/> How data was obtained		
e <input type="checkbox"/> The health needs of the community		
f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess all of the community's health needs		
j <input type="checkbox"/> Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	4	
5 Did the hospital facility make its Needs Assessment widely available to the public? . . . . . If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)	5	
a <input type="checkbox"/> Hospital facility's website		
b <input type="checkbox"/> Available upon request from the hospital facility		
c <input type="checkbox"/> Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)		
a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community		
b <input type="checkbox"/> Execution of the implementation strategy		
c <input type="checkbox"/> Participation in the development of a community-wide community benefit plan		
d <input type="checkbox"/> Participation in the execution of a community-wide community benefit plan		
e <input type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the Needs Assessment		
g <input type="checkbox"/> Prioritization of health needs in the community		
h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care to low income individuals? . . . If "Yes," indicate the FPG family income limit for eligibility for free care 300 000000000000%	9	Yes

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing <i>discounted</i> care to low income individuals? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 000000000000</u> %	10	Yes	
11	Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input checked="" type="checkbox"/> Income level b <input checked="" type="checkbox"/> Asset level c <input checked="" type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input checked="" type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11	Yes	
12	Explained the method for applying for financial assistance? . . . . .	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility? . . . . . If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input checked="" type="checkbox"/> Other (describe in Part VI)	13	Yes	

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy that explained actions the hospital facility may take upon non-payment? . . . . .	14	Yes	
15	Check all of the following collection actions against a patient that were permitted under the hospital facility's policies at any time during the tax year a <input checked="" type="checkbox"/> Reporting to credit agency b <input checked="" type="checkbox"/> Lawsuits c <input checked="" type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other (describe in Part VI)			
16	Did the hospital facility engage in or authorize a third party to engage in any of the following collection actions during the tax year? . . . . . If "Yes," check all collection actions in which the hospital facility or a third party engaged (check all that apply) a <input checked="" type="checkbox"/> Reporting to credit agency b <input checked="" type="checkbox"/> Lawsuits c <input checked="" type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other (describe in Part VI)	16	Yes	
17	Indicate which actions the hospital facility took before initiating any of the collection actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input checked="" type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input checked="" type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input checked="" type="checkbox"/> Documented its determination of whether a patient who applied for financial assistance under the financial assistance policy qualified for financial assistance e <input type="checkbox"/> Other (describe in Part VI)			

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

	Yes	No
18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? . . . . . If "No," indicate the reasons why (check all that apply)	18 Yes	
a <input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b <input type="checkbox"/> The hospital facility did not have a policy relating to emergency medical care		
c <input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d <input type="checkbox"/> Other (describe in Part VI)		

Charges for Medical Care

19 Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care (check all that apply)			
a <input type="checkbox"/> The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility			
b <input type="checkbox"/> The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility			
c <input type="checkbox"/> The hospital facility used the Medicare rate for those services			
d <input type="checkbox"/> Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? . . . . . If "Yes," explain in Part VI	20		No
21 Did the hospital facility charge any of its patients an amount equal to the gross charge for services provided to that patient? . . . . . If "Yes," explain in Part VI	21		No

Part V

Facility Information (continued)

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

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

How many non-hospital facilities did the organization operate during the tax year? 47

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

Identifier	ReturnReference	Explanation
		PART I, LINE 6A DEACONESS HOSPITAL PREPARES A SEPARATE COMMUNITY BENEFIT REPORT

Identifier	ReturnReference	Explanation
		PART I, LINE 7 A COST TO CHARGE RATIO WAS USED FOR MOST OF THE CALCULATIONS FOR THE TABLE IRS INSTRUCTION'S WORKSHEET 2 WAS USED FOR THIS CALCULATION WE DID NOT USE THE COST TO CHARGE RATIO FOR LINE 7G AS IT WAS NOT RELEVANT TO THESE SERVICES THE ACTUAL COST FROM OUR COSTING SYSTEM WAS USED WHEN AVAILABLE THE COST TO CHARGE RATIO FOR EACH SERVICE TYPE WAS USED TO ESTIMATE COST WHEN NOT AVAILABLE FROM OUR INTERNAL COSTING SYSTEM

Identifier	ReturnReference	Explanation
		PART I, LINE 7G SUBSIDIZED HEALTH SERVICES ATTRIBUTED TO PHYSICIAN CLINICS HAVE A COST OF \$322,750

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING PERCENTAGE IN THIS COLUMN IS \$26,914,235

Identifier	ReturnReference	Explanation
		PART II DEACONESS HOSPITAL AND ITS RELATED ORGANIZATIONS PARTICIPATE IN VARIOUS COMMUNITY BUILDING ACTIVITIES DEACONESS CROSS POINTE IS A MEMBER OF THE SUICIDE PREVENTION COALITION DEACONESS CROSS POINTE OFFERS A VARIETY OF FREE SUICIDE AWARENESS AND PREVENTION PROGRAMS TO HELP REDUCE THE INCIDENCE OF SUICIDE IN THE TRI-STATE DEACONESS HOSPITAL SPONSORS THE HEALTH SCIENCE INSTITUTE WHICH ALLOWS HIGH SCHOOL STUDENTS TO EXPERIENCE FIRSTHAND THE WONDERS OF MEDICINE AND MEDICAL RESEARCH THROUGH SEMINARS, CLINICAL EXPERIENCES, AND DEMONSTRATIONS INTERACTION WITH LEADING HEALTH CARE PROFESSIONALS BROADENS STUDENTS' KNOWLEDGE OF MEDICAL CARE AND CAREER OPPORTUNITIES IN HEALTH CARE AND HEALTH SCIENCES STUDENTS FROM SOUTHWESTERN INDIANA HIGH SCHOOLS ARE CHOSEN TO PARTICIPATE DEACONESS LEADERS AND ADMINISTRATORS SERVE AS BOARD MEMBERS ON LOCAL UNIVERSITY BOARDS THEY SERVE ON EDUCATIONAL PLANNING COMMITTEES AND DETERMINE THE EDUCATIONAL NEEDS OF STUDENTS AND BUSINESSES IN THE COMMUNITY

Identifier	ReturnReference	Explanation
		PART III, LINE 4 SECTION A BAD DEBT EXPENSE LINE 2 FOOTNOTE TO ORGANIZATION'S FINANCIAL STATEMENTS THAT DESCRIBES BAD DEBT EXPENSE MANAGEMENT ESTIMATES AN ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS RECEIVABLE BASED ON AN EVALUATION OF HISTORICAL LOSSES, CURRENT ECONOMIC CONDITIONS, AND OTHER FACTORS UNIQUE TO THE SYSTEM'S CUSTOMER BASE

Identifier	ReturnReference	Explanation
		PART III, LINE 8 THE SOURCE USED TO DETERMINE THE AMOUNT OF MEDICARE REVENUE AND ALLOWABLE COSTS REPORTED FOR PART III, SECTION B, MEDICARE WERE ESTIMATED BASED UPON THE 2010 MEDICARE COST REPORT AND THE 2011 CONTRACTUAL MODEL FOR EXPECTED REIMBURSEMENT THE MEDICARE SHORTFALL FOR DEACONESS HOSPITAL IS TREATED AS COMMUNITY BENEFIT DUE TO THE HOSPITAL PROVIDING CARE TO MEDICARE PATIENTS AT LESS THAN THE ALLOWABLE MEDICARE COSTS

Identifier	ReturnReference	Explanation
		PART III, LINE 9B DEACONESS HOSPITAL MAKES A DISTICTION BETWEEN CHARITY AND BAD DEBT IN DETERMINING AN INDIVIDUAL OR FAMILY'S ABILITY TO PAY, DEACONESS HOSPITAL EVALUATES WHETHER OR NOT THE RESPONSIBLE PARTY HAS SUFFICIENT RESOURCES FOR PAYMENT IF AN INDIVIDUAL IS DETERMINED TO NOT HAVE SUFFICIENT RESOURCES TO PAY, THEY WILL BE CONSIDERED ELIGIBLE FOR CHARITY CARE AND WILL NOT BE PROCESSED THROUGH EITHER INTERNAL OR EXTERNAL COLLECTIONS ACCOUNTS OF CHARITY CARE PATIENTS WHO ARE UNABLE TO PAY DO NOT RESULT IN BAD DEBT AND ARE NOT COLLECTED UPON



Identifier	ReturnReference	Explanation
DEACONESS HOSPITAL, INC		PART V, SECTION B, LINE 13G DEACONESS HOSPITAL SEEKS OUT THE PATIENTS THAT ARE SELF-PAY AND INTERVIEWS THESE PATIENTS WHILE THEY ARE IN THE FACILITY THE FINANCIAL ASSISTANCE POLICY IS PROMOTED TO PATIENTS DEACONESS HOSPITAL SEEKS OUT THOSE PATIENTS THAT WOULD QUALIFY FOR THE FINANCIAL ASSISTANCE POLICY COLLECTABILITY SCORING IS ALSO COMPLETED AND ALLOWANCES ARE MADE BASED UPON THESE SCORES

Identifier	ReturnReference	Explanation
DEACONESS GATEWAY HOSPITAL		PART V, SECTION B, LINE 13G DEACONESS HOSPITAL SEEKS OUT THE PATIENTS THAT ARE SELF-PAY AND INTERVIEWS THESE PATIENTS WHILE THEY ARE IN THE FACILITY THE FINANCIAL ASSISTANCE POLICY IS PROMOTED TO PATIENTS DEACONESS HOSPITAL SEEKS OUT THOSE PATIENTS THAT WOULD QUALIFY FOR THE FINANCIAL ASSISTANCE POLICY COLLECTABILITY SCORING IS ALSO COMPLETED AND ALLOWANCES ARE MADE BASED UPON THESE SCORES

Identifier	ReturnReference	Explanation
DEACONESS CROSS POINTE		PART V, SECTION B, LINE 13G DEACONESS HOSPITAL SEEKS OUT THE PATIENTS THAT ARE SELF-PAY AND INTERVIEWS THESE PATIENTS WHILE THEY ARE IN THE FACILITY THE FINANCIAL ASSISTANCE POLICY IS PROMOTED TO PATIENTS DEACONESS HOSPITAL SEEKS OUT THOSE PATIENTS THAT WOULD QUALIFY FOR THE FINANCIAL ASSISTANCE POLICY COLLECTABILITY SCORING IS ALSO COMPLETED AND ALLOWANCES ARE MADE BASED UPON THESE SCORES

Identifier	ReturnReference	Explanation
DEACONESS HOSPITAL, INC		PART V, SECTION B, LINE 19D DEACONESS HOSPITAL OFFERS A 35% DISCOUNT TO INDIVIDUALS WHO DO NOT HAVE INSURANCE AND RECEIVE EMERGENCY OR OTHER MEDICALLY NECESSARY CARE THIS DISCOUNT APPROXIMATES AN AVERAGE OF ALL CONTRACTED DISCOUNTS

Identifier	ReturnReference	Explanation
DEACONESS GATEWAY HOSPITAL		PART V, SECTION B, LINE 19D DEACONESS HOSPITAL OFFERS A 35% DISCOUNT TO INDIVIDUALS WHO DO NOT HAVE INSURANCE AND RECEIVE EMERGENCY OR OTHER MEDICALLY NECESSARY CARE THIS DISCOUNT APPROXIMATES AN AVERAGE OF ALL CONTRACTED DISCOUNTS

Identifier	ReturnReference	Explanation
DEACONESS CROSS POINTE		PART V, SECTION B, LINE 19D DEACONESS HOSPITAL OFFERS A 35% DISCOUNT TO INDIVIDUALS WHO DO NOT HAVE INSURANCE AND RECEIVE EMERGENCY OR OTHER MEDICALLY NECESSARY CARE THIS DISCOUNT APPROXIMATES AN AVERAGE OF ALL CONTRACTED DISCOUNTS

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 DEACONESS HOSPITAL'S COMMUNITY BENEFIT COMMITTEE GATHERS AND ANALYZES HOSPITAL AND COMMUNITY DATA TO INDICATE COMMUNITY NEEDS THE COMMITTEE USES A DYNAMIC, ONGOING PROCESS TO INCLUDE A REVEIW OF PREVIOUS OR CURRENT ASSESMENTS BY OTHER COMMUNITY GROUPS, PRESENTATIONS MADE BY OUTSIDE GROUPS SOLICITING DEACONESS' INVOLVEMENT IN COMMUNITY INITIATIVES, REVIEW OF HEALTH AND DEMOGRAPHIC INFORMATION OF INPATIENTS AND OUTPATIENTS, AND ANALYSIS OF INFORMATION FROM OUTSIDE ORGANIZATIONS AND INTERNAL RECORDS TO IDENTIFY TRENDS AND AREAS OF CONCERN REQUIRING ATTENTION

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 DEACONESS HOSPITAL UTILIZES FINANCIAL COUNSELORS TO EDUCATE, INFORM AND ASSIST PATIENTS AND FAMILIES IN UNDERSTANDING THEIR FINANCIAL OBLIGATION, ABILITY TO QUALIFY FOR FINANCIAL ASSISTANCE THROUGH DEACONESS HOSPITAL'S FINANCIAL ASSISTANCE PROGRAM AND PAYMENT OPTIONS SPECIFICALLY, FINANCIAL COUNSELORS STAFF THE EMERGENCY DEPARTMENT, REGISTRATION AREAS, CASHIER AREA, AS WELL AS FLOAT AMONG INPATIENT AREAS TO ENSURE EACH AND EVERY PATIENT REQUIRING ASSISTANCE IS REACHED IN ADDITION TO THE PERSONAL AND INDIVIDUALIZED COUNSELING PROVIDED BY THE COUNSELORS, VARIOUS FORMS OF MEDIA ARE DISTRIBUTED THROUGHOUT DEACONESS HOSPITAL EXPLAINING THE FINANCIAL ASSISTANCE PROCESS ADDITIONALLY, POLICIES FOR FINANCIAL ASSISTANCE ARE POSTED WIDELY THROUGHOUT DEACONESS HOSPITAL AND ON THE INTERNET AT WWW DEACONESS COM



Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 4 DEACONESS HOSPITAL IS A MAJOR REFERRAL CENTER FOR A 25-COUNTY TRI-STATE AREA IN SOUTHWESTERN INDIANA, WESTERN KENTUCKY AND SOUTHEASTERN ILLINIOS THE HOSPITAL AND ITS FACILITIES ARE LOCATED ON FOUR CAMPUSES WHICH INCLUDE THE MAIN 28-ACRE CAMPUS ON THE NEAR NORTH SIDE OF EVANSVILLE IN VANDERBURGH COUNTY, THE 63-ACRE GATEWAY CAMPUS IS LOCATED IN WARRICK COUNTY ON THE EASTERN BORDER OF VANDERBURGH COUNTY, AND TWO OTHER EASTSIDE EVANSVILLE LOCATIONS FOR PSYCHIATRIC BEHAVIORAL SERVICES AND REHABILITATION SERVICES THE HOSPITAL OPERATES A MAIN CAMPUS WITH A TOTAL OF 323 BEDS CONSISTING OF 24 INTENSIVE CARE BEDS, 26 CARDIAC INTENSIVE CARE BEDS, 66 CARDIAC BEDS, 23 ONCOLOGY/PULMONOLOGY BEDS, 61 ORTHOPAEDIC/ NEUROLOGICAL BEDS, 5 PEDIATRIC TRAUMA BEDS, 18 MENTAL HEALTH BEDS, 96 MEDICAL/ SURGICAL BEDS AND 4 HOSPICE BEDS IN ADDITION, THE HOSPITAL PROVIDES A FULL-ARRAY OF COMPREHENSIVE OUTPATIENT AND AMBULATORY SERVICES ON ITS MAIN CAMPUS AND OTHER SPECIFIC SERVICES AT MULTIPLE SITES WITHIN ITS PRIMARY AND SECONDARY SERVICE AREAS THE HOSPITAL OPERATES THE 158 BED DEACONESS GATEWAY HOSPITAL WHICH WAS OPENED IN JANUARY 2006, ON THE GATEWAY CAMPUS CONSISTING OF 13 ADULT INTENSIVE CARE BEDS, 17 PEDIATRIC AND PEDIATRIC INTENSIVE CARE BEDS, 16 NEUROSURGICAL BEDS, 32 ORTHOPAEDIC BEDS, 16 NEURO INTENSIVE CARE BEDS, 32 SURGICAL ONCOLOGY BEDS, AND 32 GENERAL MED/ TELEMETRY BEDS THE HOSPITAL PROVIDES A FULL ARRAY OF COMPREHENSIVE OUTPATIENT AND AMBULATORY SERVICE ON THE GATEWAY CAMPUS THE HOSPITAL OWNS AND OPERATES DEACONESS CROSS POINTE, A FREE-STANDING, 60-BED INPATIENT PSYCHIATRIC HOSPITAL LOCATED APPROXIMATELY 7 MILES EAST OF THE MAIN CAMPUS IN EVANSVILLE ALSO, THE HOSPITAL IS AN OWNER IN THREE JOINT VENTURE HOSPITALS 1 DEACONESS WOMEN'S HOSPITAL OF SOUTHERN INDIANA, LLC D/B/A THE WOMEN'S HOSPITAL, A FREE STANDING SPECIALTY 74-BED WOMEN AND INFANT HOSPITAL LOCATED ON THE GATEWAY CAMPUS 2 HEALTHSOUTH/DEACONESS, LLC D/B/A TRI-STATE REGIONAL REHABILITATION HOSPITAL, A 78-BED INPATIENT ACUTE REHABILITATION HOSPITAL LOCATED APPROXIMATELY 8 MILES TO THE SOUTHEAST OF THE MAIN CAMPUS 3 THE HEART HOSPITAL AT DEACONESS GATEWAY, LLC, A 24-BED CARDIOVASCULAR SPECIALTY HOSPITAL WHICH RESIDES ON THE GATEWAY CAMPUS THE HOSPITAL PLAYS AN ACTIVE ROLE IN MEDICAL EDUCATION, OPERATING A THREE YEAR FAMILY MEDICINE RESIDENCY PROGRAM AND A POST-GRADUATE PHARMACY RESIDENT PROGRAM, AND SEVERAL UNDERGRADUATE MEDICAL AFFILIATIONS THE HOSPITAL ALSO PROVIDES CONTINUING MEDICAL EDUCATION PROGRAMS FOR ATTENDING PHYSICIANS, OTHER HEALTH PROFESSIONALS, OTHER ALLIED HEALTH PROGRAMS, AND THE COMMUNITY AT LARGE THE HOSPITAL, THROUGH ITS RELATED CORPORATIONS, PROVIDES OUTREACH SERVICES TO NURSING HOMES, PHYSICIANS' OFFICES AND SURROUNDING SMALLER HOSPITALS IN ITS SERVICE AREA</p>

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 THE ORGANIZATION FURTHERS ITS EXEMPT PURPOSE BY PROMOTING HEALTH OF THE COMMUNITY INCLUDES A MAJORITY OF ORGANIZATION'S GOVERNING BODY IS INDEPENDENT AND COMPRISED OF PERSONS WHO RESIDED IN THE ORGANIZATION'S PRIMARY SERVICE AREA, EXTENDS MEDICAL STAFF PRIVILEGES TO ALL QUALIFIED PHYSICIANS IN ITS COMMUNITY, AND APPLIES SURPLUS FUNDS TO IMPROVEMENTS IN PATIENT CARE

Identifier	ReturnReference	Explanation
		PART VI, LINE 7 DEACONESS WORKS IN CONCERT WITH DEACONESS HEALTH SYSTEM AND DEACONESS CLINIC TO PROVIDE HEALTHCARE SERVICES WITH A COMPASSIONATE AND CARING SPIRIT TO PERSONS, FAMILIES AND COMMUNITIES OF THE TRI-STATE DEACONESS HEALTH SYSTEM WORKS TO INCREASE ACCESS TO HEALTHCARE SERVICES WITHIN OUR COMMUNITY THROUGH DEACONESS HOSPITAL AND DEACONESS CLINIC DEACONESS HOSPITAL IS A MEDICAL INSTITUTION DEDICATED TO PROVIDING QUALITY PATIENT CARE WITH UNRELENTING ATTENTION TO CLINICAL EXCELLENCE, PATIENT SAFETY AND AN UNPARALLELED PASSION AND COMMITMENT TO ASSURE THE VERY BEST HEALTHCARE FOR THE PATIENTS SERVED DEACONESS CLINIC PROVIDES EXCELLENT PRIMARY AND MULTI-SPECIALTY HEALTHCARE IN A PERSONALIZED FASHION WITH A DEDICATED FOCUS TO SERVE THE COMMUNITY WITH EXCELLENT, TIMELY AND COMPASSIONATE PATIENT CARE

Identifier	ReturnReference	Explanation
REPORTS FILED WITH STATES	PART VI, LINE 7	IN

Additional Data

Software ID:

Software Version:

EIN: 35-0593390

Name: DEACONESS HOSPITAL 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>47</u>	
Name and address	Type of Facility (Describe)
DEACONESS PROCEDURE CENTER 421 CHESTNUT STREET EVANSVILLE,IN 47713	OUTPATIENT SERVICES
DEACONESS HOSPITAL PHYSICAL MEDICINE 520 MARY STREET SUITE 260 EVANSVILLE,IN 47747	OUTPATIENT SERVICES
DEACONESS CHEMOTHERAPY INFUSION CTR 4055 GATEWAY BLVD SUITE 1200 NEWBURGH,IN 47630	OUTPATIENT SERVICES
DEACONESS CLINIC GATEWAY 4233 GATEWAY BLVD NEWBURGH,IN 17630	DIAGNOSTIC CENTER
DEACONESS COMPREHENSIVE PAIN CTR & PROG 4600 W LLOYD EXPRESSWAY EVANSVILLE,IN 47712	OUTPATIENT SERVICES
DEACONESS HOSPITAL INFUSION SVCS 421 CHESTNUT STREET EVANSVILLE,IN 47713	OUTPATIENT SERVICES
DEACONESS HOSPITAL PHYSICAL MEDICINE 10455 ORTHOPAEDIC DRIVE NEWBURGH,IN 47630	OUTPATIENT SERVICES
DEACONESS CRITICAL CARE GROUP 519 HARRIET STREET EVANSVILLE,IN 47747	OUTPATIENT PHYSICIAN CLINIC
DEACONESS COMPREHENSIVE PAIN CTR-GATEWAY 4099 GATEWAY BLVD NEWBURGH,IN 47630	OUTPATIENT SERVICES
CHANCELLOR CENTER FOR ONCOLOGY 4055 GATEWAY BLVD NEWBURGH,IN 47630	OUTPATIENT SERVICES
DEACONESS OHIO VALLEY HOSPICE 701 GARFIELD STREET EVANSVILLE,IN 47747	HOSPICE
DEACONESS SLEEP LAP 350 W COLUMBIA STREET SUITE 210 EVANSVILLE,IN 47710	OUTPATIENT SERVICES
DEACONESS HOSPITAL SLEEP LAB 350 W COLUMBIA STREET SUITE LL-10 EVANSVILLE,IN 47710	DIAGNOSTIC CENTER
DEACONESS HOSPITAL BREAST CENTER 520 MARY STREET SUITE 140 EVANSVILLE,IN 47710	DIAGNOSTIC CENTER
DEACONESS HOME CARE 701 GARFIELD STREET EVANSVILLE,IN 47747	HOME HEALTH AGENCY
DEACONESS CLINIC WEST 545 S BOEHNE CAMP ROAD EVANSVILLE,IN 47712	OUTPATIENT PHYSICIAN CLINIC
DEACONESS CLINIC PRINCETON MED OFC BLDG 685 VAIL STREET PRINCETON,IN 47670	OUTPATIENT PHYSICIAN CLINIC
DEACONESS COMP CENTER 329 W COLUMBIA STREET EVANSVILLE,IN 47710	OUTPATIENT PHYSICIAN CLINIC
DEACONESS FAMILY PRACTICE CENTER 515 READ STREET EVANSVILLE,IN 47710	OUTPATIENT PHYSICIAN CLINIC
DEACONESS MEC MEDICAL CENTER 3844 FIRST AVENUE EVANSVILLE,IN 47710	OUTPATIENT PHYSICIAN CLINIC
DEACONESS URGENT CARECOMP CARE 10455 ORTHOPAEDIC DRIVE EVANSVILLE,IN 47630	OUTPATIENT PHYSICIAN CLINIC
DEACONESS WOUND CARE CENTER 611 HARRIET STREET SUITE 501 EVANSVILLE,IN 47710	OUTPATIENT SERVICES
DEACONESS ANTICOAGULATION CLINIC 4107 GATEWAY BLVD NEWBURGH,IN 47710	OUTPATIENT SERVICES
USI STUDENT HEALTH CENTER 8600 UNIVERSITY BLVD EVANSVILLE,IN 47712	OUTPATIENT PHYSICIAN CLINIC
MT VERNON MEDICAL CENTER 1900 W FOURTH STREET MT VERNON,IN 47620	DIAGNOSTIC CENTER
MIDWEST RADIOLOGIC IMAGING 10455 ORTHOPAEDIC DRIVE NEWBURGH,IN 47630	DIAGNOSTIC CENTER
MIDWEST RADIOLOGICAL IMAGING 4087 GATEWAY BLVD NEWBURGH,IN 47630	DIAGNOSTIC CENTER
DOCTOR'S PLAZA X-RAY 611 HARRIET STREET EVANSVILLE,IN 47710	DIAGNOSTIC CENTER
DEACONESS REGIONAL LABORATORY 611 HARRIET STREET SUITE 102 EVANSVILLE,IN 47710	DIAGNOSTIC CENTER
DEACONESS RILEY CHILDREN'S SPECIALTY CTR 4133 GATEWAY BLVD NEWBURGH,IN 47630	OUTPATIENT PHYSICIAN CLINIC
DEACONESS RILEY SPECIALITY CTR OP 4121 GATEWAY BLVD NEWBURGH,IN 47630	OUTPATIENT PHYSICIAN CLINIC
DEACONESS PRIMARY CARE FOR SENIORS 4498 FIRST AVENUE EVANSVILLE,IN 47710	OUTPATIENT PHYSICIAN CLINIC
DEACONESS PRIMARY CARE FOR SENIORS 1750 OAK HILL ROAD EVANSVILLE,IN 47711	OUTPATIENT PHYSICIAN CLINIC
DEACONESS FAMILY MEDICINE 611 HARRIET STREET SUITE 504 EVANSVILLE,IN 47710	OUTPATIENT PHYSICIAN CLINIC
DEACONESS DIABETES CENTER - EDUCATION 421 CHESTNUT STREET EVANSVILLE,IN 47713	OUTPATIENT SERVICES
DEACONESS PRE-ADMISSION TESTING 520 MARY STREET SUITE 330 EVANSVILLE,IN 47747	DIAGNOSTIC CENTER
DEACONESS GATEWAY GASTROENTEROLOGY 4133 GATEWAY BLVD NEWBURGH,IN 47630	OUTPATIENT PHYSICIAN CLINIC
DEACONESS WEIGHT LOSS SOLUTIONS 310 W IOWA STREET EVANSVILLE,IN 47710	OUTPATIENT PHYSICIAN CLINIC
DEACONESS HOSPITAL MAMMOGRAPHY & IMAGING 421 CHESTNUT STREET EVANSVILLE,IN 47713	DIAGNOSTIC CENTER
DEACONESS REGIONAL LABORATORY 4494 N FIRST AVENUE EVANSVILLE,IN 47710	DIAGNOSTIC CENTER
DEACONESS REGIONAL LABORATORY 4133 GATEWAY BLVD SUITE 110 NEWBURGH,IN 47630	DIAGNOSTIC CENTER
DEACONESS REGIONAL LABORATORY 421 CHESTNUT STREET EVANSVILLE,IN 47713	DIAGNOSTIC CENTER
DEACONESS CROSS POINTE-PRINCETON 1808 SHERMAN DRIVE RM 2208 PRINCETON,IN 47670	OUTPATIENT PHYSICIAN CLINIC
DEACONESS CROSS POINTE-ROCKPORT 2792 N US HIGHWAY 231 ROCKPORT,IN 47635	OUTPATIENT PHYSICIAN CLINIC
DEACONESS CROSS POINTE-OWENSBORO 920 FREDERICA STREET SUITE 1003 OWENSBORO,KY 42301	OUTPATIENT PHYSICIAN CLINIC
DEACONESS CROSS POINTE-HENDERSON 209 N ELM STREET HENDERSON,KY 42420	OUTPATIENT PHYSICIAN CLINIC
DEACONESS CROSS POINTE OUTPATIENT CLINIC 445 CROSS POINTE BLVD EVANSVILLE,IN 47715	OUTPATIENT PHYSICIAN CLINIC

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Schedule I  
(Form 990)

Department of the Treasury  
Internal Revenue Service

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

DLN: 93493065004132

OMB No 1545-0047

2010

Open to Public  
Inspection

Name of the organization  
DEACONESS HOSPITAL INC

Employer identification number  
35-0593390

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) ECONOMIC DEVELOPEMENT COALITION100 NW 2ND ST 208 EVANSVILLE,IN 47737	32-0152630	3	25,000				GENERAL SUPPORT
(2) EVANSVILLE KIDNEY ASSOCIATION1312 PROFESSIONAL BLVD EVANSVILLE,IN 47714	26-0219765	3	20,000				GENERAL SUPPORT
(3) KOMEN GREATER EVANSVILLE AFFILIATE 4424 VOGEL RD STE 744 EVANSVILLE,IN 47708	75-2844632	3	15,000				GENERAL SUPPORT
(4) YMCA118 VINE STREET EVANSVILLE,IN 47708	35-0869075	3	12,500				GENERAL SUPPORT
(5) YMCA OF SW INDIANA INC222 NW 6TH ST EVANSVILLE,IN 47708	35-0869074	3	12,500				GENERAL SUPPORT
(6) EVANSVILLE AREA COMMUNITY CHURCHES 713 N 2ND AVE EVANSVILLE,IN 47710	35-0886837	3	12,000				FOOD FOR FOOD PANTRY
(7) EVANSVILLE MUSEUM OF ARTS AND SCIENCE411 SE RIVERSIDE DR EVANSVILLE,IN 47713	35-0874517	3	10,000				CAPITAL CAMPAIGN
(8) EVANSVILLE REGIONAL BUSINESSTONE VECTREN SQ 744 EVANSVILLE,IN 47708	03-0408032	6	10,000				GENERAL SUPPORT
(9) MEDIA MINISTRIES DREAM CENTER16 W MORGAN AVENUE EVANSVILLE,IN 47710	35-2061699	3	10,000				CAPITAL CAMPAIGN
(10) EVANSVILLE SOCCER CLUBPO BOX 15906 EVANSVILLE,IN 47716	35-2086976	3	10,000				GENERAL SUPPORT
(11) OTHERS 5000			133,222				GENERAL SUPPORT

2

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

9

3

Enter total number of other organizations . . . . .

1

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

Cat No 50055P

Schedule I (Form 990) 2010

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
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 DEACONESS HOSPITAL CONFIRMS ALL RECIPIENTS OF FUNDS ARE ORGAANIZATIONS WHOSE GOALS COINCIDE WITH DEACONESS' MISSION OF PROVIDING QUALITY HEALTH CARE WITH A COMPASSIONATE AND CARING SPIRIT THE ORGANIZATIONS PROVIDE NEEDED SERVICES TO OUR COMMUNITY TO IMPROVE HEALTH AND WELLNESS FOR THE CITIZENS IN THE SURROUNDING AREA

Schedule J  
(Form 990)

Compensation Information

OMB No 1545-0047

2010

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization DEACONESS HOSPITAL INC	Employer identification number 35-0593390
--	--

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



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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
See Additional Data Table								
( 2 )								
( 3 )								
( 4 )								
( 5 )								
( 6 )								
( 7 )								
( 8 )								
( 9 )								
( 10 )								
( 11 )								
( 12 )								
( 13 )								
( 14 )								
( 15 )								
( 16 )								

Part IIISupplemental Information

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

Identifier	Return Reference	Explanation
	PART I, LINE 1A	SOCIAL CLUB DUES ARE PAID FOR LINDA WHITE AND HARRY SMITH FOR ORGANIZATION BUSINESS ONLY. ANY PERSONAL USE OF THE CLUB MUST BE PAID BY THE EMPLOYEES.
	PART I, LINES 4A-B	SEVERANCE, NONQUALIFIED, AND EQUITY-BASED PAYMENTS: SEVERANCE NONQUALIFIED EQUITY-BASED: LINDA E. WHITE \$ -0- \$16,500 \$ -0-; RUSTON L. STOLTZ, MD \$ 16,500 \$ 0; RICHARD M. STIVERS \$ 324,538 \$ 1,240 \$ 0; HARRY L. SMITH, JR. \$ 16,500 \$ 0; SHAWN W. MCCOY \$ 16,500 \$ 0; JAMES R. PORTER, MD \$ 16,500 \$ 0; CHERONA J. HAJEWSKI \$ 16,500 \$ 0; BRUCE E. EPMEIER \$ 16,500 \$ 0; VENKATESH R. MADADI \$ 16,500 \$ 0; RAJESH J. PATEL, MD \$ 16,500 \$ 0; LINDA WHITE: CONTRIBUTIONS MADE TO A SUPPLEMENTAL ACCUMULATION ACCOUNT OF \$157,723; SUPPLEMENTAL ACCUMULATION ACCOUNT PAYOUT OF \$258; RICHARD STIVERS: SUPPLEMENTAL RETIREMENT PAYMENT OF \$51,526; SUPPLEMENTAL ACCUMULATION ACCOUNT PAYOUT OF \$39,772; HARRY SMITH: CONTRIBUTIONS MADE TO SUPPLEMENTAL ACCUMULATION ACCOUNT OF \$101,972; SUPPLEMENTAL ACCUMULATION ACCOUNT PAYOUT OF \$109,394; SHAWN MCCOY: SUPPLEMENTAL ACCUMULATION ACCOUNT CONTRIBUTIONS OF \$60,432; JAMES PORTER: SUPPLEMENTAL ACCUMULATION ACCOUNT CONTRIBUTIONS OF \$59,865; CHERONA HAJEWSKI: SUPPLEMENTAL ACCUMULATION ACCOUNT CONTRIBUTIONS OF \$43,068; BRUCE EPMEIER: SUPPLEMENTAL ACCUMULATION ACCOUNT CONTRIBUTIONS OF \$36,947.
	PART I, LINE 5	INCENTIVE COMPENSATION PAYMENTS ARE BASED UPON SUCCESSFUL ACHIEVEMENT OF ESTABLISHED INPATIENT SATISFACTION MEASURES, OUTPATIENT SATISFACTION MEASURES, COMPLIANCE WITH PUBLICLY REPORTED QUALITY INDICATORS, OPERATING MARGIN AS WELL AS OTHER TECHNICAL AND PERSONAL FUNCTIONAL GOALS. DEACONESS HOSPITAL'S INCENTIVE COMPENSATION PROGRAMS ARE FORMULATED TO REWARD BEHAVIOR THAT BALANCES PATIENT NEEDS AND EFFICIENT DELIVERY OF PATIENT CARE TO ENSURE THE BEST OUTCOMES ARE ACHIEVED.

Software ID:  
Software Version:  
EIN: 35-0593390  
Name: DEACONESS HOSPITAL INC

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
LINDA E WHITE	(i)	280,724	118,697	9,960	108,846	14,962	533,189	258
	(ii)	282,612		6,000		14,962		
DAVID A KOEHLER JR MD	(i)	0	0	21,400	0	0	21,400	0
	(ii)	152,046		795		5,160		
RUSTON L STOLTZ MD	(i)	0	0	6,708	0	0	6,708	0
	(ii)	265,918		720		5,350		
RICHARD M STIVERS	(i)	32,607	49,058	277,659	39,343	9,917	408,584	91,297
	(ii)	32,607		209,601		9,917		
CHERYL A WATHEN	(i)	190,775	29,571	1,656	28,805	16,410	267,217	0
	(ii)	29,866		5,400		8,661		
HARRY L SMITH JR	(i)	407,891	74,396	114,400	113,732	33,165	743,584	109,394
	(ii)	0		5,600		0		
SHAWN W MCCOY	(i)	278,019	50,559	3,396	72,192	24,694	428,860	0
	(ii)	0		5,800		0		
JAMES R PORTER MD	(i)	309,738	46,675	1,896	71,625	22,414	452,348	0
	(ii)	0		0		0		
CHERONA J HAJEWSKI	(i)	256,935	39,000	4,708	54,828	24,534	380,005	0
	(ii)	0		0		0		
BRUCE E EPMEIER	(i)	189,228	28,791	3,396	46,391	18,485	286,291	0
	(ii)	0		0		0		
LARRY F PILE	(i)	184,618	30,078	1,362	5,286	19,182	240,526	0
	(ii)	0		0		0		
RICHARD B PERRY	(i)	131,907	34,332	1,176	13,397	25,878	206,690	0
	(ii)	0		0		0		
JOYCE A THOMAS	(i)	150,799	15,598	40	30,977	7,760	205,174	0
	(ii)	0		0		0		
JOHN L ZABROWSKI	(i)	132,440	19,031	531	7,449	28,855	188,306	0
	(ii)	0		600		0		
REBECCA L MALOTTE	(i)	131,274	19,002	238	37,487	18,072	206,073	0
	(ii)	0		0		0		
VENKATESH R MADADI	(i)	669,660	0	65,076	10,536	21,388	766,660	0
	(ii)	0		0		0		
RAJESH J PATEL MD	(i)	640,978	0	49,667	11,724	24,021	726,390	0
	(ii)	0		0		0		
NIRMAL JOSHI MD	(i)	614,050	0	63,933	6,092	25,997	710,072	0
	(ii)	0		0		0		
AYMAN EL FAR MD	(i)	538,160	0	46,926	6,453	21,388	612,927	0
	(ii)	0		0		0		
LAWRENCE C KILINSKI JR MD	(i)	482,448	0	59,282	12,342	22,045	576,117	0
	(ii)	0		0		0		

Schedule K (Form 990)	<div>Supplemental Information on Tax Exempt Bonds</div> <div>▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990). ▶ Attach to Form 990. ▶ See separate instructions.</div>	OMB No 1545-0047
		2010
		Open to Public Inspection

Name of the organization DEACONESS HOSPITAL INC		Employer identification number 35-0593390
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Part I Bond Issues

(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A INDIANA FINANCE AUTHORITY	35-1602316	45471AAJI	03-26-2009	55,914,771	FACILITY CONSTRUCTION		X		X		X
B INDIANA FINANCE AUTHORITY	35-1602316	45471AAG7	03-26-2009	40,000,000	FACILITY CONSTRUCTION		X		X		X
C INDIANA HLTH FACILITY FINANCING AUTHORITY	35-1611409	4547977Y1	05-27-2004	55,371,597	FACILITY CONSTRUCTION		X		X		X
D INDIANA HLTH FACILITY FINANCING AUTHORITY	35-1611409	4547978A2	05-27-2004	25,000,000	FACILITY CONSTRUCTION		X		X		X

Part II Proceeds

		A		B		C		D	
1	Amount of bonds retired								
2	Amount of bonds legally defeased								
3	Total proceeds of issue	55,914,771		40,000,000		55,581,965		25,000,000	
4	Gross proceeds in reserve funds	12,025,077		2,672,335		5,255,622			
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow								
7	Issuance costs from proceeds	825,245		399,807		611,421		161,203	
8	Credit enhancement from proceeds	60,789		60,789		2,187,409		161,281	
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	43,064,449		36,867,068		47,527,513		24,677,516	
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion	2011		2011		2006		2006	
14	Were the bonds issued as part of a current refunding issue?	Yes	No	Yes	No	Yes	No	Yes	No
			X		X		X		X
15	Were the bonds issued as part of an advance refunding issue?		X		X		X		X
16	Has the final allocation of proceeds been made?	X		X		X		X	
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X		X	

Part III Private Business Use

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?		X		X		X		X
2	Are there any lease arrangements that may result in private business use of bond-financed property?	X		X		X		X	

Part IIIPrivate Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?		X		X		X		X
b	Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		X
c	Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property?	X		X		X		X	
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 %		0 %		0 %		0 %	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	1 590 %		1 000 %		1 100 %		1 760 %	
6	Total of lines 4 and 5	1 590 %		1 000 %		1 100 %		1 760 %	
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		X		X		X	

Part IVArbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?	X		X		X		X	
2	Is the bond issue a variable rate issue?		X	X			X	X	
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X		X		X		X
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?	X		X			X		X
b	Name of provider	TRINITY PLUS		CREDIT AGRICOLE					
c	Term of GIC	2 000000000000		2 000000000000					
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X		X					
5	Were any gross proceeds invested beyond an available temporary period?		X		X		X		X
6	Did the bond issue qualify for an exception to rebate?	X		X		X		X	

Part VSupplemental Information

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

Identifier	Return Reference	Explanation

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**

<b>Name of the organization</b> DEACONESS HOSPITAL INC	<b>Employer identification number</b>  35-0593390
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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
See Additional Data Table					

**Part V**

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

Identifier	Return Reference	Explanation
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Additional Data

Software ID:  
Software Version:  
EIN: 35-0593390  
Name: DEACONESS HOSPITAL INC

Form 990, Schedule L, Part IV - Business Transactions Involving Interested Persons

(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
VECTREN ENERGY DELIVERY	COMMON BOARD MEMBER	5,762,004	GAS/ ELECTRIC UTILITY		No
SOUTH CENTRAL COMMUNICATIONS	COMMON BD MBR	164,685	ADVERTISING PROVIDER		No
EVANSVILLE RADIOLOGY PC	COMMON BD MBR	728,657	MANAGEMENT SERVICES		No
MISTY ADYE	FAMILY OF BD MBR	33,369	COMPENSATION		No
LETTA FRACCARO	FAMILY OF BD MBR	47,071	COMPENSATION		No
ANN TORNATTA	FAMILY OF BD MBR	97,933	COMPENSATION		No
NANCY KOEHLER	FAMILY OF BD MBR	116,306	COMPENSATION		No
ALEX SEIBERT	FAMILY OF OFFICER	71,606	COMPENSATION		No
SHERRI MCCOY	FAMILY OF OFFICER	22,938	COMPENSATION		No



**SCHEDULE O**  
**(Form 990 or 990-EZ)**

Department of the Treasury  
Internal Revenue Service

**Supplemental Information to Form 990 or 990-EZ**

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

OMB No 1545-0047

**2010**

**Open to Public  
Inspection**

<b>Name of the organization</b> DEACONESS HOSPITAL INC	<b>Employer identification number</b> 35-0593390
---	---

Identifier	Return Reference	Explanation
ORGANIZATION'S MISSION	FORM 990, PART III, LINE 1	DEACONESS HOSPITAL PROVIDES QUALITY HEALTHCARE SERVICES WITH A COMPASSIONATE AND CARING SPIRIT TO PERSONS, FAMILIES AND COMMUNITIES OF THE TRI-STATE. AT DEACONESS HOSPITAL, OUR VALUES ARE BASED ON OUR COMMITMENT TO QUALITY. WE DEFINE QUALITY AS THE CONTINUOUS IMPROVEMENT OF SERVICES TO MEET THE NEEDS AND EXCEED THE EXPECTATIONS OF THE CUSTOMERS WE SERVE. OUR VALUES ARE QUALITY IN EVERYTHING WE DO, RESPECT FOR ALL PEOPLE, EFFICIENCY AND EFFECTIVENESS IN THE USE OF RESOURCES, INNOVATION TOWARD CONTINUOUS SYSTEMS IMPROVEMENT, PARTNERSHIP WITH THOSE WE SERVE AND WITH SUPPLIERS, EDUCATION FOR CONTINUOUS GROWTH AND KNOWLEDGE AND PRIDE IN WORKMANSHIP. TO ACCOMPLISH ITS MISSION, DEACONESS HOSPITAL IS COMMITTED TO IMPROVING THE QUALITY OF LIFE FOR THE PEOPLE OF THE TRI-STATE BY DEMONSTRATING EXCELLENCE IN HEALTHCARE SERVICES, PROVIDING ACCESS TO HEALTHCARE, PROVIDING CHARITY CARE TO THOSE IN NEED, PROMOTING HEALTHLY LIFESTYLES, OFFERING SPIRITUAL AND PSYCHOLOGICAL SUPPORT, SUPPORTING HEALTH RELATED EDUCATION, AND ADVANCING HEALTH KNOWLEDGE THROUGH RESEARCH.

Identifier	Return Reference	Explanation
PROGRAM SERVICES ACCOMPLISHMENT 1 PATIENT SERVICE REVENUE	FORM 990, PART III, LINE 4A	<p>DEACONESS HOSPITAL IS A MAJOR REFERRAL CENTER FOR A 25 COUNTY TRI-STATE AREA IN SOUTHWESTERN INDIANA, WESTERN KENTUCKY AND SOUTHEASTERN ILLINIOS THE HOSPITAL AND ITS FACILITIES ARE LOCATED ON FOUR CAMPUSES WHICH INCLUDE THE MAIN 28-ACRE CAMPUS ON THE NEAR NORTH SIDE OF EVANSVILLE IN VANDERBURGH COUNTY , THE 63-ACRE GATEWAY CAMPUS IS LOCATED IN WARRICK COUNTY ON THE EASTERN BORDER OF VANDERBURGH COUNTY , AND TWO OTHER EASTSIDE EVANSVILLE LOCATIONS FOR PSYCHIATRIC BEHAVIORAL SERVICES AND REHABILITATION SERVICES THE HOSPITAL OPERATES A MAIN CAMPUS WITH A TOTAL OF 323 BEDS CONSISTING OF 24 INTENSIVE CARE BED, 26 CARDIAC INTENSIVE CARE BEDS, 66 CARDIAC BEDS, 23 ONCOLOGY/PULMONOLOGY BEDS, 61 ORTHOPAEDIC/NEUROLOGICAL BEDS, 5 PEDIATRIC TRAUMA BEDS, 18 MENTAL HEALTH BEDS, 96 MEDICAL/SURGICAL BEDS AND 4 HOSPICE BEDS IN ADDITION, THE HOSPITAL PROVIDES A FULL-ARRAY OF COMPREHENSIVE OUTPATIENT AND AMBULATORY SERVICES ON ITS MAIN CAMPUS AND OTHER SPECIFIC SERVICES AT MULTIPLE SITES WITHIN ITS PRIMARY AND SECONDARY SERVICE AREAS THE HOSPITAL OPERATES THE 158 BED DEACONESS GATEWAY HOSPITAL WHICH WAS OPENED IN JANUARY 2006, ON THE GATEWAY CAMPUS CONSISTING OF 13 ADULT INTENSIVE CARE BEDS, 17 PEDIATRIC AND PEDIATRIC INTENSIVE CARE BEDS, 16NEUROSURGICAL BEDS, 32 ORTHOPAEDIC BEDS, 16 NEURO INTENSIVE CARE BEDS, 32 SURGICAL ONCOLOGY BEDS AND 32 GENERAL MED/ TELEMETRY BEDS THE HOSPITAL PROVIDES A FULL ARRAY OF COMPREHENSIVE OUTPATIENT AND AMBULATORY SERVICE ON THE GATEWAY CAMPUS THE HOSPITAL OWNS AND OPERATES DEACONESS CROSS POINTE, A FREE-STANDING, 60 BED INPATIENT PSYCHIATRIC HOSPITAL LOCATED APPROXIMATELY 7 MILES EAST OF THE MAIN CAMPUS IN EVANSVILLE</p>

Identifier	Return Reference	Explanation
PROGRAM SERVICES ACCOMPLISHMENT 2 CHARITY CARE/ SUBSIDIZED CARE	FORM 990, PART III, LINE 4B	DEACONESS HOSPITAL MAKES A DISTINCTION BETWEEN CHARITY CARE AND BAD DEBT. IN DETERMINING AN INDIVIDUAL OR FAMILY'S ABILITY TO PAY, DEACONESS HOSPITAL EVALUATES WHETHER OR NOT THE RESPONSIBLE PARTY HAS SUFFICIENT RESOURCES AVAILABLE FOR PAYMENT. IF AN INDIVIDUAL IS DETERMINED TO NOT HAVE SUFFICIENT RESOURCES TO PAY, THEY ARE CONSIDERED ELIGIBLE FOR CHARITY CARE AND WILL NOT BE PROCESSED THROUGH INTERNAL OR EXTERNAL COLLECTIONS. ACCOUNTS OF CHARITY CARE PATIENTS WHO ARE UNABLE TO PAY DO NOT RESULT IN BAD DEBT AND ARE NOT COLLECTED UPON. DEACONESS HOSPITAL PROVIDES CARE TO PERSONS COVERED BY GOVERNMENTAL PROGRAMS BELOW COST. RECOGNIZING ITS MISSION TO THE COMMUNITY, SERVICES ARE PROVIDED TO BOTH MEDICARE AND MEDICAID PATIENTS. TO THE EXTENT OF REIMBURSEMENT IS BELOW COST, DEACONESS HOSPITAL ABSORBS THESE COSTS IN MEETING ITS MISSION TO THE COMMUNITY. IN SUPPORT OF ITS MISSION, DEACONESS HOSPITAL PROVIDED \$26 MILLION OF CHARITY CARE & \$37.8 MILLION OF SUBSIDIZED SERVICES TO THE MEDICAID PROGRAM, AND \$33.6 OF SUBSIDIZED SERVICES TO THE MEDICARE PROGRAM.

Identifier	Return Reference	Explanation
PROGRAM SERVICES ACCOMPLISHMENT 3 MEDICAL EDUCATION & COMMUNITY BENEFITS	FORM 990, PART III, LINE 4C	DEACONESS HOSPITAL PLAYS AN ACTIVE ROLE IN MEDICAL EDUCATION, OPERATING A THREE YEAR FAMILY MEDICINE RESIDENCY PROGRAM AND A POST-GRADUATE PHARMACY RESIDENT PROGRAM DEACONESS HOSPITAL ALSO PROVIDES CONTINUING MEDICAL EDUCATION PROGRAMS FOR ATTENDING PHYSICIANS, OTHER HEALTH PROFESSIONALS, OTHER ALLIED HEALTH PROGRAMS, COMMUNITY HEALTH PROGRAMS AND A CHAPLAIN RESIDENCY PROGRAM IN ADDITION TO EDUCATIONAL SERVICES, DEACONESS HOSPITAL PROVIDES \$5.5 MILLION IN COMMUNITY BENEFIT ACTIVITIES (ALL ON A COST BASIS), SERVING A MINIMUM OF 626,389 PEOPLE WITHIN THE TRI-STATE AREA

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 6		DEACONESS HEALTH SYSTEM, INC IS THE SOLE CORPORATE MEMBER OF DEACONESS HOSPITAL, INC

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7A		THE BOARD OF DIRECTORS MAY ELECT ONE OR MORE NON-MEDICAL STAFF MEMBERS OF THE GOVERNING BODY THROUGH AN APPROVED ELECTION AND APPROVAL PROCESS THE ELECTION AND APPROVAL PROCESS FOR NON-MEDICAL STAFF MEMBERS BEGINS WITH A RECCOMENDATION BY THE GOVERNANCE COMMITTEE FOR MEMBERSHIP TO THE BOARD OF DIRECTORS THAT RECCOMENDATION IS THEN REVEMED AND APPROVED BY THE BOARD OF DIRECTORS DEPENDING ON THE DECISION REACHED BY THE BOARD OF DIRECTORS, MEMBERSHIP MAY OR MAY NOT BE GRANTED TO THAT INDIVIDUAL MEDICAL STAFF EXECUTIVE COUNCIL LEADERSHIP ARE APPOINTED TO BOARD OF DIRECTOR MEMBERSHIP THROUGH THEIR POSITION AS ELECTED MEDICAL STAFF LEADERS THROUGH THE ELECTION PROCESS OF THE MEDICAL STAFF EXECUTIVE COUNCIL, THEIR APPOINTMENT IS CONFIRMED AND APPROVED

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11		THE PROCESS THAT DEACONESS HOSPITAL UTILIZES TO PRESENT THE FORM 990 TO ITS GOVERNING BODY PRIOR TO FILING IS TO PRESENT THE FORM 990 TO THE CONTROLLER, CFO AND CEO OF THE ORGANIZATION FOR REVIEW AFTER THIS REVIEW IS PERFORMED AND ALL QUESTIONS ARE ANSWERED, THE FORM 990 IS PRESENTED TO THE BOARD OF DIRECTORS AT THE BOARD MEETING PRIOR TO THE FILING DATE OF THE FORM 990 ANY ADDITIONAL QUESTIONS ARE ANSWERED AND THE FINAL FILING IS THEN COMPLETED

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	CONFLICT OF INTEREST REVIEW AND COMPLIANCE ACTIVITIES ARE CONDUCTED THROUGHOUT THE YEAR UNDER THE DIRECTION OF DEACONESS HOSPITAL'S CORPORATE COMPLIANCE OFFICER. UPON APPOINTMENT, AND ANNUALLY THEREAFTER, OFFICERS, DIRECTORS, TRUSTEES, AND KEY EMPLOYEES, ALSO KNOWN AS INTERESTED PERSONS, ARE REQUIRED TO COMPLETE "THE CONFLICTS OF INTEREST QUESTIONNAIRE" AND/OR THE "THE DISCLOSURE QUESTIONNAIRE". THESE DOCUMENTS SERVE TO ENSURE INTERESTED PERSONS OR COMMITTEE MEMBERS WITH BOARD DELEGATED POWERS HAVE AN APPROPRIATE AND TIMELY MANNER IN WHICH TO DISCLOSE ANY POTENTIAL CONFLICTS. CONFLICTS ARE CONSIDERED WITH RESPECT TO OUTSIDE INTEREST, INVESTMENTS, OUTSIDE ACTIVITIES, AND BUSINESS INTERESTS AMONG THE INTERESTED PERSONS AS WELL AS THEIR FAMILY MEMBERS. ON A PERIODIC BASIS, REVIEWS OCCUR TO ENSURE DEACONESS HOSPITAL OPERATES IN A MANNER CONSISTENT WITH ITS CHARITABLE PURPOSE. SUBJECTS THAT ARE REVIEWED ON A PERIODIC BASIS INCLUDE COMPENSATION, PHYSICIAN RELATIONSHIPS, AND PARTNERSHIP AND JOINT VENTURE ARRANGEMENTS.



Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	COMPENSATION FOR TOP OFFICIALS AND OTHER OFFICERS DEACONESS UTILIZES A COMPENSATION COMMITTEE TO APPROVE EXECUTIVE, DIRECTOR, AND PHYSICIAN COMPENSATION AS WELL AS EXECUTIVE AND PHYSICIAN BENEFIT PROGRAMS THE COMPENSATION COMMITTEE IS APPOINTED BY THE BOARD OF DIRECTORS AND MUST MEET THE INDEPENDENCE REQUIREMENTS OF THE SEC THE COMMITTEE HAS THE POWER AND AUTHORITY TO 1 ANNUALLY REVIEW AND APPROVE AND RECOMMEND TO THE BOARD OF DIRECTORS FOR ITS FINAL APPROVAL FOR THE CEO AND EACH OTHER EXECUTIVE OFFICER OF THE SYSTEM ALL ELEMENTS OF EXECUTIVE COMPENSATION 2 MONITOR BROADLY THE STRUCTURE, PHILOSOPHY OR COMPETITIVENESS OF THE SYSTEM'S GENERAL HIRING OR COMPENSATION PRACTICES 3 OVERSEE THE ESTABLISHMENT AND ADMINISTRATION OF THE COMPANY'S BROAD-BASED BENEFIT PLANS AND PROGRAMS 4 REVIEW OR APPROVE SIGNIFICANT AMENDMENTS OR CHANGES TO THE PLANS AND PROGRAMS 5 RETAIN AND TERMINATE ANY COMPENSATION CONSULTANT TO BE USED TO ASSIST IN THE EVALUATION OF DIRECTOR, CEO OR EXECUTIVE OFFICE COMPENSATION 6 SOLE AUTHORITY TO APPROVE THE CONSULTANT'S FEES AND OTHER RETENTION TERMS 7 OBTAIN ADVICE AND ASSISTANCE FROM INTERNAL OR EXTERNAL LEGAL, ACCOUNTING OR OTHER ADVISORS, 8 APPROVE ALL PHYSICIAN AND PHYSICIAN RELATED CONTRACTS 9 MAKE REGULAR REPORTS TO THE BOARD

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 18	DEA CONESS DOES NOT MAKE ITS GOVERNING DOCUMENTS, CONFLICT OF INTERST POLICY OR FINANCIAL STATEMENTS AVAILABLE TO THE PUBLIC

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	DEACONESS HOSPITAL DOES NOT MAKE ITS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY OR FINANCIAL STATEMENTS AVAILABLE TO THE PUBLIC

Identifier	Return Reference	Explanation
CONTACT ADDRESSES FOR OFFICERS, DIRECTORS, ETC	FORM 990, PART VII	RICHARD M STIVERS - 9901 BROWNING ROAD, EVANSVILLE, IN 47630 HARRY L SMITH, JR - 916 WOODRIDGE COURT, NEWBURGH, IN 47630

Identifier	Return Reference	Explanation
AVERAGE HOURS PER WEEK	FORM 990, PART VII, SECTION A, LINE 1A, COLUMN (B)	THE AVERAGE HOURS WORKED PER WEEK INCLUDE RELATED PARTY HOURS FOR MS WHITE, MS WATHEN, AND MR STIVERS HOURS LISTED IN PART VII RELATE TO TIME DEVOTED TO DEACONESS HEALTH SYSTEM (DHS), DEACONESS CLINIC, INC (DCI), AND DEACONESS HOSPITAL, INC (DHI) SEE THE AVERAGE HOURS PER WEEK BELOW DHS DCI DHI TOTAL MS WHITE 20 10 40 70 MS WATHEN 5 5 50 60 MR STIVERS 5 5 50 60

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED LOSSES ON INVESTMENTS -3,563,788 CHANGE IN PENSION LIABILITY -3,997,955 CAPITAL CONTRIBUTION TO DEACONESS HEALTH SYSTEM -17,833,520 CAPITAL CONTRIBUTION FROM DEACONESS FOUNDATION 200,000 FOUNDATION MONIES RELEASED FROM RESTRICTION -1,190,127 TOTAL TO FORM 990, PART XI, LINE 5 -26,385,390

Identifier	Return Reference	Explanation
OVERSIGHT OF AUDIT	FORM 990, PART XII, LINE 2C	THE BOARD OF DIRECTORS ASSUMES RESPONSIBILITY FOR OVERSIGHT OF THE AUDIT OF THE FINANCIAL STATEMENTS AND SELECTION OF THE INDEPENDENT ACCOUNTANT, AND NO PROCESSES HAVE CHANGED FROM PRIOR YEAR

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  
DEACONESS HOSPITAL INC

Employer identification number  
35-0593390

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" on Form 990, Part IV, line 33.)					
(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)							
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) DEACONESS HEALTH SYSTEM INC  600 MARY STREET  EVANSVILLE, IN 47747 35-1532889	HEALTHCARE	IN	501(C)(3)	LINE 11A, I	N/A		No
(2) DEACONESS CLINIC INC  421 CHESNUT STREET  EVANSVILLE, IN 47713 26-3083364	HEALTHCARE	IN	501(C)(3)	LINE 3	DEACONESS HEALTH SYSTEM		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) DEACONESS HEALTH PLANS  350 W COLUMBIA SUITE 400 EVANSVILLE, IN47710 38-3492529	PERF PROV	IN	N/A	RELATED	503,475	2,165,183		No			No	93 000 %
(2) HEARTCARE HEALTH SYSTEM  415 W COLUMBIA EVANSVILLE, IN47710 35-2038344	HEALTHCARE	IN	N/A	RELATED	-365,329	74,980		No			No	70 000 %
(3) PROGRESSIVE HLTH IN  150 N ROSENBERGER EVANSVILLE, IN47712 20-8480988	OUTPATIENT	IN	N/A	RELATED	1,643,528	1,105,739		No			No	51 000 %
(4) HEART HOSPITAL AT DEACONESS GATEWAY  4007 GATEWAY BLVD NEWBURGH, IN47630 26-1766835	HOSPITAL	DE	N/A	RELATED	2,726,392	6,808,578		No			No	51 000 %
(5) TRI-STATE RADIATION ONCOLOGY  1500 ROSECRANS AVENUE MANHATTAN BEACH, CA90266 26-3706834	OUTPATIENT	DE	N/A	RELATED	1,878,002	3,069,727		No			No	51 000 %

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) TRI-STATE MEDICAL MANAGEMENT INC 600 MARY STREET EVANSVILLE, IN47747 35-1875888	PHYSICIAN MANAGEMENT	IN	N/A	C			100 000 %

Part V

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

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

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

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

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

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

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

e Loans or loan guarantees by other organization(s)

f Sale of assets to other organization(s)

g Purchase of assets from other organization(s)

h Exchange of assets

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

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

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

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

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

n Sharing of paid employees

o Reimbursement paid to other organization for expenses

p Reimbursement paid by other organization for expenses

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

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

No

No

No

No

No

No

Yes

Yes

No

No

No

Yes

Yes

Yes

No

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) DEACONESS HEALTH PLANS LLC	I	55,358	
(2) HEART HOSP AT DEAC GATEWAY LLC	N	7,767,054	
(3) HEART HOSP AT DEAC GATEWAY LLC	O	2,274,096	
(4) HEART HOSP AT DEAC GATEWAY LLC	P	5,408,156	
(5) DEACONESS HEALTH PLANS LLC	P	169,229	
(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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CONSOLIDATED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2011 AND 2010

CLAY ADVISORS



# DEACONESS HEALTH SYSTEM, INC.

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Blue & Co., LLC - Deaconess Health System, Inc. 2200 3rd Street, Evansville, IN 47712  
317-633-1755 • 317-633-6089 • blue@blue-co.com

## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
Deaconess Health System, Inc  
Evansville, Indiana

We have audited the consolidated balance sheets of Deaconess Health System, Inc. (System) as of September 30, 2011 and 2010 and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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 the System as of September 30, 2011 and 2010 and the consolidated results of its operations, changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The supplementary information listed in the accompanying table of contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, changes in net assets and cash flows of the individual entities, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Blue & Co., LLC*

December 15, 2011

# DEACONESS HEALTH SYSTEM, INC.

## CONSOLIDATED BALANCE SHEETS SEPTEMBER 30, 2011 AND 2010

<b>ASSETS</b>		
	<u>2011</u>	<u>2010</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 59,961,722	\$ 56,093,410
Funds held by trustee, current portion	7,247,329	32,280,782
Patient accounts receivable, less allowance for estimated uncollectible amounts of \$36,345,000 in 2011 and \$27,845,000 in 2010	119,897,554	113,787,194
Inventories	5,169,428	6,110,441
Prepaid expenses and other current assets	12,072,572	12,498,906
Total current assets	<u>204,348,605</u>	<u>220,770,733</u>
<b>Investments limited as to use, less current portion</b>		
Board designated funds	180,044,293	148,124,612
Funds held by trustee	-0-	3,503,922
Temporarily restricted	8,353,428	8,130,489
Total investments limited as to use	<u>188,397,721</u>	<u>159,759,023</u>
<b>Property and equipment</b>		
Land and improvements	18,026,313	17,967,232
Buildings and fixed equipment	453,372,349	399,131,262
Movable equipment	203,373,194	194,671,499
	<u>674,771,856</u>	<u>611,769,993</u>
Less allowances for depreciation	384,842,904	351,694,604
	<u>289,928,952</u>	<u>260,075,389</u>
Construction in progress	69,578,108	90,473,250
Total property and equipment, net	<u>359,507,060</u>	<u>350,548,639</u>
<b>Other assets</b>		
Deferred financing costs	2,754,780	2,933,648
Investments in joint ventures and other	51,596,649	51,927,242
Total other assets	<u>54,351,429</u>	<u>54,860,890</u>
Total assets	<u><u>\$ 806,604,815</u></u>	<u><u>\$ 785,939,285</u></u>

See accompanying notes to consolidated financial statements



# DEACONESS HEALTH SYSTEM, INC.

## CONSOLIDATED BALANCE SHEETS SEPTEMBER 30, 2011 AND 2010

### LIABILITIES AND NET ASSETS

	2011	2010
<b>Current liabilities</b>		
Accounts payable and other current liabilities	\$ 34,586,775	\$ 41,785,507
Salaries, wages and related liabilities	30,380,298	27,076,112
Estimated third-party payor settlements	6,273,267	5,525,997
Accrued interest	1,076,281	1,022,831
Line of credit	1,131	1,520,188
Current portion of long-term debt	10,257,530	9,241,622
Total current liabilities	82,575,282	86,172,257
<b>Long-term liabilities</b>		
Long-term debt, less current portion	228,251,902	235,411,006
Other long-term liabilities	69,426,151	60,962,306
Total long-term liabilities	297,678,053	296,373,312
Total liabilities	380,253,335	382,545,569
<b>Net assets</b>		
Unrestricted	408,544,371	386,970,013
Temporarily restricted	8,353,428	8,130,489
Net assets - controlling interest	416,897,799	395,100,502
Non-controlling interest	9,453,681	8,293,214
Total net assets	426,351,480	403,393,716
Total liabilities and net assets	<u>\$ 806,604,815</u>	<u>\$ 785,939,285</u>

See accompanying notes to consolidated financial statements

# DEACONESS HEALTH SYSTEM, INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
<b>Unrestricted revenue and other support</b>		
Net patient service revenue	\$ 620,370,570	\$ 596,147,857
Other revenue	26,360,537	23,620,391
Total unrestricted revenue and other support	646,731,107	619,768,248
<b>Expenses</b>		
Salaries and wages	239,543,636	231,983,800
Employee benefits	63,330,590	61,935,271
Supplies	110,157,178	105,977,878
Contract services	67,034,869	67,103,228
Repairs and maintenance	19,266,601	19,692,800
Provision for bad debts	29,515,858	26,567,615
Depreciation and amortization	36,192,720	37,064,471
Interest	9,309,117	6,703,105
Utilities	13,176,217	12,155,122
Other	29,013,504	28,414,384
Total expenses	616,540,290	597,597,674
Income from operations	30,190,817	22,170,574
<b>Nonoperating gain</b>		
Investment income and other nonoperating	6,249,827	4,592,610
Excess revenues over expenses	36,440,644	26,763,184
<b>Other changes in unrestricted net assets</b>		
Net unrealized gain (loss) on investments	(3,792,012)	7,507,505
Pension related changes other than net periodic pension cost	(3,997,956)	7,620,595
Other changes in unrestricted net assets	200,000	-0-
Change in unrestricted net assets	28,850,676	41,891,284
<b>Temporarily restricted net assets</b>		
Contributions, gifts and bequests	1,293,267	1,683,531
Net unrealized gain on investments	228,224	332,163
Investment income	341,281	91,609
Net assets released from restriction	(1,639,833)	(1,410,601)
Change in temporarily restricted net assets	222,939	696,702
<b>Consolidated change in net assets</b>	29,073,615	42,587,986
Less amount attributable to non-controlling interest	(7,276,318)	(4,703,236)
Change in net assets attributable to controlling interest	\$ 21,797,297	\$ 37,884,750

See accompanying notes to consolidated financial statements

# DEACONESS HEALTH SYSTEM, INC.

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS YEARS ENDED SEPTEMBER 30, 2011 AND 2010

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	Controlling Interest	Non-controlling Interest	Total
<b>Net assets</b>			
September 30, 2009	\$ 357,215,752	\$ 7,595,959	\$ 364,811,711
Change in net assets	37,884,750	4,703,236	42,587,986
Contributions	-0-	255,286	255,286
Distributions	-0-	(4,261,267)	(4,261,267)
September 30, 2010	395,100,502	8,293,214	403,393,716
Change in net assets	21,797,297	7,276,318	29,073,615
Distributions	-0-	(6,115,851)	(6,115,851)
September 30, 2011	<u>\$ 416,897,799</u>	<u>\$ 9,453,681</u>	<u>\$ 426,351,480</u>

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See accompanying notes to consolidated financial statements

# DEACONESS HEALTH SYSTEM, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
<b>Operating activities</b>		
Change in net assets	\$ 29,073,615	\$ 42,587,986
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	36,192,720	37,064,471
Provision for bad debts	29,515,858	26,567,615
Net realized and unrealized (gain) loss on investments	2,956,670	(7,546,941)
Loss on disposal of assets	598,793	166,138
Amortization of deferred financing costs and original issue discount	237,872	255,298
Pension related changes other than net periodic pension cost	3,997,956	(7,620,595)
Changes in operating assets and liabilities		
Patient accounts receivable	(35,626,218)	(33,670,580)
Other current assets	1,367,347	(2,113,847)
Accounts payable and other current liabilities	(7,198,732)	2,184,648
Salaries, wages and related liabilities	3,304,186	72,913
Estimated third-party payor settlements	747,270	3,908,553
Accrued interest	53,450	(23,684)
Pension liability and other	4,465,889	3,488,850
Net cash flows from operating activities	69,686,676	65,320,825
<b>Investing activities</b>		
Purchases of property and equipment	(42,279,587)	(76,311,502)
Proceeds from disposal of assets	33,467	-0-
Transfers to/from trusteed assets for principal, interest and construction draws	28,537,375	45,524,551
Purchases of investments	(113,585,944)	(95,445,379)
Proceeds from sale of investments	78,486,654	97,490,014
Change in investments in joint ventures and other	330,593	1,424,489
Net cash flows from investing activities	(48,477,442)	(27,317,827)
<b>Financing activities</b>		
Receipts from non-controlling interest investors	-0-	255,286
Distributions to non-controlling interest investors	(6,115,851)	(4,261,267)
Payments on line of credit, net	(1,519,057)	(4,706,015)
Payments on long-term debt	(9,706,014)	(9,285,325)
Net cash flows from financing activities	(17,340,922)	(17,997,321)
Change in cash and cash equivalents	3,868,312	20,005,677
<b>Cash and cash equivalents</b>		
Beginning of year	56,093,410	36,087,733
End of year	<u>\$ 59,961,722</u>	<u>\$ 56,093,410</u>

See accompanying notes to consolidated financial statements

# DEACONESS HEALTH SYSTEM, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

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### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Operations

Deaconess Health System, Inc (System) is granted the authority to provide overall direction and control of its subsidiaries, the most significant of which is Deaconess Hospital, Inc through the bylaws of the System and its subsidiaries

Deaconess Hospital, Inc (Hospital), located in Evansville, Indiana, is a general acute care facility with an operational capacity of 541 beds and associated ancillary service departments

On October 1, 2008, Deaconess Clinic, Inc (Clinic) was formed as a new subsidiary corporation of the System. The Clinic is comprised of the Deaconess employed primary care physicians known as Deaconess Medical Group and the former Welborn Clinic, a multi-specialty physician group

The Hospital holds majority ownership interests in the following entities

- The Heart Hospital at Deaconess Gateway, LLC – 51%
- Heartcare Health System, LLC – 70%
- Progressive Health of Indiana, LLC – 51%
- Tri-State Radiation Oncology, LLC – 51%
- Deaconess Health Plans, LLC – 93%

The Heart Hospital at Deaconess Gateway, LLC is a 24 bed cardiovascular hospital providing a full spectrum of heart care such as, preventative care, medical care, emergent care, diagnostic testing, cardiovascular procedures, cardiovascular surgery and cardiac rehabilitation on an outpatient and inpatient basis

Heartcare Health System, LLC facilitates collaboration on cardiac services with emphasis on cost reduction and quality improvement

Progressive Health of Indiana, LLC provides physical, occupational and speech therapy services

Tri-State Radiation Oncology, LLC provides oncology services

Deaconess Health Plans, LLC is a preferred provider organization – managed care network

# DEACONESS HEALTH SYSTEM, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

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### Principles of Consolidation

The consolidated financial statements include the accounts of Deaconess Health System, Inc and its wholly owned and controlled subsidiaries. All material inter-company accounts and transactions have been eliminated in consolidation.

### Investments in Joint Ventures

The Hospital is a 50% owner in a joint venture (Deaconess Women's Hospital of Southern Indiana, LLC d/b/a The Women's Hospital) dedicated to providing healthcare services for women. The Hospital recorded an investment in The Women's Hospital of approximately \$2,612,000 and \$2,379,000 as of September 30, 2011 and 2010, respectively.

The Hospital holds a 50% ownership interest in an ambulatory surgery center (Evansville Surgery Center Associates, LLC). The Hospital recorded an investment in Evansville Surgery Center Associates, LLC of approximately \$10,478,000 and \$11,582,000 as of September 30, 2011 and 2010, respectively.

The Hospital also holds a 22% ownership interest in an 80-bed rehabilitation facility (HealthSouth/Deaconess, LLC, d/b/a HealthSouth Deaconess Rehabilitation Hospital). The Hospital recorded an investment in the HealthSouth Deaconess Rehabilitation Hospital of approximately \$4,339,000 and \$4,128,000 as of September 30, 2011 and 2010, respectively.

Investments in organizations where the System's ownership percentage is equal to or less than 50% are included in investments in joint ventures and other assets on the consolidated balance sheets. The System's portion of income from unconsolidated organizations is reported with other revenue and was approximately \$14,368,000 and \$10,523,000 for 2011 and 2010, respectively.

### Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including the allowance for estimated uncollectible accounts, estimated third-party payor settlements, defined pension plan obligations and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period and could differ from actual results.

# DEACONESS HEALTH SYSTEM, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

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### Charity Care, Community Benefit and Assistance to the Uninsured

The System provides care to patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the System. Essentially, these policies define charity services as those services for which no payment or reduced payment based upon a graduated scale, is anticipated, up to 300% of Federal Poverty Income Guidelines, published by the Department of Health and Human Services and where incurred charges are considered significant when compared to the income of the patient. Because collection of amounts determined to qualify as charity care is not pursued, such amounts are not reported as revenue.

The System enhanced its charity care policy to more accurately reflect current economic conditions and other factors unique to the System's customer base. Charity care provided during 2011 and 2010, measured at established rates, was approximately \$81,453,000 and \$61,118,000, respectively. In addition, other programs and services for the benefit of the community are provided. The costs of these programs are included in operating expenses. The System receives reimbursements from certain governmental payors to assist in the funding of charity care.

The System has a policy for uninsured patients with discounted rates similar to contractual payors. Uninsured self pay discounts provided to patients were approximately \$2,949,000 and \$2,149,000 in 2011 and 2010, respectively.

### Statements of Cash Flows

Cash and cash equivalents are defined as investments in highly liquid debt instruments with an original maturity of three months or less, excluding amounts whose use is limited by arrangements under trust agreements, board designation or by donors. The System maintains its cash in accounts, which at times may exceed federally insured limits. The policy of the System is to collateralize deposits. The System has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash and cash equivalents.

# DEACONESS HEALTH SYSTEM, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

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Additional cash flows information for 2011 and 2010 is as follows,

	2011	2010
Supplemental cash flows information		
Cash paid for interest, net of capitalized interest	\$ 9,256,000	\$ 6,727,000
Interest expense capitalized	\$ 911,000	\$ 3,747,000
Interest income capitalized	\$ 134,000	\$ 569,000
Property and equipment in liabilities	\$ 1,071,000	\$ 2,205,000
Equipment acquired through capital leases	\$ 3,504,000	\$ -0-

### Patient Accounts Receivable, Estimated Third-Party Payor Settlements and Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others (principally insurers) for services rendered. Estimated retroactive adjustments under reimbursement agreements with certain third-party payors are included with estimated third-party payor settlements. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Management estimates an allowance for uncollectible accounts receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to the System's customer base.

### Inventories

Inventories (principally pharmaceuticals and medical supplies) are stated at the lower of cost (first in, first out) or market.

### Property and Equipment and Depreciation

Property and equipment are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset using the straight-line method. Equipment under capital leases is amortized on the straight-line method over the lease term or the estimated useful life of the equipment, if shorter. Amortization is included with depreciation.



# DEACONESS HEALTH SYSTEM, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

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### Investments Limited as to Use

Investments are stated at fair value. Dividends, interest income and realized gains and losses on sales of investments are recorded as nonoperating investment income. Unrealized gains (losses) on investments are reported as other changes in net assets in the consolidated statements of operations and changes in net assets.

Investments consist of short-term investments (principally money market mutual funds), US Government and government agency obligations, marketable debt securities (corporate bonds and fixed income mutual funds), marketable equity securities (common and preferred corporate stock, equity mutual funds and private equity investments) and guaranteed investment contracts. Fair values for investments are based on quoted market prices. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Private equity investments consist of limited partnerships investing in common stock of small and medium capitalization companies. Investments in those limited partnerships are reported at fair value as determined by the individual manager of each partnership. Although the manager uses its best judgment in estimating the fair value of the investments in the investment funds, there are inherent limitations in any estimation technique. Therefore, the values reported are not necessarily indicative of the amount that the investments funds could realize in a current transaction.

These estimated values may differ significantly from the values that would have been used had a ready market for the investments in the investment funds existed and the difference could be material. Private equity investments totaled approximately \$5,049,000 (2.6% of investment portfolio) and \$2,655,000 (1.4% of investment portfolio) as of September 30, 2011 and 2010, respectively.

Investments limited as to use include assets held by trustees under indenture agreements and amounts set aside by the Board of Directors for future capital improvements and retirement of debt over which the Board retains control and may at its discretion subsequently designate for other purposes. Amounts required to meet current liabilities of the System have been classified as current assets.

### Deferred Financing Costs

Costs incurred in connection with the issuance of debt are amortized over the term of the related debt using the bonds outstanding method.

# DEACONESS HEALTH SYSTEM, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

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### Goodwill

As of September 30, 2011 and 2010, the System recorded goodwill of approximately \$23,000,000 respectively, related to the acquisition of majority owned entities. Goodwill is included within investments in joint ventures and other assets on the consolidated balance sheets.

The Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Not-for-Profit Entities topic related to goodwill was amended for the System's fiscal year beginning October 1, 2010. Under the amended guidance, goodwill is no longer amortized but is tested for impairment on an annual basis, or whenever an event occurs or circumstances indicate the carrying value of the goodwill may be impaired. The System performed the required annual impairment test for goodwill as of September 30, 2011 using the discounted cash flows approach. The System determined no impairment of goodwill existed as of September 30, 2011. During 2010, under the previous guidance, goodwill was amortized over an estimated useful life. The System recognized amortization of goodwill of approximately \$413,500 in 2010.

### Medical Malpractice

Malpractice insurance coverage is provided under a claims-made policy. Should the claims-made policy be terminated, the Hospital has the option to purchase insurance for claims having occurred during its term but reported subsequently. Prior to July 1, 1999, the Indiana Medical Malpractice Act (Act) provided for a maximum recovery of \$750,000 per occurrence (\$3,000,000 annual aggregate) for professional liability, \$100,000 of which would be paid through the Hospital's malpractice insurance coverage and the balance would be paid by the State of Indiana Patient Compensation Fund. For claims on or after July 1, 1999, the Act provides for a maximum recovery of \$1,250,000 per occurrence (\$7,500,000 annual aggregate) with the first \$250,000 covered by the Hospital's insurance and the remainder by the Fund.

Effective October 1, 2003, the System became a member in a Vermont captive insurance company, Indiana Healthcare Reciprocal Risk Retention Group, to fund the Hospital's required portion of the professional, physician insurance coverage pursuant to the Act as well as its general liability insurance and excess coverage. This provides protection from liability in an amount not to exceed \$250,000 per incident and aggregate liability protection not to exceed \$7,500,000 per year. In addition, the Hospital maintains a commercial umbrella/excess liability policy with a limit of \$15,000,000 each occurrence, \$15,000,000 aggregate per member and \$30,000,000 total policy aggregate.

# DEACONESS HEALTH SYSTEM, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

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### Performance Indicator

The consolidated statements of operations contain a performance indicator, excess revenues over expenses. Consistent with industry practice, unrealized gain and loss on other than trading investments, pension related changes other than net periodic pension cost, equity transfers, contributions restricted for long-term purposes and certain other items are excluded from the performance indicator.

### Pension Plan

The System's defined benefit pension plan covers substantially all employees. The benefits are based on years of service and each employee's compensation during the years of employment. Contributions to the plan include amortization of past service costs plus interest thereon over approximately ten years and are currently funded.

### Income Taxes

The System, Hospital and Clinic are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (Code) and are exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Code. However, they are required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the System and recognize a tax liability if the System has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the System and has concluded that as of September 30, 2011 and 2010, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements. The System is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress.

The remaining consolidated subsidiaries are organized as limited liability companies, whereby net taxable income is taxed directly to the members of the limited liability companies. Thus, the consolidated financial statements do not include any provision for Federal or State income taxes related to these entities.

# DEACONESS HEALTH SYSTEM, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

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These entities have filed their federal and state income tax returns for periods through their most recent fiscal year ends (primarily December 31, 2010). These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

### Temporarily Restricted Net Assets

Temporarily restricted net assets include those assets whose use by the System has been temporarily limited primarily for capital projects or a specified time period or purpose. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of operations and changes in net assets as net assets released from restriction, which is included with other revenue. The following is a summary of temporarily restricted net assets as of September 30, 2011 and 2010:

	2011	2010
Education and scholarship	\$ 5,049,358	\$ 4,705,695
Capital and Hospital specific	2,604,106	2,726,156
Tribute	699,964	698,638
	<u>\$ 8,353,428</u>	<u>\$ 8,130,489</u>

### Advertising Costs

Advertising costs are expensed as incurred. Total expense for 2011 and 2010 was approximately \$1,991,000 and \$1,744,000, respectively.

### Functional Expenses

The System provides health care services to patients in the community and the surrounding areas. Health care services and other certain related expenses were approximately \$564,790,000 and \$547,438,000 for 2011 and 2010, respectively. General and administrative expenses were approximately \$51,750,000 and \$50,160,000 for 2011 and 2010, respectively.

### Reclassification

Certain 2010 amounts in the consolidated financial statements have been reclassified to conform to the 2011 presentation. The effect of these reclassifications had no effect on previously reported change in net assets or net assets.

# DEACONESS HEALTH SYSTEM, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

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### Subsequent Events

The System evaluated events or transactions occurring subsequent to the consolidated balance sheet date for recognition and disclosure in the accompanying consolidated financial statements through the date the consolidated financial statements are issued which is December 15, 2011

## 2. NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows

### Medicare

Inpatient acute care services, outpatient services and physician services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic and other factors. Certain outpatient services and defined medical education costs related to Medicare beneficiaries are paid based on cost reimbursement methodologies. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. Inpatient non-acute care services are generally reimbursed based upon cost reimbursement methodologies.

### Medicaid

Medicaid services are paid at prospectively determined rates per day or per discharge for inpatients or per occasion of service for outpatients. To the extent that services to Medicare and Medicaid program beneficiaries are reimbursed based on cost reimbursement methodologies, final settlement is determined after submission of annual cost reports and audits thereof by the fiscal intermediary.

Estimates for final settlements of all unaudited Medicare and Medicaid cost reports through September 30, 2011 have been recorded. Cost reports through September 30, 2006 have been audited and settled as of September 30, 2011.

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

# DEACONESS HEALTH SYSTEM, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

A reconciliation of the amount of services provided to patients at established rates to net patient service revenue as presented in the consolidated statements of operations for 2011 and 2010 is as follows

	2011	2010
Patient service revenue	\$ 1,678,276,588	\$ 1,540,936,504
Adjustments		
Charity care revenue foregone	81,452,985	61,118,395
Uninsured self pay discounts	2,948,832	2,148,891
Contractual adjustments	973,504,201	881,521,361
Total adjustments	1,057,906,018	944,788,647
Net patient service revenue	\$ 620,370,570	\$ 596,147,857

Changes to any previous year's estimated settlement are reflected in the period the intermediary finalizes its audit of cost reports, or when additional information becomes available. Settlements related to prior year cost reports resulted in no change to net patient service revenue in 2011 and 2010.

The following is mix of gross patient accounts receivable and gross patient service revenue for 2011 and 2010.

	Receivable		Revenue	
	2011	2010	2011	2010
Medicare	26%	24%	45%	45%
Medicaid	9%	8%	10%	9%
Commercial and managed care	41%	45%	39%	40%
Self pay and other	24%	23%	6%	6%
	100%	100%	100%	100%

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term.

# DEACONESS HEALTH SYSTEM, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

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### 3. LONG-TERM DEBT

The following is a summary of long-term debt as of September 30, 2011 and 2010

	2011	2010
Hospital Revenue Bonds, Series 1992 Serial bonds, payable annually from January 2004 through January 2022 in amounts ranging from \$600,000 to \$1,700,000 plus interest at variable rates ( 13% and 27% as of September 30, 2011 and 2010, respectively)	\$ 13,800,000	\$ 14,600,000
Hospital Revenue Refunding Bonds, Series 1993 Variable Rate Certificates with maturities beginning in 2004 and ending in 2015, interest rate at SIFMA plus 125 basis points (1 43% and 1 78% as of September 30, 2011 and 2010, respectively)	11,140,000	13,950,000
Hospital Revenue Refunding Bonds, Series 1999A Term bonds, payable from March 2010 through March 2029 in amounts ranging from \$605,000 to \$1,715,000 with interest, rates ranging from 5 50% to 5 75%	20,270,000	20,910,000
Hospital Revenue Bonds, Series 1999B (taxable) Serial bonds, payable annually from January 2003 through January 2019 in amounts ranging from \$600,000 to \$1,600,000 plus interest at variable rates ( 36% and 30% as of September 30, 2011 and 2010, respectively)	10,200,000	11,200,000
Hospital Revenue Bonds, Series 2004A Term bonds, payable from March 2020 through March 2034 in amounts ranging from \$440,000 to \$8,065,000 with interest, rates ranging from 5 00% to 5 375%	54,765,000	54,765,000
Hospital Revenue Bonds, Series 2004B Serial bonds, payable annually from January 2010 through January 2029 in amounts ranging from \$870,000 to \$1,720,000 plus interest at variable rates ( 16% and 28% as of September 30, 2011 and 2010, respectively)	23,225,000	24,130,000
Hospital Revenue Bonds, Series 2009A Term bonds, payable annually from March 2020 through March 2039 in amounts ranging from \$55,000 to \$12,110,000 with interest, fixed rate 6 75%	57,340,000	57,340,000

# DEACONESS HEALTH SYSTEM, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

	2011	2010
Hospital Revenue Bonds, Series 2009B		
Serial bonds, payable annually from March 2016 through March 2039 in amounts ranging from \$195,000 to \$2,855,000 plus interest at variable rates ( 19% and 28% as of September 30, 2011 and 2010, respectively)	\$ 40,000,000	\$ 40,000,000
Original issue discounts and premiums, net	(1,474,081)	(1,533,085)
Capital lease obligations, payable in installments ranging from \$3,900 to \$385,000 with interest ranging from 5% to 11%, expiring through November 2015, secured by equipment	6,572,522	5,858,590
Notes payable, due in monthly installments through October 2014, interest ranging from 4 85% to 8 00%, secured by equipment	2,670,991	3,432,123
	238,509,432	244,652,628
Less current portion	10,257,530	9,241,622
Long-term debt, net of current portion	\$ 228,251,902	\$ 235,411,006

In 2004, the Hospital refinanced its existing Series 1993 Fixed Rate Bonds through the issuance of Variable Rate Certificates. As part of the refinancing:

- The Hospital obtained the appropriate approvals and documented amendments from the Trustee and called the Series 1993 Fixed Rate Bonds at the first optional call date in 2004 from the current bondholders, paying a call premium of 102
- The Hospital sold the Series 1993 Fixed Rate Bonds to an unrelated third-party Financial Institution
- The Financial Institution sold the Series 1993 Fixed Rate Bonds to a Trust (also a subsidiary of the Financial Institution)
- The Trust issued variable certificates, which will be remarketed and repriced weekly. Variable certificate holders will have the right to put their ownership interest in the Trust on a weekly basis at par
- The Hospital entered into a Total Return Distribution Agreement with the Financial Institution under which the Hospital receives the fixed rate on the Series 1993 Fixed Rate Bonds and pays a variable rate equal to the SIFMA Index plus 125 basis points. This Agreement also includes a total return payment at termination equal to any gain (paid by the Financial Institution) or loss (paid by the Hospital) in the value of the Series 1993 Fixed Rate Bonds.



# DEACONESS HEALTH SYSTEM, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

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The Hospital still bears the risks and rewards of ownership due to the nature of the Total Return Distribution Agreement as discussed above which expires September 2013. The net result of this series of transactions is that the Hospital converted its old fixed rate debt to lower variable rate debt with substantial future savings.

In addition, both the Total Return Distribution Agreement between the Hospital and the Financial Institution and the Financial Institution's residual interest in the Trust are considered derivative instruments and marked to market in accordance with the appropriate FASB ASC topic each period. The fair value of the derivative instruments are deemed immaterial. Therefore, any further fair value disclosures related to the derivative instruments are not included in these consolidated financial statements.

The Series 1993 Bonds fell below par value and the System transferred approximately \$800,000 to a restricted account to serve as collateral. This amount is included in funds held by trustee on the consolidated balance sheet as of September 30, 2011 and 2010.

The fair value of the fixed rate Hospital Revenue and Revenue Refunding Bonds (Series 1999A, 2004A and 2009A) approximated \$138,005,000 (carrying value of \$132,375,000) as of September 30, 2011. The fair value of the fixed rate obligations is estimated using discounted cash flow analyses, based on the Hospital's current incremental borrowing rates for similar types of borrowing arrangements. The fair value of variable rate debt (Series 1992, 1999B, 2004B, 2009B and Variable Rate Certificates) approximates its carrying value based on the underlying nature of the related debt.

Interest rates for the variable rate Series 1992, 1999B, 2004B and 2009B bonds and the Variable Rate Certificates are determined on a weekly basis. As provided in the bond agreements, the interest rate determination is subject to conversion, as elected by the Hospital, to other interest modes which determine the frequency, dates, and calculation of interest payments. In addition, bondholders have the option to present the Series 1992 or 1999B bonds for purchase at various times during the year. Commercial banks have agreed, pursuant to two separate Standby Purchase and Credit Agreements (Agreements), to provide liquidity support should any of the Series 1992 or 1999B bonds presented by bondholders for purchase not be remarketed. The Agreements are subject to renegotiations and renewals.

# DEACONESS HEALTH SYSTEM, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

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The Series 1992 letter of credit, in the amount of approximately \$13,800,000 with no outstanding balance as of September 30, 2011 expires in August 2013. In the event of a failed remarketing, a liquidity advance bears interest at the bank's prime rate plus 1%, payable monthly. Principal on the liquidity advance is due in twelve equal quarterly installments beginning 367 days after the liquidity advance. Reimbursements of other than liquidity drawings are due on the date such drawing is honored.

The Series 1999B letter of credit, in the amount of approximately \$10,200,000 with no outstanding balance as of September 30, 2011 expires in July 2014. In the event of a liquidity drawing, the System will reimburse the bank in quarterly installments through the termination date unless the bonds are remarketed, redeemed or purchased at which time the liquidity advance is due. Reimbursements of other than liquidity drawings are due on the date such drawing is honored.

The Series 2004B letter of credit, in the amount of approximately \$23,225,000 with no outstanding balance as of September 30, 2011 expires in August 2013. Any liquidity advance is due at the earlier of the stated expiration date of the letter of credit (August 2013), the date the pledged bonds are redeemed pursuant to the bond indenture, the date the pledged bonds are remarketed or purchased by the Hospital or the date an alternative credit facility is issued. Principal on the liquidity advance is due in twelve equal quarterly installments beginning 367 days after the liquidity advance. Reimbursements of other than liquidity drawings are due on the date such drawing is honored.

The Series 2009B letter of credit, in the amount of approximately \$40,000,000 with no outstanding balance as of September 30, 2011 expires in July 2014. Any liquidity advance is due at the earlier of the stated expiration date of the letter of credit (June 2014), the date the pledged bonds are redeemed pursuant to the bond indenture, the date the pledged bonds are remarketed or purchased by the Hospital or the date an alternative credit facility is issued. Reimbursements of other than liquidity drawings are due on the date such drawing is honored.

Additionally, the Series 1992, 1999A, 1999B, 2004A, 2004B, 2009A and 2009B bonds and the Variable Rate Certificates are secured by a security interest in the Hospital's revenue. The System covenants that it will not permit any lien or security interest on the Hospital facility other than certain permitted encumbrances. In addition, the various agreements require maintenance of certain debt service income ratios, limit additional borrowings, and require compliance with various other restrictive covenants.

# DEACONESS HEALTH SYSTEM, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

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The asset cost on the capital leased assets as of September 30, 2011 and 2010 was approximately \$13,272,000 and \$12,661,000, respectively. The accumulated amortization on the capital leased assets as of September 30, 2011 and 2010 was approximately \$6,230,000 and \$3,259,000, respectively.

As of September 30, 2011, the System had no significant construction commitments.

Aggregate maturities of long-term debt are as follows:

Year Ending September 30,	
2012	\$ 10,257,530
2013	10,246,164
2014	8,664,891
2015	6,308,121
2016	4,736,807
Thereafter	<u>198,295,919</u>
	<u>\$ 238,509,432</u>

Subsequent to September 30, 2011, the System refinanced the Series 1999A Bonds with Series 2011A Bonds issued for \$20,075,000 due through 2029 with fixed rates ranging from 2.5% to 6.0%. The annual principal amounts between the Series 1999A Bonds and Series 2011A Bonds are similar.

# DEACONESS HEALTH SYSTEM, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

### 4. INVESTMENTS

Investments at fair value consisted of the following as of September 30

	2011	2010
Board designated funds		
Cash and short-term investments	\$ 591,494	\$ 6,861,972
Common stock	22,043,184	20,276,401
Mutual funds	96,132,236	58,027,985
US Government and government agency obligations	18,048,393	19,959,599
Corporate bonds	37,769,979	39,941,999
Private equity	5,049,449	2,655,254
Accrued interest and other	409,558	401,402
	<u>180,044,293</u>	<u>148,124,612</u>
Funds held by trustee		
Cash and short-term investments	1,687,395	13,107,751
Guaranteed investment contracts	-0-	17,030,927
US Government and government agency obligations	5,559,934	5,646,026
	<u>7,247,329</u>	<u>35,784,704</u>
Less current portion	<u>7,247,329</u>	<u>32,280,782</u>
	-0-	3,503,922
Temporarily restricted		
Cash and short-term investments	164,989	252,936
Common stock	1,271,493	1,347,775
Mutual funds	5,720,205	5,726,809
US Government and government agency obligations	953,936	793,515
Accrued interest and other	242,805	9,454
	<u>8,353,428</u>	<u>8,130,489</u>
Investments limited as to use, net	<u>\$ 188,397,721</u>	<u>\$ 159,759,023</u>

Investments reported as current assets are those that the System has made available for use in operations within the next twelve months. Investments limited as to use that are required for obligations classified as current liabilities are also reported in current assets.

# DEACONESS HEALTH SYSTEM, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

A detail of investment income and other nonoperating for 2011 and 2010 is as follows

	2011	2010
Interest and dividends	\$ 6,241,502	\$ 5,051,475
Net realized gain (loss)	607,118	(292,727)
Investment income, net	6,848,620	4,758,748
Loss on disposal of assets	(598,793)	(166,138)
	<u>\$ 6,249,827</u>	<u>\$ 4,592,610</u>

The following schedule summarizes the fair value of securities included in investments limited as to use that have gross unrealized losses (the amount by which historical cost exceeds the fair value) as of September 30, 2011 and 2010. The schedule further segregates the securities that have been in a gross unrealized position as of September 30, 2011 and 2010, for less than twelve months and those for twelve months or more. The gross unrealized losses of less than twelve months are a reflection of the normal fluctuations of the market and are therefore considered temporary.

The gross unrealized losses of twelve months or longer are reflective of current market fluctuations. The majority of the decline is attributable to several securities which industry experts expect recovery in the short-term future. These individual investments have projected recoveries in value in 2012. The decline in value is determined by management to be temporary, and unrealized losses have not been reclassified to realized losses as of September 30, 2011 and 2010. During 2010, the System did reclassify unrealized losses of approximately \$2,015,000 to realized losses for other than temporary impairment of investments.

Description of Securities	September 30, 2011					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
US Government and government agency obligations	\$ 1,350,867	\$ 23,362	\$ 10,174	\$ 390	\$ 1,361,041	\$ 23,752
Marketable debt securities	33,779,197	1,025,390	2,692,444	80,938	36,471,641	1,106,328
Marketable equity securities	15,041,722	1,688,805	31,243,215	6,576,729	46,284,937	8,265,534
Total temporarily impaired securities	<u>\$ 50,171,786</u>	<u>\$ 2,737,557</u>	<u>\$ 33,945,833</u>	<u>\$ 6,658,057</u>	<u>\$ 84,117,619</u>	<u>\$ 9,395,614</u>

# DEACONESS HEALTH SYSTEM, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

Description of Securities	September 30, 2010					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
US Government and government agency obligations	\$ 1,574,306	\$ 6,786	\$ -0-	\$ -0-	\$ 1,574,306	\$ 6,786
Marketable debt securities	5,267,374	99,056	134,064	27,599	5,401,438	126,655
Marketable equity securities	897,406	118,979	32,170,595	5,562,816	33,068,001	5,681,795
Total temporarily impaired securities	<u>\$ 7,739,086</u>	<u>\$ 224,821</u>	<u>\$ 32,304,659</u>	<u>\$ 5,590,415</u>	<u>\$ 40,043,745</u>	<u>\$ 5,815,236</u>

The System's investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying consolidated financial statements.

## 5. FAIR VALUE MEASUREMENTS

Major classes of assets and liabilities that are measured at fair value are categorized according to a fair value hierarchy that prioritizes the inputs to value techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Level 1 inputs are readily determinable using unadjusted quoted prices for identical assets or liabilities in active markets. Level 2 inputs are derived from quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets (other than those included in Level 1) which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable. If the inputs used fall within different levels of the hierarchy, the categorization is based upon the lowest level input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for level 3 assets measured at fair value:

Guaranteed investment contracts are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit worthiness of the issuer.

# DEACONESS HEALTH SYSTEM, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

Private equity investments, consisting of mainly limited partnerships, are valued at the percentage ownership of the net asset value as reported to the System by the individual managers. The limited partnerships invest in a variety of domestic and foreign equity and debt securities, managed accounts and other investment vehicles that employ diversified styles and strategies.

Assets and liabilities measured at fair value on a recurring basis as of September 30, 2011 and 2010 are as follows:

	September 30, 2011			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Investments limited as to use				
Common stock				
Consumer	\$ 6,192,511	\$ 6,192,511	\$ -0-	\$ -0-
Financial services	3,787,908	3,787,908	-0-	-0-
Industrial	3,401,834	3,401,834	-0-	-0-
Technology	3,769,918	3,769,918	-0-	-0-
Other	6,162,506	6,162,506	-0-	-0-
Total common stock	23,314,677	23,314,677	-0-	-0-
Mutual funds				
Intermediate term bond	59,138,996	59,138,996	-0-	-0-
International equity	9,954,790	9,954,790	-0-	-0-
Large cap	18,339,899	18,339,899	-0-	-0-
Small cap	14,418,756	14,418,756	-0-	-0-
Total mutual funds	101,852,441	101,852,441	-0-	-0-
US Government and government agency obligations	24,562,263	24,562,263	-0-	-0-
Corporate bonds				
Financial services	14,224,594	-0-	14,224,594	-0-
Industrial	6,267,542	-0-	6,267,542	-0-
Other	17,277,843	-0-	17,277,843	-0-
Total corporate bonds	37,769,979	-0-	37,769,979	-0-
Private equity	5,049,449	-0-	-0-	5,049,449
	192,548,809	\$ 149,729,381	\$ 37,769,979	\$ 5,049,449
Cash and short-term investments	2,443,878			
Accrued interest and other	652,363			
	<u>\$ 195,645,050</u>			

# DEACONESS HEALTH SYSTEM, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

	September 30, 2010			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Investments limited as to use				
Common stock	\$ 21,624,176	\$ 21,624,176	\$ -0-	\$ -0-
Mutual funds	63,754,794	63,754,794	-0-	-0-
US Government and government agency obligations	26,399,140	26,399,140	-0-	-0-
Corporate bonds	39,941,999	-0-	39,941,999	-0-
Guaranteed investment contracts	17,030,927	-0-	-0-	17,030,927
Private equity	2,655,254	-0-	-0-	2,655,254
	<u>171,406,290</u>	<u>\$ 111,778,110</u>	<u>\$ 39,941,999</u>	<u>\$ 19,686,181</u>
Cash and short-term investments	20,222,659			
Accrued interest and other	410,856			
	<u>\$ 192,039,805</u>			

The following table sets forth a summary of changes in the fair value of level 3 assets for the years ended September 30, 2011 and 2010

	2011		2010	
	Guaranteed Investment Contracts	Private Equity	Guaranteed Investment Contracts	Private Equity
Beginning of year	\$ 17,030,927	\$ 2,655,254	\$ 61,573,630	\$ 4,172,254
Unrealized and realized gain (loss)	-0-	1,394,195	-0-	(1,517,000)
Purchases and sales, net	(17,030,927)	1,000,000	(44,542,703)	-0-
End of year	<u>\$ -0-</u>	<u>\$ 5,049,449</u>	<u>\$ 17,030,927</u>	<u>\$ 2,655,254</u>

The following methods and assumptions were used by the System in estimating the fair value of its financial instruments

Cash and cash equivalents, accounts payable, other current liabilities, salaries, wages and related liabilities and estimated third-party settlements The carrying amount reported in the consolidated balance sheets for cash and cash equivalents, accounts payable, other current liabilities, salaries, wages and related liabilities and estimated third-party settlements approximate fair value based on short term maturity

Long-term debt Fair value of the System's fixed rate revenue bonds is based on current transacted value The fair value of the System's remaining long-term debt approximates carrying value based upon the underlying nature of the related debt



# DEACONESS HEALTH SYSTEM, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

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### 6. LINE OF CREDIT

The Heart Hospital at Deaconess Gateway, LLC (Heart Hospital) has a line of credit available with a local financial institution. Amounts outstanding as of September 30, 2011 and 2010 were approximately \$1,100 and \$1,520,000, respectively. As of September 30, 2011, the line of credit maximum amount was \$4,000,000 bearing interest at the 30 day LIBOR rate plus 1.75%. Interest at September 30, 2011 was 3.00%. The line of credit is secured by accounts receivable, inventory and equipment and is due April 2012.

### 7. PENSION PLANS

The System offers a noncontributory defined benefit pension plan covering all eligible employees. Benefits are based on each participant's years of service and compensation. Contributions to the plan are based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants.

The following table sets forth the funded status of the defined benefit plan and amounts recognized in the financial statements as of and for the years ended September 30, 2011 and 2010.

	2011	2010
Change in benefit obligation		
Benefit obligation, beginning of year	\$ 178,156,621	\$ 167,647,128
Service cost	9,239,543	7,858,330
Interest cost	9,676,244	9,278,210
Benefits paid	(3,823,621)	(3,369,472)
Actuarial gain	(2,463,043)	(3,257,575)
Benefit obligation, end of year	<u>\$ 190,785,744</u>	<u>\$ 178,156,621</u>
Changes in plan assets		
Fair value of plan assets, beginning of year	\$ 122,468,339	\$ 108,641,769
Actual return on plan assets	176,322	9,192,042
Employer contributions	8,004,000	8,004,000
Benefits paid	(3,823,621)	(3,369,472)
Fair value of plan assets, end of year	<u>\$ 126,825,040</u>	<u>\$ 122,468,339</u>
Funded status		
Funded status of the plan, end of year	<u>\$ (63,960,704)</u>	<u>\$ (55,688,282)</u>
Amounts recognized in the consolidated balance sheets consist of		
Other long-term liabilities	<u>\$ (63,960,704)</u>	<u>\$ (55,688,282)</u>

# DEACONESS HEALTH SYSTEM, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

Other pension disclosures for 2011 and 2010 include

	<u>2011</u>	<u>2010</u>
Amounts not yet reflected in net periodic benefit cost and included in other changes in unrestricted net assets		
Transition obligation asset (obligation)	\$ -0-	\$ -0-
Prior service cost	(66,561)	(86,312)
Accumulated loss	<u>(70,031,545)</u>	<u>(66,013,839)</u>
Other changes in unrestricted net assets	(70,098,106)	(66,100,151)
Cumulative employer contributions in excess of net periodic pension cost	<u>6,137,402</u>	<u>10,411,869</u>
Net amount recognized in the consolidated balance sheets	<u><u>\$ (63,960,704)</u></u>	<u><u>\$ (55,688,282)</u></u>
Components of net periodic benefit cost		
Service cost	\$ 9,239,543	\$ 7,858,330
Interest cost	9,676,244	9,278,210
Expected return on plan assets	(10,537,762)	(9,407,712)
Amortization of prior year service cost	19,751	19,751
Amortization of loss	<u>3,880,691</u>	<u>4,558,939</u>
Net periodic benefit cost	<u><u>\$ 12,278,467</u></u>	<u><u>\$ 12,307,518</u></u>
Other changes in unrestricted net assets		
Prior service cost arising during year	\$ -0-	\$ -0-
Net loss (gain) arising during year	7,898,398	(3,041,905)
Amortization of prior service cost	(19,751)	(19,751)
Amortization of loss	<u>(3,880,691)</u>	<u>(4,558,939)</u>
Total other changes in unrestricted net assets	<u><u>\$ 3,997,956</u></u>	<u><u>\$ (7,620,595)</u></u>
Estimated amounts that will be amortized from other changes in unrestricted net assets over the next fiscal year		
Amortization of transition (obligation) asset	\$ -0-	
Amortization of prior service (cost) credit	\$ (19,751)	
Amortization of loss	\$ (4,557,511)	
Weighted-average actuarial assumptions to determine benefit obligations of September 30		
Discount rate	5.40%	5.50%
Rate of compensation increase	3.50%	3.50%
Measurement date	9/30/11	9/30/10

# DEACONESS HEALTH SYSTEM, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

	2011	2010
Weighted-average actuarial assumptions to determine net periodic pension cost as of September 30		
Discount rate	5.50%	5.60%
Expected long-term rate of return	8.50%	8.50%
Rate of compensation increase	3.50%	4.50%
Additional year end information		
Projected benefit obligation	\$ 190,785,744	\$ 178,156,621
Accumulated benefit obligation	\$ 167,709,765	\$ 150,058,858
Fair value of plan assets	\$ 126,825,040	\$ 122,468,339

The following is a schedule by year of expected benefit payments as of September 30, 2011

Year Ending September 30,	
2012	\$ 4,705,000
2013	5,334,000
2014	6,081,000
2015	6,814,000
2016	7,511,000
2017-2021	52,419,000
	<u>\$ 82,864,000</u>

Determination of net periodic pension cost for the years ended September 30, 2011 and 2010 is based on assumptions and census data as of January 1, 2011 and 2010, respectively

The principal long-term determinant of a portfolio's investment return is its asset allocation. The plan allocation includes growth assets (60%) and fixed income (40%). In addition, active management strategies have added value relative to passive benchmark returns. The expected long-term rate of return assumption is based on the mix of assets in the plan, the long-term earnings expected to be associated with each asset class, and the additional return expected through active management. This assumption is periodically benchmarked against peer plans.

The amortization of any prior service cost is determined using a straight-line amortization of the cost over the average remaining service period of employees expected to receive benefits under the plan.

# DEACONESS HEALTH SYSTEM, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

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The plan's weighted-average, asset allocations as of September 30, 2011 and 2010, by asset category, are as follows

	<u>2011</u>	<u>2010</u>
Equity		
Mutual funds	29%	30%
Common/collective trusts	18%	18%
Common stocks	<u>4%</u>	<u>4%</u>
Total equity	<u>51%</u>	<u>52%</u>
Fixed income		
Mutual funds	34%	39%
Common/collective trusts	<u>10%</u>	<u>0%</u>
Total fixed income	<u>44%</u>	<u>39%</u>
Private equity	<u>5%</u>	<u>9%</u>
	<u>100%</u>	<u>100%</u>

The allocation strategy for the plan currently comprises approximately 50% to 70% growth investments (target of 60%) and 30% to 50% fixed-income investments (target of 40%). Within the growth investment classification, the plan asset strategy encompasses equity and equity-like instruments that are expected to represent approximately 60% of the System's plan asset portfolio of both public and private market investments. The largest component of these equity and equity-like instruments is public equity securities that are well diversified and invested in U S and international companies.

Fair value of mutual funds and marketable equity securities are based on the quoted prices in active markets. Common/collective trusts are valued at the net asset value on a private market that is not active. However, the underlying investments are traded on an active market. The fair value of the private equity funds is valued at the percentage ownership of the net asset value as reported to the plan by the individual managers.

# DEACONESS HEALTH SYSTEM, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

The following is an analysis of fair value of the major classes of plan assets of September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Level 1		
Mutual funds		
Intermediate bond	\$ 43,010,627	\$ 47,638,620
Large blend	23,118,109	22,422,732
Foreign	13,814,049	14,002,494
Total mutual funds	<u>79,942,785</u>	<u>84,063,846</u>
Common stocks		
Financial services	1,290,814	1,854,533
Industrial	746,957	643,300
Other	2,651,926	2,534,259
Total common stocks	<u>4,689,697</u>	<u>5,032,092</u>
Total Level 1	84,632,482	89,095,938
Level 2		
Common/collective trusts	35,169,547	22,313,277
Level 3		
Private equity	<u>6,253,887</u>	<u>10,606,536</u>
	126,055,916	122,015,751
Cash equivalents	<u>769,124</u>	<u>452,588</u>
	<u>\$ 126,825,040</u>	<u>\$ 122,468,339</u>

The following is a summary of changes in the fair value of the level 3 assets for 2011 and 2010

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 10,606,536	\$ 8,694,341
Unrealized gains (losses) relating to instruments still still held at the reporting date	(628,533)	567,203
Purchases, sales, issuances and settlements, net	<u>(3,724,116)</u>	<u>1,344,992</u>
	<u>\$ 6,253,887</u>	<u>\$ 10,606,536</u>

# DEACONESS HEALTH SYSTEM, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

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The System expects to contribute in excess of the required funding amounts to its pension plan in 2012, currently approximating \$8,000,000

The System also offers a 401k plan to eligible employees. Total expense for the System's matching contributions for eligible employees for 2011 and 2010 was approximately \$2,237,000 and \$2,473,000, respectively

### 8. RELATED PARTY TRANSACTIONS

The System is a joint-owner of Deaconess Women's Hospital of Southern Indiana, LLC d/b/a The Women's Hospital, a 74 bed full-service women's health care facility located in Newburgh, Indiana. The System owns the building in which The Women's Hospital is located and leases the space to The Women's Hospital currently at \$230,000 per month with an option to increase that amount annually through June 2030. The System also carries a note receivable from the facility of approximately \$252,000 and \$357,000 as of September 30, 2011 and 2010, respectively

The System is a joint owner of Evansville Surgery Center Associates, LLC (Surgery Center). As of September 30, 2011 and 2010, the System recorded liabilities to the Surgery Center of approximately \$2,653,000 and \$5,006,000, respectively. Additionally, the System recorded contract service expense related to the Surgery Center of approximately \$28,237,000 in 2011 and \$30,175,000 in 2010.

### 9. COMMITMENTS AND CONTINGENCIES

#### Operating leases

The System leases various equipment and facilities under operating leases expiring at various dates through 2020. Total lease expense for 2011 and 2010 was approximately \$11,495,000 and \$12,473,000, respectively. The following are the minimum lease payments for the years after September 30, 2011:

Year Ending September 30,	
2012	\$ 12,319,000
2013	10,670,000
2014	9,117,000
2015	8,414,000
2016	6,316,000
Thereafter	25,051,000
	<u>\$ 71,887,000</u>

# DEACONESS HEALTH SYSTEM, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

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### Litigation

The System is involved in litigation and regulatory matters arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the System's future financial position, results from operations or cash flows.

### Health Insurance

The System's employee health care insurance is provided through a combination of insured, self-insured and purchased re-insurance coverage from a commercial carrier. The System maintains an estimated liability for the amount of claims incurred but not reported. Substantially all employees are covered for major medical benefits. The self-insured health coverage carries a stop-loss maximum of \$200,000 per case with no aggregate limit.

## SUPPLEMENTARY INFORMATION



# DEACONESS HEALTH SYSTEM, INC.

## CONSOLIDATING BALANCE SHEETS SEPTEMBER 30, 2011

	Consolidated Deaconess Health System	Eliminations	Deaconess Health System Obligated Group	Deaconess Clinic	Heart Care Health System, LLC	Progressive Health of Indiana, LLC	The Heart Hospital At Deaconess Gateway, LLC	Tri-State Radiation Oncology, LLC	Deaconess Health Plans, LLC
<b>Assets</b>									
Current assets									
Cash and cash equivalents	\$ 59,961,722	\$ -0-	\$ 49,494,960	\$ -0-	\$ 61,344	\$ 797,620	\$ 5,756,962	\$ 1,958,021	\$ 1,892,815
Funds held by trustee, current portion	7,247,329	-0-	7,247,329	-0-	-0-	-0-	-0-	-0-	-0-
Patient accounts receivable, net	119,897,554	-0-	106,088,671	6,298,664	-0-	6,683	7,018,810	484,726	-0-
Inventories	5,169,428	-0-	4,376,580	-0-	-0-	1,640	791,208	-0-	-0-
Prepaid expenses and other current assets	12,072,572	(3,227,519)	9,233,558	4,867,848	-0-	1,108,788	45,781	44,116	-0-
Total current assets	204,348,605	(3,227,519)	176,441,098	11,166,512	61,344	1,914,731	13,612,761	2,486,863	1,892,815
Investments limited as to use, less current portion									
Board designated funds	180,044,293	-0-	180,044,293	-0-	-0-	-0-	-0-	-0-	-0-
Temporarily restricted	8,353,428	-0-	8,353,428	-0-	-0-	-0-	-0-	-0-	-0-
Total investments limited as to use	188,397,721	-0-	188,397,721	-0-	-0-	-0-	-0-	-0-	-0-
Property and equipment									
Land and improvements	18,026,313	-0-	18,026,313	-0-	-0-	-0-	-0-	-0-	-0-
Buildings and fixed equipment	453,372,349	-0-	445,944,957	-0-	-0-	18,401	4,278,242	3,130,749	-0-
Movable equipment	203,373,194	-0-	197,373,237	5,693,802	1,030	110,723	-0-	-0-	194,402
	674,771,856	-0-	661,344,507	5,693,802	1,030	129,124	4,278,242	3,130,749	194,402
Less allowances for depreciation	384,842,904	-0-	379,651,400	2,614,697	1,030	59,738	2,322,042	-0-	193,997
	289,928,952	-0-	281,693,107	3,079,105	-0-	69,386	1,956,200	3,130,749	405
Construction in progress	69,578,108	-0-	68,414,173	167,956	-0-	-0-	995,979	-0-	-0-
Total property and equipment, net	359,507,060	-0-	350,107,280	3,247,061	-0-	69,386	2,952,179	3,130,749	405
Other assets									
Deferred financing costs	2,754,780	-0-	2,754,780	-0-	-0-	-0-	-0-	-0-	-0-
Investments in joint ventures and other	51,596,649	(14,748,892)	59,458,806	225,370	-0-	-0-	6,658,815	2,550	-0-
Total other assets	54,351,429	(14,748,892)	62,213,586	225,370	-0-	-0-	6,658,815	2,550	-0-
Total assets	\$ 806,604,815	\$ (17,976,411)	\$ 777,159,685	\$ 14,638,943	\$ 61,344	\$ 1,984,117	\$ 23,223,755	\$ 5,620,162	\$ 1,893,220

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# DEACONESS HEALTH SYSTEM, INC.

## CONSOLIDATING BALANCE SHEETS SEPTEMBER 30, 2011

	Consolidated Deaconess Health System	Eliminations	Deaconess Health System Obligated Group	Deaconess Clinic	Heart Care Health System, LLC	Progressive Health of Indiana, LLC	The Heart Hospital At Deaconess Gateway, LLC	Tri-State Radiation Oncology, LLC	Deaconess Health Plans, LLC
<b>Liabilities and net assets</b>									
Current liabilities									
Accounts payable and other current liabilities	\$ 34,586,775	\$ (3,227,519)	\$ 24,244,849	\$ 7,310,006	\$ (51,070)	\$ 161,599	\$ 5,542,599	\$ 516,941	\$ 89,370
Salaries, wages and related liabilities	30,380,298	-0-	25,635,289	4,034,780	-0-	423,289	98,032	188,908	-0-
Estimated third-party payor settlements	6,273,267	-0-	4,215,416	-0-	-0-	-0-	2,057,851	-0-	-0-
Accrued interest	1,076,281	-0-	1,076,030	-0-	-0-	-0-	251	-0-	-0-
Line of credit	1,131	-0-	-0-	-0-	-0-	-0-	1,131	-0-	-0-
Current portion of long-term debt	10,257,530	-0-	9,473,644	-0-	-0-	-0-	-0-	783,886	-0-
Total current liabilities	82,575,282	(3,227,519)	64,645,228	11,344,786	(51,070)	584,888	7,699,864	1,489,735	89,370
Long-term liabilities									
Long-term debt, less current portion	228,251,902	-0-	226,364,796	-0-	-0-	-0-	-0-	1,887,106	-0-
Other long-term liabilities	69,426,151	-0-	69,251,861	-0-	-0-	-0-	-0-	174,290	-0-
Total long-term liabilities	297,678,053	-0-	295,616,657	-0-	-0-	-0-	-0-	2,061,396	-0-
Total liabilities	380,253,335	(3,227,519)	360,261,885	11,344,786	(51,070)	584,888	7,699,864	3,551,131	89,370
Net assets									
Unrestricted	408,544,371	(24,202,573)	408,544,372	3,294,157	112,414	1,399,229	15,523,891	2,069,031	1,803,850
Temporarily restricted	8,353,428	-0-	8,353,428	-0-	-0-	-0-	-0-	-0-	-0-
Net assets - controlling interest	416,897,799	(24,202,573)	416,897,800	3,294,157	112,414	1,399,229	15,523,891	2,069,031	1,803,850
Non-controlling interest	9,453,681	9,453,681	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total net assets	426,351,480	(14,748,892)	416,897,800	3,294,157	112,414	1,399,229	15,523,891	2,069,031	1,803,850
Total liabilities and net assets	<u>\$ 806,604,815</u>	<u>\$ (17,976,411)</u>	<u>\$ 777,159,685</u>	<u>\$ 14,638,943</u>	<u>\$ 61,344</u>	<u>\$ 1,984,117</u>	<u>\$ 23,223,755</u>	<u>\$ 5,620,162</u>	<u>\$ 1,893,220</u>

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# DEACONESS HEALTH SYSTEM, INC.

## CONSOLIDATING STATEMENTS OF OPERATIONS YEAR ENDED SEPTEMBER 30, 2011

	Consolidated Deaconess Health System	Eliminations	Deaconess Health System Obligated Group	Deaconess Clinic	Heart Care Health System, LLC	Progressive Health of Indiana, LLC	The Heart Hospital At Deaconess Gateway, LLC	Tri-State Radiation Oncology, LLC	Deaconess Health Plans, LLC
<b>Unrestricted revenue and other support</b>									
Net patient service revenue	\$ 620,370,570	\$ -0-	\$ 511,804,710	\$ 52,231,873	\$ 6,685	\$ 1,907,942	\$ 46,857,653	\$ 7,561,707	\$ -0-
Other revenue	26,360,537	(1,977,530)	16,303,518	451,998	-0-	10,668,163	70	-0-	914,318
Total unrestricted revenue and other support	646,731,107	(1,977,530)	528,108,228	52,683,871	6,685	12,576,105	46,857,723	7,561,707	914,318
<b>Expenses</b>									
Salaries and wages	239,543,636	-0-	188,011,175	41,797,965	-0-	7,512,400	-0-	1,685,144	536,952
Employee benefits	63,330,590	-0-	55,866,754	7,463,836	-0-	-0-	-0-	-0-	-0-
Supplies	110,157,178	-0-	91,301,314	4,406,942	-0-	86,545	14,350,782	-0-	11,595
Contract services	67,034,869	(12,808,911)	53,430,235	7,316,931	5,609	903,504	17,516,583	641,828	29,090
Repairs and maintenance	19,266,601	-0-	17,693,309	411,654	-0-	90,026	415,581	656,031	-0-
Provision for bad debts	29,515,858	-0-	26,463,110	1,044,510	-0-	76,776	1,910,757	20,705	-0-
Depreciation and amortization	36,192,720	-0-	34,072,334	914,334	-0-	18,825	527,035	622,378	37,814
Interest	9,309,117	-0-	9,065,847	-0-	-0-	-0-	4,741	238,529	-0-
Utilities	13,176,217	-0-	11,264,168	1,546,846	-0-	53,945	299,064	-0-	12,194
Other	29,013,504	(457,649)	18,016,534	6,800,395	304	433,470	3,533,028	542,736	144,686
Total expenses	616,540,290	(13,266,560)	505,184,780	71,703,413	5,913	9,175,491	38,557,571	4,407,351	772,331
Income (loss) from operations	30,190,817	11,289,030	22,923,448	(19,019,542)	772	3,400,614	8,300,152	3,154,356	141,987
<b>Nonoperating gains</b>									
Investment income and other nonoperating	6,249,827	-0-	6,240,881	3,683	-0-	-0-	1,136	-0-	4,127
Excess revenues over (under) expenses	36,440,644	11,289,030	29,164,329	(19,015,859)	772	3,400,614	8,301,288	3,154,356	146,114
<b>Other changes in unrestricted net assets</b>									
Net unrealized loss on investments	(3,792,012)	-0-	(3,792,012)	-0-	-0-	-0-	-0-	-0-	-0-
Pension related changes other than net periodic pension cost	(3,997,956)	-0-	(3,997,956)	-0-	-0-	-0-	-0-	-0-	-0-
Other changes in unrestricted net assets	200,000	-0-	200,000	-0-	-0-	-0-	-0-	-0-	-0-
Capital contributions	-0-	(17,833,519)	-0-	17,833,519	-0-	-0-	-0-	-0-	-0-
Distributions	-0-	13,089,573	-0-	-0-	-0-	(3,678,602)	(5,619,796)	(3,126,001)	(665,174)
Change in unrestricted net assets	28,850,676	6,545,084	21,574,361	(1,182,340)	772	(277,988)	2,681,492	28,355	(519,060)
<b>Temporarily restricted net assets</b>									
Contributions, gifts, and bequests	1,293,267	-0-	1,293,267	-0-	-0-	-0-	-0-	-0-	-0-
Net unrealized gain on investments	228,224	-0-	228,224	-0-	-0-	-0-	-0-	-0-	-0-
Investment income	341,281	-0-	341,281	-0-	-0-	-0-	-0-	-0-	-0-
Net assets released from restriction	(1,639,833)	-0-	(1,639,833)	-0-	-0-	-0-	-0-	-0-	-0-
Change in temporarily restricted net assets	222,939	-0-	222,939	-0-	-0-	-0-	-0-	-0-	-0-
<b>Consolidated change in net assets</b>	29,073,615	6,545,084	21,797,300	(1,182,340)	772	(277,988)	2,681,492	28,355	(519,060)
Less amount attributable to non-controlling interest	(7,276,318)	(7,276,318)	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Change in net assets attributable to controlling interest	\$ 21,797,297	\$ (731,234)	\$ 21,797,300	\$ (1,182,340)	\$ 772	\$ (277,988)	\$ 2,681,492	\$ 28,355	\$ (519,060)

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# DEACONESS HEALTH SYSTEM, INC.

## CONSOLIDATING BALANCE SHEETS – DEACONESS HEALTH SYSTEM OBLIGATED GROUP SEPTEMBER 30, 2011

	Deaconess Health System Obligated Group	Eliminations	Deaconess Health System, Inc	Deaconess Hospital, Inc
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 49,494,960	\$ -0-	\$ 2,006,578	\$ 47,488,382
Funds held by trustee, current portion	7,247,329	-0-	-0-	7,247,329
Patient accounts receivable, net	106,088,671	-0-	-0-	106,088,671
Inventories	4,376,580	-0-	-0-	4,376,580
Prepaid expenses and other current assets	9,233,558	(209,237)	79,788	9,363,007
Total current assets	176,441,098	(209,237)	2,086,366	174,563,969
Investments limited as to use, less current portion				
Board designated funds	180,044,293	-0-	-0-	180,044,293
Temporarily restricted	8,353,428	-0-	-0-	8,353,428
Total investments limited as to use	188,397,721	-0-	-0-	188,397,721
Property and equipment				
Land and improvements	18,026,313	-0-	3,460,502	14,565,811
Buildings and fixed equipment	445,944,957	-0-	37,258,126	408,686,831
Movable equipment	197,373,237	-0-	224,545	197,148,692
	661,344,507	-0-	40,943,173	620,401,334
Less allowances for depreciation	379,651,400	-0-	26,159,134	353,492,266
	281,693,107	-0-	14,784,039	266,909,068
Construction in progress	68,414,173	-0-	801,405	67,612,768
Total property and equipment, net	350,107,280	-0-	15,585,444	334,521,836
Other assets				
Deferred financing costs	2,754,780	-0-	-0-	2,754,780
Investments in joint ventures and other	59,458,806	(73,229)	3,294,158	56,237,877
Total other assets	62,213,586	(73,229)	3,294,158	58,992,657
Total assets	\$ 777,159,685	\$ (282,466)	\$ 20,965,968	\$ 756,476,183

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# DEACONESS HEALTH SYSTEM, INC.

## CONSOLIDATING BALANCE SHEETS – DEACONESS HEALTH SYSTEM OBLIGATED GROUP SEPTEMBER 30, 2011

	Deaconess Health System Obligated Group	Eliminations	Deaconess Health System, Inc	Deaconess Hospital, Inc
<b>Liabilities and net assets</b>				
Current liabilities				
Accounts payable and other current liabilities	\$ 24,244,849	\$ (209,237)	\$ 213,511	\$ 24,240,575
Salaries, wages and related liabilities	25,635,289	-0-	-0-	25,635,289
Estimated third-party payor settlements	4,215,416	-0-	210,610	4,004,806
Accrued interest	1,076,030	-0-	349,387	726,643
Current portion of long-term debt	9,473,644	-0-	-0-	9,473,644
Total current liabilities	64,645,228	(209,237)	773,508	64,080,957
Long-term liabilities				
Long-term debt, less current portion	226,364,796	-0-	-0-	226,364,796
Other long-term liabilities	69,251,861	-0-	-0-	69,251,861
Total long-term liabilities	295,616,657	-0-	-0-	295,616,657
Total liabilities	360,261,885	(209,237)	773,508	359,697,614
Net assets				
Unrestricted	408,544,372	(73,229)	20,192,460	388,425,141
Temporarily restricted	8,353,428	-0-	-0-	8,353,428
Net assets - controlling interest	416,897,800	(73,229)	20,192,460	396,778,569
Non-controlling interest	-0-	-0-	-0-	-0-
Total net assets	416,897,800	(73,229)	20,192,460	396,778,569
Total liabilities and net assets	\$ 777,159,685	\$ (282,466)	\$ 20,965,968	\$ 756,476,183

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# DEACONESS HEALTH SYSTEM, INC.

## CONSOLIDATING STATEMENTS OF OPERATIONS – DEACONESS HEALTH SYSTEM OBLIGATED GROUP YEAR ENDED SEPTEMBER 30, 2011

	Deaconess Health System Obligated Group	Eliminations	Deaconess Health System, Inc	Deaconess Hospital, Inc
<b>Unrestricted revenue and other support</b>				
Net patient service revenue	\$ 511,804,710	\$ -0-	\$ -0-	\$ 511,804,710
Other revenue (expense)	16,303,518	(1,446,118)	(15,730,023)	33,479,659
Total unrestricted revenue and other support	528,108,228	(1,446,118)	(15,730,023)	545,284,369
<b>Expenses</b>				
Salaries and wages	188,011,175	-0-	-0-	188,011,175
Employee benefits	55,866,754	-0-	-0-	55,866,754
Supplies	91,301,314	-0-	-0-	91,301,314
Contract services	53,430,235	-0-	1,207,729	52,222,506
Repairs and maintenance	17,693,309	-0-	125,955	17,567,354
Provision for bad debts	26,463,110	-0-	-0-	26,463,110
Depreciation and amortization	34,072,334	-0-	1,051,498	33,020,836
Interest	9,065,847	-0-	-0-	9,065,847
Utilities	11,264,168	-0-	545,715	10,718,453
Other	18,016,534	(1,446,118)	736,281	18,726,371
Total expenses	505,184,780	(1,446,118)	3,667,178	502,963,720
Income (loss) from operations	22,923,448	-0-	(19,397,201)	42,320,649
<b>Nonoperating gains</b>				
Investment income and other nonoperating	6,240,881	-0-	2,436	6,238,445
Excess revenues over (under) expenses	29,164,329	-0-	(19,394,765)	48,559,094
<b>Other changes in unrestricted net assets</b>				
Net unrealized loss on investments	(3,792,012)	-0-	-0-	(3,792,012)
Pension related changes other than net periodic pension cost	(3,997,956)	-0-	-0-	(3,997,956)
Other changes in unrestricted net assets	200,000	-0-	200,000	-0-
Transfers	-0-	-0-	17,633,519	(17,633,519)
Change in unrestricted net assets	21,574,361	-0-	(1,561,246)	23,135,607
<b>Temporarily restricted net assets</b>				
Contributions, gifts, and bequests	1,293,267	-0-	-0-	1,293,267
Net unrealized gain on investments	228,224	-0-	-0-	228,224
Investment income	341,281	-0-	-0-	341,281
Net assets released from restriction	(1,639,833)	-0-	-0-	(1,639,833)
Change in temporarily restricted net assets	222,939	-0-	-0-	222,939
<b>Consolidated change in net assets</b>	<u>\$ 21,797,300</u>	<u>\$ -0-</u>	<u>\$ (1,561,246)</u>	<u>\$ 23,358,546</u>

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Additional Data

Software ID:

Software Version:

EIN: 35-0593390

Name: DEACONESS HOSPITAL 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			
LINDA E WHITE PRESIDENT/ CEO	70 00	X		X				409,381	288,612	199,407
JEROME A BENKERT JR CHAIRMAN	5 00	X						5,200	0	0
STEVEN T TITZER CPA VICE CHAIRMAN	5 00	X						6,600	0	0
JOHN ENGELBRECHT TREASURER	5 00	X						7,200	0	0
ROBERT G JONES SECRETARY	5 00	X						3,400	0	0
BRUCE ADYE MD DIRECTOR	5 00	X						9,333	0	0
IRA G BOOTS DIRECTOR	5 00	X						4,800	0	0
STEVEN A CHURCH DIRECTOR	5 00	X						4,600	0	0
REV DR JOSEPH FRACCARO DIRECTOR	5 00	X						5,200	0	0
DR H RAY HOOPS DIRECTOR	5 00	X						6,600	0	0
DAVID A KOEHLER JR MD DIRECTOR	5 00	X						21,400	176,722	10,575
MATTHEW R LEE MD DIRECTOR	5 00	X						7,400	0	0
WILLIAM PENLAND MD DIRECTOR	5 00	X						8,000	0	0
RUSTON L STOLTZ MD DIRECTOR	5 00	X						6,708	298,575	13,541
BRUCE STALLINGS DIRECTOR	5 00	X						7,600	0	0
ROBERT B WRIGHT DIRECTOR	5 00	X						9,400	0	0
DANIEL W WHITEHEAD MD DIRECTOR	5 00	X						6,000	0	0
RICHARD M STIVERS SVP & CFO TERM FEB2010	60 00			X				359,324	242,208	59,177
CHERYL A WATHEN INTERIM CFO BEG MAR2010	60 00			X				222,002	35,266	53,876
HARRY L SMITH JR PRESIDENT	50 00			X				596,687	5,600	146,897
SHAWN W MCCOY CHIEF ADMINISTRATIVE OFFICER	50 00			X				331,974	5,800	96,886
JAMES R PORTER MD CHIEF MED OFFICER	50 00				X			358,309	0	94,039
CHERONA J HAJEWSKI CHIEF NURSE OFFICER	50 00				X			300,643	0	79,362
BRUCE E EPMEIER VICE PRESIDENT	50 00				X			221,415	0	64,876
LARRY F PILE HR DIRECTOR	50 00				X			216,058	0	24,468

**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			
RICHARD B PERRY CONTROLLER	50 00				X			167,415	0	39,275
JOYCE A THOMAS PHARMACY DIRECTOR	50 00				X			166,437	0	38,737
JOHN L ZABROWSKI CONTROLLER	50 00				X			152,002	600	36,304
REBECCA L MALOTTE EXEC DIRECTOR, CNO	50 00				X			150,514	0	55,559
VENKATESH R MADADI ANESTHESIOLOGIST	50 00					X		734,736	0	31,924
RAJESH J PATEL MD ANESTHESIOLOGIST	50 00					X		690,645	0	35,745
NIRMAL JOSHI MD ANESTHESIOLOGIST	50 00					X		677,983	0	32,089
AYMAN EL FAR MD ANESTHESIOLOGIST	50 00					X		585,086	0	27,841
LAWRENCE C KILINSKI JR MD ANESTHESIOLOGIST	50 00					X		541,730	0	34,387



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

4d. Other program services					
(Code	)	(Expenses \$	270,222	including grants of \$	270,222 ) (Revenue \$
				22,865,964 )	
OTHER PROGRAM SERVICE REVENUE CONSISTS OF DEACONESS HOSPITAL'S INCOME FROM THE INVESTMENT IN JOINT VENTURES OTHER PROGRAM SERVICE EXPENSES CONSISTED OF COMMUNITY BENEFIT GRANTS/ASSISTANCE					