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Part III

Statement of Program Service Accomplishments

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

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1

Briefly describe the organization’s mission

ST ELIZABETH HOSPITAL HAS ADOPTED THE MISSION STATEMENT OF AFFINITY HEALTH SYSTEM THE MISSION OF AFFINITY HEALTH SYSTEM IS TO LIVE OUT THE HEALING MINISTRY OF CHRIST BY PROVIDING SERVICES THAT PROMOTE THE HEALTH AND WELL-BEING OF THE COMMUNITIES WE SERVE, ESPECIALLY THE POOR

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 \$ 110,799,387 including grants of \$ 547,961) (Revenue \$ 154,180,896)

THE ENTITY BELIEVES THERE IS A STRONG DUTY TO MEET THE NEEDS OF THE POOR, INDIGENT, AND MEDICALLY UNDERSERVED IN THE COMMUNITIES IN KEEPING WITH THE PHILOSOPHY OF EMPOWERMENT AND TRANSFORMATION OF ALL INDIVIDUALS, CARE HAS BEEN PROVIDED TO ALL PATIENTS WITHOUT REGARDS FOR ABILITY TO PAY OTHER SERVICES INCLUDE -FREE MAMMOGRAPHY SCREENING AND BREAST EXAMS FOR LOW INCOME WOMEN-FREE NEWLETTERS FOCUSING ON WOMENS HEALTH ISSUES-FREE HEART DISEASE SCREENING FOR INDIVIDUALS-CHILDREN'S HEALTH AND SAFETY ISSUES-FREE SPEAKERS BUREAU- WOMENS RUN FOR HEALTH-TEEN PREGNANCY, PARENTING, AND NURTURING PROGRAMS-THROUGH PATHWAY TO PEACE, A COMPREHENSIVE SERVICE FOR PARENTS AND FAMILIES WHO HAVE EXPERIENCED A PREGNANCY LOSS OF AN INFANT-TELEVISED MASS FOR THE HOMEBOUND IN THE COMMUNITY-CHAPLAINCY AND SUPPORT SERVICES FOR THOSE WHO HAVE HAD A FAMILY MEMBER OR FRIEND DIE-FREE BLOOD PRESSURE SCREENING-FREE PROSTATE SCREENING- COMMUNITY BLOOD DRIVES-HEALTH INFORMATION SPOTS ON TELEVISION AND RADIO

4b

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

4c

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

4d



















Other program services (Describe in Schedule O)

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

4e

Total program service expenses \$ 110,799,387

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I 	3	No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III	5	
6 Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10	No
11 If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI. 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII. 	11b	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII. 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX. 	11d	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	No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19	No
20a Did the organization operate one or more hospitals? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b–24d and complete Schedule K. If "No," go to line 25</i>	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
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		No
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	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance			
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>			
		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	60
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	1,300
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	Yes
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a	No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c	
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	
7	Organizations that may receive deductible contributions under section 170(c).		
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a	No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c	No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8	
9	Sponsoring organizations maintaining donor advised funds.		
a	Did the organization make any taxable distributions under section 4966?	9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10	Section 501(c)(7) organizations. Enter		
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11	Section 501(c)(12) organizations. Enter		
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.	13a	
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b	
c	Enter the amount of reserves on hand.	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b	

Part VI

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

Section A. Governing Body and Management			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a 18		
b	Enter the number of voting members included in line 1a, above, who are independent	1b 10		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5		No
6	Does the organization have members or stockholders?	6	Yes	
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a	Yes	
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
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		No

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)			Yes	No
10a	Does the organization have local chapters, branches, or affiliates?	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		No
b	If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?	16b		

Section C. Disclosure	
17	List the States with which a copy of this Form 990 is required to be filed WI
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 JEFF BADGER 1570 MIDWAY PLACE MENASHA, WI 54952 (920) 720-1300

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

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

Form **990** (2010)

Part VII

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 in reportable compensation from the organization: 23

3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>
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>
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>

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
AFFINITY HEALTH SYSTEM INC 1570 MIDWAY PLACE MENASHA, WI 54952	CONSULTING/LEGAL/MISC/SALARIES/MISC SERV	14,071,329
THE BOLDT CO 2525 N ROEMER RD PO BOX 419 APPLETON, WI 54912	PURCHASED SERVICES	11,548,327
HAMMEL GREEN & ABRAHAMSON INC 333 EASAT ERIE ST MILWAUKEE, WI 53202	CONSULTING/DESIGN/MISC	3,304,392
WHEATON FRANCISCAN SERVICES INC 26W171 ROOSEVELT RD WHEATON, IL 60187	MANAGEMENT	1,678,296
SHARED MEDICAL SERVICES PO BOX 330 COTTAGE GROVE, WI 53527	MEDICAL SERVICES	1,028,065
2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization 29		

Part VIII

Statement of Revenue

			(A)	(B)	(C)	(D)	
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d				
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	1,523,999			
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f		1,523,999			
	Program Service Revenue	2a	NET PATIENT REVENUE AN	621990	154,180,896	154,180,896	
b		CAFETERIA INCOME	722210	854,623		854,623	
c		OUPATIENT LAB REVENUE	621500	110,875	110,875		
d							
e							
f		All other program service revenue					
g		Total. Add lines 2a-2f		155,146,394			
Other Revenue		3	Investment income (including dividends, interest and other similar amounts)		4,721,919		4,721,919
		4	Income from investment of tax-exempt bond proceeds . . .				
	5	Royalties					
	6a	Gross Rents	(i) Real 2,392,917	(ii) Personal			
	b	Less rental expenses	1,671,252				
	c	Rental income or (loss)	721,665				
	d	Net rental income or (loss)		721,665		721,665	
	7a	Gross amount from sales of assets other than inventory	(i) Securities 61,102	(ii) Other			
	b	Less cost or other basis and sales expenses	12,099				
	c	Gain or (loss)	49,003				
	d	Net gain or (loss)		49,003		49,003	
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events . . .					
	9a	Gross income from gaming activities See Part IV, line 19 . . .	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities . . .					
	10a	Gross sales of inventory, less returns and allowances	a				
	b	Less cost of goods sold	b				
c	Net income or (loss) from sales of inventory . . .						
Miscellaneous Revenue			Business Code				
11a							
b							
c							
d	All other revenue						
e	Total. Add lines 11a-11d						
12	Total revenue. See Instructions		162,162,980	154,180,896	110,875	6,347,210	

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	547,961	547,961		
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	847,195		847,195	
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	56,349,691	43,828,674	12,521,017	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	2,291,517	1,782,337	509,180	
9	Other employee benefits	11,201,050	8,712,154	2,488,896	
10	Payroll taxes	3,567,011	2,774,414	792,597	
a	Fees for services (non-employees)				
	Management				
b	Legal				
c	Accounting				
d	Lobbying				
e	Professional fundraising services See Part IV, line 17				
f	Investment management fees				
g	Other	15,361,689	8,171,699	7,189,990	
12	Advertising and promotion				
13	Office expenses	30,018,988	29,026,407	992,581	
14	Information technology	29,994	29,994		
15	Royalties				
16	Occupancy	3,563,625	2,708,067	855,558	
17	Travel	297,844	50,925	246,919	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings				
20	Interest	2,435,907	1,851,092	584,815	
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	8,325,245	6,534,308	1,790,937	
23	Insurance	445,470		445,470	
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	OTHER EXPENSES	6,115,035	161,876	5,953,159	
b	BAD DEBT	4,589,436	4,589,436		
c	DUES AND LICENSES	181,342	30,043	151,299	
d					
e					
f	All other expenses				
25	Total functional expenses. Add lines 1 through 24f	146,169,000	110,799,387	35,369,613	0
26	Joint costs. Check here <input checked="" type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			5,282	1	5,385
	2	Savings and temporary cash investments			16,584,094	2	20,116,092
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			18,088,856	4	21,057,269
	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			151,829,447	7	169,736,552
	8	Inventories for sale or use			2,693,852	8	2,887,120
	9	Prepaid expenses and deferred charges			489,624	9	1,583,593
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D.	10a	235,477,780			
	b	Less: accumulated depreciation	10b	138,662,830	74,564,231	10c	96,814,950
	11	Investments—publicly traded securities			1,233,710	11	1,252,757
	12	Investments—other securities. See Part IV, line 11			0	12	
	13	Investments—program-related. See Part IV, line 11				13	
	14	Intangible assets				14	
	15	Other assets. See Part IV, line 11			2,775,379	15	2,857,938
16	Total assets. Add lines 1 through 15 (must equal line 34)			268,264,475	16	316,311,656	
Liabilities	17	Accounts payable and accrued expenses			27,073,134	17	26,217,792
	18	Grants payable				18	
	19	Deferred revenue				19	
	20	Tax-exempt bond liabilities				20	
	21	Escrow or custodial account liability. Complete Part IV of Schedule D				21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L				22	
	23	Secured mortgages and notes payable to unrelated third parties			44,201,773	23	75,893,644
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities. Complete Part X of Schedule D			11,936,251	25	16,682,663
	26	Total liabilities. Add lines 17 through 25			83,211,158	26	118,794,099
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			185,004,941	27	197,469,181
	28	Temporarily restricted net assets			48,376	28	48,376
	29	Permanently restricted net assets				29	
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds				30	
	31	Paid-in or capital surplus, or land, building or equipment fund				31	
	32	Retained earnings, endowment, accumulated income, or other funds				32	
	33	Total net assets or fund balances			185,053,317	33	197,517,557
34	Total liabilities and net assets/fund balances			268,264,475	34	316,311,656	

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	162,162,980
2	Total expenses (must equal Part IX, column (A), line 25)	2	146,169,000
3	Revenue less expenses Subtract line 2 from line 1	3	15,993,980
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	185,053,317
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-3,529,740
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	197,517,557

Part XII Financial Statements and Reporting

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

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

SCHEDULE A

(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2010

Open to Public
Inspection

Name of the organization ST ELIZABETH HOSPITAL INC	Employer identification number 39-0816818
---	--

Part I

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

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

- 1

☐

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

☐

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

☒

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other
- e

☐

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

☐

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

☐

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

(i)

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

(ii)

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

(iii)

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

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

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

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

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

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

Part IIIPart III

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

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

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

Additional Data

Software ID:

Software Version:

EIN: 39-0816818

Name: ST ELIZABETH 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			
DANIEL E NEUFELDER PRESIDENT CEO	13 30	X		X				261,340	572,814	65,400
DAVID GITTER BOARD MEMBER	30	X		X				0	0	0
CATHERINE J TIERNEY BOARD MEMBER	30	X		X				0	0	0
JOSEPH MCCORMICK MD BOARD MEMBER	30	X						0	1,097,589	41,533
BARBARA STRAND MD BOARD MEMBER	30	X						0	264,298	43,300
CARLA ALTEPETER BOARD MEMBER	30	X						0	0	0
MARY HARP-JIRSCHELE BOARD MEMBER	30	X						0	0	0
FREDERICK KLEIN MD BOARD MEMBER	30	X						0	0	0
STEPHEN C MORTON BOARD TREASURER	30	X		X				0	0	0
JOHN RUSSO BOARD SECRETARY	30	X		X				0	0	0
THOMAS SCHMIDT BOARD MEMBER	30	X						0	0	0
WAYNE TREMBLY BOARD MEMBER	30	X						0	0	0
SUSAN VETTE BOARD MEMBER	30	X						0	0	0
RICHARD WELLS BOARD MEMBER	30	X						0	0	0
STACEY SENSOR DO BOARD MEMBER	30	X						0	482,023	40,878
MARK FAUSTICH MD BOARD MEMBER	30	X						0	369,720	35,440
JAY MULLER MD BOARD MEMBER	30	X						0	373,057	37,687
CHRISTOPHER ROCKE DO BOARD MEMBER	30	X						0	232,694	35,386
NICHOLAS DESIEN BOARD MEMBER / PRESIDENT - MINISTRY HEALTH CARE	30	X		X				0	0	0
JOHN OLIVERIO BOARD MEMBER / PRESIDENT - WFSI	30	X		X				0	1,813,218	157,725
KATHRYN SIEMAN BOARD MEMBER	30	X						0	0	0
MONICA VOMASTIC BOARD MEMBER	30	X						0	0	0
JEFF BADGER CFO	13 00			X				139,259	305,233	62,470
TRAVIS ANDERSEN PRESIDENT- STE	40 00				X			359,125	0	47,409
BRIAN HUMPHREY SR ULTRASOUND TECH	40 00					X		159,694	0	48,234

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 GOODMAN MEDICAL PHYSICIST	40 00					X		162,924	0	21,478
JENNIE GAURKEE PHARMACY DIRECTOR	40 00					X		162,500	0	23,781
DEBRA LASTOFKA PHARMACIST	40 00					X		146,787	0	44,540
GARY MILLER PHARMACIST	40 00					X		142,042	0	21,368

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 ST ELIZABETH HOSPITAL INC	Employer identification number 39-0816818
---	--

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

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

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

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

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

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

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

Part II-A

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

A

Check

☐

if the filing organization belongs to an affiliated group

B

Check

☐

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing Organization's Totals	(b) Affiliated Group Totals												
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)															
b Total lobbying expenditures to influence a legislative body (direct lobbying)															
c Total lobbying expenditures (add lines 1a and 1b)															
d Other exempt purpose expenditures															
e Total exempt purpose expenditures (add lines 1c and 1d)															
f Lobbying nontaxable amount Enter the amount from the following table in both columns															
<table><thead><tr><th>If the amount on line 1e, column (a) or (b) is:</th><th>The lobbying nontaxable amount is:</th></tr></thead><tbody><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></tbody></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?		<div><input type="checkbox"/> Yes <input type="checkbox"/> No</div>													

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		9,331
	j Total lines 1c through 1i			9,331
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

1	Dues, assessments and similar amounts from members	1	
2	Section 162(e) non-deductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).		
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 1.
Also, complete this part for any additional information.

Identifier	Return Reference	Explanation
EXPLANATION OF OTHER LOBBYING ACTIVITIES	PART II-B, LINE 1I	AHA, WHA & CHA MEMBERSHIP DUES

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
ST ELIZABETH HOSPITAL INC

Employer identification number

39-0816818

Part I

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

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

Part II

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

1

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

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

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

2

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

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

3

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

4

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

5

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

☐ Yes

☐ No

6

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

7

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

8

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

☐ Yes

☐ No

9

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

Part III

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

1a

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

1b

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

(i)

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

(ii)

Assets included in Form 990, Part X

▶ \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

b

Assets included in Form 990, Part X

▶ \$ _____

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

Cat No 52283D

Schedule D (Form 990) 2010

Part III

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

3

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

a

☐ Public exhibition

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations

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					
b Contributions					
c Investment earnings or losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

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

(i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

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		1,368,739		1,368,739
b Buildings		101,165,278	50,445,228	50,720,050
c Leasehold improvements		2,987,838	2,225,322	762,516
d Equipment		111,031,055	85,947,842	25,083,213
e Other		18,924,870	44,438	18,880,432
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				96,814,950

Schedule D (Form 990) 2010

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements		
1	Total revenue (Form 990, Part VIII, column (A), line 12)	1162,162,980
2	Total expenses (Form 990, Part IX, column (A), line 25)	2146,169,000
3	Excess or (deficit) for the year Subtract line 2 from line 1	315,993,980
4	Net unrealized gains (losses) on investments	46,017
5	Donated services and use of facilities	5
6	Investment expenses	6
7	Prior period adjustments	7
8	Other (Describe in Part XIV)	8-3,535,757
9	Total adjustments (net) Add lines 4 - 8	9-3,529,740
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	1012,464,240

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return		
1	Total revenue, gains, and other support per audited financial statements	1162,352,783
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12	
a	Net unrealized gains on investments2a	
b	Donated services and use of facilities2b	
c	Recoveries of prior year grants2c	
d	Other (Describe in Part XIV)2d	
e	Add lines 2a through 2d2e	0
3	Subtract line 2e from line 13	162,352,783
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 7b4a	
b	Other (Describe in Part XIV)4b	
c	Add lines 4a and 4b4c	-189,803
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)5	162,162,980

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return		
1	Total expenses and losses per audited financial statements	1147,345,209
2	Amounts included on line 1 but not on Form 990, Part IX, line 25	
a	Donated services and use of facilities2a	
b	Prior year adjustments2b	
c	Other losses2c	
d	Other (Describe in Part XIV)2d	
e	Add lines 2a through 2d2e	1,654,170
3	Subtract line 2e from line 13	145,691,039
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 7b4a	
b	Other (Describe in Part XIV)4b	
c	Add lines 4a and 4b4c	477,961
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18)5	146,169,000

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	FASB ASC SUBTOPIC 740-10, INCOME TAXES OVERALL, PRESCRIBES A RECOGNITION THRESHOLD AND MEASUREMENT ATTRIBUTE FOR THE FINANCIAL STATEMENT RECOGNITION AND MEASUREMENT OF A TAX POSITION TAKEN OR EXPECTED TO BE TAKEN IN A TAX RETURN. THE AMOUNT OF UNRECOGNIZED TAX EXPENSE RELATED TO THESE CRITERIA FOR THE CORPORATION WAS ZERO AS OF SEPTEMBER 30, 2011 AND 2010.
PART XI, LINE 8 - OTHER ADJUSTMENTS		PENSION ADJUSTMENT -3,535,757
PART XII, LINE 4B - OTHER ADJUSTMENTS		RENTAL EXPENSE IN REVENUE -1,654,170 CONTRIBUTIONS IN NET ASSETS 1,464,367
PART XIII, LINE 2D - OTHER ADJUSTMENTS		RENTAL EXPENSE IN REVENUE 1,654,170
PART XIII, LINE 4B - OTHER ADJUSTMENTS		GRANT TO SPONSOR ORGANIZATION 477,961

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
ST ELIZABETH HOSPITAL INC

Employer identification number
39-0816818

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 .	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year <div><input type="checkbox"/> Applied uniformly to all hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div> <div><input type="checkbox"/> Generally tailored to individual hospitals</div>			
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year a Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <div><input type="checkbox"/> 100%</div> <div><input type="checkbox"/> 150%</div> <div><input checked="" type="checkbox"/> 200%</div> <div><input type="checkbox"/> Other _____%</div>	3a	Yes	
b	Does the organization use FPG to determine eligibility for providing <i>discounted</i> care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care <div><input type="checkbox"/> 200%</div> <div><input type="checkbox"/> 250%</div> <div><input type="checkbox"/> 300%</div> <div><input type="checkbox"/> 350%</div> <div><input type="checkbox"/> 400%</div> <div><input checked="" type="checkbox"/> Other 662.000000000000%</div>	3b	Yes	
c	If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c		No
6a	Does the organization prepare a community benefit report during the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H				

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)		696	1,884,611		1,884,611	1 330 %
b Unreimbursed Medicaid (from Worksheet 3, column a)		19,006	3,802,899		3,802,899	2 690 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)		850	136,511		136,511	0 100 %
d Total Financial Assistance and Means-Tested Government Programs		20,552	5,824,021		5,824,021	4 120 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	4	2,778	127,038		127,038	0 090 %
f Health professions education (from Worksheet 5)	3	179	1,082,860	165,730	917,130	0 650 %
g Subsidized health services (from Worksheet 6)	2	1,444	3,939,034	3,467,711	471,323	0 330 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)	2	17,938	1,164,617		1,164,617	0 820 %
j Total Other Benefits	11	22,339	6,313,549	3,633,441	2,680,108	1 890 %
k Total. Add lines 7d and 7j)	11	42,891	12,137,570	3,633,441	8,504,129	6 010 %

Part IICommunity Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development						
3Community support	1		821		821	0 %
4Environmental improvements						
5Leadership development and training for community members	1	24	122		122	0 %
6Coalition building	1		576		576	0 %
7Community health improvement advocacy	1		390		390	0 %
8Workforce development						
9Other						
10Total	4	24	1,909		1,909	

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1	No
2	Enter the amount of the organization's bad debt expense (at cost)	2	1,759,045
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	55,784,719
6	Enter Medicare allowable costs of care relating to payments on line 5	6	57,875,073
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	-2,090,354
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 checked="" type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other		

Section C. Collection Practices

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

Part IVManagement Companies and Joint Ventures

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

0

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

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

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

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

Part VI Supplemental Information

Complete this part to provide the following information

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

Identifier	ReturnReference	Explanation
		PART I, LINE 3C IT IS THE POLICY OF ST ELIZABETH HOSPITAL TO PROVIDE MEDICALLY NECESSARY HEALTH CARE SERVICES TO PEOPLE IN THE COMMUNITIES IT SERVES, REGARDLESS OF THEIR ABILITY TO PAY AFFINITY CARE FINANCIAL ASSISTANCE IS GRANTED BASED UPON THE PATIENT'S INABILITY TO PAY AND TO INDIVIDUALS WHO ARE UNINSURED, UNDERINSURED OR MEDICALLY INDIGENT AFFINITY CARE WORKS IN COLLABORATION WITH OTHER FINANCIAL (BOTH PUBLIC AND PRIVATE) ASSISTANCE PROGRAMS THIS IS TO ENSURE HOLISTIC WELLNESS OF PATIENTS BY FACILITATING KNOWLEDGE OF AVAILABLE SERVICES AND PROGRAMS FOR HEALTH WHILE PRACTICING GOOD STEWARDSHIP OF FUNDS KEY CRITERIA UTILIZED TO DETERMINE ELIGIBILITY FOR AFFINITY CARE FINANCIAL ASSISTANCE INCLUDES FAMILY SIZE, FEDERAL POVERTY INCOME GUIDELINES AND AVAILABLE ASSETS THE AVAILABLE ASSET TEST INCLUDES CONSIDERATION OF THE AMOUNT OF EQUITY IN A HOME, AUTOMOBILES, AND SAVINGS ACCOUNTS WHICH ARE CONSIDERED PART OF TOTAL ALLOWABLE INCOME WHEN ASSESSING AGAINST THE FEDERAL POVERTY INCOME GUIDELINES

Identifier	ReturnReference	Explanation
		PART I, LINE 7 AMOUNTS CALCULATED IN PART I, LINE 7 ARE DETERMINED BOTH ON A COST ACCOUNTING SYSTEM AND A COST-TO-CHARGE RATIO OTHER BENEFITS ARE DETERMINED BASED ON THE DIRECT AND INDIRECT COSTS (WHERE ALLOCATED) ASSOCIATED WITH A PROGRAM NET OF EARNED REVENUE DETAIL FOR EACH PROGRAM/ACTIVITY IS MAINTAINED AND DETERMINED AT THE DEPARTMENT LEVEL CHARITY CARE AND MEANS-TESTED PROGRAMS ARE DETERMINED BASED ON A COST-TO-CHARGE RATIO CONSISTENT WITH WORKSHEET 2, RATIO OF PATIENT CARE COST TO CHARGES PRIOR YEAR COST REPORT SETTLEMENTS ARE EXCLUDED FROM THE SHORTFALL CALCULATION IN ORDER TO GET A TRUE FISCAL YEAR SHORTFALL AMOUNT

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) BAD DEBT EXPENSE OF \$4,589,436 INCLUDED ON FORM 990, PART IX, LINE 25 WAS EXCLUDED FROM THE DENOMINATOR PER INSTRUCTIONS WHEN CALCULATING THE PERCENT OF TOTAL EXPENSES ON SCHEDULE H

Identifier	ReturnReference	Explanation
		<p>PART II COMMUNITY-BUILDING ACTIVITIES INCLUDE PROGRAMS THAT, WHILE NOT DIRECTLY RELATED TO HEALTH CARE, PROVIDE OPPORTUNITIES TO ADDRESS THE ROOT CAUSES OF HEALTH PROBLEMS, SUCH AS POVERTY, HOMELESSNESS, AND ENVIRONMENTAL PROBLEMS. THESE ACTIVITIES SUPPORT COMMUNITY ASSETS BY OFFERING THE EXPERTISE AND RESOURCES OF THE ORGANIZATION. COSTS FOR THESE ACTIVITIES INCLUDE CASH, IN-KIND DONATIONS, AND EXPENDITURES FOR THE DEVELOPMENT OF A VARIETY OF COMMUNITY HEALTH PROGRAMS AND PARTNERSHIPS. SOME EXAMPLES INCLUDE REBUILDING TOGETHER IN WHICH MANAGERS FROM ST. ELIZABETH HOSPITAL WENT OUT TO HELP LOW-INCOME ELDERLY MEMBERS OF THE COMMUNITY WITH REMODELING PROJECTS TO IMPROVE SAFETY OR CONDITION OF THEIR HOMES. ANOTHER EXAMPLE IS THE HEALTH CAREER EXPERIENCE DAY IN WHICH PROFESSIONALS FROM ST. ELIZABETH HOSPITAL HIGHLIGHT A VARIETY OF HEALTHCARE CAREERS AND TALK ABOUT THEIR PROFESSIONS (I.E. NURSING, SURGERY, LABORATORY AND RADIOLOGY).</p>

Identifier	ReturnReference	Explanation
		PART III, LINE 4 NO FOOTNOTE EXISTS IN ST ELIZABETH HOSPITALS FINANCIALS STATEMENTS THAT DESCRIBE BAD DEBT EXPENSE BAD DEBT EXPENSE IS RECORDED IN A CONSISTENT MANNER WITH THE ORGANIZATIONS COLLECTION POLICIES BAD DEBT EXPENSE INCLUDES ACCOUNTS WHICH ARE WRITTEN OFF AND ESTIMATES MADE ON LIVE ACCOUNTS BASED ON HISTORICAL PAYMENT TRENDS AND ACCOUNT MODELING A NUMBER OF PATIENTS ARE TRULY UNABLE TO PAY THEIR OUT-OF-POCKET LIABILITY, BUT DO NOT COMPLETE THE PROCESS REQUIRED TO APPLY FOR FINANCIAL ASSISTANCE UNDER THE HOSPITALS AFFINITY CARE POLICY THESE PATIENTS WOULD QUALIFY FOR AFFINITY CARE IF THEY COMPLETED THE CHARITY APPLICATION, SO THE BAD DEBT EXPENSE ASSOCIATED WITH TREATING THEM SHOULD BE TREATED AS COMMUNITY BENEFIT THE ORGANIZATION DOES HAVE A PRESUMPTIVE ELIGIBILITY PROGRAM IN PLACE TO HELP IDENTIFY INDIGENT PATIENTS AND MINIMIZE THE INSTANCES OF WHEN THEY BECOME A BAD DEBT THE ADMINISTRATIVE REQUIREMENTS TO DETERMINE WHETHER PATIENTS WHO DO NOT COOPERATE WITH THE FINANCIAL ASSISTANCE PROCESS WOULD HAVE QUALIFIED FOR CHARITY CAN BE BURDENSOME, PARTICULARLY FOR SMALL BALANCES

Identifier	ReturnReference	Explanation
		<p>PART III, LINE 8 THE SHORTFALL ASSOCIATED WITH MEDICARE SHOULD BE CONSIDERED A COMMUNITY BENEFIT FOR SEVERAL REASONS FIRST, IRS REV RUL 69-545, WHICH ESTABLISHED THE COMMUNITY BENEFIT STANDARD FOR NON-PROFIT HOSPITALS, STATES THAT IF A HOSPITAL SERVES PATIENTS WITH GOVERNMENT HEALTH BENEFITS, INCLUDING MEDICARE, THEN THIS IS AN INDICATION THAT THE HOSPITAL OPERATES TO PROMOTE THE HEALTH OF THE COMMUNITY THIS IMPLIES THAT TREATING MEDICARE PATIENTS IS A COMMUNITY BENEFIT SECOND, FOR-PROFIT SPECIALTY HOSPITALS HAVE BEEN CARVING OUT CERTAIN HIGH-MARGIN SERVICES (I E CARDIAC, ORTHOPEDICS, AND ONCOLOGY), LEAVING GENERAL ACUTE CARE HOSPITALS WITH LOWER-MARGIN MEDICARE SERVICES THIS INDICATES THAT MEDICARE LOSSES CAN BE A RESULT OF RENDERING THESE LOWER-MARGIN SERVICES (WHICH BENEFIT THE COMMUNITY) RATHER THAN INEFFICIENT OPERATIONS LASTLY, THE COMMUNITY WHICH THE ORGANIZATION SERVES HAS MEDICARE AS THE LARGEST PAYER THE ORGANIZATION MUST ACCEPT THESE PATIENTS REGARDLESS OF WHETHER THEY MAKE A SURPLUS OR DEFICIT FROM PROVIDING SUCH SERVICES IF THE MEDICARE PARTICIPATION IS PREMISED ON THIS FACT, THEN PROVIDING MEDICARE SERVICES PROMOTES ACCESS TO HEALTHCARE SERVICES WHICH IS A COMMUNITY BENEFIT THE DEMOGRAPHIC OF THE COMMUNITY IS ALSO AN AGING AND UNDERSERVED POPULATION WHO EXPERIENCE ISSUES WITH ACCESS TO HEALTHCARE SERVICES WITHOUT TAX-EXEMPT HOSPITALS PROVIDING MEDICARE SERVICES, CMS WOULD BEAR THE BURDEN OF DIRECTLY PROVIDING SERVICES TO THE ELDERLY</p>

Identifier	ReturnReference	Explanation
		PART III, LINE 9B ST ELIZABETH HOSPITAL HAS A DEBT COLLECTION POLICY WHICH SETS FORTH COLLECTION PRACTICES FOR PATIENTS WHO ARE KNOWN TO QUALIFY OR MAY QUALIFY FOR FINANCIAL ASSISTANCE UNDER THE CHARITY CARE PROGRAM SUFFICIENT FINANCIAL COUNSELING SUPPORT IS MADE AVAILABLE TO PATIENTS SO THEY CAN EASILY ACCESS PATIENT FINANCIAL SERVICE REPRESENTATIVES AND HAVE THEIR QUESTIONS ANSWERED, AND GAIN AN UNDERSTANDING OF THE REASONS WHY THEY OWE A BALANCE ACCOUNTS ARE DESIGNATED AS CHARITY CARE IN THE BUSINESS OFFICES SO NO ADDITIONAL TIME IS SPENT ON COLLECTION EFFORTS

Identifier	ReturnReference	Explanation
		PART VI, LINE 7 ST ELIZABETH HOSPITAL, INC FILES THEIR COMMUNITY BENEFIT RESULTS IN THE STATE OF WISCONSIN THEIR DATA IS INCORPORATED INTO A REPORT FOR ALL OF AFFINITY HEALTH SYSTEM THAT ULTIMATELY IS PUBLISHED IN THE AREA NEWSPAPERS

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 2 ST ELIZABETH HOSPITAL PERFORMS COMMUNITY HEALTH NEEDS ASSESSMENTS AS NEEDED PLANNING WORKGROUPS CONSISTING OF COMMUNITY PARTNERS ARE FORMED TO DEFINE THE COMMUNITY AND ITS HEALTH NEEDS THROUGH REVIEW OF UNITED WAY LIFE STUDY RESULTS, HEALTHY PEOPLE INITIATIVES, CENSUS DOCUMENTS, AND LOCAL GOVERNMENT HEALTH AND WELFARE AGENCIES CONSIDERING OTHER COMMUNITY RESOURCES/ASSETS, DATA COLLECTION METHODS ARE USED TO IDENTIFY PARTICULAR PROBLEMS OR SUBGROUPS AND AREAS KNOWN TO HAVE HIGH POVERTY RATES AND TO BE UNDERSERVED THE DATA IS ANALYZED AND PRIORITIES ARE SET BASED ON TRENDING INFORMATION WHICH MAY TARGET A SPECIFIC NEED WHEN A NEED IS IDENTIFIED, THE HOSPITAL DEVELOPS A PLAN TO IMPLEMENT A PROGRAM EITHER THROUGH COMMUNITY COLLABORATION OR INDIVIDUALLY OUTCOMES FROM THE PROGRAMS ARE MEASURED AND CONSIDERED IN SUBSEQUENT COMMUNITY HEALTH NEEDS ASSESSMENTS THE LEADERSHIP AT AFFINITY TAKES THEIR COMMITMENT TO THE HEALTH AND WELL-BRING OF THE COMMUNITY IT SERVES VERY SERIOUSLY IN FACT, IT IS CORE TO THE ORGANIZATIONS MISSION, TO LIVE OUT THE HEALING MINISTRY OF CHRIST BY PROVIDING SERVICES THAT PROMOTE THE HEALTH AND WELL-BEING OF THE COMMUNITIES WE SERVE, ESPECIALLY THE POOR SENIOR LEADERS AND MANAGEMENT ARE ALSO HIGHLY ENCOURAGED TO PROVIDE DIRECT SERVICE TO THE POOR IN THEIR COMMUNITIES ST ELIZABETH AND THE LEADERSHIP ALSO SUBSCRIBE TO PUBLICATIONS LIKE THE ADVISORY BOARD TO COMPARE NATIONAL TRENDS TO LOCAL TRENDS TO ENSURE THE HOSPITAL IS RESOURCING AREAS TO MEET PATIENT NEEDS</p>

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 3 ST ELIZABETH HOSPITAL GOES TO GREAT LENGTHS IN ORDER TO INFORM AND EDUCATE PATIENTS/PERSONS WHO MAY BE BILLED FOR PATIENT CARE ABOUT THEIR ELIGIBILITY FOR ASSISTANCE UNDER FEDERAL, STATE OR LOCAL GOVERNMENT PROGRAMS AND UNDER THE ORGANIZATIONS AFFINITY CARE POLICY THE AFFINITY CARE POLICY AND APPLICATION IS POSTED ON THE ORGANIZATIONS WEBSITE ADMISSIONS AND OTHER KEY AREAS CONTAIN SUMMARY INFORMATION OF THE AFFINITY CARE POLICY AS PART OF THE INTAKE/DISCHARGE PROCESS, PATIENTS ARE PROVIDED WITH A COPY OF THE POLICY AND OTHER INFORMATION FOR FINANCIAL ASSISTANCE IF DURING THE COURSE OF THE PATIENT REGISTRATION PROCESS, CARE ENCOUNTER, TREATMENT, OR UPON DISCHARGE IT BECOMES EVIDENT THAT A PATIENT MAY NEED FINANCIAL ASSISTANCE, THE PATIENT SHALL BE REFERRED TO THE ORGANIZATIONS AFFINITY CARE PROGRAM PATIENTS MAY BE IDENTIFIED AS NEEDING FINANCIAL ASSISTANCE AT ANY TIME DURING THE COURSE OF AN ENCOUNTER A REFERRAL FOR CONSIDERATION OF AFFINITY CARE FINANCIAL ASSISTANCE CAN BE INITIATED BY ANY MEMBER OF THE HOSPITALS WORKFORCE, INCLUDING MEDICAL STAFF MEMBERS, WHO BECOME AWARE OF THE PATIENTS POTENTIAL NEED FOR AFFINITY CARE FINANCIAL ASSISTANCE THE AFFINITY CARE BROCHURE WAS ALSO TRANSLATED INTO DIALECTS PREVALENT IN THE COMMUNITY IN ORDER TO REACH OUT TO THOSE THAT MAY SPEAK ANOTHER LANGUAGE (SPANISH AND HMONG) PATIENT REGISTRATION STAFF AND FINANCIAL COUNSELORS ARE PROVIDED WITH GUIDELINES TO FOLLOW WHEN INTERACTING WITH PATIENTS AS PART OF THE AFFINITY CARE PROCESS, PATIENTS MUST REGISTER WITH THE COUNTY PUBLIC ASSISTANCE TO SEE IF THEY MAY QUALIFY UNDER ANY OTHER FEDERAL OR STATE PROGRAMS</p>

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 WHILE THERE IS GROWING AGREEMENT IN THE UNITED STATES ABOUT WHAT CONSTITUTES A NON-PROFIT HOSPITALS COMMUNITY BENEFIT, THIS IS A WORK IN PROGRESS ST ELIZABETH HOSPITAL PROVIDED SIGNIFICANT CHARITY CARE AND OTHER COMMUNITY BENEFITS AS DEFINED BY THE IRS BUT IN ADDITION, WE BELIEVE THAT WE PROVIDE A CRITICALLY IMPORTANT COMMUNITY BENEFIT, WHICH IS NOT QUANTIFIED OUR HOSPITAL, LIKE MOST COMMUNITY HOSPITALS, WAS CREATED AND IS MAINTAINED IN ORDER TO PROVIDE CARE LOCALLY-CARE THAT WITHOUT OUR HOSPITAL, MAY NOT BE AVAILABLE LOCALLY CERTAIN SPECIALIZED SERVICES AVAILABLE INCLUDE I/P ADULT BEHAVIORAL HEALTH SERVICES, I/P ADOLESCENT BEHAVIORAL HEALTH SERVICES AND NEONATAL INTENSIVE CARE SERVICES

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 6 ST ELIZABETH HOSPITALS GOVERNING BOARD CONSISTS PRIMARILY OF PERSONS WHO RESIDE WITHIN THE PRIMARY SERVICE AREA THEY ARE NOT EMPLOYEES OF THE ORGANIZATION THE ORGANIZATION STRIVES TO FURTHER ITS EXEMPT PURPOSES BY THE FOLLOWING ST ELIZABETH HOSPITAL PARTICIPATES IN GOVERNMENT-SPONSORED HEALTH PROGRAMS (MEDICARE, MEDICAID, CHAMPUS, GENERAL RELIEF, SPECIALIZED COUNTY PROGRAMS AND AREA PRISONS) ST ELIZABETH HOSPITAL DONATES FOOD TO AN AREA HALF-WAY HOUSE AND THEIR DIETARY DEPARTMENT ALSO SUBSIDIZES MOBILE MEALS PROGRAMS FOR THE ELDERLY AND LOW INCOME INDIVIDUALS ST ELIZABETH HOSPITAL FOUNDATION DONATED FUNDS TO SUPPORT AREA ORGANIZATIONS THAT PROVIDE SERVICES TO THE FOLLOWING SECTORS OF OUR POPULATION LOW-INCOME, HOMELESS, PHYSICALLY AND MENTALLY CHALLENGED AND CHRONICALLY ILL ST ELIZABETH HOSPITAL WORKS WITH THE LOCAL PUBLIC HEALTH DEPARTMENT TO DO NEEDS ASSESSMENT FOR BEHAVIORAL HEALTH SERVICES ST ELIZABETH HOSPITAL PROVIDES COMMUNITY HEALTH IMPROVEMENT SERVICES THROUGH HEALTH EDUCATION LECTURES, HEALTH FAIRS AND SUPPORT GROUPS ST ELIZABETH HOSPITAL SUBSIDIZES YMCA INSTRUCTORS TO WORK WITH INDIVIDUALS WHO HAVE REHABILITATION NEEDS ALSO HOLD FREE FOLLOW-UP CLINICS OF INFANTS BORN IN THE HOSPITAL NICU DISCOUNTED CARE IS PROVIDED TO LOW INCOME FAMILIES UP TO 662% OF FEDERAL POVERTY GUIDELINES ST ELIZABETH HOSPITAL IS A DISPROPORTIONATE SHARE HOSPITAL WITH A COMBINED MEDICAID AND SSI UTILIZATION OF OVER 31 53% ST ELIZABETH HOSPITAL PROVIDES A SUBSIDY TO UW-FAMILY PRACTICE PHYSICIAN RESIDENCY PROGRAM ALSO SUBSIDIZE A SCHOOL OF MEDICAL TECHNOLOGY PROGRAM ST ELIZABETH HOSPITAL SERVES AS A SPONSOR SITE FOR CLINICAL TRAINING OF COLLEGE STUDENTS IN VARIOUS HEALTH CARE PROGRAMS ST ELIZABETH HOSPITAL HELPS TO SUBSIDIZE AN AREA COMMUNITY CLINIC THAT SERVES THE UNINSURED AND LOW INCOME MEMBERS OF THE COMMUNITY SUPPORT CONSISTS OF CASH DONATIONS FOR OPERATIONS, NURSING STAFF AND LAB AND X-RAY SERVICES</p>

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 7 ST ELIZABETH HOSPITAL, OF APPLETON, WISCONSIN IS PART OF AN AFFILIATED HEALTH CARE SYSTEM CALLED AFFINITY HEALTH SYSTEM AFFINITY HEALTH SYSTEM ALSO HAS TWO OTHER HOSPITALS, MERCY MEDICAL CENTER, IN OSHKOSH, WI AND CALUMET MEDICAL CENTER, IN CHILTON, WI THE LATTER HOSPITAL QUALIFIES AS A CRITICAL ACCESS HOSPITAL IN ADDITION TO THE HOSPITALS, AFFINITY HEALTH SYSTEM ALSO HAS 25 AREA CLINICS UNDER THE CONTROL OF AFFINITY MEDICAL GROUP THE MISSION OF AFFINITY, AS A CATHOLIC HEALTH CARE SYSTEM, IS TO LIVE OUT THE HEALING MINISTRY OF BY PROVIDING SERVICES THAT PROMOTE THE HEALTH AND WELL BEING OF THE COMMUNITIES WE SERVE, ESPECIALLY THE POOR AFFINITY HEALTH SYSTEM IS SPONSORED EQUALLY BY TWO CATHOLIC HEALTH SYSTEMS, MINISTRY HEALTH CARE, HEADQUARTERED IN MILWAUKEE, WI AND WHEATON FRANCISCAN HEALTH CARE, ALSO HEADQUARTERED IN MILWAUKEE, WI ST ELIZABETH HOSPITAL AND MERCY MEDICAL CENTER BOTH SUBSIDIZE AREA COMMUNITY MEDICAL CLINICS AS WELL AS COMMUNITY DENTAL CLINICS THE 3 HOSPITALS AND THE 25 CLINICS PROVIDE FREE OR MINIMAL COST HEALTH EDUCATION, SUPPORT AND SCREENING SERVICES FOR THE POPULATIONS THEY SERVE ST ELIZABETH HOSPITAL AND MERCY MEDICAL CENTER BOTH PROVIDE SUPPORT FOR EDUCATIONAL PROGRAMS TO EDUCATE FUTURE HEALTH CARE PROFESSIONALS THERE IS ALSO AN EXPECTATION THAT ALL PEOPLE IN MANAGEMENT SERVICES AT AFFINITY HEALTH SYSTEM WILL PROVIDE DIRECT SERVICES TO THE POOR ST ELIZABETH HOSPITAL HAS A FOUNDATION WHICH IS NOT INCLUDED WITHIN THE OPERATIONS OF THE ORGANIZATION THE FOUNDATION PROVIDES CASH DONATIONS WHICH HELP SUPPORT THE MISSION OF THE ORGANIZATION AND THE AFFILIATED HEALTH CARE SYSTEM EXAMPLES OF THE DONATIONS ARE INCLUDED IN ITEM #6 ABOVE</p>

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

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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: 93493226009342

OMB No 1545-0047

2010

Open to Public
Inspection

Name of the organization
ST ELIZABETH HOSPITAL INC

Employer identification number
39-0816818

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) WHEATON FRANSICAN SERVICES INC26 W 171 ROOSEVELT RD WHEATON,IL 601890667	36-3262111	501(C)(3)	477,961				GRANT TO SERVE THE POOR
(2) FOX CITIES COMMUNITY HEALTH CENTER INC1800 APPLETON RD MENASHA,WI 54952	20-2090446	501(C)(3)	70,000				PROVIDE HEALTHCARE TO THE INDIGENT AND UNDERSERVED

2

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

2

3

Enter total number of other organizations

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 EACH YEAR ST ELIZABETH HOSPITAL PROVIDES A GRANT BASED ON AN INTEGRATION AGREEMENT THE INTEGRATION AGREEMENT SUBSTANTIATES THE AMOUNT AND THE RECIPIENT OF THE GRANT

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 ST ELIZABETH HOSPITAL INC	Employer identification number 39-0816818
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Part I

Questions Regarding Compensation

		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items		
	<input type="checkbox"/> First-class or charter travel		
	<input checked="" 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)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain		No
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	Yes	
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply		
	<input checked="" type="checkbox"/> Compensation committee		
	<input checked="" type="checkbox"/> Independent compensation consultant		
	<input type="checkbox"/> Form 990 of other organizations		
	<input checked="" 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?		No
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?		No
	If "Yes," to line 5a or 5b, describe in Part III		
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of		
a	The organization?		No
b	Any related organization?		No
	If "Yes," to line 6a or 6b, describe in Part III		
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III		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				
(1) DANIEL E NEUFELDER	(i)	192,588	66,564	2,188	15,640	4,850	281,830	0
	(ii)	422,120	145,898	4,796	34,280	10,630	617,724	0
(2) JOSEPH MCCORMICK MD	(i)	0	0	0	0	0	0	0
	(ii)	1,096,449	0	1,140	18,640	22,893	1,139,122	0
(3) BARBARA STRAND MD	(i)	0	0	0	0	0	0	0
	(ii)	262,911	0	1,387	22,346	20,954	307,598	0
(4) STACEY SENSOR DO	(i)	0	0	0	0	0	0	0
	(ii)	480,983	0	1,040	22,374	18,504	522,901	0
(5) MARK FAUSTICH MD	(i)	0	0	0	0	0	0	0
	(ii)	368,541	0	1,179	28,196	7,244	405,160	0
(6) JAY MULLER MD	(i)	0	0	0	0	0	0	0
	(ii)	372,671	0	386	18,692	18,995	410,744	0
(7) CHRISTOPHER ROCKE DO	(i)	0	0	0	0	0	0	0
	(ii)	232,298	0	396	17,670	17,716	268,080	0
(8) JOHN OLIVERIO	(i)	0	0	0	0	0	0	0
	(ii)	918,033	527,500	367,685	92,775	64,950	1,970,943	350,448
(9) JEFF BADGER	(i)	101,843	30,422	6,994	13,320	6,252	158,831	0
	(ii)	223,223	66,681	15,329	29,195	13,703	348,131	0
(10) TRAVIS ANDERSEN	(i)	263,833	76,004	19,288	28,086	19,323	406,534	0
	(ii)	0	0	0	0	0	0	0
(11) BRIAN HUMPHREY	(i)	159,209	0	485	36,584	11,650	207,928	0
	(ii)	0	0	0	0	0	0	0
(12) RICHARD GOODMAN	(i)	161,878	0	1,046	8,396	13,082	184,402	0
	(ii)	0	0	0	0	0	0	0
(13) JENNIE GAURKEE	(i)	162,201	0	299	8,544	15,237	186,281	0
	(ii)	0	0	0	0	0	0	0
(14) DEBRA LASTOFKA	(i)	146,265	0	522	37,522	7,018	191,327	0
	(ii)	0	0	0	0	0	0	0
(15) GARY MILLER	(i)	140,549	0	1,493	7,178	14,190	163,410	0
	(ii)	0	0	0	0	0	0	0
(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 1B	BUSINESS TRAVEL EXPENSES FOR SPOUSES OF EXECUTIVES AND GOLF CLUB MEMBERSHIP FOR EXECUTIVES ARE REIMBURSED AS PART OF THEIR EXECUTIVE FLEX CREDIT ACCOUNT. RECEIPTS ARE PROVIDED TO SR ADMINISTRATIVE ASSISTANT IN HR WHO REVIEWS FOR ACCURACY, COMPLETES A REIMBURSEMENT FORM WITH SUBSTANTIATION TO PAYROLL FOR REIMBURSEMENT. THESE REIMBURSEMENTS ARE TAXABLE AND, WHEN ADDED TO THE COMPENSATION PACKAGE TAKEN AS A WHOLE, HAVE BEEN INCLUDED WHEN COMPARED TO THE COMPENSATION STUDIES.
	PART I, LINE 4B	JOHN OLIVERIO RECEIVED A 2010 TAXABLE PAYOUT OF \$350,448 RELATED TO A SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN KNOWN AS THE WHEATON FRANCISCAN SERVICES BENEFIT RESTORATION PLAN.

Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
ST ELIZABETH HOSPITAL INC

Employer identification number

39-0816818

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

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

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

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

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

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

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

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

Part IV

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) MORTON PHARMACY	STEPHEN MORTON, A DIRECTOR, IS AN OWNER OF MORTON PHARMACY	4,955	PURCHASE OF PHARMACEUTICALS		No

Part V

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

Identifier	Return Reference	Explanation
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SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2010

Open to Public
Inspection

Name of the organization ST ELIZABETH HOSPITAL INC	Employer identification number 39-0816818
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Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 6		WHEATON FRANSICAN SERVICES, INC IS A CORPORATE MEMBER AND AFFINITY HEALTH SYSTEM IS A MANAGING MEMBER

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7A		WHEATON FRANCISCAN SERVICES, INC HAS THE POWER TO APPROVE AND REMOVE DIRECTORS FROM ST ELIZABETH HOSPITAL

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7B		AMENDMENTS OF THE ARTICLES OF INCORPORATION AND BYLAWS MUST BE APPROVED BY WHEATON FRANCISCAN SERVICES, INC

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11		THE CONTROLLER AND CFO OF AFFINITY HEALTH SYSTEM PERFORM A DETAIL REVIEW OF THE 990 AFTER MANAGEMENT REVIEW, A COPY OF THE 990 IS PROVIDED TO THE BOARD OF DIRECTORS PRIOR TO FILING

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	THE BOARD OF DIRECTORS RECEIVES A CONFLICT OF INTEREST QUESTIONNAIRE EVERY YEAR

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	EACH YEAR THE ORGANIZATION ENGAGES AN INDEPENDENT COMPENSATION FIRM TO PROVIDE MARKET DATA FOR CEO, EXECUTIVES AND KEY EMPLOYEE POSTIONS THIS STUDY IS SHARED WITH THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS FOR THEIR REVIEW AND RECOMMENDATIONS REGARDING ANY COMPENSATION CHANGES THE COMPENSATION COMMITTEE IS COMPRISED OF INDEPENDENT MEMBERS THE CEO REVIEWS EACH EXECUTIVE AND KEY EMPLOYEE'S ANNUAL PERFORMANCE APPRAISAL RATINGS IN MAKING HIS COMPENSATION RECOMMENDATIONS TO THE COMPENSATION COMMITTEE THE COMPENSATION COMMITTEE HAS THE FINAL AUTHORITY TO APPROVE ANY AND ALL AMOUNTS OF COMPENSATION FOR MEMBERS OF THE EXECUTIVE TEAM THE FINAL APPROVAL OF COMPENSATION AMOUNTS ARE DOCUMENTED

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION BELIEVES THE FINANCIAL STATEMENTS, GOVERNING DOCUMENTS, AND POLICES ARE THE PROPERTY OF THE ORGANIZATION AND ARE NOT AVAILABLE FOR PUBLIC INSPECTION

Identifier	Return Reference	Explanation
HOURS WORKED FOR RELATED ORGANIZATIONS	FORM 990, PART VII	MARK FAUSTICH, MD WORKED AN AVERAGE OF 40 HOURS PER WEEK FOR A RELATED ORGANIZATIONS JOSEPH MCCORMICK, MD WORKED AN AVERAGE OF 40 HOURS PER WEEK FOR A RELATED ORGANIZATION JAY MULLER, MD WORKED AN AVERAGE OF 40 HOURS PER WEEK FOR A RELATED ORGANIZATIONS CHRISTOPHER ROCKE, MD WORKED AN AVERAGE OF 40 HOURS PER WEEK FOR A RELATED ORGANIZATIONS STACEY SENSOR, DO WORKED AN AVERAGE OF 40 HOURS PER WEEK FOR A RELATED ORGANIZATIONS BARBARA STRAND, MD WORKED AN AVERAGE OF 40 HOURS PER WEEK FOR A RELATED ORGANIZATIONS DANIEL NEUFELDER WORKED AN AVERAGE OF 27 HOURS PER WEEK FOR RELATED ORGANIZATIONS JEFF BADGER WORKED AN AVERAGE OF 27 HOURS PER WEEK FOR RELATED ORGANIZATIONS JOHN OLIVERIO WORKED AN AVERAGE OF 40 HOURS PER WEEK FOR A RELATED ORGANIZATIONS

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED GAINS ON INVESTMENTS 6,017 PENSION ADJUSTMENT - 3,535,757 TOTAL TO FORM 990, PART XI, LINE 5 -3,529,740

Identifier	Return Reference	Explanation
PROCESS FOR OVERSIGHT OF AUDIT AND SELECTION OF AN INDEPENDENT ACCOUNTANT	FORM 990, PART XI, LINE 2B-2C	ST ELIZABETH HOSPITAL, INC (ORGANIZATION) DOES NOT RECEIVE SEPARATELY AUDITED FINANCIAL STATEMENTS THE ORGANIZATION IS AUDITED AND REPORTED THROUGH CONSOLIDATED FINANCIAL STATEMENTS THE AUDIT COMMITTEE IS RESPONSIBLE FOR THE AUDITOR SELECTION THE AUDIT STATEMENTS ARE REVIEWED BY THE CONTROLLER, CFO, AND THE AUDIT COMMITTEE THIS PROCESS HAS NOT CHANGED FROM THE 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

ST ELIZABETH HOSPITAL INC

Employer identification number

39-0816818

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) AFFINITY HEALTH SYSTEM 1570 MIDWAY PL MENASHA, WI 54952 39-1568866	SUPPORT RELATED HEALTHCARE ORGRANIZATIONS	IL	501(C)(3)	3	N/A		No
(2) MERCY MEDICAL CENTER OF OSHKOSH INC 500 S OAKWOOD OSHKOSH, WI 54904 39-0806268	HEALTH CARE SERVICES	WI	501(C)(3)	3	AFFINITY HEALTH SYSTEMS INC		No
(3) NETWORK HEALTH SYSTEM INC 1570 MIDWAY PL MENASHA, WI 54952 39-1127163	CLINICAL HEALTHCARE SERVICES	WI	501(C)(3)	3	AFFINITY HEALTH SYSTEMS INC		No
(4) ST ELIZABETH HOSPITAL FOUNDATION 1506 SOUTH ONEIDA STREET APPLETON, WI 54915 39-1256677	RAISE FUNDS IN SUPPORT OF ST ELIZABETH HOSPITAL AND RELATEDENTITIES	WI	501(C)(3)	7	AFFINITY HEALTH SYSTEMS INC		No
(5) CALUMET MEDICAL CENTER INC 614 MEMORIAL DRIVE CHILTON, WI 53014 39-0905385	HOSPITAL	WI	501(C)(3)	3	AFFINITY HEALTH SYSTEMS INC		No
(6) MERCY HEALTH FOUNDATION INC PO BOX 3370 OSHKOSH, WI 54903 23-7140261	PUBLIC WELFARE THROUGH COMMUNITY HEALTH DEVELOPMENT	WI	501(C)(3)	9	AFFINITY HEALTH SYSTEMS INC		No
(7) WEATON FRANCISCAN SERVICES INC 26 W171 ROOSEVELT ROAD WHEATON, IL 60187 36-3262111	SUPPORT RELATED HEALTHCARE ORGRANIZATIONS	IL	501(C)(3)	11A-1	N/A		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) TWIN MED LLP PO BOX 8005 MENASHA, WI54952 39-1180341	RENTAL PROPERTY	WI	N/A									

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) NETWORK HEALTH PLAN INC 1570 MIDWAY PLACE MENASHA, WI54952 39-1442058	INSURANCE	WI	N/A	C			
(2) NETWORK HEALTH INSURANCE CORPORATION 1570 MIDWAY PLACE MENASHA, WI54952 39-2020474	INSURANCE	WI	N/A	C			

Part V

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

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

1

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

a

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

b

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

c

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

d

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

e

Loans or loan guarantees by other organization(s)

f

Sale of assets to other organization(s)

g

Purchase of assets from other organization(s)

h

Exchange of assets

i

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

j

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

k

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

l

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

m

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

n

Sharing of paid employees

o

Reimbursement paid to other organization for expenses

p

Reimbursement paid by other organization for expenses

q

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

r

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

Yes

Yes

No

Yes

No

No

Yes

Yes

No

Yes

Yes

Yes

Yes

No

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)			
(2)			
(3)			
(4)			
(5)			
(6)			

Schedule R (Form 990) 2010

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

[illegible]

Part VII **Supplemental Information**

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

Identifier	Return Reference	Explanation
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Software ID:
Software Version:
EIN: 39-0816818
Name: ST ELIZABETH HOSPITAL INC

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c) (3))	(f) Direct controlling entity	(g) Section 512 (b)(13) controlled organization	
						Yes	No
AFFINITY HEALTH SYSTEM 1570 MIDWAY PL MENASHA, WI54952 39-1568866	SUPPORT RELATED HEALTHCARE ORGRANIZATIONS	IL	501(C)(3)	3	N/A		No
MERCY MEDICAL CENTER OF OSHKOSH INC 500 S OAKWOOD OSHKOSH, WI54904 39-0806268	HEALTH CARE SERVICES	WI	501(C)(3)	3	AFFINITY HEALTH SYSTEMS INC		No
NETWORK HEALTH SYSTEM INC 1570 MIDWAY PL MENASHA, WI54952 39-1127163	CLINICAL HEALTHCARE SERVICES	WI	501(C)(3)	3	AFFINITY HEALTH SYSTEMS INC		No
ST ELIZABETH HOSPITAL FOUNDATION 1506 SOUTH ONEIDA STREET APPLETON, WI54915 39-1256677	RAISE FUNDS IN SUPPORT OF ST ELIZABETH HOSPITAL AND RELATED ENTITIES	WI	501(C)(3)	7	AFFINITY HEALTH SYSTEMS INC		No
CALUMET MEDICAL CENTER INC 614 MEMORIAL DRIVE CHILTON, WI53014 39-0905385	HOSPITAL	WI	501(C)(3)	3	AFFINITY HEALTH SYSTEMS INC		No
MERCY HEALTH FOUNDATION INC PO BOX 3370 OSHKOSH, WI54903 23-7140261	PUBLIC WELFARE THROUGH COMMUNITY HEALTH DEVELOPMENT	WI	501(C)(3)	9	AFFINITY HEALTH SYSTEMS INC		No
WEATON FRANCISCAN SERVICES INC 26 W171 ROOSEVELT ROAD WHEATON, IL60187 36-3262111	SUPPORT RELATED HEALTHCARE ORGRANIZATIONS	IL	501(C)(3)	11A-1	N/A		No

AFFINITY HEALTH SYSTEM AND AFFILIATES

Combined Financial Statements and
Combining Schedules

September 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

AFFINITY HEALTH SYSTEM AND AFFILIATES

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KPMG LLP
Suite 1500
777 East Wisconsin Avenue
Milwaukee, WI 53202-5337

Independent Auditors' Report

The Board of Directors
Affinity Health System:

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

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

As discussed in note 1 to the combined financial statements, the accompanying combined financial statements have been prepared in accordance with an agreement between Ministry Health Care, Inc. and Wheaton Franciscan Healthcare, Inc. (the Integration Agreement) and include the accounts of Mercy Medical Center of Oshkosh, Inc., whose controlling corporate member is Ministry Health Care, Inc.; St. Elizabeth Hospital, Inc., whose controlling corporate member is Wheaton Franciscan Healthcare, Inc.; and Affinity Health System, and its other affiliates and, therefore, are not intended to be a presentation in conformity with U.S. generally accepted accounting principles.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Affinity Health System and affiliates as of September 30, 2011 and 2010, and the results of their combined operations and their cash flows for the years then ended, in conformity with the basis of accounting described in note 1.

This report is intended solely for the information and use of the board of directors, management, and corporate members of the Corporation, and should not be used for any other purpose.

KPMG LLP

December 14, 2011

AFFINITY HEALTH SYSTEM AND AFFILIATES

Combined Balance Sheets

September 30, 2011 and 2010

(In thousands)

Assets	2011	2010
Current assets:		
Cash and cash equivalents	\$ 132,150	75,539
Assets whose use is limited or restricted	965	872
Patient accounts receivable	49,248	50,903
Less allowance for uncollectible accounts	6,836	8,517
Net patient accounts receivable	42,412	42,386
Other accounts receivable	16,101	6,738
Inventories of supplies	6,259	5,790
Collateral held for securities loaned	255	—
Prepaid expenses and other	9,588	6,837
Total current assets	207,730	138,162
Assets whose use is limited or restricted	86,825	72,343
Investments	31,452	40,247
Net property, plant, and equipment	207,436	185,326
Intangible assets, net	3,251	4,876
Other assets	9,740	8,531
Total assets	\$ 546,434	449,485
Liabilities and Net Assets		
Current liabilities:		
Current installments of long-term debt	\$ 463	—
Current installments of notes payable to sponsors	7,898	7,356
Accounts payable	24,872	18,571
Accrued payroll expenses	25,808	28,981
Accrued expenses and other liabilities	95,210	52,198
Payable under securities lending agreement	255	—
Estimated amounts due to third-party payors, net	1,291	1,480
Total current liabilities	155,797	108,586
Long-term debt, less current installments	1,522	—
Notes payable to sponsors, less current installments	119,532	94,685
Pension liability, deferred compensation, and other liabilities	71,516	53,955
Total liabilities	348,367	257,226
Net assets:		
Unrestricted	186,974	183,445
Temporarily restricted	5,575	3,545
Permanently restricted	5,518	5,269
Total net assets	198,067	192,259
Total liabilities and net assets	\$ 546,434	449,485

See accompanying notes to combined financial statements.

AFFINITY HEALTH SYSTEM AND AFFILIATES

Combined Statements of Operations

Years ended September 30, 2011 and 2010

(In thousands)

	<u>2011</u>	<u>2010</u>
Net patient service revenues	\$ 254,250	244,374
Premium revenues	708,208	567,253
Other operating revenues	<u>8,111</u>	<u>5,942</u>
Total revenues	<u>970,569</u>	<u>817,569</u>
Expenses:		
Salaries and wages	228,902	213,303
Employee benefits	58,590	52,370
Medical and surgical supplies	59,603	56,024
Medical claims expense	435,860	326,699
Purchased services and professional fees	79,479	60,146
Provision for bad debts	11,129	12,109
Depreciation and amortization	21,564	21,355
Interest	6,792	6,212
Other expenses	<u>39,157</u>	<u>38,519</u>
Total expenses	<u>941,076</u>	<u>786,737</u>
Income from operations	29,493	30,832
Nonoperating losses, net	<u>(10,376)</u>	<u>(7,203)</u>
Revenue and gains in excess of expenses and losses	19,117	23,629
Other changes in unrestricted net assets:		
Change in net unrealized gains on other-than-trading securities	220	2,697
Contributions for purchases of property, plant, and equipment	1,922	636
Net assets released from restriction for purchases of property, plant, and equipment	1,548	923
Increase in pension liabilities	(16,153)	(11,197)
Other	<u>(3,125)</u>	<u>(2,435)</u>
Increase in unrestricted net assets	<u>\$ 3,529</u>	<u>14,253</u>

See accompanying notes to combined financial statements.

AFFINITY HEALTH SYSTEM AND AFFILIATES

Combined Statements of Changes in Net Assets

Years ended September 30, 2011 and 2010

(In thousands)

	<u>2011</u>	<u>2010</u>
Unrestricted net assets:		
Revenue and gains in excess of expenses and losses	\$ 19,117	23,629
Change in net unrealized gains on other-than-trading securities	220	2,697
Contributions for purchases of property, plant, and equipment	1,922	636
Net assets released from restriction for purchases of property, plant, and equipment	1,548	923
Increase in pension liabilities	(16,153)	(11,197)
Other	(3,125)	(2,435)
Change in unrestricted net assets	<u>3,529</u>	<u>14,253</u>
Temporarily restricted net assets:		
Contributions and investment income, net	3,994	1,936
Net assets released from restriction for purchases of property, plant, and equipment	(1,590)	(623)
Change in net unrealized gains on other-than-trading securities	(374)	493
Change in temporarily restricted net assets	<u>2,030</u>	<u>1,806</u>
Permanently restricted net assets:		
Contributions	207	157
Donor redesignations	42	(300)
Change in permanently restricted net assets	<u>249</u>	<u>(143)</u>
Change in net assets	5,808	15,916
Net assets at beginning of year	<u>192,259</u>	<u>176,343</u>
Net assets at end of year	<u>\$ 198,067</u>	<u>192,259</u>

See accompanying notes to combined financial statements.

AFFINITY HEALTH SYSTEM AND AFFILIATES

Combined Statements of Cash Flows

Years ended September 30, 2011 and 2010

(In thousands)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 5,808	15,916
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	21,564	21,355
Provision for bad debts	11,129	12,109
Increase in net deferred tax asset	(15)	(164)
Permanently restricted contributions	(207)	(157)
Change in pension liabilities	16,153	11,197
Change in net unrealized gains and losses on other-than-trading securities	154	(3,190)
Realized gains on sales of securities	(932)	(1,005)
Equity income from unconsolidated affiliates	(414)	(201)
Changes in assets and liabilities:		
Patient accounts receivable	(11,155)	(15,273)
Other current assets	(12,583)	(2,688)
Estimated amounts due to third-party payors, net	(189)	(1,084)
Accounts payable, accrued expenses, and other liabilities	47,549	(8,435)
Net cash provided by operating activities	<u>76,862</u>	<u>28,380</u>
Cash flows from investing activities:		
Additions to property, plant, and equipment	(42,049)	(34,099)
Purchases of investments	(21,020)	(48,624)
Proceeds from sales or maturities of investments	16,018	34,961
Decrease in other assets	(781)	(938)
Net cash used in investing activities	<u>(47,832)</u>	<u>(48,700)</u>
Cash flows from financing activities:		
Restricted contributions	207	157
Repayments of notes payable to sponsors	(4,611)	(8,210)
Proceeds from new notes payable to sponsors	30,000	20,353
Repayments of long-term debt and capital leases	(47)	(268)
Proceeds of long-term debt and capital leases	2,032	—
Net cash provided by financing activities	<u>27,581</u>	<u>12,032</u>
Net increase (decrease) in cash and cash equivalents	56,611	(8,288)
Cash and cash equivalents:		
Beginning of year	<u>75,539</u>	<u>83,827</u>
End of year	<u>\$ 132,150</u>	<u>75,539</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	6,858	8,602
Cash paid for income taxes	14,764	11,736

See accompanying notes to combined financial statements.

AFFINITY HEALTH SYSTEM AND AFFILIATES

Notes to Combined Financial Statements

September 30, 2011 and 2010

(1) Organization

Affinity Health System (AHS) is an Illinois nonstock, not-for-profit corporation whose corporate members are Ministry Health Care, Inc. (MHC) and Wheaton Franciscan Healthcare, Inc. (WFSI). In 1995, MHC and WFSI entered into an agreement (the Integration Agreement) to integrate the operations of their sponsored affiliates in northeastern Wisconsin into a regional healthcare system (the System).

The System's members include Mercy Medical Center of Oshkosh, Inc. (MMC), an affiliate of MHC and St. Elizabeth Hospital, Inc. (SEH), an affiliate of WFSI. The combined financial statements also include the following controlled or wholly owned affiliates of AHS: St. Elizabeth Hospital Community Foundation, Inc. (SEH Foundation); Mercy Health Foundation (MMC Foundation); Network Health System, Inc. (NHS); Network Health Plan of Wisconsin, Inc. (NHP); Network Health Insurance Corporation (NHIC); and Calumet Medical Center, Inc. (CMC). AHS members and controlled or wholly owned affiliates are herein referred to as "the Corporation."

MMC, SEH, and CMC are acute care hospitals that provide inpatient and outpatient care to patients in Oshkosh, Appleton, and Chilton, Wisconsin and surrounding communities (herein referred to as the Fox Valley). SEH Foundation and MMC Foundation raise funds in support of SEH and MMC and their related entities and are involved in community development by engaging in, and giving grants to, numerous events and activities throughout SEH and MMC's service areas, which benefit the community's healthcare, the poor, and the under-privileged. NHS operates physician clinics and provides clinical healthcare services to individuals within the Fox Valley. NHP and NHIC are health maintenance organization (HMO) insurers that make available to their enrolled participants, in consideration for predetermined fixed payments, comprehensive healthcare services performed by providers selected by the organization. The major product lines of NHP and NHIC are network model closed-panel HMO, point-of-service, and Medicare cost and advantage plans. NHP and NHIC mainly operate in the Fox Valley.

As provided in the Integration Agreement, MHC and WFSI each continue to sponsor and to be the controlling corporate member of the entities sponsored prior to execution of the Integration Agreement. In accordance with the Integration Agreement, the MHC-affiliated system members and the WFSI-affiliated system members annually share the operating results of the System through cash transfers or bookkeeping entries. However, MHC and WFSI have agreed to operate the System as a fully integrated economic entity, with the functions and resources of all system members serving system purposes. The Integration Agreement establishes the Corporation as the entity through which MHC and WFSI jointly manage the System and its members. The Integration Agreement specifies events triggering dissolution as the mutual written agreement of MHC and WFSI or the determination by MHC or WFSI that the continuation of the System would result in the operation of an affiliated system member or of the Corporation in a manner contrary to ethical/religious directives, the violation of law (including Canon Law of the Roman Catholic Church), the loss of tax-exempt status of MHC, WFSI, the Corporation, or a system member, or the violation of any financing documents.

As provided in the Integration Agreement, absent any agreement to the contrary, in the event of dissolution, MHC and WFSI would establish separate, viable healthcare delivery systems consistent with community needs. Assets owned and controlled by MHC-affiliated system members would be allocated to MHC, and assets owned and controlled by WFSI-affiliated system members would be allocated to WFSI. Assets held by AHS, or by corporations owned or controlled by AHS, and assets not owned or controlled

AFFINITY HEALTH SYSTEM AND AFFILIATES

Notes to Combined Financial Statements

September 30, 2011 and 2010

by MHC-affiliated system members or WFSI-affiliated system members would be allocated to MHC if the operations and assets are geographically closer to MHC and would be allocated to WFSI if the operations and assets are geographically closer to WFSI. The assets allocated to MHC and WFSI would be valued as of the date of dissolution and MHC would pay WFSI or WFSI would pay MHC such amount as necessary to establish an equal distribution for both MHC and WFSI.

In December 2011, WFSI and MHC entered into a definitive agreement by which MHC will acquire WFSI's interest in AHS and assume full sponsorship. The transaction, subject to customary federal and state regulatory and Vatican approvals, is expected to be completed during the three months ended March 31, 2012.

(2) Significant Accounting Policies

The accompanying combined financial statements have been prepared in accordance with the Integration Agreement and, as such, include all of the affiliates of the Corporation, as described in note 1, and are not intended to be a presentation in conformity with U.S. generally accepted accounting principles (note 1). All significant intercompany accounts and transactions have been eliminated in preparing the combined financial statements.

The significant accounting policies of the Corporation are as follows:

(a) Use of Estimates

In the preparation of these combined financial statements, management has made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(b) Donor-Restricted Net Assets

Net assets and activities are classified into three classes based on the existence or absence of donor-imposed restrictions: unrestricted, temporarily restricted, and permanently restricted. Unrestricted net assets represent those net assets that are not subject to donor-imposed stipulation. Temporarily restricted net assets represent those net assets whose use by the Corporation has been restricted by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Corporation in perpetuity. Certain prior year amounts have been reclassified based on donor intent or clarification.

(c) Gifts, Bequests, and Grants

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the combined statements of operations as other operating revenue.

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

(d) *Revenue and Gains in Excess of Expenses and Losses*

The combined statements of operations include revenue and gains in excess of expenses and losses. Changes in unrestricted net assets that are excluded from revenue and gains in excess of expenses and losses, consistent with industry practice, include: permanent transfers of assets to affiliates for other than goods or services; contributions of property, plant, and equipment (including assets acquired using contributions that by donor restrictions or grants were to be used for the purpose of acquiring such assets); changes in unrealized gains and losses on other-than-trading securities; changes in pension funded status; and other.

(e) *Assets Whose Use is Limited or Restricted*

Restricted net assets are used to differentiate funds, the use of which is limited by the donor or grantor, from unrestricted net assets on which the donor or grantor places no restriction or that arise as a result of the operations of the Corporation for its stated purposes. Assets whose use is limited by the various affiliates' boards of directors for plant expansion and replacement are not restricted and are classified as unrestricted net assets. The Corporation records assets whose use is limited or restricted for current liabilities as current assets.

(f) *Cash Equivalents*

Cash equivalents are defined as all highly liquid investments purchased with an original maturity of three months or less, except amount shown as investments, assets whose use is limited or restricted, and securities lending collateral.

(g) *Investments and Investment Income*

Investments are reported at fair value. Investment income or loss (including realized gains and losses on investments) is included in revenue and gains in excess of expenses and losses unless the income or loss is restricted by donors, in which case the investment return is reported directly to temporarily restricted net assets. Investment income earned on certain assets whose use is limited and funded through borrowings from WFSI and MHC under notes payable is recorded as other operating revenues. Change in unrealized gains and losses on investments other than trading securities are excluded from revenue and gains in excess of expenses and losses and are reported as a change in net assets. All other investment income of unrestricted investments is reported as nonoperating losses, net.

A decline in fair value below cost that is deemed to be other than temporary results in a reduction in the carrying amount to fair value. The impairment is treated as a realized loss and a new cost basis

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for the security is established. To determine whether an impairment is other-than-temporary, the Corporation considers whether it has the ability and intent to hold the investment until a market price recovery occurs and considers whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, and forecasted performance of the investee. The Corporation periodically evaluates its investments for impairment. If any are determined to be other-than-temporarily impaired, the unrealized loss would be recognized as a nonoperating loss. The Corporation did not identify any investments that were other than temporarily impaired during 2011 or 2010.

(h) *Securities Lending*

MHC participates in a securities lending program with a financial institution whereby fixed income securities are loaned to third parties in exchange for cash collateral that exceeds the market value of the securities loaned. Collateral is marked to market daily to reflect changes in fair value. MHC invests the cash collateral in short-term investments and the third party has the right to repledge or sell the loaned securities. As a participant in MHC's pooled investment funds, the Corporation also participates in the securities lending program. The market value of the loaned securities was \$255,000 at September 30, 2011. In exchange for loaned securities, the Corporation received cash collateral of \$255,000 at September 30, 2011. The cash collateral is shown as both an asset and liability of the Corporation in the accompanying combined balance sheets. Income from the securities lending program is included in nonoperating losses, net as interest and dividend income.

(i) *Inventories of Supplies*

Inventories of supplies are stated at cost (first-in, first-out), which is not in excess of market.

(j) *Property, Plant, and Equipment*

Property, plant, and equipment are recorded at cost. Donated property, plant, and equipment are recorded at fair market value at the date of donation, which is then treated as cost. Restricted donations received and used for the purchase of property, plant, and equipment in the same period are recorded as unrestricted net assets. Interest costs incurred on borrowed funds during the period of construction are capitalized as a component of the cost of acquiring those assets. The cost of property, plant, and equipment is depreciated on the straight-line method over their estimated useful lives. Equipment under capital leases is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment.

(k) *Investments in Unconsolidated Affiliates*

Investments in unconsolidated affiliates, included in other assets on the accompanying combined financial statements, are accounted for using the equity method of accounting.

(l) *Long-Lived Assets*

The Corporation periodically assesses the recoverability of long-lived assets (including property, plant, and equipment; and goodwill) when there are indications of potential impairment based on estimated undiscounted future cash flows. Management considers such factors as current results,

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trends, and future prospects, in addition to other economic factors, in determining the impairment of an asset. If it is determined that a long-lived asset is impaired, a loss is recognized as a component of depreciation and amortization expense. No such impairments were identified in 2011 and 2010.

(m) Revenues and Expenses

For purposes of reporting, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenues and expenses. Peripheral or incidental transactions unrelated to the provision of healthcare services are reported as nonoperating losses, net.

(n) Healthcare Expenses

The Corporation converted its health benefit to a self-insured product effective January 1, 2010. Premiums previously paid and expensed to NHP shown as premium revenue and benefits expense totaled \$0 and \$5,750,000 at September 30, 2011 and 2010, respectively. Coverage under the plan has not changed.

(o) Net Patient Service Revenues

Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Reimbursable amounts from third-party payors are estimated in the period the related services are rendered and adjusted in future periods as final settlements are determined. An allowance is provided for patient accounts receivable considered to be uncollectible. This allowance is an estimate based upon management's evaluation of past-due receivables and historical loss ratios. This estimate is subject to change based upon actual collection results.

(p) Premium Revenues

Premiums are due to NHP and NHIC in advance of their respective coverage periods and are recognized as revenue in the period in which NHP and NHIC are obligated to provide services to members. Membership contracts are on a yearly basis subject to cancellation by the subscriber or NHP/NHIC upon 30 days' written notice. Premiums received in advance are included in accrued expenses and other liabilities on the combined balance sheets. In September 2011, NHP received \$30,947,000 of Medicare premiums in advance of their coverage period. Total amounts received in advance are \$34,125,000 and \$2,544,000 at September 30, 2011 and 2010, respectively.

(q) Healthcare Services Cost

Medical claims expense includes healthcare services costs for fees charged by nonaffiliated physicians, hospitals, and other providers for healthcare services provided to NHP and NHIC members. NHP and NHIC reimburse nonaffiliated hospitals at fee for service or percent of charges if contracted with a national preferred provider organization (PPO) network, and other nonaffiliated providers using fee for service, percent of charges, or usual and customary fee schedules.

At September 30, 2011 and 2010, medical claims payable to nonaffiliated entities totaled \$50,627,000 and \$41,365,000, respectively, and is included with accrued expenses and other liabilities in the accompanying combined financial statements.

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(r) Reinsurance

Reinsurance premiums are reported as expenses when incurred. Reinsurance recoveries are reported as reductions to expense when received or receivable. NHP recorded reinsurance premiums expense of \$3,736,000 and reinsurance recoveries of \$2,562,000 for the year ended September 30, 2011, and reinsurance premiums expense of \$3,242,000 and reinsurance recoveries of \$2,545,000 for the year ended September 30, 2010.

(s) Loss Contracts

NHP enters into contracts to provide identified healthcare services to group members for specified periods (generally one year) in return for fixed insurance premiums. NHP recognizes, in the year of contractual commitment, any losses on these contracts when it is probable that expected future healthcare costs and maintenance costs under a group of existing contracts will exceed anticipated future premiums and recoveries on those contracts. At September 30, 2011 and 2010, no losses on such contracts were determined to be probable; therefore, no loss was accrued.

(t) Federal Income Taxes

The Corporation and its affiliates, except NHP and NHIC, are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes pursuant to Section 501(a) of the Code. These organizations are, however, subject to federal and state income taxes on any net unrelated business income under the provisions of Section 511 of the Code.

NHP and NHIC account for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases (note 10).

(u) Recently Issued Accounting Standards

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-06, *Improving Disclosures about Fair Value Measurements* (ASU No. 2010-06). ASU No. 2010-06 amends Accounting Standards Codification (ASC) Subtopic 820-10 to provide additional disclosure requirements for transfer in and out of Levels 1 and 2 and for activity in Level 3 and to clarify certain other existing disclosure requirements. AHS implemented ASU No. 2010-06 for the year ended September 30, 2011.

In January 2010, the Financial Accounting Standards Board issued ASU 2010-07, *Not-for-Profit Entities: Mergers and Acquisitions* (ASU 2010-07). ASU 2010-07 provides guidance on a transaction or other event in which a not-for-profit entity that is a reporting entity combines with one or more other not-for-profit, businesses or nonprofit activities in a transaction that meets the definition of a merger of not-for-profit entities or an acquisition by a not-for-profit entity. In addition, the ASU provides transitional guidance on existing goodwill at the time this ASU is adopted. AHS adopted ASU 2010-07 effective October 1, 2010.

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In August 2010, the FASB issued ASU No. 2010-23, *Measuring Charity Care for Disclosure* (ASU No. 2010-23). ASU No. 2010-23 amends ASC Subtopic 954-605 to require AHS to use cost as the measurement basis for charity care disclosure requirements, and is effective for the year ended September 30, 2012.

In August 2010, the FASB issued ASU No. 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries* (ASU No. 2010-24). ASU 2010-24 clarifies that a healthcare entity should not net insurance recoveries against a related malpractice claim liability or similar liability, which is consistent with the guidance in ASC 210-20, *Balance Sheet – Offsetting*. The provisions of ASU No. 2010-24 are effective for the year ending September 30, 2012.

In July 2011, the FASB issued ASU No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* (ASU No. 2011-07). ASU No. 2011-07 requires certain healthcare entities to record the provision for bad debts associated with patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) and is effective for the year ending September 30, 2013, with early adoption permitted.

(v) *Reclassifications*

Certain 2010 amounts have been reclassified to conform to the 2011 financial statement presentation, including a reclassification of net realized gains on sale of investments in the combined statements of cash flows that decrease cash flow from operating activities and increase cash from investing activities by \$1,005,000.

(3) **Investments and Assets Whose Use is Limited or Restricted**

The following is a summary of investments and assets whose use is limited or restricted at September 30, 2011 and 2010 (in thousands):

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 85	678
Corporate obligations	4,629	4,533
Certificates of deposit	3,955	3,933
Common stocks	4,465	4,779
Stock mutual funds	5,275	4,942
U.S. Treasury obligations	61,839	51,683
U.S. government agency obligations	37,820	41,796
Other	<u>1,174</u>	<u>1,118</u>
Total investments and assets whose use is limited or restricted	<u>\$ 119,242</u>	<u>113,462</u>

The Corporation holds an undivided interest in all MHC pooled fund investments, which is included in investments on the combined balance sheets and in the table above. The Corporation's interest in the MHC pooled funds at September 30, 2011 was invested as follows: \$15,000 in cash and cash equivalents, \$3,105,000 in U.S. government and agency securities, and \$2,396,000 in common stocks. The

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Corporation's interest in the MHC pooled funds at September 30, 2010 was invested as follows: \$35,000 in cash and cash equivalents, \$3,020,000 in U.S. government and agency securities, and \$2,081,000 in common stocks.

Assets whose use is limited or restricted comprise the following types of funds (in thousands):

	<u>2011</u>	<u>2010</u>
Designated by board for plant expansion, replacement, and other designated purposes	\$ 10,774	10,559
Restricted by donors for plant expansion, replacement, and other restricted purposes, including funds restricted in perpetuity	8,187	7,771
Limited by statutory requirements for NHP	66,232	52,289
Unemployment reserve	2,597	2,596
Total assets whose use is limited or restricted	<u>\$ 87,790</u>	<u>73,215</u>

The composition of investment return for the years ended September 30, 2011 and 2010 (in thousands) is as follows:

	<u>2011</u>	<u>2010</u>
Interest and dividend income	\$ 3,525	3,733
Realized net gains on sales of securities	932	1,005
Change in net unrealized (losses) gains on other-than-trading securities	(169)	3,190
Total investment return	<u>\$ 4,288</u>	<u>7,928</u>

Investment returns are included in the accompanying combined statements of operations and changes in net assets for the years ended September 30, 2011 and 2010 (in thousands) as follows:

	<u>2011</u>	<u>2010</u>
Nonoperating gains:		
Interest and dividend income and realized gains on sales of securities	\$ 4,127	4,525
Other changes in unrestricted net assets:		
Change in net unrealized gains on other-than-trading securities	205	2,697
Change in temporarily restricted net assets:		
Investment income, net	330	213
Change in net unrealized (losses) gains on other-than-trading securities	(374)	493
Total investment return	<u>\$ 4,288</u>	<u>7,928</u>

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The Corporation has temporarily impaired investments in its investments and assets whose use is limited or restricted portfolios as of September 30, 2011 and 2010. The following is a summary of the Corporation's unrealized losses as of September 30, 2011 and 2010 (in thousands):

		2011					
		Less than 12 months		12 months or longer		Total	
		Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Security type							
U S Treasury obligations	\$	236	(1)	—	—	236	(1)
Corporate obligations		603	(82)	—	—	603	(82)
Common stocks and stock mutual funds		6,256	(1,095)	289	(185)	6,545	(1,280)
Other investments		100	(31)	—	—	100	(31)
Total temporarily impaired securities	\$	7,195	(1,209)	289	(185)	7,484	(1,394)

		2010					
		Less than 12 months		12 months or longer		Total	
		Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Security type							
U S Treasury obligations	\$	158	(3)	80	(5)	238	(8)
Corporate obligations		152	(4)	29	(15)	181	(19)
Common stocks and stock mutual funds		980	(114)	3,441	(534)	4,421	(648)
Other investments		—	—	583	(31)	583	(31)
Total temporarily impaired securities	\$	1,290	(121)	4,133	(585)	5,423	(706)

The decline in fair value of U.S. Treasury obligations, U.S. government agency obligations, and corporate obligations is primarily attributable to changes in interest rates and not credit quality. The decline in fair value of common stocks is attributable to general market fluctuations and economic events. The Corporation has the intent and ability to hold these investments (which include the Corporation's interest in the MHC pooled funds) until a market price recovery or maturity, and therefore, these investments are not considered other-than-temporarily impaired.

(4) Fair Value Measurements

(a) Fair Value of Financial Instruments

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

- The carrying amount reported in the combined balance sheets for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, patient accounts receivable, accounts payable and accrued expenses, and estimated third-party payor settlements.

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- Assets whose use is limited or restricted, investments, and payable under securities lending agreement: Fair values are estimated based on prices provided by its investment managers, custodian banks, and valuations provided by an independent investment reporting service. Cash and cash equivalents, certificates of deposit, common stocks, stock mutual funds, and U.S. Treasury obligations are measured using quoted market prices at the reporting date multiplied by the quantity held. Corporate obligations, U.S. government agency obligations, and other investments are measured using other observable inputs. The carrying value equals fair value. The Corporation elected to apply the concepts of ASC Subtopic 820-10 to its alternative investments using net asset value as a practical expedient in estimating fair value; however, it is possible that the redemption rights of certain investments may be restricted by the funds in the future in accordance with the underlying fund agreements. Changes in market conditions and the economic environment may impact the net asset value of the funds and consequently the fair value of the Corporation's interests in the funds. The net asset value of the funds was approximately \$1,037,000 and \$966,000 as of September 30, 2011 and 2010, respectively.

Fair value measurements of investments of the funds as of September 30, 2011 are as follows:

	<u>Net asset value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Permal Private Equity				
Opportunities	\$ 436	53	NA	pd at maturity
Paradigm Equities	100	—	Monthly	35 days
Hatteras	501	—	Quarterly	65 day
Total	<u>\$ 1,037</u>	<u>53</u>		

Permal Private Equity Opportunity includes investments in other private equity funds. The fair values of the investments in this fund have been estimated using the net asset value per share of the investments. This fund cannot be redeemed until the fund matures, which is 10 plus 2 years, at which time it will be liquidated.

Paradigm Equities includes investments in other hedge funds. The fair values of the investments in this fund have been estimated using the net asset value per share of the investments. This fund is currently being redeemed. It is unknown at this time when the fund will be fully liquidated.

Hatteras includes investments in other alternative investment funds including hedge funds and private equity funds. The fair values of the investments in this fund have been estimated using the net asset value per share of the investments.

- Beneficial interest in trust: Fair value is based on the estimated present value of the expected future cash flows from the trust.

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(b) Fair Value Hierarchy

The Corporation adopted ASC Subtopic 820-10 on October 1, 2008 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Subtopic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation 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 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date. Level 1 investments include cash and cash equivalents, common stock, quoted mutual funds, and U.S. Treasury securities.
- Level 2 inputs are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 investments include money market funds, corporate obligations, certificates of deposit, U.S. government agency obligations, and nonquoted mutual funds.
- Level 3 inputs are unobservable inputs for the asset or liability and require the reporting entity to develop its own assumptions. Level 3 investments include hedge funds accounted for under the equity method and a beneficial interest in a trust.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

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The following table presents assets and liabilities that are measured at fair value on a recurring basis at September 30, 2011 (in thousands):

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Current assets				
Cash and cash equivalents	\$ 132,150	131,896	254	—
Investments and assets whose use is limited or restricted				
Cash and cash equivalents	326	326	—	—
Corporate obligations	3,361	2,244	1,117	—
Certificates of deposit	4,990	—	4,990	—
Common stock	4,499	4,499	—	—
Stock mutual funds	5,330	5,330	—	—
U S Treasury obligation	64,021	64,021	—	—
U S gov't agency obligations	33,207	—	33,207	—
Common trust funds	2,396	—	2,396	—
Other	1,112	—	—	1,112
Total assets	\$ 251,392	208,316	41,964	1,112
Liabilities				
Security lending payable	\$ 255	—	255	—
Total liabilities	\$ 255	—	255	—

The following table presents a reconciliation for Level 3 assets measured at fair value on a recurring basis for the period October 1, 2010 to September 30, 2011 (in thousands):

	Total	Level 3 assets	
		Beneficial interest in trust	Hedge funds
Beginning balance, October 1, 2010	\$ 1,053	87	966
Realized and unrealized gains, net	100	—	100
Purchases, sales, settlements, and transfers, net	(41)	(12)	(29)
Ending balance, September 30, 2011	\$ 1,112	75	1,037

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The following table presents assets and liabilities that are measured at fair value on a recurring basis at September 30, 2010 (in thousands):

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Current assets				
Cash and cash equivalents	\$ 75,539	75,287	252	—
Investments and assets whose use is limited or restricted				
Cash and cash equivalents	1,361	1,361	—	—
Corporate obligations	3,303	2,082	1,221	—
Certificates of deposit	4,680	—	4,680	—
Common stock	4,780	4,780	—	—
Stock mutual funds	5,000	5,000	—	—
U S Treasury obligation	54,135	54,135	—	—
U S gov't agency obligations	37,069	—	37,069	—
Common trust funds	2,081	—	2,081	—
Other	1,053	—	—	1,053
Total assets	\$ 189,001	142,645	45,303	1,053

The following table presents a reconciliation for Level 3 assets measured at fair value on a recurring basis for the period October 1, 2009 to September 30, 2010 (in thousands):

	Total	Level 3 assets	
		Beneficial interest in trust	Hedge funds
Beginning balance, October 1, 2009	\$ 1,093	87	1,006
Realized and unrealized gains, net	96	—	96
Purchases, sales, settlements, and transfers, net	(136)	—	(136)
Ending balance, September 30, 2010	\$ 1,053	87	966

The estimated fair value of long-term debt, based on discounted cash flows at management's estimated current borrowing rates, approximates the carrying value at September 30, 2010.

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(5) Property, Plant, and Equipment

A summary of property, plant, and equipment at September 30, 2011 and 2010 (in thousands) is as follows:

	<u>2011</u>	<u>2010</u>
Land	\$ 3,946	4,276
Land improvements	5,365	5,121
Buildings and fixed equipment	299,001	278,368
Moveable equipment	220,884	209,289
Construction in progress	<u>22,028</u>	<u>15,563</u>
Total property, plant, and equipment	551,224	512,617
Less accumulated depreciation and amortization	<u>343,788</u>	<u>327,291</u>
Net property, plant, and equipment	<u>\$ 207,436</u>	<u>185,326</u>

At September 30, 2011, construction in progress consists primarily of costs associated with various hospital and clinic renovations. For the years ended September 30, 2011 and 2010, \$958,000 and \$209,000, respectively, in interest cost was capitalized as a component of construction projects. Contractually committed costs for renovation projects totaled approximately \$11,120,000 at September 30, 2011.

(6) Long Term Debt and Notes Payable to Sponsors

Long-term debt at September 30, 2011 relates to notes payable for capital purchases with monthly payments of principle and interest of \$45,000 through August 2015 with interest at 6.0%.

Aggregate scheduled principal payments on notes payable for capital purchase are as follows (in thousands):

Year:	
2012	\$ 463
2013	492
2014	522
2015	<u>508</u>
Total	<u>\$ 1,985</u>

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Notes payable to sponsors at September 30, 2011 and 2010 are summarized (in thousands) as follows:

	<u>2011</u>	<u>2010</u>
Notes payable by Corporation to MHC, due in monthly installments of principal and interest of \$208 through September 2018, unsecured Interest at 7 0%	\$ 13,900	15,365
Notes payable by Corporation to WFSI, due in monthly installments of principal and interest of \$37 through August 2018, unsecured Interest at 7 0%	2,458	2,717
Notes payable by Corporation to WFSI, due in monthly installments of principal and interest of \$30 through August 2020, unsecured Interest at 7 0%	2,278	2,465
Notes payable by SEH to WFSI, due in quarterly installments of principal and interest of \$413 through August 2018, unsecured Interest at 7 8%	8,838	9,754
Notes payable by SEH to WFSI, due in monthly installments of principal and interest of \$121 through August 2019, unsecured Interest at 7 0%	9,172	9,956
Notes payable by SEH to WFSI, due in monthly installments of principal and interest of \$41 through February 2023, unsecured Interest at 7 0%	3,924	4,139
Notes payable by MMC to MHC, due in monthly installments of principal and interest of \$121 through January 2020, unsecured Interest at 7 0%	9,104	9,893
Notes payable by MMC to MHC, due in monthly installments of principal and interest of \$74 through December 2017, unsecured Interest at 7 6%	899	1,005
Notes payable by MMC to MHC, due in monthly installments of principal and interest of \$221 through November 2019, unsecured Interest at 7 0%	16,828	18,247
Notes payable by MMC to MHC, due in monthly installments of principal and interest of \$41 through December 2023, unsecured Interest at 7 0%	3,583	4,008
Note payable by MMC to MHC, due in monthly installments of principal and interest of \$41 through December 2023, unsecured Interest at 7 0%	3,924	4,139
Note payable by AHS to MHC, payments starting in Oct 2012 and due in monthly installments of principal and interest of \$199,000 through Sept 2032, unsecured Interest at 6%	26,262	10,176
Note payable by AHS to WFSI, payments starting in October 2012 and due in monthly installments of principal and interest of \$199,000 through September 2032, unsecured Interest at 6 0%	26,260	10,176
Total notes payable to affiliates	127,430	102,040
Less current installments	7,898	7,356
Notes payable to affiliates, less current installments	\$ <u>119,532</u>	<u>94,684</u>

SEH and certain other of WFSI's sponsored hospital affiliates have formed an obligated group (the WFSI Obligated Group) under a master trust indenture (the WFSI Indenture). The Wisconsin Health and Educational Facilities Authority and the City of Waterloo, Iowa have issued revenue bonds on behalf of the WFSI Obligated Group to provide financing or refinancing for various acquisitions, betterments, and other

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projects. All of the indebtedness under the WFSI Indenture are unsecured obligations of WFSI and the members of the WFSI Obligated Group. Each member of the WFSI Obligated Group has jointly and severally guaranteed payment of any and all amounts due on the bonds. Certain of the outstanding bonds are insured in the event of default and others are guaranteed by a renewable, irrevocable letter of credit. The WFSI Indenture also provides for optional redemption and the establishment of certain funds to be held by the bond trustees. Total indebtedness outstanding under the WFSI Indenture is \$770,985,000 at September 30, 2011. The Corporation has no reason to believe that the indebtedness under the WFSI Indenture or any portion thereof is in default at September 30, 2011. Liability under the WFSI Indenture is strictly limited to SEH; therefore, no other AHS affiliate is liable under this indenture.

MMC and certain other of MHC's sponsored hospital affiliates have formed a restricted group (the MHC Restricted Group) under a master trust indenture (the MHC Indenture). The Wisconsin Health and Educational Facilities Authority has issued bonds on behalf of the MHC Restricted Group to provide financing for various acquisitions, betterments, and other projects. All of the indebtedness under the MHC Indenture are unsecured obligations of MHC and the members of the MHC Restricted Group. Each member of the MHC Restricted Group has executed a contribution agreement with MHC. The contribution agreements provide that members of the MHC Restricted Group will transfer to MHC, by loan or contribution, such of their revenues and assets as are necessary to enable MHC to make debt service payments on all outstanding bonds and to comply with other provisions of the MHC Indenture. Total indebtedness outstanding under the MHC Indenture is \$571,400,000 at September 30, 2011. The Corporation has no reason to believe that the indebtedness under the MHC Indenture or any portion thereof is in default at September 30, 2011. Liability under the MHC Indenture is strictly limited to MMC; therefore, no other AHS affiliate is liable under this indenture.

Aggregate scheduled principal payments on notes payable to affiliates are as follows (in thousands):

Year:		
2012	\$	7,898
2013		9,345
2014		10,017
2015		10,738
2016		11,511
After 2017		77,921
Total	\$	<u>127,430</u>

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(7) Net Patient Service Revenues and Medicare and Medicaid Reimbursement

A summary of gross and net patient service revenues for the years ended September 30, 2011 and 2010 follows (in thousands):

	<u>2011</u>	<u>2010</u>
Gross patient service revenues:		
Inpatient	\$ 154,928	145,470
Outpatient and physician services	376,749	343,112
Long-term care and other	6,042	5,893
Total gross patient service revenues	<u>537,719</u>	<u>494,475</u>
Less provisions for contractual adjustments under third-party reimbursement programs	<u>283,469</u>	<u>250,101</u>
Net patient service revenues	<u>\$ 254,250</u>	<u>244,374</u>

Inpatient acute and nonacute care services and certain outpatient services rendered to Medicare program beneficiaries and defined capital costs are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. CMC, a critical access hospital, is reimbursed for services at tentative rates with final settlement determined after submission of annual cost reports by CMC and audits by the Medicare fiscal intermediary. The Corporation's hospital affiliates' Medicare cost reports have been audited by the Medicare fiscal intermediary through fiscal 2006, 2007 and 2008 for MMC, SEH and CMC, respectively. Physician services are reimbursed at preestablished fee schedule amounts for Medicare patients.

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed primarily based upon prospectively determined rates.

The percentage of net patient service revenues applicable to services provided to Medicare and Medicaid patients was approximately 42% and 45% in 2011 and 2010, respectively. Net patient service revenue for the years ended September 30, 2011 and 2010 includes approximately \$186,000 and \$3,144,000, respectively, of favorable retrospectively determined prior year settlements with third-party payors.

Through NHIC, the Corporation has entered into an arrangement with Medicare where NHIC is paid a capitated rate per member in exchange for covered services (Medicare managed care product). Covered members under the Medicare managed care product may utilize either system providers or nonsystem providers to receive care. Total premium revenue related to the Medicare managed care product was approximately \$359,001,000 and \$258,141,000 in 2011 and 2010, respectively. The Corporation received and recorded as premium revenue approximately \$12,731,000 and \$5,002,000 in 2011 and 2010, respectively, in retroactive settlements with the Medicare program related to the Medicare managed care product.

The Corporation has entered into reimbursement agreements with certain commercial insurance carriers, HMOs, and PPOs. The basis for reimbursement to the Corporation under these agreements includes

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prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

During 2009, the Economic Recovery Act was signed into Wisconsin law. The law includes a tax assessment on hospital revenues. Funds collected under the tax are used to increase federal funding for the Wisconsin Medicaid program. The assessment programs increase the amount of federal matching for the respective Medicaid programs, which is then passed on to hospitals as increased Medicaid reimbursement. Wisconsin's assessment program prohibits the use of assessment revenue to supplant current revenue used to support existing hospital payment levels. The State of Wisconsin distributes the assessment revenue as increased rates for both Medicaid and Medicaid HMO patients. MMC recognized approximately \$5,580,000 and \$5,468,000 of increased Medicaid reimbursement and approximately \$2,972,000 and \$2,926,000 of tax expense in 2011 and 2010, respectively, as a result of the new law. SEH recognized approximately \$9,665,000 and \$8,818,000 of increased Medicaid reimbursement and approximately \$4,940,000 and \$4,605,000 of tax expense in 2011 and 2010, respectively, as a result of the new law. The increased Medicaid reimbursement and tax assessment expense are recorded in net patient service revenue and other expense, respectively, in the combined statements of operations.

(8) Concentration of Credit Risk

The Corporation's affiliates grant credit without collateral to their patients, most of whom are local residents and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors at September 30, 2011 and 2010 is summarized as follows:

	2011	2010
Medicare	36.5%	39.6%
Medicaid	10.7	10.3
Other third-party payors	37.3	34.5
Patients	15.5	15.6
	<u>100.0%</u>	<u>100.0%</u>

(9) Unreimbursed and Partially Reimbursed Care

Certain affiliates of the Corporation have policies of providing healthcare services, without charge or at amounts less than established rates, to those unable to pay all or a portion of their charges and who meet eligibility criteria established in the respective affiliates' community care policies (community care). Because the affiliates do not pursue collection of amounts determined to qualify as community care, they are not reported as revenues. These amounts include the costs forgone for services and supplies furnished under the charity care policies and equivalent services statistics. Total community care at cost provided by the Corporation was \$10,550,000 and \$6,992,000 in 2011 and 2010, respectively.

The Corporation also makes contributions to various other charitable projects designed to serve its communities. Such contributions totaled approximately \$423,000 and \$316,000 for the years ended September 30, 2011 and 2010, respectively.

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(10) Income Taxes

NHP and NHIC are for-profit entities and are required to file federal tax returns.

Income tax receivable (payable) consists of the following components (in thousands):

	<u>2011</u>	<u>2010</u>
Federal income taxes	\$ 352	1,122
State income taxes	(244)	(63)
Income tax receivable	<u>\$ 108</u>	<u>1,059</u>

NHP paid approximately \$12,084,000 and \$9,078,000 in estimated federal taxes during 2011 and 2010, respectively. The income tax receivable at September 30, 2011 and 2010 of \$108,000 and \$1,059,000, respectively, is recorded in accrued expenses and other liabilities in the combined balance sheets. For federal tax purposes, NHP files consolidated tax returns with NHIC.

Deferred taxes result from the effect of transactions that are recognized in different periods for financial and tax reporting purposes. The deferred taxes relate primarily to a portion of the provision for estimated incurred but not reported claims, accruals, and depreciation on property and equipment, and results in a net deferred tax asset of \$2,053,000 and \$1,972,000 at September 30, 2011 and 2010, respectively.

The net deferred tax asset (liability) at September 30 and the change from the prior year comprise the following components (in thousands):

	<u>2011</u>	<u>2010</u>
Gross deferred tax assets	\$ 2,630	1,991
Gross deferred tax liabilities	(577)	(19)
Net deferred tax asset	<u>\$ 2,053</u>	<u>1,972</u>

The deferred tax asset is included in prepaid expenses and other in the accompanying combined balance sheets.

Realization of the deferred tax asset over time is dependent upon NHP generating sufficient taxable earnings in future periods. In determining that realizing the deferred tax was more likely than not, NHP gave consideration to a number of factors, including its recent earnings history, its expected earnings in the future, its competitiveness in the marketplace, and new product development. Management believes it is more likely than not that NHP will realize the benefit of these deductible differences, and therefore, no valuation allowance has been established as of September 30, 2011 and 2010. The amount of deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the realization period are reduced.

FASB ASC Subtopic 740-10, *Income Taxes – Overall*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The amount of unrecognized tax expense related to these criteria for the Corporation

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was zero as of September 30, 2011 and 2010. The Company classifies all interest and penalties related to unrecognized tax positions as income tax expense. As of September 30, 2011 and 2010, no accrued interest or penalties were recorded. The Company does not expect the unrecognized tax positions to significantly change in the next fiscal year.

The Company is not currently under examination by a taxing authority. The Company files federal income tax returns and Wisconsin state income tax returns. For federal income tax purposes, the years 2007 and subsequent are open and subject to examination, and for Wisconsin state purposes, the years 2006 and subsequent are open and subject to examination.

The income tax provision consists of the following major components (in thousands) included in nonoperating losses, net:

	<u>2011</u>	<u>2010</u>
Federal:		
Current	\$ 11,991	9,687
Deferred	460	30
State:		
Current	2,996	2,291
Deferred	303	28
Total income tax expense	<u>\$ 15,750</u>	<u>12,036</u>

NHP's income tax incurred and change in deferred income tax differs from the amount obtained by applying the federal statutory rate of 35% to income before income taxes as follows (in thousands):

	<u>2011</u>	<u>2010</u>
Income tax expense at statutory rate of 35%	\$ 11,587	7,398
State income tax, net of federal rate	2,616	1,507
Other, including increase in accrual	1,547	3,131
Total income tax expense	<u>\$ 15,750</u>	<u>12,036</u>

As of September 30, 2011, there are no operating losses or tax credit carryforwards available for federal or state tax purposes.

(11) Retirement Plans

The Corporation sponsors the Affinity Health System, Inc. Retirement Plan (the Affinity Plan) and a related trust to provide defined retirement benefits for employees of the Corporation with the exception of CMC. Employees become participants in the Affinity Plan upon the attainment of age 21 and the completion of 1,000 hours of service. Benefits under the Affinity Plan are based on the employee's years of credited service and covered compensation, as defined. Contributions to the Affinity Plan are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

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The Corporation accounts for its postretirement benefits payable pursuant to FASB guidance for Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans. Under this guidance, the Corporation is required to recognize the funded status of the plan in the combined balance sheets and recognize delayed items such as prior service costs and net gains or losses directly to unrestricted net assets.

Data and assumptions relative to the Affinity Plan as of and for the years ended September 30, 2011 and 2010 are as follows (in thousands):

	<u>2011</u>	<u>2010</u>
Actuarial present value of benefit obligations:		
Accumulated benefit obligation	\$ 182,502	165,520
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 178,210	153,870
Service cost	8,462	7,465
Interest cost	10,142	9,917
Plan amendments	—	—
Actuarial loss	6,824	14,344
Benefits and expenses paid	(7,303)	(7,386)
Projected benefit obligation at end of year	<u>196,335</u>	<u>178,210</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	132,698	114,649
Actual return on plan assets	(1,166)	10,417
Employer contributions	9,760	15,018
Benefits and expenses paid	(7,303)	(7,386)
Fair value of plan assets at end of year	<u>133,989</u>	<u>132,698</u>
Funded status	<u>\$ (62,346)</u>	<u>(45,512)</u>
Amounts not yet reflected in net periodic benefit cost and included as an accumulated debit to unrestricted net assets:		
Transition asset	\$ 427	640
Prior service credit	14,494	16,379
Accumulated loss	(83,450)	(69,416)
	<u>\$ (68,529)</u>	<u>(52,397)</u>
Net pension liability consists of the following:		
Noncurrent pension liability included in pension liability, deferred compensation, and other liabilities	\$ (62,346)	(45,512)

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	<u>2011</u>	<u>2010</u>
Components of net periodic pension cost:		
Service cost	\$ 6,157	6,157
Interest cost on projected benefit obligation	9,579	9,579
Expected return on plan assets	(8,402)	(8,402)
Net amortization and deferral	504	504
Net periodic pension cost	<u>\$ 7,838</u>	<u>7,838</u>
Assumptions used:		
Discount rate to determine projected benefit obligation:		
Active grandfathers lump-sum benefit	8.00%	8.00%
Discount rate to determine projected benefit obligation:		
All other liabilities	5.75	5.75
Rate of increase in compensation levels:		
Age 25 – 34	5.43	5.43
Age 35 – 44	4.76	4.76
Age 45 – 54	4.01	4.01
Age 55 – 64	3.18	3.18
Age 65 and older	2.27	2.27
Expected long-term rate of return on plan assets	8.00	8.00

The estimated net actuarial gain and prior service credit for the retirement plan that will be amortized from unrestricted net assets into net periodic benefit cost during the 2012 fiscal year are \$5,865,000 and \$1,884,000, respectively.

The long-term rate of return on assets reflects historical returns and future expectations for returns in each asset class, as well as targeted asset allocation percentages within the pension portfolio. The Corporation's investment strategy is of a long-term nature and is intended to ensure that funds are available to pay benefits as they become due and to maximize the trust's total return at an appropriate level of investment risk. The discount rates reflect the best estimate of the value of the plan because the annuity conversion rate for account balances is 5.%, and the lump-sum conversion rate for grandfathered annuity benefits is 8%.

The target investment policy is 65% equity securities and 35% fixed income securities. The asset allocation of the pension plan at September 30 is as follows:

	<u>2011</u>	<u>2010</u>
Domestic equity securities	48%	47%
International equity securities	11	13
U.S. government obligations	19	19
Corporate debt obligations	17	18
Money market fund	5	3
Total	<u>100%</u>	<u>100%</u>

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The contributions for the Affinity Plan for the year ending September 30, 2012 are estimated to be \$10,853,000. The benefits expected to be paid in each year from 2012 through 2016 are \$9,464,000, \$10,958,000, \$11,174,000, \$11,540,000 and \$11,915,000, respectively. The aggregate benefits expected to be paid in the five years from 2016 through 2020 are \$65,331,000. The expected benefits to be paid are based on the same assumptions used to measure the Corporation's benefit obligation at September 30, 2011 and include estimated future employee service.

CMC sponsors a defined contribution retirement plan covering substantially all of its employees. The CMC Plan is based on an employer contribution of 3 – 8% based on years of service, which is tied into the requirement of at least 3% employee contribution into the 403(b) or a 3% grandfathered contribution into the 401(a) plan. If there is less than a 3% contribution, the employee is not eligible for the employer contribution into the Plan. Expense of \$262,000 in 2011 and \$266,000 in 2010 has been recognized under the terms of the Plan and is included in employee benefits expense.

Fair Value Hierarchy

The following table presents the Plan's fair value hierarchy for those assets measured at fair value on a recurring basis as of September 30, 2011 (in thousands):

		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Total			
Investments, excluding accrued income of \$480				
Cash and cash equivalents	\$ 5,807	5,807	—	—
U S government issues	24,885	4,554	20,331	—
Corporate issues	18,443	—	18,443	—
Foreign issues	3,113	—	3,113	—
Municipal issues	1,814	—	1,814	—
Domestic common stocks	44,958	44,958	—	—
Foreign stocks	14,943	14,943	—	—
UBS – U S Small Cap Equity Fund	19,546	—	19,546	—
Total	\$ 133,509	70,262	63,247	—

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The following table presents the Plan's fair value hierarchy for those assets measured at fair value on a recurring basis as of September 30, 2010 (in thousands):

		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Total			
Investments, excluding accrued income of \$479				
Cash and cash equivalents	\$ 4,442	4,442	—	—
U S government issues	25,120	4,675	20,445	—
Corporate issues	20,412	—	20,412	—
Foreign issues	1,869	—	1,869	—
Municipal issues	1,205	—	1,205	—
Domestic common stocks	43,248	43,248	—	—
Foreign stocks	17,251	17,251	—	—
UBS – U S Small Cap Equity Fund	18,672	—	18,672	—
Total	\$ 132,219	69,616	62,603	—

(12) Commitments and Contingencies

(a) Leases

The Corporation and certain affiliates of the Corporation lease office space and equipment from unaffiliated organizations under noncancelable operating and capital leases that expire at various dates through 2023. Future minimum lease payments for operating leases as of September 30, 2011 are as follows: \$3,664,000 in 2012; \$3,198,000 in 2013; \$2,371,000 in 2014; \$928,000 in 2015; \$317,000 in 2016; and \$1,932,000 thereafter. Total rent expense for operating leases during 2011 and 2010, including rents renewable annually, approximated \$4,317,000 and \$3,528,000, respectively, and is included in other expenses.

Certain affiliates of the Corporation lease buildings and equipment under operating leases to unaffiliated organizations. The carrying value of the assets used to support the leases is included in net property, plant, and equipment and approximates \$2,713,000 and \$2,916,000 at September 30, 2011 and 2010, respectively. The future minimum rentals to be received under these agreements are as follows: \$498,000 in 2012; \$339,000 in 2013; \$331,000 in 2014; \$193,000 in 2015; \$194,000 in 2016; and \$907,000 thereafter. Total rental income during 2011 and 2010 approximated \$972,000 and \$972,000, respectively.

(b) Employment Contracts

Certain affiliates of the Corporation have entered into various physician employment contracts that include noncancelable commitments as of September 30, 2011 for \$4,487,000 in 2012.

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NHS has entered into employment contracts with certain physicians that provide for compensation upon termination. Deferred compensation is generally payable over the 10-year period subsequent to the physician's severance, with interest at prime plus 2% on the date of termination. The deferred compensation liability recorded at net present value totals \$1,632,000 and \$1,712,000 at September 30, 2011 and 2010, respectively.

(c) Statutory Surplus Requirements

Under the regulations and statutes of the Wisconsin Office of the Commissioner of Insurance (OCI), NHP is required to maintain surplus reserves, or total minimum net assets, determined as a percentage of subscriber premiums. The compulsory surplus requirement for NHP is approximately \$9,731,000 at September 30, 2011. In certain cases, the OCI also requires organizations to maintain an additional security surplus reserve that, if required of NHP, would be approximately an additional \$2,919,000 at September 30, 2011. Management believes NHP's net asset balance at September 30, 2011, determined in accordance with accounting practices prescribed by the OCI, is sufficient to meet the compulsory and security reserve requirements.

(d) Reinsurance Agreements

NHP has reinsurance agreements with an unaffiliated insurance company that limit NHP's losses on individual claims. Under terms of these agreements prior to January 1, 2009, the insurance company reimburses NHP for a percentage of eligible inpatient hospital and nursing home costs and an additional umbrella policy for catastrophic coverage in excess of a deductible, up to a lifetime limit of \$5,000,000 per member. As of January 1, 2009, NHP entered into a new reinsurance agreement, under which the insurance company reimburses NHP for a percentage of all eligible service costs in excess of a deductible, up to a \$5,000,000 lifetime limit. Union groups with contracts that have no lifetime limit are grandfathered in with no limits.

(e) Malpractice Insurance

The Corporation participates in the Wheaton Franciscan Insurance Company (WFIC), a wholly owned subsidiary of WFSI. WFIC was formed to provide comprehensive professional and general liability insurance to certain subsidiaries of WFSI and the Corporation through a 100% reinsurance agreement (the Agreement) with Preferred Professional Insurance Company (PPIC), the primary insurer to WFSI and its covered subsidiaries.

For primary coverage, WFIC and the insured subsidiaries pay premiums to PPIC based upon actuarial computations that estimate the expected ultimate losses by policy year. PPIC then pays the premium, net of PPIC's administrative expenses, to WFIC pursuant to the Agreement. All primary insurance coverage provided by PPIC is on an occurrence basis.

Losses in excess of the amounts provided by WFIC are fully covered through the entities' mandatory participation in the Injured Patients and Families Compensation Fund of the State of Wisconsin (formerly known as Patients' Compensation Fund). The malpractice insurance (occurrence coverage) has coverage limits of \$1,000,000 per claim and \$3,000,000 in aggregate per year.

Professional liability insurance expense totaled \$2,194,000 and \$2,352,000 in 2011 and 2010, respectively, and is included in other expenses.

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(f) Regulatory Investigations

The U.S. Department of Justice and other federal agencies routinely conduct regulatory investigations and compliance of audits of healthcare providers. Management is currently unaware of any regulatory matters that may have a material adverse effect on the Corporation's financial position or results of operations.

Local taxing authorities throughout the country are increasingly challenging the sales and real estate tax exemptions of not-for-profit healthcare providers. Management is currently unaware of any tax exemption matters that may have a material adverse effect on the Corporation's financial position or results of operations.

(g) Litigation

The Corporation is subject to various legal proceedings and claims that are incidental to its normal business activities. In the opinion of management, after consultation with legal counsel, the amount of ultimate liability with respect to these actions will not materially affect the combined financial position or results of operations of the Corporation.

(h) Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that these changes could materially affect the amounts reported in the combined financial statements.

(13) Functional Expenses

The Corporation provides general healthcare services to patients in Oshkosh, Appleton, and Chilton, Wisconsin. Expenses related to providing these services for the years ended September 30, 2011 and 2010 are as follows (in thousands):

	<u>2011</u>	<u>2010</u>
Healthcare expenses	\$ 412,320	381,628
General and administrative	528,756	405,109
	<u>\$ 941,076</u>	<u>786,737</u>

(14) Medical Claims

Total medical claims expense includes payments made to outside healthcare providers during the year and amounts payable at the end of the year. The amount payable at the end of the year includes management's estimate of claims incurred but not reported based on actuarially developed estimates utilizing statistics developed from prior claim payment experience and other factors affecting future payments. To the extent that actual expenses received subsequent to the end of the prior year differ from the estimate, the difference is recorded in the year such claims are reported to the Corporation.

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Claims and aggregate health claim reserve activity related to outside providers for the plan during 2011 and 2010 are as follows (in thousands):

	<u>2011</u>	<u>2010</u>
Balance at the beginning of the year	\$ 41,365	38,823
Total medical claims incurred	420,113	321,388
Total medical claims paid	<u>(410,851)</u>	<u>(318,846)</u>
Balance at end of year	<u>\$ 50,627</u>	<u>41,365</u>

Included in accrued expenses and other liabilities and medical claims expense at September 30, 2011 and 2010 are \$50,627,000 and \$41,365,000, respectively, for estimates of costs of services provided through such dates but not reported to NHP and NHIC by the outside providers.

(15) Endowments

Effective October 1, 2008, the Corporation adopted recently issued guidance on the net asset classification and disclosures for funds subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). This guidance provides a framework for disclosures about an organization's endowment funds.

The endowments are held in the SEH and MMC Foundations. These endowments consist of several different donor-restricted endowment funds, and funds designated by the respective foundation's boards as endowments established for a variety of purposes consistent with the Foundations' missions. Net assets associated with these endowment funds are classified and reported as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor-imposed restrictions.

The Foundations' management has interpreted the Wisconsin UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, Affinity has classified as permanently restricted net assets a) the original value of gifts donated to the permanent endowment; b) the original value of subsequent gifts to the permanent endowment; and c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until appropriated for expenditure by the Foundations. The Foundation boards have adopted investment and spending policies designed to earn a rate of return that will meet or exceed the sum of the distribution rate, anticipated inflation, investment fees, and administrative costs. The Foundation boards generally follow the Affinity investment guidelines, which allocate a greater percentage of investments to fixed income funds, to preserve principal and achieve return objectives.

The Foundations have established 45 donor-restricted endowment funds (collectively referred to as the Funds), the principal of which may be expended based upon the donor endowment agreement. The interest and dividend income and realized gains and losses from the Funds are utilized to support restricted and unrestricted programs. The original principal of the Funds is classified in permanently restricted net assets in the combined balance sheets at September 30, 2011 and 2010.

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The donor-restricted endowment funds' activity for the years ended September 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Beginning fair value of donor-restricted endowment funds	\$ 5,108	4,673
Current year contributions to permanent endowment fund	207	157
Current year pledges receivable activity (net)	2	(65)
Redirected funds/transfer	22	(169)
Income:		
Interest and dividends	104	119
Realized gains, net	132	18
Unrealized (losses) gains, net	(277)	375
Ending fair value of donor-restricted endowment funds	<u>\$ 5,298</u>	<u>5,108</u>

The principal of the Funds is approximately \$5,518,000 and \$5,269,000 at September 30, 2011 and 2010, respectively. The fair value of assets associated with individual donor-restricted endowment funds may fall below the amount of the original donation as a result of unfavorable market conditions.

The Foundations have established 13 board-designated endowment funds. Interest and dividend income and realized gains and losses from the board-designated funds are utilized to support unrestricted programs. The original principal of the board-designated funds and related earnings are classified in unrestricted net assets in the combined balance sheets at September 30, 2011 and 2010.

The board-designated endowment funds' activity for the years ended September 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Beginning fair value of board-designated endowment funds	\$ 2,849	4,347
Current year contributions to board-designated funds	83	3
Current year transfers of funds to board-designated funds	—	(1,295)
Income:		
Interest and dividends	42	81
Realized gains, net	43	19
Disbursements	(245)	(359)
Unrealized (losses) gains, net	(116)	53
Ending fair value of board-designated endowment funds	<u>\$ 2,656</u>	<u>2,849</u>

(16) Related Party Transactions

Transactions with affiliates include purchases of information systems services and notes payable and the related interest expense. The Corporation recorded \$5,249,000 and \$4,978,000 of operating expenses related to information systems services provided by MHC, and \$4,612,000 and \$4,007,000 of interest expense on the WFSI and MHC notes payable for the years ended September 30, 2011 and 2010, respectively.

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September 30, 2011 and 2010

(17) Subsequent Events

In connection with the preparation of the combined financial statements and in accordance with the recently issued ACS Topic 855, *Subsequent Events*, the Corporation evaluated subsequent events after the balance sheet date of September 30, 2011 through December 14, 2011, which was the date the combined financial statements were issued.



KPMG LLP
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777 East Wisconsin Avenue
Milwaukee, WI 53202-5337

Independent Auditors' Report – Combining Information

The Board of Directors
Affinity Health System:

We have audited and reported separately herein on the combined financial statements of Affinity Health System and affiliates (the Corporation) as of and for the years ended September 30, 2011 and 2010.

Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining information included in schedules 1 and 2 is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position and results of operations of the individual entities. As discussed in note 1 to the combined financial statements, the accompanying combined financial statements have been prepared in accordance with an agreement between Ministry Health Care, Inc. and Wheaton Franciscan Healthcare, Inc. (the Integration Agreement) and include the accounts of Mercy Medical Center of Oshkosh, Inc., whose controlling corporate member is Ministry Health Care, Inc.; St. Elizabeth Hospital, Inc., whose controlling corporate member is Wheaton Franciscan Healthcare, Inc.; and Affinity Health System and other affiliates of Affinity Health System and, therefore, are not intended to be a presentation in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The supplementary information in schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic combined financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic combined financial statements, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors, management, and corporate members of Affinity Health System, and should not be used for any other purpose.

KPMG LLP

Milwaukee, Wisconsin
December 14, 2011

AFFINITY HEALTH SYSTEM AND AFFILIATES

Combining Balance Sheet Information

September 30, 2011

(In thousands)

Assets	Affinity	Northern Region (c)	SEH Community Foundation	Southern Region (d)	MMC Foundation	NHS	NHP	Calumet Medical Center	Eliminations	Total
Current assets										
Cash and cash equivalents	\$ 2 114	20 073	360	2 318	5	3 815	95 947	7 518	—	132 150
Assets whose use is limited or restricted	—	—	—	965	—	—	—	—	—	965
Patient accounts receivable	—	25 126	—	14 990	—	18 915	—	3 625	(13 408) (a)	49 248
Less allowance for uncollectible accounts	—	4 069	—	1 350	—	1 150	—	267	—	6 836
Net patient accounts receivable	—	21 057	—	13 640	—	17 765	—	3 358	(13 408)	42 412
Other accounts receivable	95 718	1 233	2 776	11 595	659	4 174	10 881	26	(110 961) (a)	16 101
Inventories of supplies	870	2 887	—	2 430	—	72	—	—	—	6 259
Collateral held for securities loaned	255	—	—	—	—	—	—	—	—	255
Prepaid expenses and other	1 473	1 584	—	1 092	—	1 349	4 045	45	—	9 588
Total current assets	100 430	46 834	3 136	32 040	664	27 175	110 873	10 947	(124 369)	207 730
Assets whose use is limited or restricted	245	1 301	3 733	975	7 062	642	66 233	6 634	—	86 825
Investments	—	—	4 149	—	329	—	26 974	—	—	31 452
Net property, plant, and equipment	12 029	96 815	—	67 145	—	22 180	3 711	5 556	—	207 436
Intangible assets, net	3 251	—	—	—	—	—	—	—	—	3 251
Other assets	60 950	171 361	—	165 534	—	99 903	333	—	(488 341) (b)	9 740
Total assets	\$ 176 905	316 311	11 018	265 694	8 055	149 900	208 124	23 137	(612 710)	546 434
Liabilities and Net Assets										
Current liabilities										
Current installments of long-term debt	\$ —	335	—	128	—	—	—	—	—	463
Current installments of notes payable to sponsors	2 227	2 226	—	3 445	—	—	—	—	—	7 898
Accounts payable	5 439	19 695	283	6 500	30	94 602	7 273	2 011	(110 961) (a)	24 872
Accrued payroll expenses	3 785	5 187	—	3 725	—	11 239	1 115	757	—	25 808
Accrued expenses and other liabilities	2 930	1 080	—	798	453	998	102 078	281	(13 408) (a)	95 210
Payables under securities lending agreement	255	—	—	—	—	—	—	—	—	255
Estimated amounts due to third-party payors, net	—	1 101	—	704	—	(32)	—	(482)	—	1 291
Total current liabilities	14 636	29 624	283	15 300	483	106 807	110 466	2 567	(124 369)	155 797
Long-term debt, less current installments	—	1 101	—	421	—	—	—	—	— (a)	1 522
Notes payable to sponsors, less current installments	402 491	72 231	—	30 892	—	18 633	—	—	(404 715)	119 532
Pension liability, deferred compensation, and other liabilities	7 185	15 838	—	9 714	—	35 413	3 079	287	—	71 516
Total liabilities	424 312	118 794	283	56 327	483	160 853	113 545	2 854	(529 084)	348 367
Net assets										
Unrestricted	(247 407)	197 469	4 888	209 367	2 374	(10 953)	94 579	20 283	(83 626) (b)	186 974
Temporarily restricted	—	48	4 053	—	1 474	—	—	—	—	5 575
Permanently restricted	—	—	1 794	—	3 724	—	—	—	—	5 518
Total net assets	(247 407)	197 517	10 735	209 367	7 572	(10 953)	94 579	20 283	(83 626)	198 067
Total liabilities and net assets	\$ 176 905	316 311	11 018	265 694	8 055	149 900	208 124	23 137	(612 710)	546 434
Notes:	(a) To eliminate intercompany receivables, payables, and other balances									
	(b) To eliminate the investments in NHS and NHP									
	(c) Comprises the accounts of SEH									
	(d) Comprises the accounts of MMC									

See accompanying independent auditors' report – combining information

AFFINITY HEALTH SYSTEM AND AFFILIATES

Combining Statement of Operations Information

Year ended September 30, 2011

(In thousands)

	Affinity	Northern region (c)	SEH Community Foundation	Southern region (d)	MMC Foundation	NHS	NHP	Calumet Medical Center	Eliminations	Total
Net patient service revenues	\$ —	164,450	—	107,253	—	134,062	—	22,100	(173,615) (a)	254,250
Premium revenues	—	—	—	—	—	—	708,208	—	— (a)	708,208
Equity in losses of consolidated affiliates	(2,845)	—	—	—	—	21,796	—	—	(18,951) (b)	—
Other operating revenues	—	(6,863)	195	14,751	157	9,206	2,234	768	(12,337) (a)	8,111
Total revenues	(2,845)	157,587	195	122,004	157	165,064	710,442	22,868	(204,903)	970,569
Expenses										
Salaries and wages	—	56,350	276	40,869	208	103,464	18,621	9,114	—	228,902
Employee benefits	—	17,060	70	11,970	52	23,679	4,726	2,949	(1,916) (a)	58,590
Medical and surgical supplies	—	27,253	13	20,680	—	9,362	152	2,143	—	59,603
Medical claims expense	—	—	—	—	—	—	612,425	—	(176,565) (a)	435,860
Purchased services and professional fees	—	17,269	88	15,156	—	14,099	32,184	4,209	(3,526) (a)	79,479
Provision for bad debts	—	4,589	—	2,438	—	3,496	83	523	—	11,129
Depreciation and amortization	1,625	8,842	—	7,652	—	1,814	635	996	—	21,564
Interest	12,641	2,887	—	2,515	—	1,343	—	—	(12,594) (a)	6,792
Other expenses	—	13,095	135	9,346	61	10,896	7,871	1,698	(3,945) (a)	39,157
Total expenses	14,266	147,345	582	110,626	321	168,153	676,697	21,632	(198,546)	941,076
Income (loss) from operations	(17,111)	10,242	(387)	11,378	(164)	(3,089)	33,745	1,236	(6,357)	29,493
Nonoperating gains (losses), net	3,484	4,766	636	4,819	37	245	(11,950)	181	(12,594) (a)	(10,376)
Revenues and gains in excess of (less than) expenses	(13,627)	15,008	249	16,197	(127)	(2,844)	21,795	1,417	(18,951)	19,117
Other changes in unrestricted net assets										
Net unrealized gains (losses) on other-than-trading securities	787	6	(768)	69	(60)	786	786	187	(1,573) (a)	220
Contributions for purchases of property, plant and equipment, net	79	1,464	—	271	—	5	—	108	(5)	1,922
Net assets released from restriction for purchases of property, plant and equipment	—	—	935	—	613	—	—	—	—	1,548
Change in pension funded status	(10,095)	(3,536)	—	(2,522)	—	(8,402)	(758)	—	9,160	(16,153)
Other	36	(478)	(1,660)	(478)	(545)	(229)	(6,375)	—	6,604 (a)	(3,125)
Increase (decrease) in unrestricted net assets	\$ (22,820)	12,464	(1,244)	13,537	(119)	(10,684)	15,448	1,712	(4,765)	3,529

Notes: (a) To eliminate intercompany transfers, benefits, purchased services, professional fees and other revenues and expenses.
(b) To eliminate income from investments in NHS and NHP.
(c) Comprises the accounts of SEH.
(d) Comprises the accounts of MMC.

See accompanying independent auditors' report – combining information.