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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

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

OMB No 1545-0047

2010

Open to Public Inspection

A For the 2010 calendar year, or tax year beginning 10-01-2010 and ending 09-30-2011

B Check if applicable
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Terminated
- ☐ Amended return
- ☐ Application pending

C Name of organization
WINONA HEALTH SERVICES

Doing Business As

Number and street (or P O box if mail is not delivered to street address)
855 MANKATO AVENUE

Room/suite

City or town, state or country, and ZIP + 4
WINONA, MN 55987

D Employer identification number
41-0713914

E Telephone number
(507)454-3650

G Gross receipts $ 106,337,696

F Name and address of principal officer
RACHELLE HEISING-SCHULTZ
855 MANKATO AVENUE
WINONA,MN 55987

H(a) Is this a group return for affiliates? ☐ Yes ☑ No

H(b) Are all affiliates included? ☐ Yes ☐ No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶

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

J Website: ▶ WWW WINONAHEALTH ORG

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

L Year of formation 1894

M State of legal domicile MN

Part I Summary

1 Briefly describe the organization's mission or most significant activities
HOSPITAL SERVICES

2 Check this box ▶☐ if the organization discontinued its operations or disposed of more than 25% of its net assets

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	17
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	9
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	**5**	1,094
6	Total number of volunteers (estimate if necessary)	**6**	330
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	-3,239
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	-20,905

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	575,221	530,982
	9 Program service revenue (Part VIII, line 2g)	87,924,220	102,395,845
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	265,961	410,611
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	36,259	-268
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	88,801,661	103,337,170
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	25,062	30,871
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	53,318,397	53,776,883
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	34,339,817	46,082,451
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	87,683,276	99,890,205
	19 Revenue less expenses Subtract line 18 from line 12	1,118,385	3,446,965

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	90,332,194	92,070,031
	21 Total liabilities (Part X, line 26)	40,527,151	41,248,582
	22 Net assets or fund balances Subtract line 21 from line 20	49,805,043	50,821,449

Part II Signature Block

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

Sign Here

****** 2012-08-14
Signature of officer Date

MICHAEL ALLEN CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if self-employed	PTIN
KIM HUNWARDSEN CPA	KIM HUNWARDSEN CPA	2012-08-14	☐	

Firm's name ▶ EIDE BAILLY LLP — Firm's EIN ▶

Firm's address ▶ 800 NICOLLET MALL STE 1300
MINNEAPOLIS, MN 554027033 — Phone no ▶ (612) 253-6500

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

DEVOTED TO IMPROVING THE HEALTH AND WELL-BEING OF OUR FAMILY, FRIENDS AND NEIGHBORS

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 $ 90,122,731 including grants of $ 30,871) (Revenue $ 102,382,889)

WINONA HEALTH SERVICES (WHS), A 99-BED HOSPITAL, HAS A 117-YEAR HISTORY OF PROVIDING CARE TO ITS COMMUNITY AND SERVICES FROM BIRTH TO DEATH IT IS THE SOLE COMMUNITY PROVIDER IN THE WINONA, MINNESOTA AREA IN FISCAL YEAR 2011, WHS HAD 3,125 ADMISSIONS, 335 BIRTHS, 3,320 INPATIENT AND OUTPATIENT SURGERIES, AND 15,580 VISITS TO THE EMERGENCY ROOM TO FULFILL ITS MISSION OF COMMUNITY SERVICE, THE CORPORATION PROVIDES CARE TO PATIENTS AND RESIDENTS WHO MEET CERTAIN CRITERIA UNDER ITS CHARITY CARE AND COMMUNITY BENEFIT POLICY WITHOUT CHARGE OR AT AMOUNTS LESS THAN ITS ESTABLISHED RATES BECAUSE THE CORPORATION DOES NOT PURSUE COLLECTION OF AMOUNTS DETERMINED TO QUALIFY AS CHARITY CARE, THEY ARE NOT REPORTED AS PATIENT AND RESIDENT SERVICE REVENUE CHARITY CARE WHS PROVIDES MEDICAL CARE TO THE COMMUNITY REGARDLESS OF AN INDIVIDUAL'S ABILITY TO PAY TOTAL CHARITY CARE COST WAS $622,664 FOR FY 2011 IN FURTHERANCE OF ITS CHARITABLE PURPOSE, THE CORPORATION PROVIDES A WIDE VARIETY OF BENEFITS TO THE COMMUNITY THESE SERVICES AND DONATIONS ACCOUNT FOR A MEASURABLE PORTION OF THE CORPORATION'S COSTS AND SERVE TO PROMOTE HEALTHY LIFE STYLES, COMMUNITY DEVELOPMENT, HEALTH EDUCATION, AND AFFORDABLE ACCESS TO CARE THE CORPORATION MAINTAINS RECORDS TO IDENTIFY AND MONITOR THE LEVEL OF COMMUNITY BENEFIT SERVICES IT PROVIDES THOSE RECORDS INCLUDE MANAGEMENT'S ESTIMATE OF THE COST TO PROVIDE CHARITY CARE, THE COST OF SERVICES AND SUPPLIES FURNISHED FOR COMMUNITY BENEFIT PROGRAMS AND COSTS IN EXCESS OF PROGRAM PAYMENTS FOR TREATING MEDICAL ASSISTANCE PATIENTS IN ADDITION TO COMMUNITY BENEFIT COSTS, THE CORPORATION PROVIDES ADDITIONAL COMMUNITY CONTRIBUTIONS SUCH AS SERVICES TO MEDICARE AND MEDICAID PATIENTS BELOW THE COSTS FOR TREATMENT, OTHER UNCOMPENSATED CARE, DISCOUNTED PRICING TO THE UNINSURED, AND PAYS TAXES AND FEES

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** ▶ $ 90,122,731

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		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		
6	Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in term, permanent,or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, and program service activities outside the United States? *If "Yes," complete Schedule F, Parts I and IV*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Parts II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Parts III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I (see instructions)*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	85		
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, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	2a	1,094		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			2b	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
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	17		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	9		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?			2	Yes	
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? . .			3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?			4	Yes	
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		No
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 ▶ MN

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection Indicate how you make these available Check all that apply

☐ Own website ☐ Another's website ☑ Upon request

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

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶

MICHAEL ALLEN
855 MANKATO AVENUE
WINONA, MN 55987
(507) 454-3650

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) GARY EVANS CHAIR	5 00	X		X				0	0	0
(2) JAN BROSNHAN DIRECTOR	5 00	X						0	0	0
(3) SCOTT BIESANZ DIRECTOR	5 00	X						0	0	0
(4) SCOTT BIRDSALL MD DIRECTOR	45 00	X						314,922	0	46,649
(5) MATTHEW BROGHAMMER MD DIRECTOR	45 00	X						482,659	0	61,746
(6) VICKI DECKER DIRECTOR	5 00	X						0	0	0
(7) RICHARD FERRIS MD DIRECTOR	45 00	X						232,531	0	39,234
(8) JIM KILLIAN DIRECTOR	5 00	X						0	0	0
(9) HERB HIGHUM DIRECTOR	5 00	X						0	0	0
(10) MARK JACOBS DIRECTOR	5 00	X						0	0	0
(11) KEN MOGREN DIRECTOR	6 00	X						0	0	0
(12) HUGH MILLER DIRECTOR	5 00	X						0	0	0
(13) KIM SCHWAB DIRECTOR	5 00	X						0	0	0
(14) DANIEL PARKER MD DIRECTOR/CHIEF OF STAFF	45 00	X						233,511	0	39,333
(15) MARK WAGNER DIRECTOR	5 00	X						0	0	0
(16) STEVE BLUE DIRECTOR	6 00	X						0	0	0

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(17) RACHELLE HEISING-SCHULTZ CEO/PRESIDENT	42 00	X		X				332,601	0	58,397
(18) JODIE BYRNE SECRETARY/EXECUTIVE ASST	38 00			X				38,788	0	21,824
(19) MICHAEL ALLEN CFO/TREASURER	42 00			X				201,157	0	46,151
(20) SARA GABRICK CNO	40 00				X			150,039	0	31,788
(21) TIMOTHY GABRIELSON MD ORTHOPEDIC SURGEON	40 00					X		485,225	0	60,170
(22) RUTH MOES MD ANESTHESIOLOGIST	40 00					X		343,222	0	61,462
(23) AMARJIT VIRDI MD ANESTHESIOLOGIST	40 00					X		412,744	0	55,453
(24) GARY HAYES MD ORAL SURGEON	40 00					X		406,251	0	66,315
(25) WAYNE KELLY MD FAMILY PRACTICE PHYSICIAN	40 00					X		377,824	0	52,304
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								4,011,474	0	640,826

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 ▶ 54

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
RADIOLOGY CONSULTANTS OF WINONA LLC 23273 BLACKBERRY RD WINONA, MN 55987	RADIOLOGIST	1,407,109
SARNIA REALTY PO BOX 1096 WINONA, MN 55987	PROPERTY LEASE	1,163,713
SODEXO INC & AFFILIATES 4880 PAYSPHERE CIRCLE CHICAGO, IL 60674	HOSPITALITY/ENVIRONMENTAL SERVICES	989,055
MAYO CLINIC ENHANCED MED PO BOX 4006 ROCHESTER, MN 55903	CONTRACTED PHYSICIANS	521,860
MAYO COLLABORATIVE SERV INC PO BOX 9146 MINNEAPOLIS, MN 55480	CONTRACTED LAB	482,634

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 ▶ 20

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns . . 1a					
	b Membership dues 1b					
	c Fundraising events 1c					
	d Related organizations . . . 1d	467,731				
	e Government grants (contributions) 1e					
	f All other contributions, gifts, grants, and similar amounts not included above 1f	63,251				
	g Noncash contributions included in lines 1a-1f $	2,163				
	h **Total.** Add lines 1a-1f . . . . . ▶		530,982			
Program Service Revenue		Business Code				
	2a PATIENT SERVICE REVENU	622110	89,907,109	89,907,109		
	b PURCHASED SERVICE REVE	900099	9,916,266	9,916,266		
	c SUPPORTING REVENUE	900099	2,484,514	2,484,514		
	d EQUITY PARKVIEW PHARMA	900099	87,956	87,956		
	e					
	f All other program service revenue					
	g **Total.** Add lines 2a–2f . . . . . ▶		102,395,845			
	3 Investment income (including dividends, interest and other similar amounts) . . . . . ▶		319,178			319,178
	4 Income from investment of tax-exempt bond proceeds . . ▶					
	5 Royalties . . . . . ▶					
		(i) Real / (ii) Personal				
	6a Gross Rents	18,780				
	b Less rental expenses	2,853				
	c Rental income or (loss)	15,927				
	d Net rental income or (loss) . . . . . ▶		15,927			15,927
		(i) Securities / (ii) Other				
	7a Gross amount from sales of assets other than inventory	1,102,592 / 12,700				
	b Less cost or other basis and sales expenses	1,013,072 / 10,787				
	c Gain or (loss)	89,520 / 1,913				
	d Net gain or (loss) . . . . . ▶		91,433			91,433
Other Revenue	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	1,957,619				
	b Less cost of goods sold . . b	1,973,814				
	c Net income or (loss) from sales of inventory . . ▶		-16,195	-12,956	-3,239	
	Miscellaneous Revenue	Business Code				
	11a					
	b					
	c					
	d All other revenue					
	e **Total.** Add lines 11a–11d . . . . . ▶					
	12 **Total revenue.** See Instructions . . . ▶		103,337,170	102,382,889	-3,239	426,538

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	30,871	30,871		
2 Grants and other assistance to individuals in the U S See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	2,318,631	1,214,066	1,104,565	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	60,036	60,036		
7 Other salaries and wages	39,976,991	37,225,767	2,751,224	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	1,498,455	1,400,675	97,780	
9 Other employee benefits	7,193,245	5,895,315	1,297,930	
10 Payroll taxes	2,729,525	2,426,311	303,214	
a Fees for services (non-employees) Management				
b Legal	203,554		203,554	
c Accounting	76,667		76,667	
d Lobbying				
e Professional fundraising services *See Part IV, line 17*				
f Investment management fees				
g Other	13,911,239	13,320,173	591,066	
12 Advertising and promotion	393,986	197,438	196,548	
13 Office expenses	3,900,723	3,266,463	634,260	
14 Information technology	116,372		116,372	
15 Royalties				
16 Occupancy	9,391,233	9,381,465	9,768	
17 Travel	507,050	413,860	93,190	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	13,884	13,884		
20 Interest	1,740,347		1,740,347	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	4,768,028	4,217,039	550,989	
23 Insurance	809,216	809,216		
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a MEDICAL SUPPLIES	6,379,770	6,379,770		
b BAD DEBT EXPENSE	2,658,097	2,658,097		
c MN CARE TAX	1,185,401	1,185,401		
d				
e				
f All other expenses	26,884	26,884		
25 **Total functional expenses.** Add lines 1 through 24f	99,890,205	90,122,731	9,767,474	0
26 **Joint costs.** Check here ▶ ☐ 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) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing			1	
	2	Savings and temporary cash investments		9,645,034	2	13,407,607
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		10,708,641	4	11,425,369
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		1,479,301	8	1,836,482
	9	Prepaid expenses and deferred charges		671,300	9	505,539
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 88,586,598			
	b	Less accumulated depreciation	10b 44,841,055	45,177,066	10c	43,745,543
	11	Investments—publicly traded securities		13,382,947	11	13,378,287
	12	Investments—other securities See Part IV, line 11		399,112	12	480,786
	13	Investments—program-related See Part IV, line 11			13	554,007
	14	Intangible assets		1,802,788	14	2,049,076
	15	Other assets See Part IV, line 11		7,066,005	15	4,687,335
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		90,332,194	16	92,070,031
Liabilities	17	Accounts payable and accrued expenses		8,769,023	17	8,701,586
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		31,475,098	20	31,032,613
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities Complete Part X of Schedule D		283,030	25	1,514,383
	26	**Total liabilities.** Add lines 17 through 25		40,527,151	26	41,248,582
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		49,805,043	27	50,821,449
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117, check here ▶ ☐ 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		49,805,043	33	50,821,449
	34	Total liabilities and net assets/fund balances		90,332,194	34	92,070,031

Part XI Reconcilliation 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	103,337,170
2	Total expenses (must equal Part IX, column (A), line 25)	2	99,890,205
3	Revenue less expenses Subtract line 2 from line 1	3	3,446,965
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	49,805,043
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-2,430,559
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	50,821,449

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 ☐ Cash ☑ Accrual ☐ 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? . .	2a		No
b	Were the organization's financial statements audited by an independent accountant?	2b	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	2c	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 ☐ Separate basis ☑ Consolidated basis ☐ 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?	3a	Yes	
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits . .	3b	Yes	

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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
WINONA HEALTH SERVICES

Employer identification number
41-0713914

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?

	Yes	No
(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? **11g(i)**		
(ii) a family member of a person described in (i) above? **11g(ii)**		
(iii) a 35% controlled entity of a person described in (i) or (ii) above? **11g(iii)**		

h Provide the following information about the supported organization(s)

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document? Yes	(iv) No	(v) Did you notify the organization in col (i) of your support? Yes	(v) No	(vi) Is the organization in col (i) organized in the U S ? Yes	(vi) No	(vii) Amount of support
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 III **Support Schedule for Organizations Described in Section 509(a)(2)**
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

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

Section B. Total Support

Calendar year (or fiscal year beginning in)	**(a)** 2006	**(b)** 2007	**(c)** 2008	**(d)** 2009	**(e)** 2010	**(f)** Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support** (Add lines 9, 10c, 11 and 12)						

14 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section501(c)(3) organization, check this box and **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).

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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
WINONA HEALTH SERVICES

Employer identification number
41-0713914

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? ☐ Yes ☐ No

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 ☐ Yes ☐ No

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
a	Total number of conservation easements	2a	
b	Total acreage restricted by conservation easements	2b	
c	Number of conservation easements on a certified historic structure included in (a)	2c	
d	Number of conservation easements included in (c) acquired after 8/17/06	2d	

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

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

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

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

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

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)? ☐ Yes ☐ No

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

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

1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items

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

(i) Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

(ii) Assets included in Form 990, Part X ▶ $ _____

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

a Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

b Assets included in Form 990, Part X ▶ $ _____

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

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

- a ☐ Public exhibition
- b ☐ Scholarly research
- c ☐ Preservation for future generations
- d ☐ Loan or exchange programs
- e ☐ Other

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

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

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

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

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

		Amount
c Beginning balance	1c	
d Additions during the year	1d	
e Distributions during the year	1e	
f Ending balance	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

		Yes	No
(i) unrelated organizations	3a(i)		
(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		4,141,674		4,141,674
b Buildings		51,855,033	22,372,897	29,482,136
c Leasehold improvements				
d Equipment		30,510,583	21,707,409	8,803,174
e Other		2,079,308	760,749	1,318,559
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				43,745,543

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶		

Part VIII Investments—Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Total. *(Column (b) should equal Form 990, Part X, col (B) line 13)* ▶		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1) RECEIVABLE FROM AFFILIATED ORGANIZATIONS	4,296,530
(2) DEFERRED BOND ISSUE COSTS, NET	390,805
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	4,687,335

Part X Other Liabilities. See Form 990, Part X, line 25.

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
ESTIMATED THIRD PARTY PAYOR SETTLEMENTS	1,514,383
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	1,514,383

2. Fin 48 (ASC 740) Footnote In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC740)

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

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

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

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

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

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

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	THE CORPORATION BELIEVES THAT IT HAS APPROPRIATE SUPPORT FOR ANY TAX POSITIONS TAKEN AFFECTING ITS ANNUAL FILING REQUIREMENTS, AND, AS SUCH, DOES NOT HAVE ANY UNCERTAIN TAX POSITIONS THAT ARE MATERIAL TO THE FINANCIAL STATEMENTS THE CORPORATION WOULD RECOGNIZE FUTURE ACCRUED INTEREST AND PENALTIES RELATED TO UNRECOGNIZED TAX BENEFITS AND LIABILITIES IN INCOME TAX EXPENSE, IF SUCH INTEREST AND PENALTIES ARE INCURRED

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
WINONA HEALTH SERVICES

Employer identification number
41-0713914

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 ☑ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☑ 200% ☐ Other ____ %	3a	Yes	
b	Does the organization use FPG to determine eligibility for providing *discounted* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☑ 300% ☐ 350% ☐ 400% ☐ Other ____ %	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		No
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 eligibile 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)		630	817,000		817,000	0 840 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			17,991,362	10,324,365	7,666,997	7 890 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs		630	18,808,362	10,324,365	8,483,997	8 730 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)	21	1,836	152,877	10,356	142,521	0 150 %
f Health professions education (from Worksheet 5)	7	739	173,393	4,000	169,393	0 170 %
g Subsidized health services (from Worksheet 6)	2		7,214,176	5,647,800	1,566,376	1 610 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)	5	1,160	149,529		149,529	0 150 %
j **Total** Other Benefits	35	3,735	7,689,975	5,662,156	2,027,819	2 080 %
k **Total.** Add lines 7d and 7j	35	4,365	26,498,337	15,986,521	10,511,816	10 810 %

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

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing	2	40	5,757		5,757	0 010 %
2	Economic development						
3	Community support	1	79	17,854		17,854	0 020 %
4	Environmental improvements						
5	Leadership development and training for community members	1	40	1,876		1,876	0 %
6	Coalition building	1	415	8,038		8,038	0 010 %
7	Community health improvement advocacy			6,976	2,030	4,946	0 010 %
8	Workforce development	1	533	4,906		4,906	0 010 %
9	Other						
10	**Total**	6	1,107	45,407	2,030	43,377	0 060 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?	1			No
2	Enter the amount of the organization's bad debt expense (at cost)	2	1,449,984		
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	482,845		
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	16,350,126		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	17,731,817		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-1,381,691		
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				

☐ Cost accounting system ☐ Cost to charge ratio ☑ Other

Section C. Collection Practices

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

Part IV Management Companies and Joint Ventures

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

Part V Facility Information

Section A. Hospital Facilities

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

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

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	WINONA HEALTH SERVICES 855 MANKATO AVENUE WINONA, MN 55987	X	X					X		URGENT CARE & 2 PROVIDER BASED CLINICS

Part V **Facility Information** *(continued)*

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, measured by total revenue per facility, from largest to smallest)

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

	Name and address	Type of Facility (Describe)
1	WATKINS MANOR 175 E WABASHA STREET WINONA,MN 55987	ASSISTED LIVING
2		
3		
4		
5		
6		
7		
8		
9		
10		

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
		PART I, LINE 6A THE COMMUNITY BENEFIT REPORT IS INCLUDED IN THE ANNUAL REPORT AND SENT TO 28,000 HOUSEHOLDS COMMUNITY BENEFIT INFORMATION IS LISTED IN QUARTERLY NEWSLETTERS AND ON THE WEBSITE INFORMATION IS ALSO INCLUDED IN THE WAITING ROOMS

Identifier	ReturnReference	Explanation
		PART I, LINE 7 CHARITY CARE EXPENSE WAS CONVERTED TO COST ON LINE 7A BASED ON AN OVERALL COST-TO-CHARGE RATIO ADDRESSING ALL PATIENT SEGMENTS UNREIMBURSED MEDICAID ON LINE 7B WAS CALCULATED USING THE COSTING METHODS TO PREPARE THE COST REPORTS COMMUNITY HEALTH IMPROVEMENT SERVICES, LINE 7E, HEALTH PROFESSIONS EDUCATION, LINE 7F, AND CASH AND IN-KIND DONATIONS, LINE 7K WERE ACTUAL EXPENSES COMPILED USING THE CBISA SOFTWARE THE COST FOR SUBSIDIZED HEALTH SERVICES REPORTED ON LINE 7G WAS DETERMINED USING THE MEDICARE COST REPORT

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) THE AMOUNT OF BAD DEBT EXPENSE REMOVED FROM TOTAL EXPENSES TO DETERMINE THE PERCENTAGE WAS $2,658,097

Identifier	ReturnReference	Explanation
		PART II COMMUNITY BUILDING ACTIVITIES ALLOW WINONA HEALTH SERVICES TO BETTER ASSIST THE COMMUNITY IT SERVES THROUGH BETTER PATIENT ACCESS, IMPROVING QUALITY OF CARE, AND ASSISTING THOSE VULNERABLE POPULATIONS IN A WAY THAT MAKES THEIR LIVELIHOOD A LITTLE EASIER AMONG OTHER THINGS THESE ACTIVITIES ALSO ALLOW THE COMMUNITY AND STAFF TO BE BETTER PREPARED IF A DISASTER OR EMERGENCY WERE TO STRIKE THESE ACTIVITIES ALLOW WINONA HEALTH SERVICES TO BE AS PREPARED AS POSSIBLE TO BEST ASSIST THE COMMUNITY WE SERVE PROGRAMS LIKE HEALTHY KIDS CLUB INVOLVE SEVERAL COMMUNITY PARTNERS TO ADDRESS THIS HEALTH ISSUE IN OUR COMMUNITY, WITHOUT PUTTING THE FOCUS SPECIFICALLY ON WEIGHT LOSS HEALTHY KIDS CLUB IS A FREE, FUN, COMMUNITY-WIDE PROGRAM DESIGNED TO ENCOURAGE CHILDREN AGES 6 TO 11 TO LIVE HEALTHY - FROM MAKING HEALTHFUL FOOD CHOICES TO MAINTAINING ACTIVE LIFESTYLES AREA SCHOOLS AND NINE AREA NONPROFIT ORGANIZATIONS SUCH AS THE FAMILY YMCA, WINONA COUNTY PARKS AND RECREATION AND UNITED WAY OF THE GREATER WINONA AREA ARE STRONG COMMUNITY PARTNERS STAFF INVOLVEMENT IN BUILDING A HOME FOR HABITAT FOR HUMANITY COMPLIMENTS OUR MISSION TO TAKE CARE OF THOSE IN OUR COMMUNITY AND PROMOTES TEAM BUILDING WITHIN THE ORGANIZATION INVOLVEMENT WITH LOCAL SCHOOLS THROUGH CAREER EXPLORATION AND TOURS OF OUR ORGANIZATION PROMOTES THE IMPORTANCE OF HEALTHCARE AND SERVING OUR COMMUNITY WE EXIST TO CARE FOR THOSE WHO NEED US AND SHARE THIS MESSAGE WITH STUDENTS THINKING OF ENTERING THE HEALTHCARE FIELD OUR STAFF WORKED CLOSELY WITH WINONA WORKFORCE CENTER TO HELP TRAIN THEIR CLIENTS AND SUPERVISE THEM IN VARIOUS JOBS STAFF ALSO SPENT TIME AT THE SE REGIONAL HOSPITAL CONSORTIUM AT MAYO LEARNING HOW TO PREPARE FOR COMMUNITY EMERGENCIES COMMUNITY OUTREACH IS SOMETHING ENCOURAGED FOR ALL STAFF BECAUSE IT'S NOT ONLY THE RIGHT THING TO DO, BUT IT IS PART OF OUR MISSION AS WELL

Identifier	ReturnReference	Explanation
		PART III, LINE 4 THE ORGANIZATION'S BAD DEBT EXPENSE AT COST WAS CALCULATED USING THE EXPENSE REPORTED ON THE FINANCIAL STATEMENTS AND APPLYING AN OVERALL COST-TO-CHARGE RATIO ADDRESSING ALL PATIENT SEGMENTS WHS DETERMINES BAD DEBT EXPENSE BY ESTIMATING WHAT MAY NOT BE COLLECTIBLE FROM PATIENT BALANCES AFTER TAKING INTO ACCOUNT APPROPRIATE DISCOUNTS AND PAYMENTS (UNINSURED DISCOUNT, ELIGIBLE CHARITY CARE DISCOUNTS/ADJUSTMENTS, AND PAYMENTS RECEIVED AND EXPECTED TO BE RECEIVED) PAYMENTS ON ACCOUNTS THAT WERE WRITTEN OFF AS BAD DEBT REDUCES BAD DEBT EXPENSE IN THE CURRENT YEAR WHS IS ESTIMATING THAT ONE-THIRD OF BAD DEBT ACCOUNTS WOULD LIKELY QUALIFY FOR THE ORGANIZATION'S CHARITY CARE GUIDELINES IF THE PATIENT WOULD HAVE BEEN IDENTIFIED AND FOLLOWED THROUGH ON THE APPLICATION PROCESS THIS PERCENTAGE IS BASED ON HISTORICAL KNOWLEDGE ON THOSE BEING PROVIDED APPLICATIONS AND THOSE ACTUALLY COMPLETING THE APPLICATIONS TO QUALIFY THE CARRYING AMOUNT OF PATIENT AND RESIDENT RECEIVABLES IS REDUCED BY A VALUATION ALLOWANCE THAT REFLECTS MANAGEMENT'S ESTIMATE OF AMOUNTS THAT WILL NOT BE COLLECTED FROM PATIENTS, RESIDENTS, AND THIRD-PARTY PAYORS MANAGEMENT REVIEWS PATIENT AND RESIDENT RECEIVABLES BY PAYOR CLASS AND APPLIES PERCENTAGES TO DETERMINE ESTIMATED AMOUNTS THAT WILL NOT BE COLLECTED FROM THIRD PARTIES UNDER CONTRACTUAL AGREEMENTS AND AMOUNTS THAT WILL NOT BE COLLECTED FROM PATIENTS AND RESIDENTS DUE TO BAD DEBTS MANAGEMENT CONSIDERS HISTORICAL WRITE OFF AND RECOVER INFORMATION IN DETERMINING THE ESTIMATED BAD DEBT PROVISION

Identifier	ReturnReference	Explanation
		PART III, LINE 8 WHS PROVIDES SERVICES TO PATIENTS UNDER THE MEDICARE PROGRAM KNOWING THEY WILL NOT RECOVER ALL THE COSTS ASSOCIATED WITH PROVIDING THESE SERVICES PROVIDING THESE SERVICES IS ESSENTIAL TO THESE PATIENTS AND THE COMMUNITY AND INCREASES THEIR ACCESS TO HEALTHCARE SERVICES THEREFORE, THE ENTIRE MEDICARE SHORTFALL IS CONSIDERED A COMMUNITY BENEFIT THE ORGANIZATION REPORTED ONLY THOSE ALLOWABLE COSTS AND MEDICARE REIMBURSEMENTS REPORTED IN THE MEDICARE COST REPORT FOR THE YEAR TOTAL REVENUE RECEIVED FROM MEDICARE IS THE GROSS REIMBURSEMENT PLUS SETTLEMENT BOTH TOTAL REVENUE RECEIVED FROM MEDICARE AND THE MEDICARE ALLOWABLE COSTS ARE REPORTED FROM THE MEDICARE COST REPORT THE MEDICARE COST REPORT IS COMPLETED BASED ON THE RULES AND REGULATIONS SET FORTH BY CMS

Identifier	ReturnReference	Explanation
		PART III, LINE 9B IN KEEPING WITH THE MISSION, VISION AND VALUES OF WINONA HEALTH SERVICES, OUR ORGANIZATION IS COMMITTED TO GIVING A PATIENT EVERY OPPORTUNITY TO PAY THEIR MEDICAL DEBT IN FULL OR TO MAKE ARRANGEMENTS BASED ON ORGANIZATIONAL POLICY WHEN A PATIENT IS IN THE PROCESS OF APPLYING FOR FINANCIAL ASSISTANCE, WHETHER CHARITY CARE OR AN INTEREST FREE PAYMENT PLAN, THERE WILL BE NO COLLECTION EFFORTS COLLECTION EFFORTS INCLUDE PHONE CONTACTS, LETTERS, PATIENT INTERVIEWS AND FILING A JUDGEMENT AGAINST THE PATIENT AND POTENTIAL GARNISHMENT OF WAGES AFTER A DETERMINATION OF FINANCIAL ASSISTANCE, ANY PERSONAL PORTION DUE FOLLOWS THE SAME COLLECTION PROCEDURES AS OTHER ACCOUNTS

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 WINONA HEALTH SERVICES (WHS) USES A VARIETY OF METHODS TO LISTEN TO ITS CUSTOMERS, AND THE METHODOLOGIES VARY BY CUSTOMER GROUPS THE DEVELOPMENT OF MOST MAJOR SERVICES INCLUDES THE MEETING OF A COMMUNITY ADVISORY GROUP TO ASSESS OPERATIONS AND PLANS AND PROVIDE RECOMMENDATIONS TO THE LEADERSHIP TEAM WHS ALSO USES POINT OF CARE FEEDBACK COMMENT CARDS, FOCUS GROUPS, ADVISORY COMMITTEES COMPRISED OF COMMUNITY INDIVIDUALS, AND WEB AND CONSUMER NEWSLETTER SURVEYS TO CAPTURE FEEDBACK FROM PATIENTS/RESIDENTS AND COMMUNITY IMMEDIATE FEEDBACK IS OBTAINED FROM PATIENTS/RESIDENTS AND COMMUNITY THROUGH PRE- AND POST-SERVICE CALLS, ROUNDING, AND INFORMAL SURVEYS WHS ALSO WORKS WITH LOCAL NON-PROFIT ORGANIZATIONS GATHERING FEEDBACK FROM LOCAL AGENCIES AND THEIR BOARDS TO ENSURE COMMUNITY NEEDS ARE BEING MET AS A RESULT OF FEEDBACK AND THE ECONOMY, WINONA HEALTH SERVICES, WINONA COUNTY AND WINONA STATE UNIVERSITY RECENTLY OPENED A FREE COMMUNITY HEALTH CLINIC ON OUR CAMPUS FOR THOSE WITHOUT INSURANCE THIS FREE CLINIC IS OPEN QUARTERLY, BUT IF THE DEMAND INCREASES, MAY BE OPEN MORE FREQUENTLY IN 2010, WINONA HEALTH SERVICES, UNITED WAY OF THE GREATER WINONA AREA AND WINONA AREA COMMUNITY FOUNDATION WORKED TOGETHER GATHERING INFORMATION FOR A COMMUNITY NEEDS ASSESSMENT

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 WHS PLACES PAMPHLETS THAT CONTAIN INFORMATION ABOUT OUR CHARITY CARE PROGRAMS AND POLICIES THROUGHOUT THE ORGANIZATION, INCLUDING ALL PATIENT ACCESS AREAS IN ADDITION, INFORMATION CAN BE FOUND ON OUR WEBSITE OR BY CALLING THE WHS BUSINESS OFFICE EITHER LOCALLY OR TOLL-FREE WHS ALSO SENDS OUT A COVER LETTER WITH ALL FIRST TIME SELF-PAY STATEMENTS WHICH EXPLAINS OPTIONS FOR CHARITY CARE, GOVERNMENT PROGRAM ASSISTANCE, AND OUR UNINSURED DISCOUNT PROGRAM IN ADDITION, THE WHS SOCIAL SERVICES DEPARTMENT AND/OR A CONTRACTED PATIENT ADVOCATE MAY MEET WITH IN-HOUSE OR RECENTLY DISCHARGED PATIENTS TO GO OVER ALL THE PAYMENT OPTIONS WHICH INCLUDE CHARITY CARE, GOVERNMENTAL PROGRAMS, OR OTHER ALTERNATIVE PAYMENT OPTIONS FINALLY, WHS WORKS WITH THE COUNTY TO HELP INITIATE A SCREENING PROCESS FOR APPLYING FOR GOVERNMENTAL PROGRAMS BY OFFERING THE PATIENTS AN OPPORTUNITY TO LOCK IN AN EFFECTIVE DATE FOR THOSE PROGRAMS IF SUBSEQUENTLY FOUND ELIGIBLE

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 WHS DEFINES ITS PRIMARY SERVICE AREA AS THE ZIP CODE OF WINONA AND THE IMMEDIATE SURROUNDING AREA WITH A POPULATION BASE OF APPROXIMATELY 35,000 RESIDENTS ITS SECONDARY SERVICE AREA ENCOMPASSES A 20-MILE RADIUS FROM WINONA REPRESENTING ANOTHER 12,000 RESIDENTS WHS IS LOCATED BETWEEN TWO LARGE, WELL-KNOWN TERTIARY HEALTH CARE CENTERS, MAYO AND GUNDERSEN LUTHERAN WHS HAS FOCUSED ON FULFILLING ITS COMMUNITY NEED A FULL PRIMARY CARE FACILITY WHS DEFINES ITSELF AS A PRIMARY CARE HEALTH SYSTEM AND PROVIDES ITS PATIENTS AND RESIDENTS CONNECTIONS TO TERTIARY LEVEL SERVICES TO MEET THEIR NEEDS REGIONALLY OR NATIONALLY, AS THE PATIENT CHOOSES IN 2010, WINONA HAD A MEDIAN HOUSEHOLD INCOME OF $36,296 AND 22 3% OF PERSONS WERE BELOW THE POVERTY LEVEL THE MAJORITY OF OUR PATIENTS LIVE IN WINONA WHICH HAS A POPULATION OF OVER 27,000 PEOPLE APPROXIMATELY 20% OF OUR PATIENTS ARE UNINSURED AND/OR MEDICAID RECIPIENTS

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 WHS OFFERS EMERGENCY AND URGENT CARE, PRIMARY CARE FOR ALL AGES, SURGICAL AND SPECIALTY CARE, INPATIENT CARE, AND SENIOR SERVICES OUR BOARD IS COMPRISED OF PHYSIC IANS AND PRIMARILY COMMUNITY MEMBERS THE BOARD AND MEDICAL STAFF ARE INVOLVED IN OUR STRA TEGIC PLANNING WHICH FOCUSES ON THE HEALTH OF OUR COMMUNITY MEMBERS TO MEET THE NEEDS OF OUR COMMUNITY, THE HOSPITAL EXTENDS PRIVILEGES TO MEDICAL STAFF THAT ARE QUALIFIED THROUGH LICENSURE IN THE STATE OF MINNESOTA WE ARE INVOLVED IN SEVERAL ON-SITE AND OFF-SITE HEAL TH FAIRS OFFERING FREE BLOOD PRESSURE CHECKS, GLUCOSE SCREENINGS AND STAFF EXPERTISE ON HE ALTH QUESTIONS WE ALSO PROVIDE FREE COMMUNITY HEALTH TALKS FOR COMMUNITY MEMBERS ON CERTA IN HEALTH TOPICS EXCESS FUNDS ARE REINVESTED AND USED FOR PATIENT CARE AND FACILITY UPGRA DES ADDITIONAL PROGRAMS THAT BENEFIT THE COMMUNITY INCLUDE HEALTH PROFESSIONAL TRAINING W INONA HEALTH SERVICES WORKS CLOSELY WITH NURSE AND HEALTH PROFESSIONAL EDUCATION PROGRAMS AT WINONA STATE UNIVERSITY, ST MARY'S UNIVERSITY AND SOUTHEAST TECHNICAL COLLEGE ALONG W ITH TRAINING LPNS AND RNS ON SITE, OTHER STUDENTS GOING INTO FIELDS OF ATHLETIC TRAINING, SOCIAL WORK, NUTRITION, LAB, RADIOLOGY, PHYSICAL THERAPY AND BIO MED ARE ALSO EDUCATED AND MENTORED ON SITE APPROXIMATELY 536 STUDENTS WORK WITH STAFF IN THE FOLLOWING DEPARTMENTS MEDICAL/SURGICAL/PEDIATRIC UNIT, FAMILY BIRTH CENTER, INTENSIVE CARE UNIT, EMERGENCY DEP ARTMENT, LAB, RADIOLOGY, SOCIAL WORKERS, PHYSICAL AND OCCUPATIONAL THERAPY AND BIO MED PRE VENTIVE CARE WHS ENCOURAGES PREVENTIVE CARE THROUGH A NUMBER OF RESOURCES WINONA HEALTH ONLINE IS A FREE WEB-TOOL THAT ALLOWS PATIENTS TO HAVE ACCESS TO THEIR WINONA HEALTH SERVI CES RECORDS ANYTIME, ANYWHERE WITH AN INTERNET CONNECTION PATIENTS CAN DOCUMENT THEIR HEA LTH HISTORY, ACCESS DIABETES AND ASTHMA MANAGEMENT PROGRAMS, RECEIVE LAB TEST RESULTS, AND TRACK WELLNESS ACTIVITIES WINONA HEALTH SERVICES OFFERS A NUMBER OF EDUCATIONAL OPPORTUN ITIES FOR THE COMMUNITY, FROM CPR CLASSES TO FREE OR LOW-COST SCREENINGS INCLUDING PROSTAT E CANCER, CHOLESTEROL, DEPRESSION, AND MAMMOGRAMS WHS IS THE MAIN SPONSOR FOR A COMMUNITY -WIDE DIABETES EXPO COMMUNITY HEALTH TALKS PROVIDE INDIVIDUALS WITH EDUCATIONAL INFORMATI ON ON A VARIETY OF HEALTH TOPICS AND ARE FREE THROUGHOUT THE YEAR THE WINONA HEALTH SERVI CES OCCUPATIONAL HEALTH DEPARTMENT PRESENTS VARIOUS PREVENTIVE PROGRAMS GEARED TOWARD BUSI NESS LEADERS AND HR PROFESSIONALS THE DEPARTMENT TEAMS UP WITH PHYSICIANS AND LOCAL EXPER TS TO PROVIDE INFORMATION ON A WIDE VARIETY OF BUSINESS-RELATED TOPICS SUCH AS DRUG USE IN THE WORK PLACE, ERGONOMICS, WORKER'S COMPENSATION AND MORE THESE ARE FREE AND WELL-ATTEN DED THE STAFF ALSO PARTICIPATES IN MANY COMMUNITY COLLABORATIVE HEALTHCARE EVENTS EMPLOYE E HEALTH THE HEALTHY U PROGRAM IS A HEALTH MANAGEMENT INCENTIVE INITIATIVE DESIGNED TO SU PPORT AND ENCOURAGE HEALTHY ACTIVITIES FOR OUR EMPLOYEES AND FAMILIES THE PROGRAM REINFOR CES THE EMPHASIS ON PREVENTION, AIMING TO IMPROVE THEIR HEALTH AND WELL-BEING WELLNESS EV ALUATIONS BY A CERTIFIED HEALTH ADVISOR ARE OFFERED FREE TO STAFF EMPLOYEES CAN EARN CRED ITS TIED TO COMPLETION OF PREDETERMINED ACTIVITIES SPECIFIC TO THEIR HEALTH GOALS WHICH CO ULD RESULT IN AN UP TO $600 SAVINGS IN HEALTH PLAN PREMIUMS IN ITS FIFTH YEAR, HEALTHY KI DS CLUB IS A COMMUNITY-WIDE PROGRAM FOR CHILDREN 6-11 AND FOCUSES ON TEACHING CHILDREN THE IMPORTANCE OF HEALTH AND WELLNESS AT AN EARLY AGE COLLABORATING WITH OTHER ORGANIZATIONS IN THE COMMUNITY, THE PROGRAM IS FREE AND HAS SERVICED OVER 3,500 CHILDREN AND FAMILIES, PROVIDED OVER 4,000 HEALTHY SNACKS AND LOGGED 1,370 WALKING MILES IN FY'11 WHS HAS SPENT OVER $95,000 ON THIS PROGRAM SINCE 1996 AREA SCHOOLS AND NINE AREA NONPROFIT ORGANIZATION S SUCH AS THE FAMILY YMCA, WINONA COUNTY PARKS AND RECREATION AND UNITED WAY OF THE GREATE R WINONA AREA ARE STRONG COMMUNITY PARTNERS EMERGENCY CARE WHS PROVIDES 24-HOUR-A-DAY, 3 65-DAYS-PER-YEAR EMERGENCY CARE TO THE COMMUNITY IT EMPLOYS FOUR FULL-TIME PHYSICIANS AND SEVERAL MID-LEVEL PROVIDERS AS THE SERVICE CONTINUES TO GROW WINONA HEALTH SERVICES HAS EXCELLENT RELATIONS WITH NEIGHBORING TERTIARY FACILITIES AND TRANSPORTS PATIENTS AS NEEDED TO LA CROSSE AND ROCHESTER COMMUNITY RELATIONS WHS WORKS WITH AREA NONPROFIT ORGANIZATIO NS TO SUPPORT HEALTH AND YOUTH-RELATED ACTIVITIES ITS INVOLVEMENT INCLUDES SENDING PROFES SIONALS TO SPEAK TO CIVIC AND SCHOOL GROUPS IN FY 2011, STAFF SPOKE TO 618 INDIVIDUALS TH ROUGH OUR OUTREACH SPEAKER'S BUREAU WINONA HEALTH SERVICES VACCINATED OVER 750 INDIVIDUAL S AT SPECIALLY-SCHEDULED FLU SHOT CLINICS IN ADDITION, WHS STAFF DELIVERED MEALS-ON-WHEEL S TO COMMUNITY MEMBERS THROUGH A LOCAL MEAL DELIVERY PROGRAM AND DONATE THE USE OF THEIR L AND TO A LOCAL GARDEN GROUP WHICH ALLOWED FOR 40 GARDEN PLOTS FOR COMMUNITY MEMBERS TO GRO W THEIR OWN FOOD STAFF MEMBERS ARE ALSO INVOLVED IN SEVERAL NON-PROFIT COMMITTEES, DONATI NG THEIR TIME TO HELP OUR COMMUNITY COMMUNITY EDU

Identifier	ReturnReference	Explanation
		CATION WHS'S COMMUNITY EDUCATION PROGRAMMING INCLUDES FREE OR REDUCED-FEE CLASSES ON CHIL DBIRTH AND PARENTING, SUPPORT GROUPS FOR BREASTFEEDING, CARDIO-PULMONARY RESUSCITATION, HE ALTH CARE DIRECTIVES DIABETES PREVENTION, FIRST AID, AND SMOKING CESSATION IN FY 2011, WH S SERVED 475 INDIVIDUALS THROUGH THESE CLASSES STAFF AT LOCAL HEALTH FAIRS SERVED 568 IND IVIDUALS, OFTEN OFFERING FREE BLOOD SUGAR AND BLOOD PRESSURE SCREENINGS VOLUNTEERS FROM T HE WH AUXILIARY OFFER FREE HEALTHCARE DIRECTIVES EDUCATIONAL SESSIONS THROUGHOUT THE YEAR

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

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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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
WINONA HEALTH SERVICES

Employer identification number
41-0713914

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) WINONA STATE UNIVERSITY FOUNDATIONPO BOX 5838 WINONA,MN 55987	23-7079002	501(C)(3)	10,000				INTEGRATED WELLNESS CENTERION
(2) WINONA HEALTH FOUNDATION855 MANKATO AVENUE WINONA,MN 55987	41-1879744	501(C)(3)	12,670				GIFTS HONORING RETIRING PHYSICIANS

2 Enter total number of section 501(c)(3) and government organizations . . . ▶ 2

3 Enter total number of other organizations . . . ▶ 0

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

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

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

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 WINONA HEALTH SERVICES WILL REVIEW SOLICITATIONS FROM OTHER LEGALLY RECOGNIZED, TAX-EXEMPT NONPROFIT ORGANIZATIONS WHOSE WORK BENEFITS THE COMMUNITY BASED ON THE FOLLOWING A THE REQUEST ADDRESSES A COMMUNITY HEALTH OR WELLNESS ISSUE B THE REQUEST BENEFITS AREA YOUTH IN THE AREAS OF HEALTH AND WELLNESS C THE REQUEST SUPPORTS A PROJECT DIRECTLY BENEFITING THE COMMUNITY AND ALIGNED WITH WINONA HEALTH SERVICES' MISSIONS/VISION/VALUES D THE REQUEST SUPPORTS KEY WINONA HEALTH SERVICES BUSINESS AND MARKETING STRATEGIES E PRIORITY WILL BE GIVEN TO LOCAL NONPROFIT ORGANIZATIONS F TYPICALLY, ONLY ONE REQUEST WILL BE AWARDED TO A NONPROFIT IN A GIVEN YEAR ALL DONATION REQUESTS WILL BE DIRECTED TO THE MARKETING COMMUNICATIONS DEPARTMENT FOR PROCESSING A STAFF WILL REVIEW THE REQUEST BASED ON THE ABOVE CRITERIA AND BUDGET PARAMETERS, WITH KEY DONATION DETERMINED YEARLY DURING THE BUDGETING PROCESS B THE FOLLOWING PROCESSES WILL BE USED TO REVIEW DONATION REQUESTS 1 STAFF MAY PROCESS ALL DONATIONS APPROVED DURING THE BUDGETING PROCESS AND THOSE THAT MEET THE CRITERIA AND ARE LESS THAN $500 WITHOUT ADDITIONAL APPROVAL 2 REQUESTS MEETING THE CRITERIA AND BETWEEN $500-$1,000 OR THOSE REQUESTS THAT REQUIRE FURTHER REVIEW SHOULD BE DISCUSSED WITH THE PRESIDENT/CEO BEFORE RECEIVING APPROVAL 3 DONATION REQUESTS ABOVE $1,000 OR REQUESTS FOR MULTI-YEAR FUNDING SHOULD GO TO THE BOARD OF DIRECTOR'S PR/MARKETING COMMITTEE FOR REVIEW AND APPROVAL

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
WINONA HEALTH SERVICES

Employer identification number
41-0713914

Part I Questions Regarding Compensation

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

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) SCOTT BIRDSALL MD	(i)	310,941	3,981	0	28,343	23,214	366,479	0
	(ii)	0	0	0	0	0	0	0
(2) MATTHEW BROGHAMMER MD	(i)	350,749	131,910	0	43,439	19,332	545,430	0
	(ii)	0	0	0	0	0	0	0
(3) RICHARD FERRIS MD	(i)	196,879	35,652	0	20,928	19,331	272,790	0
	(ii)	0	0	0	0	0	0	0
(4) DANIEL PARKER MD	(i)	196,348	37,163	0	21,016	19,343	273,870	0
	(ii)	0	0	0	0	0	0	0
(5) RACHELLE HEISING-SCHULTZ	(i)	312,123	0	20,478	36,456	27,598	396,655	0
	(ii)	0	0	0	0	0	0	0
(6) MICHAEL ALLEN	(i)	197,004	0	4,153	24,654	23,332	249,143	0
	(ii)	0	0	0	0	0	0	0
(7) SARA GABRICK	(i)	144,271	0	5,768	13,481	19,313	182,833	0
	(ii)	0	0	0	0	0	0	0
(8) TIMOTHY GABRIELSON MD	(i)	485,225	0	0	60,170	1,025	546,420	0
	(ii)	0	0	0	0	0	0	0
(9) RUTH MOES MD	(i)	343,222	0	0	47,390	15,098	405,710	0
	(ii)	0	0	0	0	0	0	0
(10) AMARJIT VIRDI MD	(i)	412,744	0	0	37,147	19,331	469,222	0
	(ii)	0	0	0	0	0	0	0
(11) GARY HAYES MD	(i)	354,199	52,052	0	53,063	14,278	473,592	0
	(ii)	0	0	0	0	0	0	0
(12) WAYNE KELLY MD	(i)	249,283	128,541	0	34,004	19,325	431,153	0
	(ii)	0	0	0	0	0	0	0
(13)								
(14)								
(15)								
(16)								

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
	PART I, LINE 4B	THE FOLLOWING INDIVIDUALS RECEIVED EMPLOYER CONTRIBUTIONS TO A SUPPLEMENTAL NON-QUALIFIED RETIREMENT PLAN MATTHEW BROGHAMMER $8,964 SCOTT BIRDSALL $ 221 THE SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN IS AVAILABLE TO EXECUTIVES, PHYSICIANS, AND MID-LEVEL PROVIDERS AS DETERMINED BY THE BOARD OF DIRECTORS IT IS FUNDED BY EMPLOYER CONTRIBUTIONS, AND EMPLOYEES ARE VESTED WITHIN FIVE YEARS AN ALTERNATIVE PLAN IS AVAILABLE WHICH IS FUNDED BY EMPLOYEE CONTRIBUTIONS AND NOT SUBJECT TO FORFEITURE
	PART I, LINE 7	SCOTT BIRDSALL, MD, MATTHEW BROGHAMMER, MD, RICHARD FERRIS, MD, DANIEL PARKER, MD, AND GARY HAYES RECEIVED RETENTION BONUSES FOR THE PURCHASE OF WINONA CLINIC LTD WAYNE KELLY RECEIVED A SIGN-ON BONUS

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
WINONA HEALTH SERVICES

Employer identification number
41-0713914

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	CITY OF WINONA	41-6005651	975232AY5	07-16-2004	18,978,800	EXPANSION PROJECT		X		X		X
B	CITY OF WINONA	41-6005651	975232BQ1	07-31-2007	12,779,904	REFUNDING OF PRIOR REVENUE BONDS ORIGINALLY ISSUED 8-1-2000 AND 7-1-2004		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	1,606,742	1,606,742		
2	Amount of bonds legally defeased				
3	Total proceeds of issue	18,978,800	12,779,904		
4	Gross proceeds in reserve funds	1,661,100	927,950		
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrow				
7	Issuance costs from proceeds	277,820	167,030		
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	17,039,880	5,340,000		
11	Other spent proceeds	6,344,845	6,344,845		
12	Other unspent proceeds				
13	Year of substantial completion	2006	2007		

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X	X					
15	Were the bonds issued as part of an advance refunding issue?		X		X				
16	Has the final allocation of proceeds been made?	X		X					
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X					

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

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

Part IV Arbitrage

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

Part V Supplemental Information

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

Identifier	Return Reference	Explanation

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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
WINONA HEALTH SERVICES

Employer identification number
41-0713914

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	(c) Corrected? 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? To	(b) From	(c) Original principal amount	(d) Balance due	(e) In default? Yes	(e) No	(f) Approved by board or committee? Yes	(f) No	(g) Written agreement? Yes	(g) 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) HIAWATHA BROADBAND COMMUNICATIONS INC	ONE BOARD MEMBER IS OWNER & ONE BOARD MEMBER IS ON THE BOARD OF HBC, INC	382,000	PURCHASE OF TELEPHONE AND CABLE SERVICES		No
(2) SCHWAB LLC	OWNED BY BOARD MEMBER'S SPOUSE	245,000	PURCHASE OF CONSTRUCTION SERVICES		No
(3) WINONA AGENCY	OWNED BY BOARD MEMBER	231,000	PURCHASE OF INSURANCE		No
(4) MARIE OLSEN WAGNER	SPOUSE OF BOARD MEMBER	60,036	COMPENSATION AND BENEFITS AS AN EMPLOYEE		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
WINONA HEALTH SERVICES

Employer identification number
41-0713914

Identifier	Return Reference	Explanation
NEW PROGRAM SERVICES	FORM 990, PART III, LINE 2	IN 2011, THE WINONA COMMUNITY HEALTH CLINIC (WCHC) OPENED, A FREE CLINIC PROVIDING PREVENTIVE HEALTHCARE SERVICES FOR PEOPLE WHO ARE UNINSURED AND UNABLE PAY FOR HEALTHCARE. THE GOAL OF WCHC IS TO PROVIDE EARLY PREVENTION SCREENINGS AND EDUCATION TO HELP INDIVIDUALS AVOID MORE SIGNIFICANT HEALTH RISKS AND PROBLEMS. SERVICES ARE AVAILABLE TO THOSE WHO ARE UNINSURED WHO DO NOT HAVE THE FINANCIAL MEANS TO PAY FOR HEALTHCARE SERVICES. SERVICES ARE OFFERED FREE OF CHARGE TO QUALIFIED INDIVIDUALS AGES TWO AND UP. THE WCHC IS PROVIDED THROUGH A COLLABORATION BETWEEN WINONA HEALTH, WINONA COUNTY PUBLIC HEALTH AND WINONA STATE UNIVERSITY. SERVICES BEGAN IN DECEMBER 2010 AND WERE PROVIDED FOUR DAYS IN 2011: FEB 7, MAY 2, AUG 1, NOV 7. IN 2012, WINONA COMMUNITY HEALTH CLINIC WILL BE OPEN THE FIRST TUESDAY OF EVERY MONTH ON THE SECOND FLOOR OF WINONA CLINIC FROM 4 TO 8 P.M. A NEW MEDICATION MANAGEMENT PROGRAM WAS IMPLEMENTED WITH ONE ASPECT BEING COMMUNITY EDUCATION ABOUT THE IMPORTANCE OF BRINGING ALL MEDICATIONS TO CLINIC APPOINTMENTS. SPECIAL VINYL BAGS, SIMILAR TO AN INSULATED LUNCH BAG, WERE PROVIDED FREE OF COST TO ALL PATIENTS FOR TRANSPORTING MEDICATIONS TO AND FROM MEDICAL CLINIC VISITS. IN SEPTEMBER, 2011, WHS BEGAN DEVELOPMENT OF A CONCUSSION MANAGEMENT PROGRAM FOR ALL WINONA AREA YOUTH HOCKEY PLAYERS. THE FREE PROGRAM WILL PROVIDE BASELINE SCREENING AND POST-CONCUSSION TESTING AND TREATMENT AS NECESSARY FOR CHILDREN AGES 10 AND UP. THE FIRST SCREENINGS WILL TAKE PLACE IN FY'12

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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
WINONA HEALTH SERVICES

Employer identification number
41-0713914

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) WINONA SENIOR SERVICES INC 855 MANKATO AVENUE WINONA, MN 55987 41-1936536	LONG-TERM CARE	MN	501(C)(3)	LINE 3	WINONA HEALTH SERVICES	Yes	
(2) WINONA HEALTH FOUNDATION 855 MANKATO AVENUE WINONA, MN 55987 41-1879744	FUNDRAISING	MN	501(C)(3)	LINE 7	WINONA HEALTH SERVICES	Yes	
(3) WINONA HEALTH 855 MANKATO AVENUE WINONA, MN 55987 41-1588205	MANAGEMENT AND SUPPORT	MN	501(C)(3)		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) Disproprtionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership

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) PARKVIEW PHARMACY 825 MANKATO AVENUE WINONA, MN55987 41-1552964	PHARMACY	MN	WINONA HEALTH SERVICES	C	1,245,310	1,157,192	100 000 %

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

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

		Yes	No
1 During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity	1a		No
b Gift, grant, or capital contribution to other organization(s)	1b		No
c Gift, grant, or capital contribution from other organization(s)	1c	Yes	
d Loans or loan guarantees to or for other organization(s)	1d		No
e Loans or loan guarantees by other organization(s)	1e		No
f Sale of assets to other organization(s)	1f		No
g Purchase of assets from other organization(s)	1g		No
h Exchange of assets	1h		No
i Lease of facilities, equipment, or other assets to other organization(s)	1i		No
j Lease of facilities, equipment, or other assets from other organization(s)	1j		No
k Performance of services or membership or fundraising solicitations for other organization(s)	1k		No
l Performance of services or membership or fundraising solicitations by other organization(s)	1l		No
m Sharing of facilities, equipment, mailing lists, or other assets	1m		No
n Sharing of paid employees	1n	Yes	
o Reimbursement paid to other organization for expenses	1o		No
p Reimbursement paid by other organization for expenses	1p	Yes	
q Other transfer of cash or property to other organization(s)	1q	Yes	
r Other transfer of cash or property from other organization(s)	1r	Yes	

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

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

Part VI **Unrelated Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" on Form 990, Part IV, line 37.)

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Are all partners section 501(c)(3) organizations?		(e) Share of end-of-year assets	(f) Disproprtionate allocations?		(g) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(h) General or managing partner?	
			Yes	No		Yes	No		Yes	No

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 41-0713914
Name: WINONA HEALTH SERVICES

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

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(1)	WINONA SENIOR SERVICES INC	N	140,087	DUE TO/FROM NET CHANGE IN BALANCE
(2)	WINONA SENIOR SERVICES INC	R	9,045,538	DUE TO/FROM NET CHANGE IN BALANCE
(3)	WINONA SENIOR SERVICES INC	Q	9,278,224	DUE TO/FROM NET CHANGE IN BALANCE
(4)	WINONA HEALTH FOUNDATION	C	467,731	DUE TO/FROM NET CHANGE IN BALANCE
(5)	WINONA HEALTH FOUNDATION	N	161,606	DUE TO/FROM NET CHANGE IN BALANCE
(6)	WINONA HEALTH FOUNDATION	Q	84,875	DUE TO/FROM NET CHANGE IN BALANCE
(7)	PARKVIEW PHARMACY INC	N	603,996	DUE TO/FROM NET CHANGE IN BALANCE
(8)	PARKVIEW PHARMACY INC	R	607,846	DUE TO/FROM NET CHANGE IN BALANCE

Identifier	Return Reference	Explanation
CHANGES IN PROGRAM SERVICES	FORM 990, PART III, LINE 3	THE SMOKING CESSATION PROGRAM IS NOW FREE OF CHARGE AND INCLUDES FOUR SESSIONS TO HELP INDIVIDUALS RECOGNIZE AND UNDERSTAND THEIR REASONS FOR SMOKING AND WAYS TO QUIT

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 1		1 THE EXECUTIVE COMMITTEE IS RESPONSIBLE FOR TRANSACTING THE BUSINESS OF THE BOARD OF DIRECTORS IN THE INTERIM BETWEEN MEETINGS OF THE FULL BOARD SUBJECT TO THE CONTROL AND DIRECTION OF THE BOARD 2 THE COMMITTEE ACTS ON MATTERS WHICH CANNOT REASONABLY AWAIT ACTION BY THE FULL BOARD OF DIRECTORS 3 OTHER MATTERS MAY BE DELEGATED TO THE EXECUTIVE COMMITTEE BY THE BOARD OF DIRECTORS, FOR EXAMPLE - RECRUITMENT, SELECTION, AND EVALUATION OF THE CEO, - REVIEW AND APPROVAL OF A SENIOR EXECUTIVE DEVELOPMENT PLAN AND A CEO SUCCESSION PLAN, - REVIEW AND APPROVAL OF THE INCENTIVE EXPECTATIONS FOR THE EXECUTIVE STAFF, - REVIEW AND APPROVAL OF THE EXECUTIVE COMPENSATION COMMITTEE'S RECOMMENDATIONS, 4 CONDUCT OTHER ACTIVITIES WITHIN THE SCOPE OF THE COMMITTEE'S PURPOSE AND AUTHORITY AS THE BOARD MAY FROM TIME TO TIME DETERMINE, 5 PERIODICALLY REVIEW THE COMMITTEE CHARTER AND MAKE RECOMMENDATIONS TO THE BOARD WITH REGARD TO ANY CHANGES TO THE CHARTER THAT THE COMMITTEE BELIEVES WOULD BE DESIRABLE.

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 2		THE FOLLOWING INDIVIDUALS HAVE BUSINESS RELATIONSHIPS SCOTT BIESANZ WITH KEN MOGREN GARY EVANS WITH HUGH MILLER SCOTT BIRDSALL WITH RACHELLE HEISING-SCHULTZ SCOTT BIRDSALL, MATTHEW BROGHAMMER, MD, RICHARD FERRIS, MD, AND DAN PARKER, MD HAVE BUSINESS RELATIONSHIPS WITH EACH OTHER

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 4		EFFECTIVE JULY 1, 2011 WINONA HEALTH IS NO LONG THE SOLE MEMBER OF WINONA HEALTH SERVICES ALL REFERENCES TO MEMBER RIGHTS WERE REMOVED

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 6		THE SOLE MEMBER OF THE ORGANIZATION FROM OCTOBER 1, 2010 UNTIL JUNE 30, 2011 WAS WINONA HEALTH ON JUNE 30, 2011 THE ARTICLES OF INCORPORATION WERE RESTATED TO ELIMINATE WINONA HEALTH AS THE SOLE MEMBER THERE IS NO LONGER ANY MEMBER OF THE CORPORATION

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7A		FROM OCTOBER 1, 2010 UNTIL JUNE 30, 2011, WINONA HEALTH, THE SOLE VOTING MEMBER, HAD AUTHORITY TO ELECT ALL AT-LARGE DIRECTORS TO THE CORPORATION'S BOARD OF DIRECTORS AND REMOVE THEM, WITH OR WITHOUT CAUSE. THE SOLE MEMBER ALSO HAD THE RIGHT TO APPOINT THE CHAIR AND THE PRESIDENT/CEO OF THE CORPORATION, AND REMOVE THEM, WITH OR WITHOUT CAUSE, SUBJECT TO ANY CONTRACT RIGHTS THAT MAY APPLY. AFTER JUNE 30, 2011 NO MEMBERS EXIST

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7B		FROM OCTOBER 1, 2010 TO JUNE 30, 2011, THE FOLLOWING DECISIONS OF THE BOARD OF DIRECTORS WERE SUBJECT TO APPROVAL BY WINONA HEALTH, THE SOLE MEMBER (A) APPROVING THE AMENDMENT OF THE ARTICLES OF INCORPORATION OF THE CORPORATION AND BYLAWS (B) APPROVING ALL MISSION AND/OR VISION STATEMENTS AND ALL STRATEGIC OR LONG-TERM PLANS OF THE CORPORATION (C) APPROVING THE CREATION OR ACQUISITION OF ANY AND ALL SUBSIDIARIES OR CONTROLLED AFFILIATES, ANY MERGERS OR CONSOLIDATIONS, ANY PERMANENT OR LONG-TERM AFFILIATIONS, AND ALL JOINT VENTURES OF THE CORPORATION INVOLVING CAPITAL INVESTMENTS IN EXCESS OF ONE HUNDRED THOUSAND DOLLARS ($100,000) (D) APPROVING THE SALE OR ENCUMBRANCE OF ALL OR SUBSTANTIALLY ALL THE ASSETS OF THE CORPORATION AND ALL LONG-TERM DEBT IN EXCESS OF ONE HUNDRED THOUSAND DOLLARS ($100,000) (E) APPROVING THE CORPORATIONS ANNUAL OPERATING AND CAPITAL BUDGETS AND ANY MATERIAL AMENDMENTS THERETO OR DEVIATIONS THERE FROM (F) APPROVING THE DISSOLUTION OF THE CORPORATION OR ANY PARTIAL OR COMPLETE LIQUIDATION OF ITS ASSETS EFFECTIVE JUNE 30, 2011, THERE IS NO MEMBER OF WINONA HEALTH SERVICES

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11		THE RETURN IS REVIEWED INITIALLY BY THE CFO AND DIRECTOR OF FINANCIAL OPERATIONS IT IS THEN REVIEWED BY THE EXECUTIVE COMMITTEE BEFORE IT IS FILED

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	THE CONFLICT OF INTEREST POLICY COVERS SENIOR LEADERS, DIRECTORS, OFFICERS AND BOARD COMMITTEE MEMBERS THE POLICY IS SIGNED ANNUALLY AND REVIEWED BY THE CEO FOR CONFLICTS ANY CONFLICTS ARE BROUGHT TO THE BOARD FOR DISCUSSION IF A BOARD MEMBER HAS A POTENTIAL CONFLICT, THEY MUST ABSTAIN FROM VOTING

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	THE EXECUTIVE COMMITTEE HAS A PROCESS IN PLACE FOR DETERMINING COMPENSATION FOR THE CEO AND CFO BASED ON RESULTS OF A COMPENSATION STUDY, APPROVAL AND DOCUMENTATION BY THE BOARD/COMMITTEE MEMBERS AND THE USE OF INDEPENDENT CONSULTING EVERY 3 YEARS THE BOARD REVIEWS COMPENSATION FOR THESE INDIVIDUALS ANNUALLY

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION MAKES ITS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS AVAILABLE UPON REQUEST THE FINANCIAL STATEMENTS ARE ALSO ATTACHED TO THE FORM 990

Identifier	Return Reference	Explanation
	FORM 990, PART VII, SECTION A	THE FOLLOWING INDIVIDUALS DEVOTED TIME PROVIDING SERVICES TO RELATED ORGANIZATIONS GARY EVANS 3 HOURS PER WEEK JAN BROSNHAN 3 HOURS PER WEEK SCOTT BIESANZ 3 HOURS PER WEEK SCOTT BIRDSALL, MD 3 HOURS PER WEEK MATTHEW BROGHAMMER, MD 3 HOURS PER WEEK VICKI DECKER 3 HOURS PER WEEK RICHARD FERRIS, MD 3 HOURS PER WEEK JIM KILLIAN 3 HOURS PER WEEK HERB HIGHUM 3 HOURS PER WEEK MARK JACOBS 3 HOURS PER WEEK KEN MOGREN 4 HOURS PER WEEK HUGH MILLER 3 HOURS PER WEEK KIM SCHWAB 3 HOURS PER WEEK DANIEL PARKER, MD 3 HOURS PER WEEK MARK WAGNER 3 HOURS PER WEEK STEVE BLUE 4 HOURS PER WEEK RACHELLE HEISING-SCHULTZ 8 HOURS PER WEEK JODIE BYRNE 3 HOURS PER WEEK MICHAEL ALLEN 8 HOURS PER WEEK

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED LOSSES ON INVESTMENTS -169,333 INVESTMENT EXPENSES -16,151 PRIOR PERIOD ADJUSTMENTS -2,276,582 TRANSFER OF NET ASSETS 31,507 TOTAL TO FORM 990, PART XI, LINE 5 -2,430,559

Identifier	Return Reference	Explanation
	FORM 990, SCHEDULE K	SCHEDULE K INCLUDES THE ALLOCABLE SHARE OF THE SERIES 2007 TAX-EXEMPT BOND THE REMAINING SHARE IS REPORTED ON RELATED ORGANIZATION SCHEDULE K, WINONA SENIOR SERVICES, EIN - 41-1936536

Consolidated Financial Statements
September 30, 2011 and 2010

Winona Health Services

Independent Auditor's Report 1

Consolidated Financial Statements

Consolidated Balance Sheets 2
Consolidated Statements of Operations 3
Consolidated Statements of Changes in Net Assets 4
Consolidated Statements of Cash Flows 5
Notes to Consolidated Financial Statements 7

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors
Winona Health Services
Winona, Minnesota

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Winona Health Services as of September 30, 2011 and 2010, and the results of its consolidated operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2011, on our consideration of Winona Health Services' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our 2011 audit.

Eide Bailly LLP

Minneapolis, Minnesota
December 16, 2011

US Bancorp Center 800 Nicollet Mall, Ste 1300 Minneapolis, MN 55402-7033 · T 612 253 6500 | F 612 253 6600 | EOE

	2011	2010
Assets		
Current Assets		
Cash and cash equivalents	$ 15,424,183	$ 11,573,408
Assets limited as to use - under bond indenture agreement	541,287	624,133
Short-term investments	7,204,474	7,125,164
Receivables		
Patient and resident, net of estimated uncollectibles of $8,915,000 in 2011 and $9,025,000 in 2010	13,510,984	12,648,034
Pledges	206,768	210,817
Supplies	2,199,207	1,882,769
Prepaid expenses	572,208	773,463
Total current assets	39,659,111	34,837,788
Assets Limited as to Use		
Designated for property and equipment	3,810,643	3,803,281
Under bond indenture agreement	2,703,740	2,703,740
Total assets limited as to use	6,514,383	6,507,021
Property and Equipment, net	50,654,075	52,565,688
Other Assets		
Long-term investments	20,437,007	19,940,595
Deferred financing costs, net	390,805	409,625
Goodwill and other intangible assets, net	2,049,076	1,802,788
Other	480,786	399,112
Total other assets	23,357,674	22,552,120
Total assets	$ 120,185,243	$ 116,462,617

See Notes to Consolidated Financial Statements

	2011	2010
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	$ 484,847	$ 465,680
Accounts payable		
Trade	2,083,418	1,832,809
Estimated third-party payor settlements	1,514,383	283,030
Accrued expenses, primarily salaries, wages, and benefits	7,691,287	8,158,792
Total current liabilities	11,773,935	10,740,311
Long-term Debt, Less Current Maturities	31,961,979	32,454,568
Total liabilities	43,735,914	43,194,879
Net Assets		
Unrestricted	65,196,397	62,489,967
Temporarily restricted	824,532	1,115,155
Permanently restricted	10,428,400	9,662,616
Total net assets	76,449,329	73,267,738
Total liabilities and net assets	$ 120,185,243	$ 116,462,617

	2011	2010
Unrestricted Revenues, Gains, and Other Support		
Net patient and resident service revenue	$ 104,332,518	$ 97,837,116
Other revenue	9,126,230	5,891,696
Net assets released from restrictions	559,099	928,772
Total revenues, gains, and other support	114,017,847	104,657,584
Expenses		
Salaries	49,536,380	48,850,074
Employee benefits	14,132,547	13,722,132
Medical and other supplies	6,866,733	6,133,201
Lease and rental	1,196,543	1,005,360
Repairs and maintenance	1,150,157	1,131,588
Physician fees	2,227,548	1,715,189
Purchased services	9,141,271	7,071,240
Food and dietary supplies	823,009	707,987
Drugs	3,353,540	3,173,619
Cost of pharmaceutical sales	5,331,587	3,705,470
Utilities	1,177,098	1,117,050
Other operating expenses	5,361,837	4,571,884
Interest	1,813,323	1,831,857
Depreciation and amortization	5,428,284	5,555,077
Insurance	888,005	851,582
Bad debts	2,662,339	2,255,071
Total expenses	111,090,201	103,398,381
Operating Income	2,927,646	1,259,203
Other Income (Losses)		
Investment income	594,531	613,976
Foundation expenses	(346,052)	(350,939)
Contributions to external parties	(13,842)	(14,199)
Contributions and other	(3,189)	231,770
Other income, net	231,448	480,608
Revenues in Excess of Expenses	3,159,094	1,739,811
Change in Unrealized Gains and Losses on Investments	(452,664)	1,339,415
Increase in Unrestricted Net Assets	$ 2,706,430	$ 3,079,226

	2011	2010
Unrestricted Net Assets		
Revenues in excess of expenses	$ 3,159,094	$ 1,739,811
Change in unrealized gains and losses on investments	(452,664)	1,339,415
Increase in unrestricted net assets	2,706,430	3,079,226
Temporarily Restricted Net Assets		
Contributions for specific purposes	312,131	293,556
Investment income	480,635	566,340
Change in unrealized gains and losses on investments	(524,290)	566,064
Net assets released from restrictions	(559,099)	(928,772)
Increase (decrease) in temporarily restricted net assets	(290,623)	497,188
Permanently Restricted Net Assets		
Contributions for permanently restricted purposes	765,784	1,175,867
Increase in Net Assets	3,181,591	4,752,281
Net Assets, Beginning of Year	73,267,738	68,515,457
Net Assets, End of Year	$ 76,449,329	$ 73,267,738

	2011	2010
Operating Activities		
Change in net assets	$ 3,181,591	$ 4,752,281
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	5,103,252	5,287,596
Amortization of deferred financing costs	18,820	18,820
Amortization of goodwill and other intangible assets	306,212	248,661
Net realized gains and losses on investments	(126,760)	(384,760)
Change in unrealized gains and losses on investments	976,954	(1,905,479)
Contributions and investment income restricted by donors	(1,543,277)	(1,638,234)
Bad debts	2,662,339	2,255,071
Changes in assets and liabilities		
Patient and resident receivables	(3,408,289)	(2,514,105)
Insurance proceeds and other receivables	-	38,142
Supplies, prepaid expenses, and other	73,143	(315,388)
Accounts payable	1,481,962	(676,760)
Accrued expenses	(467,505)	(67,843)
Net Cash From Operating Activities	8,258,442	5,098,002
Investing Activities		
Increase in assets limited as to use, short-term investments, and long-term investments (net of realized and unrealized gains and losses on investments)	(1,350,432)	(3,843,251)
Purchase of property and equipment	(3,176,639)	(1,108,899)
Cash paid for acquisition of clinic pharmacy	(954,500)	-
Net Cash Used For Investing Activities	(5,481,571)	(4,952,150)
Financing Activities		
Repayment of long-term debt	(473,422)	(436,018)
Proceeds from issuance of long-term debt	-	701,266
Contributions and investment income restricted by donors	1,543,277	1,638,234
Decrease (increase) in pledges receivable, net	4,049	(8,962)
Net Cash From Financing Activities	1,073,904	1,894,520
Net Increase in Cash and Cash Equivalents	3,850,775	2,040,372
Cash and Cash Equivalents, Beginning of Year	11,573,408	9,533,036
Cash and Cash Equivalents, End of Year	$ 15,424,183	$ 11,573,408

	2011	2010
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	$ 1,810,039	$ 1,875,407

Supplemental Schedule of Noncash Operating and Investment Activities

During the year ended September 30, 2011, the Corporation purchased a clinic pharmacy. The fair value of assets acquired from this purchase and resulting goodwill were as follows:

Patient receivables	$ 117,000
Supplies	270,000
Equipment	15,000
Goodwill	552,500
Cash paid	$ 954,500

Note 1 - Organization and Significant Accounting Policies

Organization

Winona Health Services (Corporation) is a Minnesota nonprofit corporation located in Winona, Minnesota, and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The purpose of the Corporation is to own, maintain, and operate a 99-bed acute care hospital, clinics, nursing home, and pharmacies furnishing medical and surgical care to the sick, infirmed, aged, or injured. The Corporation also provides clinical medical services to residents of Rushford, Minnesota.

The Corporation is governed by a Board of Directors that has all of the powers necessary and convenient to provide for the acquisition, betterment, operation, maintenance, and administration of the facilities as the Board determines to be necessary and expedient. Prior to June 30, 2011, Winona Health Services and its affiliates were controlled by Winona Health. On June 30, 2011, all control, as well as any assets, liabilities, and operations of Winona Health were transferred to Winona Health Services. Winona Health is organized as a Minnesota nonprofit corporation and recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

Principles of Consolidation

The consolidated financial statements of the Corporation include the accounts of Winona Health Services and the following affiliates: Winona Senior Services, Inc. (WSS); Parkview Pharmacy, Inc. (Pharmacy); and Winona Health Foundation (Foundation). All material inter-organizational transactions have been eliminated.

WSS consists of a 160-bed extended care facility organized as a Minnesota nonprofit corporation pursuant to Minnesota Statutes Chapter 317. WSS also includes home health, hospice, and assisted living.

The Pharmacy is a Minnesota for-profit corporation. The Corporation holds 100% of the outstanding stock of the Pharmacy. The primary activity of the Pharmacy is the retail sale of drugs and supplies.

The Foundation is a Minnesota nonprofit corporation organized pursuant to Minnesota Statutes Chapter 317 established to develop and administer programs that will provide financial resources for special projects of the Corporation.

Income Taxes

The Corporation and its consolidated entities are organized as Minnesota nonprofit entities, except for the Pharmacy, and are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, if any of these entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose.

The Corporation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and, as such, does not have any uncertain tax positions that are material to the financial statements. The Corporation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense, if such interest and penalties are incurred.

Fair Value Measurements

The Corporation has determined the fair value of certain assets and liabilities in accordance with generally accepted accounting principles, which provides a framework for measuring fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding assets limited as to use and long-term investments.

Patient and Resident Receivables

Patient and resident receivables are uncollateralized customer and third-party payor obligations. The Corporation does not charge interest on its patient and resident receivables. Payments of patient and resident receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient and resident receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients, residents, and third-party payors. Management reviews patient and resident receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients and residents due to bad debts. Management considers historical write-off and recovery information in determining the estimated bad debt provision.

Supplies

Supplies are stated at average cost.

Investments and Investment Income

Short-term investments include investments with an original maturity of three to twelve months and marketable investments, excluding assets limited as to use. Long-term investments include investments with an original maturity of greater than twelve months and investments intended to be held long-term. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheet. Investments in cash equivalents are measured at historical cost, plus any accrued interest, which is considered a reasonable estimate of fair value. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in revenues in excess of expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from revenues in excess of expenses unless the investments are trading securities.

Assets Limited as to Use

Assets limited as to use include assets set aside by the Board of Directors for future capital improvements and funding of depreciation, over which the Board retains control and may at its discretion subsequently use for other purposes and assets held by a trustee under an indenture agreement. Assets limited as to use that are available for obligations classified as current liabilities are reported in current assets.

Pledges Receivable

Pledges are recorded as receivables and temporarily restricted support in the year the pledge is made, unless the donor explicitly states the gift is to support current activities. Pledges receivable are measured at fair value when the pledge is made and not on a recurring basis. The fair value is estimated using the present value of the expected future cash payments.

Property and Equipment

Property and equipment acquisitions in excess of $5,000 and with a useful life of three years or greater are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful lives of property and equipment are as follows:

Land improvements	5-20 years
Buildings and improvements	15-33 years
Major movable equipment	4-15 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net assets, and are excluded from revenues in excess of expenses, 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 net assets. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when donated or when acquired long-lived assets are placed in service.

Deferred Financing Costs

Deferred financing costs are amortized over the period the related obligation is outstanding using the straight-line method. The accumulated amortization is $144,678 and $125,858, at September 30, 2011 and 2010. Amortization of deferred financing costs is included in depreciation and amortization in the consolidated financial statements.

Goodwill

Goodwill and intangible assets consist of goodwill and other specifically identifiable intangible assets associated with business combinations. Goodwill represents the excess cost over the fair value of the net assets acquired from business acquisitions.

Prior to October 1, 2010, goodwill and intangible assets were amortized over a period of 10 years. At September 30, 2010, the Corporation had goodwill of $2,016,605, net of accumulated amortization of $544,566. Subsequent to October 1, 2010, goodwill and other indefinite intangibles are no longer subject to amortization. Intangible assets with specific identifiable lives continue to be amortized.

The Corporation is now required to test the recoverability of its goodwill and other indefinite lived intangibles on an annual basis and at interim periods when circumstances require. The goodwill testing utilizes a two-step impairment analysis, whereby the Corporation compares the carrying value of each identified reporting unit to its fair value. If the carry value of the reporting unit is greater than its fair value, the second step is performed, where the implied fair value of goodwill is compared to the carrying value. The Corporation recognizes an impairment charge for the amount by which the carrying amount of goodwill exceeds its fair value. The fair value of the reporting unit is estimated using the net present value of discounted cash flows, excluding any financing costs, or dividends, generated by each reporting unit. The Corporation's discounted cash flows are based upon reasonable and appropriate assumptions about the underlying business activities of the Corporation's reporting unit. The Corporation performs its test for recoverability for goodwill each year and no impairments resulted from this review.

As noted above, the Corporation was required to cease amortization of goodwill and perform an annual test for impairment of the goodwill balance, effective October 1, 2010. As of October 1, 2010, management performed a transitional goodwill impairment evaluation, similar to the two-step annual impairment analysis above, in accordance with generally accepted accounting principles. Management determined that goodwill was not impaired as a result of this evaluation.

Impairment of Goodwill, Intangibles, and Long-lived Assets

The Corporation considers whether indicators of impairment are present and performs the necessary analysis to determine if the carrying values of assets are appropriate. No impairment was identified for the years ended September 30, 2011 and 2010.

Self-Funded Health Insurance and Workers' Compensation Insurance

The provisions for estimated health insurance claims and workers' compensation claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Corporation in perpetuity.

Revenues in Excess of Expenses

Revenues in excess of expenses excludes unrealized gains and losses on investments other than trading securities, transfers of assets to and from related parties for other than goods and services, and contributions of long-lived assets, including assets acquired using contributions which were restricted by donors.

Net Patient and Resident Service Revenue

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

Charity Care

To fulfill its mission of community service, the Corporation provides care to patients and residents who meet certain criteria under its charity care and community benefit policy without charge or at amounts less than its established rates. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient and resident service revenue.

Donor-restricted Gifts

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

Advertising Costs

The Corporation expenses advertising costs as incurred.

Note 2 - Charity Care and Community Benefit Activities

In furtherance of its charitable purpose, the Corporation provides a wide variety of benefits to the community. These services and donations account for a measurable portion of the Corporation's costs and serve to promote healthy life styles, community development, health education, and affordable access to care.

The Corporation maintains records to identify and monitor the level of community benefit services it provides. Those records include management's estimate of the cost to provide charity care, the cost of services and supplies furnished for community benefit programs and costs in excess of program payments for treating Medical Assistance patients.

In addition to community benefit costs outlined below, the Corporation provides additional community contributions such as services to Medicare and Medicaid patients below the costs for treatment, other uncompensated care, discounted pricing to the uninsured, and pays taxes and fees.

The following is a summary of charity care discounts and other community benefit activities incurred during the years ended September 30, 2011 and 2010:

	Unaudited 2011	Unaudited 2010
Charity care	$ 632,000	$ 667,000
Cost in excess of Medicaid payments	3,620,000	2,898,000
Medicaid surcharge and MinnesotaCare tax	2,182,000	2,086,000
Education and workforce development and research	196,000	118,000
Cash and in-kind donations	148,000	67,000
Community building and other community benefit costs	412,000	473,000
Total cost of community benefits	$ 7,190,000	$ 6,309,000
Other community contributions		
Costs in excess of Medicare payments	$ 8,669,000	$ 4,076,000
Discounts offered to uninsured	185,000	73,000
Other care provided without compensation (bad debts)	2,662,000	2,255,000
Total value of community contributions	$ 11,516,000	$ 6,404,000

Note 3 - Net Patient and Resident Service Revenue

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

Hospital Medicare: Inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per visit. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. The Corporation is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Corporation and audits thereof by the Medicare fiscal intermediary. The Corporation's Medicare cost reports have been audited by the Medicare fiscal intermediary through the year ended September 30, 2008.

Hospital Medicaid: Inpatient acute care services rendered to Medicaid program beneficiaries 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. Outpatient services related to Medicaid program beneficiaries are reimbursed on a fee screen basis.

Hospital Blue Cross: Inpatient services rendered to Blue Cross subscribers are paid at a discount from established charges. Outpatient services are reimbursed at outpatient payment fee screens or at charges less a prospectively determined discount. The prospectively determined discount is not subject to retroactive adjustment.

Nursing Home Medicaid: Routine services rendered to nursing home residents, who are beneficiaries of the Medicaid program or who pay from private resources, are paid according to a schedule of prospectively determined daily rates determined by Minnesota's Medicaid program. A rate is assigned to each nursing home resident based on the residents' ability to perform certain activities of daily living and on certain other clinical factors. Payments are made for each case-mix category and are adjusted each year by an inflation index. Additional services may be paid on a fee-for-service basis.

Nursing Home Medicare: The Corporation participates in the Medicare program for which payment for services is made on a prospectively determined per diem rate that varies based on a case-mix resident classification system.

Physician Clinics: Physician clinic services rendered to Medicare program beneficiaries are paid based on a recognition that the clinics are designated as "provider-based" and receive a professional fee based on Medicare's established fee schedule and an ambulatory payment classification (APC) facility payment. Physician clinic services are paid on a fixed fee schedule for Medicaid and Blue Cross beneficiaries.

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

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

A summary of patient and resident service revenue and contractual adjustments for the years ended September 30, 2011 and 2010 is as follows:

	2011	2010
Total patient and resident service revenue	$ 166,556,300	$ 155,934,991
Contractual adjustments		
Medicare	(30,316,218)	(28,432,650)
Medicaid	(10,371,683)	(9,038,769)
Blue Cross	(1,714,168)	(1,797,834)
Clinic	(16,045,709)	(15,735,813)
Other	(3,776,004)	(3,092,809)
Total contractual adjustments	(62,223,782)	(58,097,875)
Net patient and resident service revenue	$ 104,332,518	$ 97,837,116

Note 4 - Investments and Investment Income

Assets Limited as to Use

The composition of assets limited as to use at September 30, 2011 and 2010 is shown in the following table. Investments are subject to changes related to increases and decreases in market conditions.

	2011	2010
Designated for property and equipment		
Cash and cash equivalents	$ 80,629	$ 11,916
Mutual funds	3,537,029	3,408,049
Marketable equity securities	85,888	57,598
U.S. Government and agencies fixed income	61,694	274,678
Corporate fixed income	44,616	50,000
Accrued interest receivable	787	1,040
	$ 3,810,643	$ 3,803,281
Under bond indenture agreement		
Cash and cash equivalents	$ 3,245,027	$ 2,356,964
U.S. Government and agencies fixed income	-	469,929
Corporate fixed income	-	500,980
	3,245,027	3,327,873
Less amount shown as current	(541,287)	(624,133)
	$ 2,703,740	$ 2,703,740

Investments

Investments are subject to changes related to increases and decreases in market conditions and investments include the following at September 30, 2011 and 2010:

	2011	2010
Short-term investments		
Cash and cash equivalents	$ 3,100,591	$ 3,167,277
Mutual funds	1,549,680	1,013,763
Corporate fixed income	1,551,746	420,932
U.S. Government and agencies fixed income	503,244	2,040,652
Marketable equity securities	405,752	423,404
Accrued interest receivable	93,461	59,136
	$ 7,204,474	$ 7,125,164
Long-term investments		
Cash and cash equivalents	$ 293,948	$ 88,073
Mutual funds	19,408,659	18,682,548
Marketable equity securities	332,207	275,741
U.S. Government and agencies fixed income	258,486	695,228
Corporate fixed income	139,653	192,259
Accrued interest receivable	4,054	6,746
	$ 20,437,007	$ 19,940,595

Investment Income

Investment income and gains and losses in the consolidated statements of operations and consolidated statements of changes in net assets consist of the following for the years ended September 30, 2011 and 2010:

	2011	2010
Unrestricted other income		
Investment income		
Interest and dividend income	$ 483,044	$ 626,745
Realized gains and losses on sales of investments, net	111,487	(12,769)
	$ 594,531	$ 613,976
Other changes in unrestricted net assets		
Change in unrealized gains and losses on investments	$ (452,664)	$ 1,339,415
Other changes in temporarily restricted net assets		
Investment income		
Interest and dividend income	$ 465,362	$ 168,811
Realized gains and losses on sales of investments, net	15,273	397,529
Change in unrealized gains and losses on investments	(524,290)	566,064
	$ (43,655)	$ 1,132,404

Investments in an Unrealized Loss Position

Investments in an unrealized loss position at September 30, 2011 and 2010 are shown in the following table:

	Greater than 12 months		Less than 12 months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2011				
Mutual funds	$ 3,173,549	$ (510,296)	$ 4,752,858	$ (326,209)
Corporate fixed income	646,065	(25,481)	1,039,530	(19,845)
U.S. Government and agencies fixed income	-	-	503,244	(871)
Marketable equity securities	164,384	(18,376)	361,440	(415)
	$ 3,983,998	$ (554,153)	$ 6,657,072	$ (347,340)

	Greater than 12 months		Less than 12 months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2010				
Mutual funds	$ 3,107,266	$ (453,403)	$ 1,661,962	$ (94,962)
Corporate fixed income	126,153	(23,847)	573,469	(3,395)
U.S. Government and agencies fixed income	99,750	(250)	2,475,075	(26,840)
Marketable equity securities	60,476	(2,425)	-	-
	$ 3,393,645	$ (479,925)	$ 4,710,506	$ (125,197)

The unrealized losses on the Corporation's investments in mutual funds, corporate fixed income, U.S. government and agencies fixed income, and marketable equity securities are the result of changes in interest rates and in market conditions that occur daily. The Corporation has the ability and intent to hold these investments until a recovery of full par value. The Corporation does not consider those investments to be other-than-temporarily impaired at September 30, 2011.

Note 5 - Property and Equipment

A summary of property and equipment at September 30, 2011 and 2010 follows:

	2011		2010	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	$ 4,731,158	$ -	$ 4,731,158	$ -
Land improvements	1,192,972	869,970	1,192,972	822,293
Buildings and improvements	64,632,898	29,696,949	63,951,840	27,320,089
Major movable equipment	33,520,318	23,935,882	32,486,049	21,848,618
Construction in progress	1,079,530	-	194,669	-
	$ 105,156,876	$ 54,502,801	$ 102,556,688	$ 49,991,000
Net property and equipment		$ 50,654,075		$ 52,565,688

Construction in progress at September 30, 2011 and 2010 represents costs for on-going projects. The Corporation does not have any significant construction commitments at September 30, 2011.

Note 6 - Long-Term Debt

Long-term debt consists of the following as of September 30, 2011 and 2010:

	2011	2010
City of Winona, Minnesota, Health Care Facilities Revenue Bonds (Winona Health Obligated Group), Series 2004A, due in semi-annual payments of interest at 5.20% to 5.40% to 2019, and term bonds at 6.00% to 2034, principal payments start in July 2015, secured by the revenues and property of the Obligated Group	$ 19,075,000	$ 19,075,000
City of Winona, Minnesota, Health Care Facilities Refunding Revenue Bonds (Winona Health Obligated Group), Series 2007, due in semi-annual payments of interest at 4.55% to 2012, term bonds at 5.00% to 2023, and term bonds at 5.15% to 2031, secured by the revenues and property of the Obligated Group	12,850,000	13,225,000
4.5% note payable, due in monthly payments of $9,729 including interest to October 2016, secured by Rushford Clinic building and equipment	521,826	620,248
	32,446,826	32,920,248
Less current maturities	(484,847)	(465,680)
Long-term debt, less current maturities	$ 31,961,979	$ 32,454,568

Long-term debt maturities are as follows:

Year Ending September 30,	Amount
2012	$ 484,847
2013	504,206
2014	528,765
2015	1,093,534
2016	1,143,522
Thereafter	28,691,952
	$ 32,446,826

Under the terms of the City of Winona, Minnesota Health Care Facilities Revenue Bonds Series 2004A and the Health Care Facilities Refunding Revenue Bonds Series 2007, Winona Health Services, WSS and Foundation (the Obligated Group) are limited in the incurrence of additional borrowings and are required to satisfy certain measures of financial performance, as defined in the indenture agreements.

Note 7 - Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at September 30, 2011 and 2010:

	2011	2010
Health care services - uncompensated care	$ 7,536	$ 442,430
Various health care services	816,996	672,725
	$ 824,532	$ 1,115,155

Permanently restricted net assets at September 30, 2011 and 2010 are restricted to:

	2011	2010
Investments to be held in perpetuity, the income from which is expendable to support various health care services	$ 10,428,400	$ 9,662,616

In 2011 and 2010, net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes in the amounts of $559,099 and $928,772, respectively. These amounts are included in net assets released from restrictions in the accompanying consolidated financial statements.

Note 8 - Endowments

The Corporation's endowment net assets consist of funds established to support various programs within the Corporation. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Corporation has interpreted Minnesota's adoption of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent any explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of 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, if any, is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Corporation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Corporation and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and appreciation of investments
(6) Other resources of the Corporation
(7) The investment policies of the Corporation
(8) The intent of the donor when the gift is made

Changes in endowment net assets for the years ending September 30, 2011 and 2010 are as follows:

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 442,430	$ 9,662,616	$ 10,105,046
Investment return:				
Investment income	-	465,362	-	465,362
Net depreciation (realized and unrealized)	-	(509,017)	-	(509,017)
Total investment return	-	(43,655)	-	(43,655)
Contributions	-	-	765,784	765,784
Appropriation of endowment assets for expenditure	-	(391,239)	-	(391,239)
Endowment net assets, end of year	$ -	$ 7,536	$ 10,428,400	$ 10,435,936

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 2,160	$ 8,486,749	$ 8,488,909
Investment return:				
Investment income	-	168,811	-	168,811
Net appreciation (realized and unrealized)	-	963,593	-	963,593
Total investment return	-	1,132,404	-	1,132,404
Contributions	-	-	1,175,867	1,175,867
Appropriation of endowment assets for expenditure	-	(692,134)	-	(692,134)
Endowment net assets, end of year	$ -	$ 442,430	$ 9,662,616	$ 10,105,046

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Corporation to retain as a fund of perpetual duration. There were no deficiencies of this nature in the donor restricted endowment funds.

Return Objectives and Risk Parameters

The Corporation has adopted investment and spending policies for endowment assets that emphasize the preservation of purchasing power while providing funds to support the intended programs as specified by the donors. The endowment assets are invested in a manner that strives for consistent returns and performance based on the risk tolerance established by the Board of Directors.

Strategies Employed for Achieving Objectives

The endowment fund assets are pooled with the Corporation's long-term investments and invested according to the Corporation's investment policy. According to the Corporation's investment policy, investment managers are required to diversify investments by maintaining a split of 60% equity securities and 40% fixed income securities. Monitoring and instituting re-balancing of investments within guidelines is the responsibility of the investment manager(s). A summary of the Corporation's investment policy for such investments is as follows:

> Short-term investments and liquidity – Short-term investments may be made in insured or collateralized obligations of U.S. banking institutions, triple or double "A-rated" corporate commercial paper or similar obligations of the U.S. Government. Short-term investments are fixed income investments with maturities of two years or less.

Long-term debt securities (fixed income) – Long-term debt securities include public and private placement of debt securities (such as commercial paper, U.S. Treasury securities, and other notes and bonds) and units of mutual funds, limited partnership interests as units of mutual funds, and other commingled vehicles investing in debt securities. All bonds not held in bond mutual funds must be governmental and corporate debt security issues with quality ratings of at least "BAA/BBB" from recognized credit services.

Equity securities – Equity securities include public and private equity, such as common and preferred stock and units of mutual funds; limited partnership interests, as units of mutual funds; or other commingled vehicles investing in ownership interests.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Corporation has adopted a spending policy that attempts to provide a predictable stream of funding for the purposes, if any, of each endowment, while seeking to maintain the purchasing power of the endowment assets. The current spending policy allows for the annual interest and dividend earnings to be distributed with each endowment fund maintaining the original corpus.

Note 9 - Self-Insurance

The Corporation has a self-insured health plan that is administered by a third-party administrator who recommends current funding under the health plan. The terms of the plan call for the reimbursements to the plan administrator for all claims paid, up to a maximum amount of $250,000 per covered participant per year with a lifetime limit per covered participant of $1,750,000. At September 30, 2011 and 2010, the Corporation has estimated a liability of $1,000,000 and $1,633,000, respectively, for incurred but unreported claims. The Corporation recognized $7,581,000 and $7,455,000 in employer health insurance expenses for the years ended September 30, 2011 and 2010, respectively.

The Corporation participates in a self-insured workers' compensation plan (the Plan). The Plan is administered by an administration company that determines the current funding requirements of participants under the terms of the Plan and the liability for claims and assessments that would be payable at any given point in time. In connection therewith, the Corporation charged to operations provisions of $658,000 and $650,000 in 2011 and 2010, respectively, which represent the sum of actual claims paid, administrative costs, and the actuarially determined estimates of liability relating to claims, both asserted and unasserted, resulting from incidents that occurred during these years. The Corporation has recorded an actuarially determined estimated liability of $765,000 and $711,000 at September 30, 2011 and 2010, respectively. Subsequent adjustments of insurance plan liabilities based on claims experience is treated as adjustments to expense.

Note 10 - Pension Plan

The Corporation has a defined contribution pension plan under which employees become participants upon reaching age 21, completion of one year of service, and working at least 1000 hours per year. Employer matching contributions of 1 to 3% of annual compensation are deposited with the Plan trustee who invests the Plan assets. Total pension plan expense for the years ended September 30, 2011 and 2010 was $1,857,000 and $1,613,000, respectively.

Note 11 - Deferred Compensation

The Corporation has a 457(b) deferred compensation plan for the benefit of certain key employees. Employees may contribute to the plan annually. Employer contributions are made annually at the discretion of the Board. Total annual contributions may not exceed IRS limits. Participants are 100% vested in their accounts at all times. Participants can direct their balances into various investment options available under the plan. All of the 457(b) plan assets are subject to the Corporation's general creditors. The deferred compensation will be paid to an individual, or the individual's estate, no earlier than the calendar year in which the individual attains age 70½ or the date on which the individual has a severance from employment, death, or when a specifically identified unforeseen emergency has occurred. Plan assets as of September 30, 2011 and 2010 totaled $1,707,207 and $1,373,729. Employer contributions to the 457(b) plan for the years ended September 30, 2011 and 2010 were $20,557 and $51,907.

The Corporation has a separate 457(f) deferred compensation plan for the benefit of certain key employees. Only employer contributions may be made to the plan annually at the discretion of the Board. Participants are vested in the plan based on individual employment agreements, or become fully vested upon death, disability, change in control of the Corporation, or involuntary termination of employment without cause. Participants can direct their balances into various investment options available under the plan. All of the 457(f) plan assets are subject to the Corporation's general creditors. The deferred compensation will be paid to an individual upon vesting. Plan assets as of September 30, 2011 and 2010 totaled $720,760 and $625,958. Employer contributions to the 457(f) plan for the years ended September 30, 2011 and 2010 were $60,457 and $147,183.

Note 12 - Concentrations of Credit Risk

The Corporation grants credit without collateral to its patients and residents, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors, patients, and residents at September 30, 2011 and 2010 was as follows:

	2011	2010
Medicare	21%	22%
Medicaid	6%	4%
Private pay	35%	32%
Insurance and other	38%	42%
	100%	100%

The Corporation's cash balances are maintained in various bank deposit accounts. At times, the balances of these deposits are in excess of federally insured limits.

Note 13 - Functional Expenses

The Corporation provides health care services to residents within its geographic location. Expenses related to providing these services by functional class for the years ended September 30, 2011 and 2010 are as follows:

	2011	2010
Patient and resident health care services	$ 101,399,154	$ 94,327,280
General and administrative	9,691,047	9,071,101
Development costs (included in other income (losses))	346,052	350,939
	$ 111,436,253	$ 103,749,320

Note 14 - Fair Value Measurement

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

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
September 30, 2011			
Mutual funds			
Balanced	$ 1,323,722	$ -	$ -
Small-cap equities	596,754	-	-
Mid-cap equities	911,570	-	-
Large-cap core equities	3,723,788	-	-
Large-cap growth equities	1,730,858	-	-
Large-cap value equities	1,067,491	-	-
International equities	5,446,804	-	-
U.S Government and agencies fixed income	1,590,880	-	-
International fixed income	1,359,927	-	-
Corporate fixed income	3,314,282	-	-
Aggregate bond fixed income	2,160,029	-	-
Commodities	1,269,263	-	-
Marketable equity securities	823,847	-	-
U.S. Government and agencies fixed income	823,424	-	-
Corporate fixed income	1,736,015	-	-
	$ 27,878,654	$ -	$ -

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
September 30, 2010			
Mutual funds	$ 23,104,360	$ -	$ -
Marketable equity securities	756,743	-	-
U.S. Government and agencies fixed income	3,480,487	-	-
Corporate fixed income	1,164,171	-	-
	$ 28,505,761	$ -	$ -

The fair value of investments is determined by reference to quoted market prices of identical securities.

Note 15 - Contingencies

Malpractice Insurance

The Corporation has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of $1 million per claim and an annual aggregate limit of $3 million. The Corporation also has a $10 million umbrella policy. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

Letter of Credit

The Corporation has a letter of credit with a local financial institution for $1,774,801 expiring February 2012. The purpose of the letter of credit is to provide additional funding if the Corporation's designated cash and cash equivalents are not sufficient to cover its obligations under the self-insured workers' compensation plan (Note 9). No amounts were drawn on this letter of credit as of September 30, 2011 and 2010.

Litigation, Claims and Disputes

The Corporation is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not be material to the consolidated financial position of the Corporation.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously, billing and collected revenues from patient and resident services. Management believes that the Corporation is in substantial compliance with current laws and regulations.

Note 16 - Fair Value of Financial Instruments

The Corporation considers the carrying amount of significant classes of financial instruments on the consolidated balance sheets, including cash and cash equivalents, net patient and resident receivables, other assets, accounts payable and accrued expenses to be reasonable estimates of fair value due to their length of maturity at September 30, 2011 and 2010.

Management has estimated the fair value of long-term debt to be approximately $32,030,000 and $32,917,000 at September 30, 2011 and 2010. The fair value of these obligations is based on market prices for similar securities and interest rates, which is considered a Level 2 input.

Note 17 - Subsequent Events

The Corporation has evaluated subsequent events through December 16, 2011, the date which the consolidated financial statements were available to be issued. The Corporation determined that there were no subsequent events that met the criteria for recognition or disclosure in the consolidated financial statements.