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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

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 01-01-2011 and ending 12-31-2011

B Check if applicable

☒ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization

Mercy Hospital Inc

Doing Business As

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

Room/suite

c/o SPHS 1221 Main Street No 106

City or town, state or country, and ZIP + 4

Holyoke, MA 010400000

F Name and address of principal officer

Daniel P Moen

271 Carew Street

Springfield, MA 011040000

D Employer identification number

04-3398280

E Telephone number

(413) 539-2689

G Gross receipts \$ 219,680,642

I Tax-exempt status

☒ 501(c)(3) ☐ 501(c) ( ) ☐ (insert no ) ☐ 4947(a)(1) or ☐ 527

J Website: www.mercycares.com

K Form of organization

☒ Corporation ☐ Trust ☐ Association ☐ Other

L Year of formation 1898

M State of legal domicile MA

Part I Summary			
Activities & Governance	1	Briefly describe the organization's mission or most significant activities Mercy Hospital, Inc is a not-for-profit hospital established to meet the healthcare needs of the community it serves Mercy Hospital offers a wide range of programs and services in acute care, behavioral health care and rehabilitation care	
	2	Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets	
	3	Number of voting members of the governing body (Part VI, line 1a)	20
	4	Number of independent voting members of the governing body (Part VI, line 1b)	14
	5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	2,089
Revenue	6	Total number of volunteers (estimate if necessary)	149
	7a	Total unrelated business revenue from Part VIII, column (C), line 12	836,346
	7b	Net unrelated business taxable income from Form 990-T, line 34	-73,338
	8	Contributions and grants (Part VIII, line 1h)	2,536,046
	9	Program service revenue (Part VIII, line 2g)	204,879,638
Expenses	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	557,148
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	8,922,098
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	216,894,930
	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0
	14	Benefits paid to or for members (Part IX, column (A), line 4)	0
Net Assets or Fund Balances	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	102,396,756
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0
	b	Total fundraising expenses (Part IX, column (D), line 25) 0	
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	106,231,079
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	208,627,835
	19	Revenue less expenses Subtract line 18 from line 12	8,267,095
	20	Total assets (Part X, line 16)	153,338,922
	21	Total liabilities (Part X, line 26)	86,301,685
	22	Net assets or fund balances Subtract line 21 from line 20	67,037,237

Part II Signature Block

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

Sign Here

\*\*\*\*\*  
Signature of officer

Thomas Robert Senior VP/CFO  
Type or print name and title

2012-11-15  
Date

Paid Preparer's Use Only

Preparer's signature

WILLIAM HOMER

Firm's name (or yours if self-employed), address, and ZIP + 4

Deloitte Tax LLP  
1700 Market Street 25th Floor  
Philadelphia, PA 191033984

Date

Check if self-employed

☐

Preparer's taxpayer identification number (see instructions)

P00994519

EIN

86-1065772

Phone no

(215) 246-2300

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

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2011)

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

Mercy Hospital, a member of the Sisters of Providence Health System, Inc ("SPHS"), is a community of persons committed to being a transforming, healing presence within the communities that we serve We believe in the sacredness of human life, in the innate dignity of each person and that it is in relationship with one another that all persons realize their fullest potential In our service, we are sustained by an unwavering trust in God's Providence Mercy Hospital, Inc is a member of Catholic Health East "CHE"

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 organization's program service accomplishments for each of its three largest program services, as measured 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 \$ 132,661,139 including grants of \$ ) (Revenue \$ 162,948,655 )

Mercy Hospital offers a wide range of programs and services in acute care The acute programs and services include cardiac care,maternity services,cancer treatment,emergency care,diagnostic imaging,intensive care,critical care and surgical procedures both inpatient and outpatient 2011 Total Patient Days 42,020

4b

(Code ) (Expenses \$ 30,406,790 including grants of \$ ) (Revenue \$ 28,574,388 )

Mercy Hospital's behavioral health programs and services include inpatient and outpatient psychiatric care for people of all ages,short term residential treatment for people with acute psychiatric and or substance abuse problems, and intensive outpatient chemical dependency programs 2011 Total Patient Days 37,066

4c

(Code ) (Expenses \$ 13,678,097 including grants of \$ ) (Revenue \$ 14,329,008 )

Mercy Hospital's rehabilitation programs and services include inpatient, outpatient,day and pediatric rehabilitation services,physical therapy,occupational therapy,speech therapy, audiology and pain management 2011 Total Patient Days 6,890

4d

Other program services (Describe in Schedule O )

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





















4e

Total program service expenses

\$ 176,746,026

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)? <i>If "Yes," complete Schedule A.</i> 	1	Yes	
2	Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)? 	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? <i>If "Yes," complete Schedule C, Part I.</i> 	3		No
4	<b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II.</i> 	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III.</i> 	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I.</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? <i>If "Yes," complete Schedule D, Part II.</i> 	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> 	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? <i>If "Yes," complete Schedule D, Part IV.</i> 	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> 	10	Yes	
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> 	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? <i>If "Yes," complete Schedule D, Part VII.</i> 	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? <i>If "Yes," complete Schedule D, Part VIII.</i> 	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? <i>If "Yes," complete Schedule D, Part IX.</i> 	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> 	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)? <i>If "Yes," complete Schedule D, Part X.</i> 	11f		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> 	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> 	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>	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, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Part I.</i> . . . . .	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 ? <i>If "Yes," complete Schedule F, Part II and IV.</i> . . . . .	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 ? <i>If "Yes," complete Schedule F, Part III and IV.</i> . . . . .	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? <i>If "Yes," complete Schedule G, Part I.</i>	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? <i>If "Yes," complete Schedule G, Part II.</i> . . . . .	18		No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i> . . . . .	19		No
20a	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> . . . . . 	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? <b>Note.</b> All Form 990 filers that operated one or more hospitals must attach audited financial statements . . . . . 	20b	Yes	

Part IV

Checklist of Required Schedules (continued)

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

Part V Statements Regarding Other IRS Filings and Tax Compliance		
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>		
		YesNo
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable .	1a207
b	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable	1b0
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c
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 .	2a2,089
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?  Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2bYes
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3aYes
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O	3bYes
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 or securities account)?	4aNo
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?	5aNo
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5bNo
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?	6aNo
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?	7aNo
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?	7cNo
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?	7eNo
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7fNo
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. All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state	13a
b	Enter the aggregate 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 aggregate amount of reserves on hand	13c
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14aNo
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O	14b

Part VI

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

☐

Section A. Governing Body and Management

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

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	MA
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 made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request	
19	Describe in Schedule O whether (and if so, how), the organization made 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.	William Krasin c/o SPHS 1221 Main Street Suite 106 Holyoke, MA 010400000 (413) 539-2689

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

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

Form **990** (2011)



## Part VII

<b>1b</b>	<b>Sub-Total</b>			
<b>c</b>	<b>Total from continuation sheets to Part VII, Section A</b>			
<b>d</b>	<b>Total (add lines 1b and 1c)</b>	1,683,541	1,760,268	257,887

**2** Total number of individuals (including but not limited to those listed in Item 1) who received or accrued more than \$100,000 of reportable compensation from the organization. 97

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

(A) Name and business address	(B) Description of services	(C) Compensation
Sheridan Morse Healthcare of MA PO Box 452285 Sunrise, FL 333452285	Anesthesiology	2,080,849
Western Mass Critical Care 300 Stafford Street Suite 300 Sprngfield, MA 011043581	Physician Fees	1,169,873
Arrow Security PO Box 1250 Springfield, MA 011011250	Secuirty	1,033,264
Angelica Textile Services PO Box 823283 Philadelphia, PA 191823283	Laundry	894,391
Inpatient Pediatric Services 153 Munger Hill Road Westfield, MA 010854576	Physician Fees	821,194
<b>2</b> Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization <b>31</b>		

Part VIII

Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a					
	b	Membership dues . . . . .	1b					
	c	Fundraising events . . . . .	1c					
	d	Related organizations . . . .	1d					
	e	Government grants (contributions)	1e	9,338,065				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	997,346				
	g	Noncash contributions included in lines 1a-1f \$ _____						
	h	Total. Add lines 1a-1f . . . . .		10,335,411				
Program Service Revenue			Business Code					
	2a	Acute care	623000	162,097,646	162,097,646			
	b	Behavioral health care	623000	28,412,635	28,412,635			
	c	Rehabilitation revenue	623000	14,307,028	14,307,028			
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f . . . . .		204,817,309				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts) . . . . .		542,849			542,849	
	4	Income from investment of tax-exempt bond proceeds . .						
	5	Royalties . . . . .						
	6a	(i) Real		(ii) Personal				
		668,213						
		0						
		668,213						
	d	Net rental income or (loss) . . . . .		668,213			668,213	
	7a	(i) Securities		(ii) Other				
				7,000				
				0				
				7,000				
	d	Net gain or (loss) . . . . .		7,000			7,000	
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .						
	a							
	b	Less direct expenses . . . . .						
	c	Net income or (loss) from fundraising events . .						
	9a	Gross income from gaming activities See Part IV, line 19 . . . . .						
	a							
	b	Less direct expenses . . . . .						
	c	Net income or (loss) from gaming activities . .						
	10a	Gross sales of inventory, less returns and allowances . . . . .						
a								
b	Less cost of goods sold . . . . .							
c	Net income or (loss) from sales of inventory . .							
Miscellaneous Revenue		Business Code						
11a	Cafeteria Revenue	722210	1,250,274				1,250,274	
b	Pharmacy Revenue	722210	707,500	4,389	703,111			
c	Education & Training		257,181	231,049	26,132			
d	All other revenue . . . . .		1,094,905	799,304	107,103		188,498	
e	Total. Add lines 11a-11d . . . . .		3,309,860					
12	Total revenue. See Instructions . . . . .		219,680,642	205,852,051	836,346		2,656,834	

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

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 United States See Part IV, line 21				
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees . . . . .	838,001	266,739	571,262	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . . . . .				
7	Other salaries and wages	83,491,002	82,705,687	785,315	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . .	2,295,863	2,279,640	16,223	
9	Other employee benefits . . . . .	7,309,930	7,219,734	90,196	
10	Payroll taxes . . . . .	6,657,031	6,553,080	103,951	
11	Fees for services (non-employees)				
a	Management . . . . .				
b	Legal . . . . .	627,265		627,265	
c	Accounting . . . . .				
d	Lobbying . . . . .				
e	Professional fundraising See Part IV, line 17 . . . . .				
f	Investment management fees . . . . .				
g	Other . . . . .	20,615,130	18,860,273	1,754,857	
12	Advertising and promotion . . . . .	177,157	123,818	53,339	
13	Office expenses . . . . .	4,947,115	4,349,227	597,888	
14	Information technology . . . . .	814,863	809,863	5,000	
15	Royalties . . . . .				
16	Occupancy . . . . .	6,221,499	6,024,317	197,182	
17	Travel . . . . .	140,397	137,240	3,157	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .				
19	Conferences, conventions, and meetings . . . . .	129,469	123,760	5,709	
20	Interest . . . . .	1,695,079		1,695,079	
21	Payments to affiliates . . . . .				
22	Depreciation, depletion, and amortization . . . . .	8,086,275	6,659,316	1,426,959	
23	Insurance . . . . .	2,602,999	2,602,662	337	
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	25,315,231	25,305,173	10,058	0
b	System Assessment	22,140,621	0	22,140,621	0
c	Bad Debt	7,262,551	7,262,551	0	0
d	Service Contracts	4,171,902	4,076,261	95,641	0
e					
f	All other expenses	1,756,472	1,386,685	369,787	
25	Total functional expenses. Add lines 1 through 24f	207,295,852	176,746,026	30,549,826	0
26	Joint costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing . . . . .				1	
	2	Savings and temporary cash investments . . . . .			50,414,058	2	59,918,292
	3	Pledges and grants receivable, net . . . . .			1,634,636	3	1,577,984
	4	Accounts receivable, net . . . . .			18,221,795	4	24,076,402
	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)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L . . . . .				6	
	7	Notes and loans receivable, net . . . . .			15,215	7	9,262
	8	Inventories for sale or use . . . . .			4,040,445	8	3,510,441
	9	Prepaid expenses and deferred charges . . . . .			1,495,134	9	1,475,130
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D . . . . .	10a	201,626,843			
	b	Less: accumulated depreciation . . . . .	10b	130,815,405	65,659,299	10c	70,811,438
	11	Investments—publicly traded securities . . . . .			3,709,630	11	3,995,741
	12	Investments—other securities. See Part IV, line 11 . . . . .			98,103	12	98,471
	13	Investments—program-related. See Part IV, line 11 . . . . .				13	
	14	Intangible assets . . . . .				14	
	15	Other assets. See Part IV, line 11 . . . . .			8,050,607	15	1,847,226
	16	Total assets. Add lines 1 through 15 (must equal line 34) . . . . .			153,338,922	16	167,320,387
Liabilities	17	Accounts payable and accrued expenses . . . . .			16,480,685	17	17,611,124
	18	Grants payable . . . . .			158,552	18	158,440
	19	Deferred revenue . . . . .				19	
	20	Tax-exempt bond liabilities . . . . .			49,857,814	20	48,099,088
	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 (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D . . . . .			19,804,634	25	27,408,626
	26	Total liabilities. Add lines 17 through 25 . . . . .			86,301,685	26	93,277,278
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets . . . . .			64,723,340	27	71,785,556
	28	Temporarily restricted net assets . . . . .			1,956,091	28	1,899,747
	29	Permanently restricted net assets . . . . .			357,806	29	357,806
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds . . . . .				30	
	31	Paid-in or capital surplus, or land, building or equipment fund . . . . .				31	
	32	Retained earnings, endowment, accumulated income, or other funds . . . . .				32	
	33	Total net assets or fund balances . . . . .			67,037,237	33	74,043,109
	34	Total liabilities and net assets/fund balances . . . . .			153,338,922	34	167,320,387

**Part XI Reconciliation of Net Assets**

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

<b>1</b>	Total revenue (must equal Part VIII, column (A), line 12)	<b>1</b>	219,680,642
<b>2</b>	Total expenses (must equal Part IX, column (A), line 25)	<b>2</b>	207,295,852
<b>3</b>	Revenue less expenses Subtract line 2 from line 1	<b>3</b>	12,384,790
<b>4</b>	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	<b>4</b>	67,037,237
<b>5</b>	Other changes in net assets or fund balances (explain in Schedule O)	<b>5</b>	-5,378,918
<b>6</b>	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	<b>6</b>	74,043,109

**Part XII Financial Statements and Reporting**

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

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

SCHEDULE A  
(Form 990 or 990EZ)

Department of the Treasury  
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public  
Inspection

Name of the organization Mercy Hospital Inc	Employer identification number 04-3398280
--	--

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 **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 Se**section 509(a)(4).**

11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

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

f

☐

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

g

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

Support Schedule for Organizations Described in IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 (Explain in Part IV ) Do not include gain or loss from the sale of capital assets						
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 2011 (line 6 column (f) divided by line 11 column (f))	14
15	Public Support Percentage for 2010 Schedule A, Part II, line 14	15
16a	<b>33 1/3% support test—2011.</b> If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and <b>stop here.</b> The organization qualifies as a publicly supported organization	
b	<b>33 1/3% support test—2010.</b> 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 <b>stop here.</b> The organization qualifies as a publicly supported organization	
17a	<b>10%-facts-and-circumstances test—2011.</b> 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 <b>stop here.</b> Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization	
b	<b>10%-facts-and-circumstances test—2010.</b> 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 <b>stop here.</b> Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization	
18	<b>Private Foundation</b> If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions	

Part IIIPart III

Support Schedule for Organizations Described in IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 501(c)(3) organization, check this box and <b>stop here</b>						

Section C. Computation of Public Support Percentage		
15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f))	15	
16 Public support percentage from 2010 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from 2010 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2011. If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and <b>stop here</b> . The organization qualifies as a publicly supported organization		
b 33 1/3% support tests—2010. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and <b>stop here</b> . The organization qualifies as a publicly supported organization		
20 Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions		



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

Facts And Circumstances Test

Explanation

SCHEDULE C  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527

▶ Complete if the organization is described below.  
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

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

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

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

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

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

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

Name of the organization Mercy Hospital Inc	Employer identification number  04-3398280
--	--

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

1	Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV	
2	Political expenditures	▶ \$
3	Volunteer hours	

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

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

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

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

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

Part II-A

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

- A
- Check
- ☐
- if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B
- Check
- ☐
- if the filing organization checked box A and "limited control" provisions apply

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

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

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

		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
	a Volunteers?		No	
	b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
	c Media advertisements?		No	
	d Mailings to members, legislators, or the public?		No	
	e Publications, or published or broadcast statements?		No	
	f Grants to other organizations for lobbying purposes?		No	
	g Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
	i Other activities? If "Yes," describe in Part IV	Yes		26,298
j Total lines 1c through 1i				26,298
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
Explanation of Lobbying Activities	Part II-B, Line 1	The organization pays membership dues to the Massachusetts Hospital Association which engages in lobbying activities. A portion of these dues are attributable to lobbying activities.

SCHEDULE D  
(Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2011

Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b  
Attach to Form 990. See separate instructions.

Name of the organization  
Mercy Hospital Inc

Employer identification number  
04-3398280

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?	
	<input type="checkbox"/> Yes <input type="checkbox"/> 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	
	<input type="checkbox"/> Yes <input type="checkbox"/> 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
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06

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

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

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

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

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

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

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

Part III

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

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

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

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

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

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

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

b Assets included in Form 990, Part X ▶ \$ \_\_\_\_\_

Part III

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

3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

5

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

☐ Yes

☐ No

Part IV

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

1a

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

☐ Yes

☐ No

b

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

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	0
1d	
1e	
1f	0

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 . . . . .	357,806	357,806	357,806	357,806	
b Contributions . . . . .					
c Investment earnings or losses . . . . .	996	35,065	27,185	-43,208	
d Grants or scholarships . . . . .					
e Other expenditures for facilities and programs . . . . .	996	35,065	27,185	-43,208	
f Administrative expenses . . . . .					
g End of year balance . . . . .	357,806	357,806	357,806	357,806	

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶ 100 000 %

c

Term endowment ▶

3a

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

(i) unrelated organizations . . . . .

3a(i)

Yes

No

(ii) related organizations . . . . .

3a(ii)

Yes

No

b

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

3b

4

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

Part VI

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land . . . . .		2,195,837		2,195,837
b Buildings . . . . .		76,045,145	34,184,287	41,860,858
c Leasehold improvements . . . . .		362,627	213,780	148,847
d Equipment . . . . .		111,546,428	91,668,964	19,877,464
e Other . . . . .		11,476,806	4,748,374	6,728,432
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) . . . . . ▶				70,811,438

Schedule D (Form 990) 2011



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

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

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

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

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

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

**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 Intended Use of Endowment Funds	Part V, Line 4	Income from Endowment Funds are used to provide patient care



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

2011

Open to Public Inspection

**Name of the organization**  
Mercy Hospital Inc

**Employer identification number**  
04-3398280

Part I

Charity Care and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a charity care policy? If "No," skip to question 6a . . . . .	1a	Yes	
b	If "Yes," is it a written policy? . . . . .	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals <div><input type="checkbox"/> Applied uniformly to all hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div> <div><input type="checkbox"/> Generally tailored to individual hospitals</div>			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year  a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <div><input type="checkbox"/> 100%    <input type="checkbox"/> 150%    <input checked="" type="checkbox"/> 200%    <input type="checkbox"/> Other _____ %</div> b Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care . . . . . <div><input type="checkbox"/> 200%    <input type="checkbox"/> 250%    <input type="checkbox"/> 300%    <input type="checkbox"/> 350%    <input type="checkbox"/> 400%    <input checked="" type="checkbox"/> Other _____ 0.0 %</div> c If the organization did 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 policy provide free or discounted care to the "medically indigent"? . . . . .	3a	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .	3b	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount? . . . . .	4	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? . . . . .	5a	Yes	
6a	Did the organization prepare a community benefit report during the tax year? . . . . .	5b		No
6b	If "Yes," did the organization make it available to the public? . . . . .	5c		
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H	6a	Yes	
		6b	Yes	

7

Charity Care and Certain Other Community Benefits at Cost

Charity Care 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 Charity care at cost (from Worksheet 1) . . . . .			4,158,104	3,163,908	994,196	0 500 %
b Medicaid (from Worksheet 3, column a) . . . . .			46,063,964	44,212,160	1,851,804	0 930 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .			4,793,004	3,646,735	1,146,269	0 570 %
d <b>Total</b> Charity Care and Means-Tested Government Programs . . . . .			55,015,072	51,022,803	3,992,269	2 000 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .			1,856,545	11,905	1,844,640	0 920 %
f Health professions education (from Worksheet 5) . . . . .						
g Subsidized health services (from Worksheet 6) . . . . .						
h Research (from Worksheet 7) . . . . .						
i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .			2,688		2,688	0 %
j <b>Total</b> Other Benefits . . . . .			1,859,233	11,905	1,847,328	0 920 %
k <b>Total.</b> Add lines 7d and 7j . . . . .			56,874,305	51,034,708	5,839,597	2 920 %

Part IICommunity Building Activities

Complete this table if the organization conducted any community building activities.

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

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1		No
2Enter the amount of the organization's bad debt expense	2	2,708,932	
3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	6,565	
4Provide 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

5Enter total revenue received from Medicare (including DSH and IME)	5	61,597,957	
6Enter Medicare allowable costs of care relating to payments on line 5	6	55,206,474	
7Subtract line 6 from line 5. This is the surplus or (shortfall).	7	6,391,483	
8Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input checked="" type="checkbox"/> Other			

Section C. Collection Practices

9aDid the organization have a written debt collection policy during the tax year?	9a	Yes	
bIf "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.	9b	Yes	

Part IVManagement Companies and Joint Ventures (see instructions)

(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 %
11Western Massachusetts PETCT	Diagnostic Imaging	50.000 %		
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

## Section A. Hospital Facilities

How many hospital facilities did the organization operate during the tax year? 2

1	Mercy Hospital Inc 271 Carew St Springfield, MA 011040000
2	Mercy Hospital Inc dba Providence Beha 1223 Main St Holyoke, MA 010400000

[illegible]

Part V

Facility Information (continued)

Section B. Facility Policies and Practices.

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

Mercy Hospital Inc

Name of Hospital Facility:

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

1

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 . . . . . If "Yes," indicate what the Needs Assessment describes (check all that apply) a <input type="checkbox"/> A definition of the community served by the hospital facility b <input type="checkbox"/> Demographics of the community c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	4	
5 Did the hospital facility make its Needs Assessment widely available to the public? . . . . . If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care 200 0000000000000% If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>200 000000000000%</u> If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11		No
12	Explained the method for applying for financial assistance? . . . . .	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility? . . . . . If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input checked="" type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input checked="" type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input type="checkbox"/> Other (describe in Part VI)	13	Yes	

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment? . . . . .	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? . . . . . If "Yes," check all actions in which the hospital facility or a third party engaged a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16		No
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> Other (describe in Part VI)			

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

19	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input type="checkbox"/> Other (describe in Part VI)		
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? . . . . . If "Yes," explain in Part VI		No
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? . . . . . If "Yes," explain in Part VI		No

Part V

Facility Information (continued)

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

(list in order of size from largest to smallest)

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

Name and address		Type of Facility (Describe)
1		
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 descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6l, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc )
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
		Part I, Line 3c Discounted care is FPG based on a sliding scale as follows FPG range 201% to 250% - discount of 80% FPG range 251% to 300% - discount of 60%FPG range 301% to 350% - discount of 40%FPG range 351% to 400% - discount of 20%



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  
  
2011  
  
Open to Public Inspection

Name of the organization Mercy Hospital Inc	Employer identification number  04-3398280
--	--

Part I

Questions Regarding Compensation

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

**Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use Schedule J-1 if additional space 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) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Daniel P Moen	(i)	0	0	0	0	0	0	0
	(ii)	384,135	40,300	54,004	11,025	19,845	509,309	0
(2) William Bithoney MD	(i)	0	0	0	0	0	0	0
	(ii)	58,633	42,452	347,293	18,708	21,062	488,148	0
(3) Daniel Keenan	(i)	0	0	0	0	0	0	0
	(ii)	162,079	69,218	800	16,973	15,007	264,077	0
(4) Thomas Robert	(i)	0	0	0	0	0	0	0
	(ii)	230,056	75,578	742	18,105	4,124	328,605	0
(5) Leonard F Pansa	(i)	0	0	0	0	0	0	0
	(ii)	212,553	80,474	1,951	19,914	4,076	318,968	0
(6) Sharon Adams	(i)	214,328	73,344	702	19,422	8,773	316,569	0
	(ii)	0	0	0	0	0	0	0
(7) Caroline Fisher	(i)	195,275	5,000	60,638	4,827	999	266,739	0
	(ii)	0	0	0	0	0	0	0
(8) Dean McKenzie	(i)	221,415	18,000	446	0	14,832	254,693	0
	(ii)	0	0	0	0	0	0	0
(9) Nancy Dufault	(i)	197,214	0	175	3,014	11,741	212,144	0
	(ii)	0	0	0	0	0	0	0
(10) Jaiterth Avadhani	(i)	182,798	0	383	5,670	15,838	204,689	0
	(ii)	0	0	0	0	0	0	0
(11) Lawrence Osborn	(i)	175,053	0	1,403	5,442	706	182,604	0
	(ii)	0	0	0	0	0	0	0
(12) Chhewang Norsang	(i)	167,596	0	334	0	12,313	180,243	0
	(ii)	0	0	0	0	0	0	0
(13) Shahrzad Yamini	(i)	169,101	0	336	5,082	389	174,908	0
	(ii)	0	0	0	0	0	0	0
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							

**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 1a	Monthly dues for SPHS's CEO were paid to the Colony Club
	Part I, Line 3	Mercy Hospital, Inc. relied on a related organization (Sisters of Providence Health System, Inc.) that used one or more of the methods described below to establish the top management official's compensation: - Compensation committee - Written employment contract - Independent compensation consultant - Compensation survey or study - Approval by the board or compensation committee
	Part I, Lines 4a-b	William Bithoney M.D. \$347,293 Severance
	Part I, Lines 4a-b	Leonard Pansa, \$12,797, Sr. Kathleen Sullivan, \$9,110, Sharon Adams, \$13,190, William Bithoney, 16,500, Thomas Robert, 7,455, Daniel Keenan, \$10,200
	Part I, Line 6	The organization has an incentive pay program of which one criteria is based on the organization's operating results as compared to budget as well as other criteria which includes quality and patient satisfaction.

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

2011

Open to Public Inspection

Name of the organization  
Mercy Hospital Inc

Employer identification number  
04-3398280

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 Mass HEFA 2007C	04-2456011	57586CXY6	04-19-2007	43,650,800	Advance Refunding		X		X		X
B Mass HEFA 2009	04-2456011	57586EGR6	03-19-2009	25,524,666	Current Refunding and swap termination		X		X		X
C Mass HEFA 2010	04-2456011	57586ESB8	04-07-2010	14,311,512	Current Refunding		X		X		X

Part II

Proceeds

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Amount of bonds retired		246,689		289,000		2,652,000		
2 Amount of bonds defeased		32,975,561						
3 Total proceeds of issue		43,650,800		25,524,666		14,311,512		
4 Gross proceeds in reserve funds								
5 Capitalized interest from proceeds								
6 Proceeds in refunding escrow		1,081,200						
7 Issuance costs from proceeds		394,820		457,023		207,225		
8 Credit enhancement from proceeds								
9 Working capital expenditures from proceeds				5,697,627				
10 Capital expenditures from proceeds								
11 Other spent proceeds		42,176,476		19,370,016		14,104,287		
12 Other unspent proceeds								
13 Year of substantial completion		2007		2009		2010		
14 Were the bonds issued as part of a current refunding issue?	Yes	No	Yes	No	Yes	No	Yes	No
15 Were the bonds issued as part of an advance refunding issue?	X			X		X		
16 Has the final allocation of proceeds been made?	X		X		X			
17 Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X			

Part III

Private Business Use

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?		X						
2 Are there any lease arrangements that may result in private business use of bond-financed property?		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							
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X							
c	Are there any research agreements that may result in private business use of bond-financed property?		X						
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any 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								
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								
6	Total of lines 4 and 5								
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	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		X		
2	Is the bond issue a variable rate issue?		X		X		X		
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?	X			X		X		
b	Name of provider	Merrill Lynch Capital							
c	Term of hedge	21 6000000000000							
d	Was the hedge superintegrated?		X						
e	Was a hedge terminated?		X						
4a	Were gross proceeds invested in a GIC?		X		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		X		
6	Did the bond issue qualify for an exception to rebate?		X	X			X		

Part V

Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations . . . . . ☐ Yes ☒ No

Part VI

Supplemental Information

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

Identifier	Return Reference	Explanation
Schedule K Supplemental Information		Schedule K, Part III , Column B, Line 3a The organization has entered into various management and service contracts Collectively, these contracts do not constitute an amount of private business use that exceeds the prescribed percentage Schedule K, Part IV, Column A Proceeds are held in a yield restricted refunding escrow

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  
**2011**  
Open to Public Inspection

Name of the organization  
Mercy Hospital Inc

Employer identification number  
04-3398280

Part I Excess Benefit Transactions (section 501(c)(3) and section 501 (c)(4) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

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

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

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

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

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

Part III Grants or Assistance Benefitting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

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

Part IV

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) New England Business Machines	John Sjoberg, Trustee is President & CEO of New England Business Machines	312,690	Copier leases and related supplies		No
(2) Catuogno Court Reporting	Dean M Whalen, Esq - Trustee is key employee of Catuogno Court Reporting	355,884	Medical records transcription services		No

Part V

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

Identifier	Return Reference	Explanation
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SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

Open to Public  
Inspection

Name of the organization Mercy Hospital Inc	Employer identification number 04-3398280
--	--

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 6	Yes, Sisters of Providence Health System, Inc is the sole member



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

2011

Open to Public Inspection

Name of the organization  
Mercy Hospital Inc

Employer identification number  
04-3398280

Part I

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

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

Part II

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

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

Part III

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

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

Part IV

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

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

Part V

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

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

1

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

a

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

b

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

c

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

d

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

e

Loans or loan guarantees by related organization(s)

f

Sale of assets to related organization(s)

g

Purchase of assets from related organization(s)

h

Exchange of assets with related organization(s)

i

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

j

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

k

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

l

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

m

Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)

n

Sharing of paid employees with related organization(s)

o

Reimbursement paid to related organization(s) for expenses

p

Reimbursement paid by related organization(s) for expenses

q

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

r

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

Yes

No

1a

Yes

1b

No

1c

No

1d

No

1e

No

1f

No

1g

No

1h

No

1i

Yes

1j

Yes

1k

No

1l

Yes

1m

No

1n

No

1o

Yes

1p

Yes

1q

No

1r

No

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

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

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

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation	
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Software ID:  
Software Version:  
EIN: 04-3398280  
Name: Mercy Hospital Inc

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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c) (3))	(f) Direct Controlling Entity	(g) Section 512 (b)(13) controlled organization	
Catholic Health East  3805 West Chester Pike Suite 100 Newtown Square, PA 19073 23-2929748	Management Services	PA	501(c) (3)	Line 11a, I	N/A	Yes	
Continuing Care Management Services Network  3805 West Chester Pike Suite 100 Newtown Square, PA 19073 35-2336834	Management & Support Services	PA	501(c) (3)	Line 11b, II	Catholic Health East	Yes	
Mercy Health System of Maine  144 State Street Portland, MA 04101 01-0484074	Management & Support Services	ME	501(c) (3)	Line 11c, III-FI	Catholic Health East	Yes	
Mercy Hospital  144 State Street Portland, MA 04101 01-0211534	Hospital	ME	501(c) (3)	Line 3	Mercy Health System of Maine	Yes	
St Peter's Health Partners  315 South Manning Blvd Albany, NY 12208 45-3570715	Management & Support Services	NY	501(c) (3)	Line 11b, II	Catholic Health East	Yes	
St Peter's Health Care Services  315 South Manning Blvd Albany, NY 12208 22-2702507	Management & Support Services	NY	501(c) (3)	Line 9	St Peter's Health Partners	Yes	
St Peter's Hospital  315 South Manning Blvd Albany, NY 12208 14-1348692	Hospital	NY	501(c) (3)	Line 3	St Peter's Health Care Services	Yes	
St Peter's Hospital Foundation Inc  319 South Manning Blvd Suite 309 Albany, NY 12208 22-2262982	Fundraising & Public Relations	NY	501(c) (3)	Line 7	St Peter's Health Care Services	Yes	
Eddy Licensed Home Care Agency  433 River St Suite 3000 Troy, NY 12180 14-1818568	Home Health	NY	501(c) (3)	Line 3	LTC (Eddy) Inc	Yes	
The Community Hospice Foundation Inc  295 Valley View Blvd Rensselaer, NY 12144 22-2692940	Fundraising & Public Relations	NY	501(c) (3)	Line 7	The Community Hospice Inc	Yes	
The Community Hospice Inc  295 Valley View Blvd Rensselaer, NY 12144 14-1608921	Serving seriously ill people & their families	NY	501(c) (3)	Line 3	St Peter's Health Care Services	Yes	
Villa Mary Immaculate  301 Hackett Blvd Albany, NY 12208 14-1438749	Nursing Home & Physical Rehab	NY	501(c) (3)	Line 3	St Peter's Hospital	Yes	
Warde Service Corporation Inc  159 Wolf Road 3rd Floor Albany, NY 12205 14-1732097	Supporting & strengthening the ministries of rel sr mercy	NY	501(c) (3)	Line 9	St Peter's Health Care Services	Yes	
Mercy Care for Kids Inc  310 South Manning Blvd Albany, NY 12208 14-1717564	Day care center	NY	501(c) (3)	Line 9	St Peter's Health Care Services	Yes	
Our Lady of Mercy Life Center  2 Mercycare Lane Guilderland, NY 12084 14-1743506	Nursing Home Facility	NY	501(c) (3)	Line 3	St Peter's Health Care Services	Yes	
St Peter's Auxiliary  315 South Manning Blvd Albany, NY 01228 22-2843206	Auxiliary	NY	501(c) (3)	Line 11a, I	St Peter's Health Care Services	Yes	
Memorial Hospital Albany NY  600 Northern Blvd Albany, NY 12204 14-1338457	General Hospital	NY	501(c) (3)	Line 3	Northeast Health Inc	Yes	
Beechwood Inc  2212 Burdett Ave Troy, NY 12180 14-1651563	Real estate holding	NY	501(c) (2)	N/A	LTC (Eddy) Inc	Yes	
Beverwyck Inc  40 Autumn Drive Slingerlands, NY 12159 14-1717028	Independent/Assisted Living Retirement Community	NY	501(c) (3)	Line 9	LTC (Eddy) Inc	Yes	
Capital Region Geriatric Center Inc  421 West Columbia St Cohoes, NY 12047 14-1701597	Nursing Home	NY	501(c) (3)	Line 9	LTC (Eddy) Inc	Yes	

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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c) (3))	(f) Direct Controlling Entity	(g) Section 512 (b)(13) controlled organization	
Senior Care Connection Inc  504 State St Schenectady, NY 12305 14-1708754	PACE Program	NY	501(c) (3)	Line 9	LTC (Eddy) Inc	Yes	
Glen Eddy Inc  One Glen Eddy Drive Niskayuna, NY 12309 14-1794150	Independent/Assisted Living Community	NY	501(c) (3)	Line 9	LTC (Eddy) Inc	Yes	
Hawthorne Ridge Inc  30 Community Way East Greenbush, NY 12061 80-0102840	Independent/Assisted Living Retirement Community	NY	501(c) (3)	Line 9	LTC (Eddy) Inc	Yes	
Heritage House Nursing Center Inc  2920 Tibbits Ave Troy, NY 12180 14-1725101	Nursing home	NY	501(c) (3)	Line 9	LTC (Eddy) Inc	Yes	
Home Aid Service of Eastern New York Inc  433 River St Suite 3000 Troy, NY 12180 14-1514867	Home care	NY	501(c) (3)	Line 9	LTC (Eddy) Inc	Yes	
James A Eddy Memorial Geriatric Center Inc  2256 Burdett Ave Troy, NY 12180 22-2570478	Nursing home	NY	501(c) (3)	Line 9	LTC (Eddy) Inc	Yes	
LTC (Eddy) Inc  2212 Burdett Ave Troy, NY 12180 22-2564710	Elderly health/housing supporting org	NY	501(c) (3)	Line 11a, I	Northeast Health Inc	Yes	
The Marjorie Doyle Rockwell Center Inc  421 West Columbia St Cohoes, NY 12047 14-1793885	Adult Home/Alzheimers	NY	501(c) (3)	Line 9	LTC (Eddy) Inc	Yes	
Samaritan Hospital of Troy New York  2215 Burdett Ave Troy, NY 12180 14-1338544	General hospital	NY	501(c) (3)	Line 3	Northeast Health Inc	Yes	
Shaker Properties Inc  2212 Burdett Ave Troy, NY 12180 22-3119822	Real Estate holding	NY	501(c) (2)	N/A	Northeast Health Inc	Yes	
Sunnyview Hospital & Rehabilitation Ctr  1270 Belmont Ave Schenectady, NY 12308 14-1338386	Rehabilitation hospital	NY	501(c) (3)	Line 3	LTC (Eddy) Inc	Yes	
Empire Home Infusion Service Inc  10 Blacksmith Drive Malta, NY 12020 14-1795732	Home care	NY	501(c) (3)	Line 9	Home Aid Service of Eastern New York Inc	Yes	
Samaritan Child Care Center Inc  2213 Burdett Ave Troy, NY 12180 14-1710225	Child day care	NY	501(c) (3)	Line 9	Northeast Health Inc	Yes	
The Northeast Health Foundation Inc  2224 Burdett Ave Troy, NY 12180 22-2743478	Supporting foundation	NY	501(c) (3)	Line 7	Northeast Health Inc	Yes	
Northeast Health Inc  2212 Burdett Ave Troy, NY 12180 04-2450756	Supporting Organization	NY	501(c) (3)	Line 11b, II	St Peter's Health Partners	Yes	
Seton Health System Inc  1300 Massachusetts Avenue Troy, NY 12180 14-1776186	Hospital	NY	501(c) (3)	Line 3	St Peter's Health Partners	Yes	
Seton Auxiliary Inc  1300 Massachusetts Avenue Troy, NY 12180 14-1505031	Supporting Organization	NY	501(c) (3)	Line 9	Seton Health System Inc	Yes	
Seton Health at Schuyler Ridge Residential Healthcare  1 Abele Blvd Clifton Park, NY 12065 14-1756230	Skilled Nursing	NY	501(c) (3)	Line 9	Seton Health System Inc	Yes	
Seton Health Foundation  1300 Massachusetts Avenue Troy, NY 12180 22-2345416	Supporting Organization	NY	501(c) (3)	Line 11a, I	Seton Health System Inc	Yes	
Seton Licensed Home Care Inc  1300 Massachusetts Avenue Troy, NY 12180 14-1809134	Licensed Home Health Agency	NY	501(c) (3)	Line 3	Seton Health System Inc	Yes	

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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c)(3))	(f) Direct Controlling Entity	(g) Section 512 (b)(13) controlled organization	
Vincentian Health Services  1300 Massachusetts Avenue Troy, NY 12180 14-1685163	Discontinued Operations	NY	501(c)(3)	Line 11a, I	Seton Health System Inc	Yes	
St Mary's Woodland Village Inc  1300 Massachusetts Avenue Troy, NY 12180 14-1675183	Discontinued Operations	NY	501(c)(3)	Line 9	Seton Health System Inc	Yes	
Brightside Inc  c/o SPHS 1221 Main Street Suite 108 Holyoke, MA 01040 04-2182395	Behavioral Care	MA	501(c)(3)	Line 9	Sisters of Providence Health System Inc	Yes	
Farren Care Center Inc  c/o SPHS 1221 Main Street Suite 108 Holyoke, MA 01040 04-2501711	Long Term Care	MA	501(c)(3)	Line 3	Sisters of Providence Health System Inc	Yes	
Mercy Specialist Physicians Inc  c/o SPHS 1221 Main Street No 108 Holyoke, MA 01040 26-4033168	Neurosurgery Medical Services	MA	501(c)(3)	Line 3	Sisters of Providence Health System Inc	Yes	
Sisters of Providence Care Centers Inc  c/o SPHS 1221 Main Street Suite 108 Holyoke, MA 01040 22-2541103	Long Term Care	MA	501(c)(3)	Line 3	Sisters of Providence Health System Inc	Yes	
Sisters of Providence Health System Inc  c/o SPHS 1221 Main Street Suite 108 Holyoke, MA 01040 04-3398374	Management & Support Services	MA	501(c)(3)	Line 11a, I	Catholic Health East	Yes	
McAuley Center Inc  275 Steele Road West Hartford, CT 06117 06-1058086	Independent Living	CT	501(c)(3)	Line 9	Mercy Community Health Inc	Yes	
Mercy Community Health Inc  2021 Albany Avenue West Hartford, CT 06117 06-1492707	Management & Support Services	CT	501(c)(3)	Line 11a, I	Catholic Health East	Yes	
Mercy Community HomeCare Services  2021 Albany Avenue West Hartford, CT 06117 06-1488137	In Home Health Care	CT	501(c)(3)	Line 9	Mercy Community Health Inc	Yes	
Mercy Services  2021 Albany Avenue West Hartford, CT 06117 06-1453323	Support Services	CT	501(c)(3)	Line 1	Mercy Community Health Inc	Yes	
Mercyknoll Inc  2021 Albany Avenue West Hartford, CT 06117 06-0757380	Skilled Nursing	CT	501(c)(3)	Line 3	Mercy Community Health Inc	Yes	
Saint Mary Home II Inc  2021 Albany Avenue West Hartford, CT 06117 06-1164104	Elderly Care	CT	501(c)(3)	Line 3	Mercy Community Health Inc	Yes	
St Mary Home Incorporated  2021 Albany Avenue West Hartford, CT 06117 06-0646843	Skilled Nursing	CT	501(c)(3)	Line 3	Mercy Community Health Inc	Yes	
Mercy Healthcare Center  114 Wawbeek Avenue Tupper Lake, NY 12986 15-0532211	Hospital	NY	501(c)(3)	Line 3	Catholic Health East	Yes	
Mercy Uihlein Health Corporation  185 Old Military Road Lake Placid, NY 12946 16-1535133	Hospital	NY	501(c)(3)	Line 11b, II	Mercy Healthcare Center	Yes	
Uihlein Mercy Center  185 Old Military Road Lake Placid, NY 12946 15-0532190	Hospital	NY	501(c)(3)	Line 3	Mercy Healthcare Center	Yes	
St James Mercy Foundation Inc  411 Canisteo Street Hornell, NY 14843 16-1486437	Foundation	NY	501(c)(3)	Line 7	St James Mercy Health System Inc	Yes	
St James Mercy Health System Inc  411 Canisteo Street Hornell, NY 14843 22-3127184	Management & Support Services	NY	501(c)(3)	Line 11b, II	Catholic Health East	Yes	
St James Mercy Hospital  411 Canisteo Street Hornell, NY 14843 16-0743310	Hospital	NY	501(c)(3)	Line 3	St James Mercy Health System Inc	Yes	



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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c)(3))	(f) Direct Controlling Entity	(g) Section 512 (b)(13) controlled organization	
Marian Community Hospital  100 Lincoln Avenue Carbondale, PA 18407 24-0711230	Hospital	PA	501(c)(3)	Line 3	Maxis Health System	Yes	
Marian Community Hospital Auxiliary  100 Lincoln Avenue Carbondale, PA 18407 25-1874733	Fundraising	PA	501(c)(3)	Line 11b, II	Maxis Health System	Yes	
Maxis Foundation  100 Lincoln Avenue Carbondale, PA 18407 23-2330090	Fundraising	PA	501(c)(3)	Line 11b, II	Maxis Health System	Yes	
Maxis Health System  100 Lincoln Avenue Carbondale, PA 18407 91-1940902	Health Care System	PA	501(c)(3)	Line 11b, II	Catholic Health East	Yes	
Maxis Medical Services  100 Lincoln Avenue Carbondale, PA 18407 23-2577185	Physician Practices	PA	501(c)(3)	Line 3	Maxis Health System	Yes	
Tri-County Human Services Center Inc  PO Box 517 Carbondale, PA 18407 23-1938528	Behavioral Health Organization	PA	501(c)(3)	Line 7	Maxis Health System	Yes	
Columbus Acquisition Corp  1160 Raymond Boulevard Newark, NJ 07102 26-2616342	Inactive Entity	NJ	501(c)(3)	Line 9	Saint Michaels Medical Center	Yes	
Saint Michaels Medical Center  111 Central Avenue Newark, NJ 07102 26-2616046	Hospital	NJ	501(c)(3)	Line 3	Catholic Health East	Yes	
St James Care Inc  1160 Raymond Boulevard Newark, NJ 07102 26-2616230	Inactive Entity	NJ	501(c)(3)	Line 9	Saint Michaels Medical Center	Yes	
St Michaels Medical Center Foundation  1160 Raymond Boulevard Newark, NJ 07102 22-3311976	Foundation	NJ	501(c)(3)	Line 11a, I	Saint Michaels Medical Center	Yes	
University Heights Property Company Inc  1160 Raymond Boulevard Newark, NJ 07102 22-3100162	Medical Property Holding Company	NJ	501(c)(2)	N/A	Saint Michaels Medical Center	Yes	
Life St Francis Corporation  601 Hamilton Avenue Trenton, NJ 08629 22-2797282	Health Services	NJ	501(c)(3)	Line 11a, I	St Francis Medical Center Trenton NJ	Yes	
St Francis Medical Center Foundation NJ  601 Hamilton Avenue Trenton, NJ 08629 52-1025476	Foundation	NJ	501(c)(3)	Line 11a, I	St Francis Medical Center Trenton NJ	Yes	
St Francis Medical Center Trenton NJ  601 Hamilton Avenue Trenton, NJ 08629 22-3431049	Hospital	NJ	501(c)(3)	Line 3	Catholic Health East	Yes	
Langhorne MRI Inc  1201 Langhorne-Newtown Road Langhorne, PA 19047 23-2519529	Inactive Entity	PA	501(c)(3)	Line 9	St Mary Medical Center	Yes	
Langhorne Physician Services Inc  1201 Langhorne-Newtown Road Langhorne, PA 19047 23-2571699	Physician Services	PA	501(c)(3)	Line 9	St Mary Medical Center	Yes	
LIFE St Mary  1201 Langhorne-Newtown Road Langhorne, PA 19047 26-2976184	Elderly Care	PA	501(c)(3)	Line 9	St Mary Medical Center	Yes	
St Mary Medical Center  1201 Langhorne-Newtown Road Langhorne, PA 19047 23-1913910	Hospital	PA	501(c)(3)	Line 3	Catholic Health East	Yes	
St Mary Medical Center Foundation Inc  1201 Langhorne-Newtown Road Langhorne, PA 19047 23-2567468	Foundation	PA	501(c)(3)	Line 7	St Mary Medical Center	Yes	
East Norriton Physician Services  c/o One West Elm Street Conshohocken, PA 19428 23-2515999	Physician Services	PA	501(c)(3)	Line 3	Mercy Health System of Southeastern Pennsylvania	Yes	

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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c)(3))	(f) Direct Controlling Entity	(g) Section 512 (b)(13) controlled organization	
Mercy Catholic Medical Center of Southeastern Pennsylvania  One West Elm Street Conshohocken, PA 19428 23-1352191	Acute Care Hospital	PA	501(c)(3)	Line 3	Mercy Health System of Southeastern Pennsylvania	Yes	
Mercy Family Support  1001 Baltimore Pike Suite 301 Springfield, PA 19064 23-2325059	Home Health	PA	501(c)(3)	Line 9	Mercy Health System of Southeastern Pennsylvania	Yes	
Mercy Health Foundation of Southeastern Pennsylvania  c/o MHS One West Elm Street Conshohocken, PA 19428 23-2829864	Fundraising	PA	501(c)(3)	Line 11b, II	Mercy Health System of Southeastern Pennsylvania	Yes	
Mercy Health Plan  c/o One West Elm Street Conshohocken, PA 19428 22-2483605	Health Plans	PA	501(c)(3)	Line 11b, II	Mercy Health System of Southeastern Pennsylvania	Yes	
Mercy Health System of Southeastern Pennsylvania  One West Elm Street Conshohocken, PA 19428 23-2212638	Management & Support Services	PA	501(c)(3)	Line 11b, II	Catholic Health East	Yes	
Mercy Home Health  1001 Baltimore Pike Suite 310 Springfield, PA 19064 23-1352099	Home Health	PA	501(c)(3)	Line 9	Mercy Health System of Southeastern Pennsylvania	Yes	
Mercy Home Health Services  1001 Baltimore Pike Suite 301 Springfield, PA 19064 23-2325058	Home Health	PA	501(c)(3)	Line 11b, II	Mercy Health System of Southeastern Pennsylvania	Yes	
Mercy Management of Southeastern Pennsylvania  One West Elm Street Conshohocken, PA 19428 23-2627944	Physician Practices	PA	501(c)(3)	Line 11b, II	Mercy Health System of Southeastern Pennsylvania	Yes	
Mercy Suburban Hospital  One West Elm Street Conshohocken, PA 19428 23-1396763	Acute Care Hospital	PA	501(c)(3)	Line 3	Mercy Health System of Southeastern Pennsylvania	Yes	
Nazareth Health Care Foundation  2701 Holme Avenue Philadelphia, PA 19152 23-2300951	Fundraising	PA	501(c)(3)	Line 11b, II	Mercy Health System of Southeastern Pennsylvania	Yes	
Nazareth Hospital  2601 Holme Avenue Philadelphia, PA 19152 23-2794121	Acute Care Hospital	PA	501(c)(3)	Line 3	Mercy Health System of Southeastern Pennsylvania	Yes	
Nazareth Physician Services Inc  2601 Holme Avenue Philadelphia, PA 19152 20-3261266	Physician Practices	PA	501(c)(3)	Line 3	Mercy Health System of Southeastern Pennsylvania	Yes	
NE Physician Services  2601 Holme Avenue Philadelphia, PA 19152 23-2497355	Physician Practices	PA	501(c)(3)	Line 3	Mercy Health System of Southeastern Pennsylvania	Yes	
St Agnes Continuing Care Center  1900 S Broad Street Philadelphia, PA 19145 23-2840137	Continuing Care Services	PA	501(c)(3)	Line 3	Mercy Health System of Southeastern Pennsylvania	Yes	
St Agnes Continuing Care Center Foundation  1900 S Broad Street Philadelphia, PA 19145 23-2415137	Fundraising	PA	501(c)(3)	Line 11b, II	Mercy Health System of Southeastern Pennsylvania	Yes	
Life at Lourdes Inc  1600 Haddon Avenue Camden, NJ 08108 26-1854750	Elderly Care	NJ	501(c)(3)	Line 3	Our Lady of Lourdes Health Care Services	Yes	
Lourdes Ancillary Services  1600 Haddon Avenue Camden, NJ 08103 22-2568525	Supporting Organization	NJ	501(c)(3)	Line 11b, II	Our Lady of Lourdes Health Care Services	Yes	
Lourdes Dialysis at Innova Inc  1600 Haddon Avenue Camden, NJ 08108 26-3237625	Hospital	NJ	501(c)(3)	Line 3	Our Lady of Lourdes Health Care Services	Yes	
Lourdes Medical Center Burlington County  218 Sunset Road Willingboro, NJ 08046 22-3612265	Hospital	NJ	501(c)(3)	Line 3	Our Lady of Lourdes Health Care Services	Yes	
Our Lady of Lourdes Health Care Services  1600 Haddon Avenue Camden, NJ 08103 22-2568528	Management & Support Services	NJ	501(c)(3)	Line 11b, II	Catholic Health East	Yes	

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Our Lady of Lourdes Health Foundation Inc  1600 Haddon Avenue Camden, NJ 08103 22-2351960	Foundation	NJ	501(c)(3)	Line 7	Our Lady of Lourdes Health Care Services	Yes	
Our Lady of Lourdes Medical Center  1600 Haddon Avenue Camden, NJ 08103 21-0635001	Hospital	NJ	501(c)(3)	Line 3	Our Lady of Lourdes Health Care Services	Yes	
Franciscan Eldercare Corporation  PO Box 2500 Wilmington, DE 19805 22-3008680	Eldercare	DE	501(c)(3)	Line 9	St Francis Hospital	Yes	
St Francis Foundation  PO Box 2500 Wilmington, DE 19805 51-0374158	Foundation	DE	501(c)(3)	Line 11b, II	St Francis Hospital	Yes	
St Francis Hospital  PO Box 2500 Wilmington, DE 19805 51-0064326	Hospital	DE	501(c)(3)	Line 3	Catholic Health East	Yes	
LIFE at St Francis Healthcare Inc  7th Clayton Streets Wilmington, DE 19805 45-2569214	Elderly Care	DE	501(c)(3)	Line 3	St Francis Hospital	Yes	
McAuley Ministries  McAuley Hall 3333 Fifth Avenue Pittsburgh, PA 15213 94-3436142	Management & Support Services	PA	501(c)(3)	Line 9	Pittsburgh Mercy Health System	Yes	
Mercy Jeannette Hospital  3805 West Chester Pike Newtown Square, PA 19073 25-1310602	Inactive Entity	PA	501(c)(3)	Line 9	Pittsburgh Mercy Health System	Yes	
Mercy Life Center Corporation  1200 Reedsdale Street Pittsburgh, PA 15233 25-1604115	Community Treatment	PA	501(c)(3)	Line 9	Pittsburgh Mercy Health System	Yes	
Pittsburgh Mercy Health System  3333 5th Avenue Pittsburgh, PA 15213 25-1464211	Management & Support Services	PA	501(c)(3)	Line 11b, II	Catholic Health East	Yes	
St Joseph's of the Pines Inc  100 Gossman Drive Suite B Southern Pines, NC 28387 56-0694200	Hospital	NC	501(c)(3)	Line 3	Catholic Health East	Yes	
Life St Joseph of the Pines Inc  100 Gossman Drive Suite B Southern Pines, NC 28387 27-2159847	Healthcare Services	NC	501(c)(3)	Line 3	St Joseph's of the Pines Inc	Yes	
Mercy Senior Care Inc  212 West Third Street PO Box 866 Rome, GA 30162 58-1366508	Community Outreach	GA	501(c)(3)	Line 7	Saint Joseph's Health System Inc	Yes	
Good Samaritan HospitalInc  1201 Siloam Road Greensboro, GA 30462 26-1720984	Hospital	GA	501(c)(3)	Line 3	Saint Joseph's Health System Inc	Yes	
Saint Joseph's Health System Inc  5673 Peachtree-Dunwoody Road Suite Atlanta, GA 30342 58-1744848	Management & Support Services	GA	501(c)(3)	Line 11b, II	Catholic Health East	Yes	
Saint Joseph's Mercy Care Services Inc  5673 Peachtree-Dunwoody Road Suite Atlanta, GA 30342 58-1752700	Community Outreach	GA	501(c)(3)	Line 7	Saint Joseph's Health System Inc	Yes	
Saint Joseph's Mercy Foundation Inc  5673 Peachtree-Dunwoody Road Suite Atlanta, GA 30342 58-1448522	Fundraising	GA	501(c)(3)	Line 11b, II	Saint Joseph's Health System Inc	Yes	
Mercy Services Downtown Inc  5673 Peachtree-Dunwoody Road Suite Atlanta, GA 30342 27-2046353	Real Estate Holding Company	GA	501(c)(3)	Line 11b, II	Saint Joseph's Health System Inc	Yes	
St Mary's Health Care System Inc  1230 Baxter Street Athens, GA 30606 58-0566223	Hospital	GA	501(c)(3)	Line 3	Catholic Health East	Yes	
St Mary's Foundation Inc  1230 Baxter Street Athens, GA 30606 58-2544232	Fundraising	GA	501(c)(3)	Line 11b, II	St Mary's Health Care System Inc	Yes	

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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c)(3))	(f) Direct Controlling Entity	g Section 512 (b)(13) controlled organization	
St Mary's Highland Hills Inc  1230 Baxter Street Athens, GA 30606 02-0576648	Assisted Living & Retirement Community	GA	501(c)(3)	Line 3	St Mary's Health Care System Inc	Yes	
St Mary's Medical Group Inc  1230 Baxter Street Athens, GA 30606 26-1858563	Hospital / Physician Services	GA	501(c)(3)	Line 3	St Mary's Health Care System Inc	Yes	
Mercy Medical Corporation  PO Box 1090 101 Villa Drive Daphne, AL 36526 63-6002215	Hospital	AL	501(c)(3)	Line 3	Catholic Health East	Yes	
Mercy LIFE of Alabama  PO Box 1090 101 Villa Drive Daphne, AL 36526 27-3163002	Hospital	AL	501(c)(3)	Line 3	Mercy Medical Corporation	Yes	
Allegany Franciscan Ministries Inc  33920 US Highway 19 North Suite 269 Palm Harbor, FL 34684 58-1492325	Management & Support Services	FL	501(c)(3)	Line 11b, II	Catholic Health East	Yes	
St Francis Hospital Inc  33920 US Highway 19 North Suite 269 Palm Harbor, FL 34684 59-0624442	Hospital	FL	501(c)(3)	Line 11a, I	Allegany Franciscan Ministries Inc	Yes	
Holy Cross Hospital Inc  4725 North Federal Highway Ft Lauderdale, FL 33308 59-0791028	Hospital	FL	501(c)(3)	Line 3	Catholic Health East	Yes	
Holy Cross Long-Term Inc  4725 North Federal Highway Ft Lauderdale, FL 33308 65-0787320	Medical Services	FL	501(c)(3)	Line 3	Holy Cross Hospital Inc	Yes	
Holy Cross Medical Properties Inc  4725 North Federal Highway Ft Lauderdale, FL 33308 65-0666283	Medical Building Real Estate Management	FL	501(c)(2)	N/A	Holy Cross Hospital Inc	Yes	
Mercy Hospital Foundation Inc  3663 South Miami Avenue Miami, FL 33133 59-1709438	Fundraising	FL	501(c)(3)	Line 7	Mercy Hospital Inc	Yes	
Mercy Hospital Inc  3663 South Miami Avenue Miami, FL 33133 59-0791034	Hospital	FL	501(c)(3)	Line 3	Catholic Health East	Yes	
Mercy Medical Development Inc  3663 South Miami Avenue Miami, FL 33133 59-2789194	Outpatient Services	FL	501(c)(3)	Line 9	Mercy Hospital Inc	Yes	
Mercy Mission Services Inc  3663 South Miami Avenue Miami, FL 33133 65-0435764	Health Care	FL	501(c)(3)	Line 11a, I	Mercy Hospital Inc	Yes	
Mercy Outpatient Services Inc DBA Sister Emmanuel Hospital  3663 South Miami Avenue Miami, FL 33133 51-0461511	Hospital	FL	501(c)(3)	Line 3	Mercy Hospital Inc	Yes	
Global Health Ministry  3805 West Chester Pike Suite 100 Newtown Square, PA 19073 23-3068656	Health Care	PA	501(c)(3)	Line 7	Catholic Health East	Yes	
VNA Home Health & Hospice  50 Foden Road South Portland, ME 04106 01-0246804	Home Health & Hospice	ME	501(c)(3)	Line 11a, I	Mercy Health System of Maine	Yes	
Providence Place Inc  5 Gamelin Street Holyoke, MA 01040 04-3404084	Retirement Community	MA	501(c)(3)	Line 9	Sisters of Providence Health System Inc	Yes	
Intercoastal Health Systems  3805 West Chester Pike Suite 100 Newtown Square, PA 19073 65-0556413	Management & Support Services	PA	501(c)(3)	Line 11a, I	Catholic Health East	Yes	
Sunnyview Hospital & Rehabilitation Center Foundation  1270 Belmont Ave Schenectady, NY 12308 22-2505127	Supporting foundation	NY	501(c)(3)	Line 11a, I	Sunnyview Hospital & Rehabilitation Ctr	Yes	





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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income (\$)	(g) Share of end-of-year assets (\$)	(h) Percentage ownership
Samaritan Medical Office Building Inc 2212 Burdett Avenue Troy, NY 12180 14-1607244	Real Estate	NY	N/A	C			
Affiliated Management Services Corporation Inc 1300 Massachusetts Avenue Troy, NY 12180 14-1668024	Real Estate	NY	N/A	C			
Catherine Horan Building Inc c/o SPHS 1221 Main Street Suite 108 Holyoke, MA 010400000 04-2938180	Building Management	MA	Mercy Hospital Inc	C	125,416	159,734	100 000 %
Diversified Community Services Inc c/o SPHS 1221 Main Street Suite 108 Holyoke, MA 010400000 04-3128890	Medical Services	MA	Mercy Hospital	C			100 000 %
Mercy Inpatient Medical Associates Inc c/o SPHS 1221 Main Street Suite 108 Holyoke, MA 010400000 04-3029829	Medical Services	MA	Mercy Hospital	C	-5,501,367	1,474,940	100 000 %
Providence Home Care Inc c/o SPHS 1221 Main Street Suite 108 Holyoke, MA 010400000 04-3317426	Health Care Services	MA	Mercy Hospital	C	959,755	14,588,628	100 000 %
System Coordinated Services Inc c/o SPHS 1221 Main Street Suite 108 Holyoke, MA 010400000 04-2938181	Lab Services	MA	Mercy Hospital	C	1,405,330	17,509,496	100 000 %
Physicians Medical Office Building Condominium Trust 1221 Main Street Room 108 Holyoke, MA 010400000 04-6608649	Property Management	MA	N/A	C			
SJM Properties Inc 411 Canisteo Street Hornell, NY 148482104 16-1294991	Property Holdings	NY	N/A	C			
Carbondale Area Physicians' Association PC 100 Lincoln Ave Carbondale, PA 18407 23-2801677	Medical Insurance Contracting	PA	N/A	C			
Carbondale Area Physicians' PHO Inc 100 Lincoln Ave Carbondale, PA 18407 23-2801676	Inactive	PA	N/A	C			
Carbondale Physicians' Services Inc 100 Lincoln Ave Carbondale, PA 18407 23-2365077	Pharmacy	PA	N/A	C			
Chestnut Risk Services Ltd 11 Victoria Street Hamilton BD	Insurance	BD	N/A	C			
LifeCare Physicians PC 601 Hamilton Avenue trenton, NJ 086291986 26-1649038	Health Care Services	NJ	N/A	C			
Multicare Plus Inc 601 Hamilton Avenue Trenton, NJ 086291986 22-3435844	Inactive	NJ	N/A	C			
Langhorne Services II Inc 1201 Langhorne-Newtown Road Langhorne, PA 190470000 25-3795549	General Partner of LMOB Partners, II	PA	N/A	C			
Langhorne Services Inc 1201 Langhorne-Newtown Road Langhorne, PA 190470000 23-2625981	General Partner of LMOB Partners	PA	N/A	C			
AMHP Holdings Corp 200 Stevens Drive Philadelphia, PA 19113 26-1144363	Behaviorial Health	PA	N/A	C			
Select Health of South Carolina Inc 4390 Belle Oaks Drive Suite 400 Charleston, SC 29405 57-1032456	Health Maintenance Organization	SC	N/A	C			
Gateway Health Plan Inc 600 Grant Street Pittsburgh, PA 15219 25-1505506	Health Care	PA	N/A	C			

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income (\$ )	(g) Share of end-of-year assets (\$ )	(h) Percentage ownership
Gateway Health Plan Inc of Ohio 600 Grant Street Pittsburgh, PA 15219 30-0282076	Health Care	PA	N/A	C			
MCMC Eastwick Inc c/o MHS One West Elm Street Conshohocken, PA 19428 23-2184261	Medical Office Buildings	PA	N/A	C			
Community Behavioral Healthcare Network of PA Inc 8040 Carlson Road Harrisburg, PA 17112 25-1765391	Behavioral Health	PA	N/A	C			
Health Management Services Org Inc 500 Grove Street Suite 100 Haddon Heights, NJ 08035 22-3366580	Health Care Billing	NJ	N/A	C			
Jeannette Medical Providers 3805 West Chester Pike Newtown Square, PA 19073 25-1787334	Holding Company	PA	N/A	C			
Jeannette OBGYN Group 1 Inc 3805 West Chester Pike Newtown Square, PA 19073 23-2890748	Holding Company	PA	N/A	C			
Jeannette Primary Care Group 1 Inc 3805 West Chester Pike Newtown Square, PA 19073 23-2890743	Holding Company	PA	N/A	C			
Georgia Health Enterprises LLC 11440 Commerce Park Drive Reston, VA 20191 54-1806329	Healthcare	VA	N/A	C			
St Mary's Highland Hills Village Inc 1660 Jennings Mill Pkly Bogart, GA 30622 58-2276801	Assisted Living	GA	N/A	C			
GHE Physicians PC 3500 Piedmont Road Atlanta, GA 30305 58-2277939	Practice Management	GA	N/A	C			
Nursing Network Inc 4725 North Federal Highway Fort Lauderdale Highwa, FL 333080000 59-1145192	Medical Services	FL	N/A	C			
Mercy Physician Group Inc 3663 South Miami Avenue Miami, FL 33133 20-2970015	Health Care	FL	N/A	C			
Stella Maris Insurance Company Limited PO Box 69 Grand Cayman, Cayman Islands KY1-1102 CJ 98-0078266	Insurance	CJ	N/A	C			
Catholic Health East Senior Services 3805 West Chester Pike Suite 100 Newtown Square, PA 19073 37-1572595	Senior Services	PA	N/A	C			



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) Sisters of Providence Health System Inc	A	37,051	Fair Market Value
(2) Systems Coordinated Services Inc	I	110,657	Fair Market Value
(3) Brightside Inc	I	110,009	Fair Market Value
(4) Mercy Inpatient Medical Associates Inc	I	52,371	Fair Market Value
(5) Systems Coordinated Services Inc	J	158,317	Fair Market Value
(6) Systems Coordinated Services Inc	L	9,011,157	Fair Market Value
(7) Sisters of Providence Health System Inc	O	22,140,621	Fair Market Value
(8) Sisters of Providence Health System Inc	P	64,178	Fair Market Value
(9) Physicians Medical Office Building Condo Trust	P	52,863	Fair Market Value

# **Sisters of Providence Health System, Inc. and Affiliated Organizations**

**Consolidated Financial Statements and  
Supplementary Information  
December 31, 2011 and 2010**

**Sisters of Providence Health System, Inc. and Affiliated Organizations**  
**Index**  
**December 31, 2011 and 2010**

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## Report of Independent Auditors

To The Board of Directors of Sisters of Providence Health System, Inc  
and Affiliated Organizations

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and changes in net assets, and cash flows present fairly, in all material respects, the financial position of Sisters of Providence Health System, Inc and Affiliated Organizations (the "System") at December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

*PricewaterhouseCoopers LLP*

April 30, 2012

**Sisters of Providence Health System, Inc. and Affiliated Organizations**  
**Consolidated Balance Sheets**  
**December 31, 2011 and 2010**

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<i>(in thousands of dollars)</i>	<b>2011</b>	<b>2010</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$12,419	\$5,839
Patient accounts receivable, net of estimated uncollectibles of of \$10,828 and \$10,824 for 2011 and 2010, respectively	29,822	23,786
Other accounts receivable	3,820	9,466
Prepays and other current assets	5,438	5,846
Total current assets	51,499	44,937
Marketable securities and investments whose use is limited		
Board-designated funds	3,134	3,148
Trustee-held funds	2,574	2,481
Donor-restricted funds	4,196	3,987
	9,904	9,616
Property and equipment, net	83,904	80,663
Investment in unconsolidated organizations	5,794	3,052
Other assets	22,960	3,644
Total assets	<u>\$174,061</u>	<u>\$141,912</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Current portion of long-term debt	\$2,498	\$2,438
Accounts payable and accrued expenses	23,343	22,148
Estimated third-party payor settlements	8,987	5,030
Other current liabilities	6,675	5,858
Total current liabilities	41,503	35,474
Long-term debt, net	55,563	58,061
Other liabilities	16,425	12,136
Insurance liabilities	23,103	3,474
Total liabilities	136,594	109,145
Net assets		
Unrestricted	32,889	27,940
Temporarily restricted	2,456	2,618
Permanently restricted	2,122	2,209
Total net assets	37,467	32,767
Total liabilities and net assets	<u>\$174,061</u>	<u>\$141,912</u>

The accompanying notes are an integral part of these consolidated financial statements

**Sisters of Providence Health System, Inc. and Affiliated Organizations**  
**Consolidated Statements of Operations and Changes in Net Assets**  
**Years Ended December 31, 2011 and 2010**

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<i>(in thousands of dollars)</i>	<b>2011</b>	<b>2010</b>
<b>Unrestricted revenues, gains and other support</b>		
Net patient service revenue	\$272,033	\$273,099
Net assets released from restrictions for operations	202	282
Contributions	763	1,184
Other operating revenues	17,735	16,795
	<u>290,733</u>	<u>291,360</u>
<b>Expenses</b>		
Salaries, wages and benefits	165,976	166,243
Medical supplies	30,102	32,883
Purchased services, professional fees and other expenses	61,744	59,169
Depreciation and amortization	11,674	11,799
Interest	2,112	2,295
Insurance	3,558	2,499
Provision for bad debts	8,566	8,742
	<u>283,732</u>	<u>283,630</u>
Operating income	<u>7,001</u>	<u>7,730</u>
<b>Non-operating gains (losses)</b>		
Investment returns, net	242	453
Equity in earnings of unconsolidated organizations	2,973	62
Restructuring expenses	-	(1,520)
Loss on extinguishment of debt	-	(416)
Change in fair value of interest rate swaps	(723)	(775)
	<u>2,492</u>	<u>(2,196)</u>
Excess of revenues over expenses	<u>\$9,493</u>	<u>\$5,534</u>

The accompanying notes are an integral part of these consolidated financial statements

**Sisters of Providence Health System, Inc. and Affiliated Organizations**  
**Consolidated Statements of Operations and Changes in Net Assets (continued)**  
**Years Ended December 31, 2011 and 2010**

<i>(in thousands of dollars)</i>	<b>2011</b>	<b>2010</b>
<b>Unrestricted net assets</b>		
Excess of revenues over expenses	\$9,493	\$5,534
Pension adjustment	(5,190)	(1,668)
Net assets released from restrictions for capital expenditures	664	1,060
Other changes	<u>-</u>	<u>(138)</u>
Increase in unrestricted net assets before discontinued operations	4,967	4,788
Loss from discontinued operations	<u>(18)</u>	<u>(2,270)</u>
Increase in unrestricted net assets	<u>4,949</u>	<u>2,518</u>
<b>Temporarily restricted net assets</b>		
Contributions	766	630
Investment gain	64	58
Change in net unrealized (losses) gains on investments	(58)	87
Net assets released from restrictions	(866)	(1,342)
Other changes	<u>(68)</u>	<u>33</u>
Decrease in temporarily restricted net assets	<u>(162)</u>	<u>(534)</u>
<b>Permanently restricted net assets</b>		
Net realized and unrealized (losses) gains on investments	<u>(87)</u>	<u>142</u>
(Decrease) increase in permanently restricted net assets	<u>(87)</u>	<u>142</u>
Increase in net assets	4,700	2,126
<b>Net Assets</b>		
Beginning of year	<u>32,767</u>	<u>30,641</u>
End of year	<u><u>\$37,467</u></u>	<u><u>\$32,767</u></u>

The accompanying notes are an integral part of these consolidated financial statements

# Sisters of Providence Health System, Inc. and Affiliated Organizations

## Statement of Cash Flow

### December 31, 2011 and 2010

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(in thousands of dollars)

	2011	2010
<b>Cash flows from operating activities</b>		
Increase in net assets	\$4,700	\$2,126
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Loss from discontinued operations	18	2,270
Pension adjustment	5,190	1,668
Equity income in unconsolidated organization	(3,532)	(666)
Loss on refinancing	-	416
Depreciation and amortization	11,499	11,645
Provision for bad debts	8,566	8,742
Net realized gain on investments	(114)	(131)
Net unrealized loss (gain) on investments	273	(356)
Gain on sale of fixed assets	-	(252)
Change in fair value of interest rate swaps	723	774
Bond discount and premium amortization	(36)	(155)
Restricted contributions	(612)	(944)
Bond premium	-	692
Changes in operating assets and liabilities		
Patient accounts receivable	(14,602)	(6,706)
Estimated third-party payor settlements	3,957	1,752
Prepaid expenses, inventories, other assets	(13,394)	(6,281)
Accounts payable and accrued expenses	813	(79)
Other long-term liabilities	19,024	(639)
Net cash used in operating activities of discontinued operations	(18)	(2,270)
Net cash provided by operating activities	<u>22,455</u>	<u>11,606</u>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(14,318)	(9,382)
Net decrease in investments and marketable securities whose use is limited	(447)	(182)
Distributions from joint ventures, net	680	250
Proceeds from sale of fixed assets	-	351
Net cash used in investing activities	<u>(14,085)</u>	<u>(8,963)</u>
<b>Cash flows from financing activities</b>		
Proceeds from restricted contributions	612	944
Payments of long-term debt	(2,402)	(2,359)
Proceeds from long-term debt	-	15,966
Retirement of debt	-	(16,466)
Net cash used in provided by financing activities	<u>(1,790)</u>	<u>(1,915)</u>
Increase in cash and cash equivalents	6,580	728
Cash and cash equivalents at beginning of year	5,839	5,111
Cash and cash equivalents at end of year	<u>\$12,419</u>	<u>\$5,839</u>
<b>Supplemental disclosures of cash flow information</b>		
Interest paid	\$2,543	\$2,471
Property and equipment additions included in accounts payable and accrued expenses	\$3,192	\$2,810



# **Sisters of Providence Health System, Inc. and Affiliated Organizations**

## **Notes to Consolidated Financial Statements**

### **December 31, 2011 and 2010**

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#### **1. Organization, Mission and Basis of Presentation**

Sisters of Providence Health System, Inc. and Affiliated Organizations (the "System") is a Catholic, not-for-profit, health system located in Massachusetts. The System is responsible for the overall policy, management and financial support of all entities.

The System is sponsored by Catholic Health East ("CHE"), a Catholic, multi-institutional health system sponsored by fifteen religious congregations. CHE is a Pennsylvania non-profit corporation and is the sole member of various health care organizations known as Regional Health Corporations ("RHCs") that own and operate health care facilities and provide health care or related services in eleven states. CHE is the sole member of System.

The System functions as the parent organization of several affiliated organizations, which are related through common ownership, and/or management and consolidated in the financial statements of the System including Mercy Hospital, Inc., which includes Mercy Medical Center and Providence Behavioral Health Hospital, Mercy Senior Care Network, Brightside, Inc., Mercy Specialist Physicians, Inc. and SCS, Inc. and Subsidiaries.

#### **2. Summary of Significant Accounting Policies**

##### **Basis of Consolidation**

The accompanying consolidated financial statements include the accounts of all entities of the System. All significant intercompany balances and transactions have been eliminated.

##### **Use of Estimates**

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions and estimates that affect the amounts reported in the consolidated financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. Management considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of the financial statements including, but not limited to, recognition of net patient service revenues, which includes contractual allowances and provision for bad debts, actuarial assumptions associated with healthcare professional and general liabilities, determination of fair values of certain financial instruments, and assumptions for measurement of pension liabilities. Management relies on historical experience and other assumptions believed to be reasonable relative to the circumstances in making judgments and estimates. Actual results could differ from the estimates.

##### **Cash and Cash Equivalents**

Cash and cash equivalents include investments in liquid debt instruments with a maturity of three months or less at time of purchase. The carrying value of cash and cash equivalents approximates market value.

##### **Investments and Investment Income**

Investments in marketable equities with readily determinable fair market values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Investments not traded on national exchanges are measured at net asset value based on values provided by external fund managers.

# **Sisters of Providence Health System, Inc. and Affiliated Organizations**

## **Notes to Consolidated Financial Statements**

### **December 31, 2011 and 2010**

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Investment returns (including unrealized gains and losses on trading securities, realized gains and losses on investments, interest income, and dividends) are included in excess of revenue over expenses unless such earnings are restricted by donor or law. Investment income restricted by donors or law is reported as an increase in temporarily or permanently restricted net assets. Investment income is reported net of investment-related expenses.

The System's investments, including those classified as marketable securities whose use is limited, are invested and managed through the CHE Consolidated Investment Program (the "CIP Program"). Additionally, the System holds and manages certain investments locally. The System classifies its investments in the CIP Program and its locally managed unrestricted investments as trading securities.

Investments also include equity investments in managed funds, which include hedge funds, private partnerships, and other investments. Investments in hedge funds, private partnerships, and other investments (managed funds), are accounted for under the equity method, which approximates fair value. The equity income from these managed funds is included in investment returns, net, as a component of the unrealized gain or loss in the accompanying consolidated statements of operations and changes in net assets.

Investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in their value, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the consolidated balance sheets and statements of operations and change in net assets.

#### **Marketable Securities and Investments Whose Use Is Limited**

Marketable securities and investments whose use is limited primarily include marketable securities and investments designated by governance for future capital improvements and other purposes, in accordance with agreements with outside parties, by trustees under bond indenture agreements and self-insurance trust arrangements, and donor restrictions.

#### **Derivative Financial Instruments**

The System recognizes derivative instruments in the consolidated balance sheets at fair value. The change in fair value of derivatives is recognized as a component of excess of revenues over expenses in the consolidated statements of operations and changes in net assets.

#### **Inventories**

Inventories are valued at the lower of cost (first-in, first out) or market, net of reserves for obsolescence.

#### **Property and Equipment**

Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is expensed over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in the depreciation and amortization in the consolidated financial statements. Interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of constructing those assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenue over expenses, unless explicit donor

# **Sisters of Providence Health System, Inc. and Affiliated Organizations**

## **Notes to Consolidated Financial Statements**

### **December 31, 2011 and 2010**

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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 support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. Donated property and equipment are stated at fair market value at the date of receipt.

#### **Long-Lived Assets**

The System evaluates the carrying value of its long-lived assets for impairment when impairment indicators are identified, and at least at the end of each fiscal year. In the event that the carrying value of a long-lived asset is not supported by the fair value, the System will recognize an impairment loss for the difference.

#### **Investments in Unconsolidated Organizations**

Investments in unconsolidated organizations represent the System's investments in joint operating agreements, joint ventures, or partnerships. The equity method is used to account for these investments.

#### **Debt Issuance Costs**

Debt issuance costs, included in other assets in the consolidated balance sheets at December 31, 2011 and 2010, totaling \$606,000 and \$646,000, respectively are amortized using the straight-line method over the life of the related debt, which approximates the effective interest method.

#### **Temporarily and Permanently Restricted Net Assets**

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

The System classifies the portions of donor-restricted endowment funds of perpetual duration as permanently restricted net assets. Permanently restricted net assets of the System are comprised of a) the original value of gifts donated to the System, through a permanent endowment, b) the original value of subsequent gifts to the System through a permanent endowment, and c) accumulations to the permanent endowment in accordance with applicable donor gift instruments. Any portions of donor-restricted endowment funds that are not classified as permanently restricted are appropriated in accordance with donor intent.

#### **Excess of Revenue over Expenses**

The consolidated statements of operations and changes in net assets include excess of revenue over expenses. Changes in unrestricted net assets which are excluded from excess of revenue over expenses, consistent with industry practice, include pension adjustments, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets), and losses on discontinued operations.

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#### **Non-Operating Gains (Losses)**

Non-operating gains (losses) consist primarily of investment returns, which include investment income, dividends, net unrealized gains (losses) on trading securities, and realized gains and losses on trading securities, restructuring expenses and impairment losses, equity in earnings of unconsolidated organizations, losses on extinguishment of debt, and the change in the fair value of interest rate swaps

#### **Other Operating Revenue**

Other revenue is derived from services other than the provision of health care services or coverage to patients. These revenues consist primarily of federal and state grants, rental income, support services, parking garages, gift shop income, cafeteria income, maintenance fee income, and other miscellaneous income

#### **Net Patient Service Revenue**

Third-party payors (Medicare, Medicaid, and commercial insurance payors) provide payments to the System at amounts different from their established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounts from established charges, and per diem payments. Net patient service revenue is the estimated amount to be realized for services rendered, including estimated retroactive adjustments. 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

#### **Allowance for Uncollectibles**

The System provides an allowance for uncollectibles for estimated losses. The allowance is determined by analyzing historical data and trends. Accounts receivable are charged off against the allowance for uncollectibles when management determines that recovery is unlikely and the System ceases collection efforts

#### **Charity Care**

The System provides services to all patients regardless of ability to pay. In accordance with the System's policy, a patient is classified as a charity patient based on income eligibility criteria as established by the *Federal Poverty Guidelines*. Charges for services to patients who meet the System's guidelines for charity care are not reflected in the accompanying consolidated financial statements. The charges associated with these services for charity care provided by the System approximate \$2,165,000 and \$2,855,000 in 2011 and 2010, respectively. These amounts do not include the provision for bad debts totaling \$8,566,000 and \$8,742,000 in 2011 and 2010, respectively, which is reflected separately in the consolidated statements of operations and changes in net assets

#### **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

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When a donor restriction expires, that is, when a stipulated time restriction ends and purpose restrictions are accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

#### **Income Taxes**

The System consists of both tax-exempt organizations under Section 501(c) 3 of the Internal Revenue Code and taxable organizations.

#### **Adoption of Accounting Pronouncements**

Effective January 1, 2010, the System adopted new accounting guidance issued by FASB which provides guidance on the accounting for mergers and acquisitions by not-for-profit organizations, including the recognition and subsequent accounting for goodwill resulting from an acquisition. There was no impact to amounts reported in the combined financial statements resulting from the adoption of the new guidance.

In August 2010, the FASB issued guidance that requires health care entities to use cost as the measurement basis for charity care disclosures and defines cost as the direct and indirect costs of providing charity care. The amended disclosure requirements are effective for fiscal years beginning after December 15, 2010 and must be applied retrospectively. The System early adopted the amended disclosure requirements on October 1, 2010. Note 3 – Net Patient Service Revenue reflects the amended disclosure requirements, and the costs of caring for charity care patients in prior periods disclosed in Note 2 have been restated. Since the new guidance amends disclosure requirements only, its adoption did not impact the System's statement of financial position, statement of operations, or cash flow statement.

In August 2010, the FASB amended the Accounting Standards Codification ("ASC") to extend the guidance on netting receivables and payables in ASC 210-20, "Balance Sheet Offsetting," to health care entities, prohibiting offsetting of conditional or unconditional liabilities with anticipated insurance recoveries from third parties. The amended guidance is effective for fiscal years beginning after December 15, 2010. The System adopted the amended guidance on January 1, 2011. The System did not recognize a cumulative effect adjustment to beginning retained earnings as of January 1, 2011 because the increase to liabilities as a result of adopting the amended guidance was equal to the increase to insurance recoveries receivable. Because the System elected not to retrospectively adopt the amended guidance, there was no impact on the System's prior period statements of financial position, statements of operations, or cash flow statements.

### **3. Net Patient Service Revenue**

Net patient service revenue from the Medicare and Medicaid programs, exclusive of managed care, accounted for approximately 37% and 28%, respectively, of total net patient service revenue in 2011, and 36% and 28%, respectively, of total net patient service revenue in 2010. Compliance with laws and regulations governing the Medicare and Medicaid programs are 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. Management believes that adequate provision has been made for adjustments that may result from reviews by third-party payors. Estimated net settlements related to Medicare and Medicaid, collectively, of \$6,169,000 and \$3,877,000 at December 31, 2011 and 2010, respectively, are included as a component of estimated third-party payor settlements in the accompanying consolidated balance sheets.

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Net patient service revenue includes approximately \$3,190,000 and \$3,537,000 in 2011 and 2010, respectively, related to favorable changes in estimates for prior year cost report reopenings, appeals, and tentative final cost reports of which are still subject to audit, additional reopening, and/or appeals

The following summarizes net patient service revenue for the years ended December 31

<i>(in thousands of dollars)</i>	<b>2011</b>	<b>2010</b>
Gross patient service revenue	\$623,871	\$618,203
Less		
Contractual adjustments	(352,837)	(346,397)
Charity care	(2,165)	(2,855)
Other adjustments	3,164	4,148
Net patient service revenue	<u>\$272,033</u>	<u>\$273,099</u>

**4. Social Accountability Costs (Unaudited)**

In keeping with the mission and purpose of the System, to be a community of persons committed to a transforming, healing presence within the community it serves, the System strives to maximize the provision of services in its community and in collaboration with other organizations. A portion of the System's overall operating expense relates to costs incurred in providing and meeting certain community needs for which the System is not directly compensated.

A standard reporting and accountability process is utilized throughout the System to estimate the net cost of these services, referred to as Social Accountability Costs, which provides a basis of accountability and reporting to the community served for purposes of disclosing the utilization of resources. Costs reported are net of contributions or grants that have been provided to the System and designated for these purposes.

The information presented below has been calculated and is presented in accordance with the Catholic Health Association's *A Guide for Planning and Reporting Community Benefits*, Copyright 2008. Social accountability costs for the years ended December 31 are as follows:

<i>(in thousands of dollars)</i>	<b>2011</b>	<b>2010</b>
Cost of care of the poor	\$994	\$235
Cost of community benefit programs	2,797	5,103
Unpaid cost of Medicaid programs	<u>2,209</u>	<u>2,883</u>
Social accountability costs	<u>\$6,000</u>	<u>\$8,221</u>
 (Surplus) unpaid cost of Medicare programs	 <u>(\$1,963)</u>	 <u>(\$2,595)</u>

The cost of care of the poor is based on the System's estimated net cost of providing services to those unable to pay. The cost of the community benefit programs reflects the costs to develop and provide programs to meet special community needs that would not otherwise be available. The difference between amounts reimbursed to the System under the Medicaid program and the

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estimated cost of providing care for the Medicaid program is reflected as an unpaid cost of the program

**5. Marketable Securities and Investments Whose Use is Limited and Equity Investments in Managed Funds**

The composition of investments at December 31 is as follows

<i>(in thousands of dollars)</i>	<b>2011</b>	<b>2010</b>
Reported at fair value		
Cash and cash equivalents	\$3,574	\$3,119
Marketable equity securities	3,354	3,537
Marketable debt securities	<u>1,514</u>	<u>1,437</u>
	<u>8,442</u>	<u>8,093</u>
Reported under the equity method		
Managed funds	<u>1,462</u>	<u>1,523</u>
	<u><u>\$9,904</u></u>	<u><u>\$9,616</u></u>

A portion of the System's investment assets are held in the CIP Program. The CIP Program is structured under a Program Participation Agreement between the System and CHE. All investments in the CIP Program are professionally managed under the administration of CHE.

The System's investments held in the CIP Program are assigned a weighted value for the period of time the funds are invested in the CIP Program. Investment income from the CIP Program, including interest income, dividends, and realized gains and losses on sales of securities, and unrealized gains and losses are distributed to the System based on their weighted value of investment.

The underlying fair value of investments in the CIP Program, which are traded on national exchanges (except for managed funds), is based on the final reported sales price on the last business day of the year. The fair value of investments traded in over-the-counter markets is based on the average of the last recorded bid and asked prices.

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Investment returns, net, is comprised of the following for the years ended December 31

<i>(in thousands of dollars)</i>	<b>2011</b>	<b>2010</b>
<b>Investment returns, net</b>		
Interest and dividends	\$303	\$243
Net realized gains	51	42
Net unrealized (losses) gains on investments, trading securities	(112)	168
	<u>\$242</u>	<u>\$453</u>
<b>Temporarily restricted net assets</b>		
Investment income		
Interest and dividends	\$26	\$22
Net realized gains on investments	38	36
	<u>\$64</u>	<u>\$58</u>
Net change in unrealized (losses) gains on investments	<u>(\$58)</u>	<u>\$87</u>
<b>Permanently restricted net assets</b>		
Other changes in permanently restricted net assets		
Net realized and unrealized (losses) gains on investments	<u>(\$87)</u>	<u>\$142</u>

The following managed fund investments are recorded under the equity method of accounting, which is similar to using the net asset value per share of the investments as of December 31, 2011

<i>(in thousands of dollars)</i>	<u><b>Recorded Value</b></u>	<u><b>Unfunded Commitments</b></u>	<u><b>Commitment Term</b></u>	<u><b>Redemption Terms</b></u>
Fund of Hedge Funds	\$1,142	\$ -	n/a	Quarter-end, semiannually, or anniversary date, with 45-90 days prior written notice
Real Estate	129	\$49	3-11 years, n/a for one mutual fund	Redemption not permitted
Private Equity	<u>191</u>	<u>\$86</u>	<u>4-12 years</u>	<u>Redemption not permitted</u>
Total	<u>\$1,462</u>			



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#### **6. Fair Value Measurements**

The Company adheres to the accounting guidance for fair value measurements. This guidance defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America and enhances disclosures about fair value measurements. Fair value is defined under the new guidance 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. There was no impact to amounts reported in the consolidated financial statements resulting from the adoption of the new guidance.

As a basis for considering assumptions, the guidance establishes a hierarchical framework for measuring fair value (the fair value hierarchy) as follows:

Level 1: Quoted prices in active markets for identical assets.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar instruments, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Financial instruments measured at fair value are based on one or more of the three valuation techniques noted in the fair value guidance. The three valuation techniques are as follows:

**Market approach:** Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

**Cost approach:** Amount that would be required to replace the service capacity of an asset (i.e., replacement cost).

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

The System measures its interest rate swaps at fair market value on a recurring basis. The fair market value of the interest rate swaps is determined based on financial models that consider current and future market interest rates and adjustments for non-performance risk.

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Financial instruments that are measured at fair value at December 31, 2011 and 2010 consist of

(in thousands of dollars)

2011					<u>Valuation Technique</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
Consolidated investment program					
Cash and cash equivalents	\$297	\$112	\$ -	\$409	Market
Marketable equity securities	1,998	24	-	2,022	Market
Marketable debt securities	317	701	-	1,018	Market
Total consolidated investment program	<u>2,612</u>	<u>837</u>	<u>-</u>	<u>3,449</u>	
Separately invested					
Cash and cash equivalents	3,165	-	-	3,165	Market
Marketable equity securities	1,332	-	-	1,332	Market
Marketable debt securities	496	-	-	496	Market
Total separately invested	<u>4,993</u>	<u>-</u>	<u>-</u>	<u>4,993</u>	
Total marketable securities and investments whose use is limited at fair value	<u>\$7,605</u>	<u>\$837</u>	<u>\$ -</u>	8,442	
Managed funds				<u>1,462</u>	
Total marketable securities and investments whose use is limited				<u>\$9,904</u>	
Derivative financial instruments					
Interest rate swaps - liabilities		<u>(\$746)</u>			Market

(in thousands of dollars)

2010					<u>Valuation Technique</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
Consolidated investment program					
Cash and cash equivalents	\$208	\$103	\$ -	\$311	Market
Marketable equity securities	2,149	12	-	2,161	Market
Marketable debt securities	307	683	-	990	Market
Total consolidated investment program	<u>2,664</u>	<u>798</u>	<u>-</u>	<u>3,462</u>	
Separately invested					
Cash and cash equivalents	2,808	-	-	2,808	Market
Marketable equity securities	1,376	-	-	1,376	Market
Marketable debt securities	447	-	-	447	Market
Total separately invested	<u>4,631</u>	<u>-</u>	<u>-</u>	<u>4,631</u>	
Total marketable securities and investments whose use is limited at fair value	<u>\$7,295</u>	<u>\$798</u>	<u>\$ -</u>	8,093	
Managed funds				<u>1,523</u>	
Total marketable securities and investments whose use is limited				<u>\$9,616</u>	
Derivative financial instruments					
Interest rate swaps - liabilities		<u>(\$23)</u>			Market

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A roll forward of those marketable securities and investments whose use is limited that have been classified by the System as Level 3 within the fair value hierarchy (defined above) is as follows

<i>(in thousands of dollars)</i>	<b>2011</b>	<b>2010</b>
Fair value January 1	\$0	\$2
Purchases	-	-
Unrealized gains (losses)	-	-
Transfers out	-	(2)
Fair value December 31	<u>\$0</u>	<u>\$0</u>

Amount of unrealized gains related to Level 3 investments held at December 31, included in the consolidated statement of operations	<u>\$0</u>	<u>\$0</u>
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**7. Pledges Receivables**

Pledges receivable, included in other assets and other accounts receivable in the consolidated balance sheets, are expected to be collected as follows at December 31

<i>(in thousands of dollars)</i>	<b>2011</b>	<b>2010</b>
Within one year	\$501	\$721
Less Allowance for uncollectible pledges	<u>(217)</u>	<u>(293)</u>
Total less than one year	<u>284</u>	<u>428</u>
One to five years	525	904
Less Present value discount	(69)	(131)
Less Allowance for uncollectible pledges	<u>(120)</u>	<u>(225)</u>
Total greater than one year	<u>336</u>	<u>548</u>
Total	<u>\$620</u>	<u>\$976</u>

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**8. Property and Equipment**

The following summarizes property and equipment at December 31

<i>(in thousands of dollars)</i>	<b>2011</b>	<b>2010</b>
Land and improvements	\$8,854	\$9,352
Buildings and improvements	98,924	98,134
Equipment	<u>146,754</u>	<u>156,815</u>
	254,532	264,301
Less Accumulated depreciation and amortization	<u>(177,368)</u>	<u>(187,515)</u>
	77,164	76,786
Construction in progress	<u>6,740</u>	<u>3,877</u>
Total property and equipment	<u><u>\$83,904</u></u>	<u><u>\$80,663</u></u>

At December 31, 2011 and 2010, approximately \$1,744,000 and \$1,864,000 of property, plant and equipment, net, were pledged as collateral under various loan agreements

At December 31, 2011 and 2010, the estimated costs to complete the construction-in-progress projects approximate \$5,098,000 and \$8,469,000 respectively

**9. Investments in Unconsolidated Organizations**

***Physician Practice Partners, LLC***

The System has a 50% ownership interest in Physician Practice Partners, LLC ("PPP"), a physician group joint venture. The System's recorded investment in PPP was \$4,966,000 and \$2,103,000 at December 31, 2011 and 2010, respectively. The System recorded \$1,571,000 of investment income during 2011 related to 2010 that was not recorded in the prior year and \$1,291,000 of investment income for the current year, 2011. The System accounts for its investment in the joint venture under the equity method of accounting. A summary of PPP's financial statements as of and for the years ended December 31 is as follows:

<i>(in thousands of dollars)</i>	<b>2011</b>	<b>2010</b>
Total assets	\$19,332	\$17,871
Total liabilities	<u>9,404</u>	<u>10,773</u>
Total members' excess	<u><u>\$9,928</u></u>	<u><u>\$7,098</u></u>
Total revenue	\$68,076	\$62,923
Net income	\$2,583	\$2,581

***Catherine Horan Building Associates Limited Partnership***

The System, through its affiliate, SCS, Inc., the general partner, has a 1.0% ownership interest in the Catherine Horan Building Associates Limited Liability Partnership ("LLP"). The System's recorded investment in the LLP was (\$228,000) and (\$337,000) at December 31, 2011 and 2010, respectively. The System recorded its share of the LLP's income in 2011 and 2010 from operations

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of \$109,000 and \$62,000, respectively. Additionally, the System has a note receivable from the LLP recorded with principal and interest totaling \$1,465,000 and \$1,342,000 at December 31, 2011 and 2010, respectively. The note receivable has been fully reserved by the System. The System accounts for its investment in the LLP under the equity method of accounting.

A summary of the LLP's financial statements as of and for the years ended December 31 is as follows:

<i>(in thousands of dollars)</i>	<b>2011</b>	<b>2010</b>
Total assets	\$959	\$967
Total liabilities	2,853	2,850
Total members' deficit	<u>(\$1,894)</u>	<u>(\$1,883)</u>
 Total revenue	 \$564	 \$539
Net loss	(\$11)	(\$49)

***Western Mass PET/CT Imaging Center, LLC***

The System has a 50% membership interest in Western Mass PET/CT Imaging Center, LLC ("LLC") which provides PET and CT services to Mercy Hospital, Inc. The System's recorded investment in the LLC was \$361,000 and \$303,000 at December 31, 2011 and 2010, respectively. The System recorded its share of LLC's income in 2011 and 2010 of \$58,000 and \$76,000, respectively. The System received a cash distribution of \$50,000 in 2011. There were no cash distributions in 2010.

***Greater Springfield MRI, LP***

The System, through its affiliate SCS, Inc., has a 50% membership interest in Greater Springfield MRI, LP ("LP") which provides MRI services. The System's recorded investment in the LP was \$467,000 and \$646,000 at December 31, 2011 and 2010, respectively. The System recorded its share of the LP's income in 2011 and 2010 of \$501,000 and \$526,000, respectively. The System received cash distributions of \$680,000 and \$250,000 in 2011 and 2010, respectively.

**10. Derivative Financial Instruments**

CHE has entered into derivative transactions for the purpose of reducing the impact of fluctuations in interest rates and reducing interest expense. CHE has entered into fixed-to-floating interest rate swaps and basis swaps.

At December 31, 2011, fourteen basis swap transactions were outstanding in the CHE program with notional amounts totaling \$717 million and maturity dates ranging from February 2023 to December 2028. In the basis swap transactions, CHE receives a floating taxable rate and pays a floating tax-exempt rate. CHE has elected not to designate these interest rate swap agreements as hedges for financial reporting purposes.

At December 31, 2011, six fixed-to-floating interest rate swap agreements were outstanding in the CHE program with notional amounts totaling \$150 million and maturity dates ranging from May 2012 to December 2021. The fixed-to-floating interest rate swap agreements effectively convert a portion of CHE's fixed rate debt to a floating rate basis and are not designated as hedges for financial reporting purposes.

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At December 31, 2011, four fixed-payor interest rate swap agreements were outstanding in the CHE program with notional amounts totaling \$27.7 million and maturity dates ranging from November 2032 to November 2034. Under these interest rate swap agreements, CHE pays a fixed rate and receives a variable rate. Additionally, the cash flows from these interest rate swap agreements equal the rates on the bonds and therefore effectively convert the debt to a fixed rate. The notional amounts of these interest rate swap agreements decline in relation to the annual principal payments on the hedged debt. CHE has elected not to designate these interest rate swap agreements as hedges for financial reporting purposes.

The fair value of derivative instruments at December 31, is as follows:

	2011		2010	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
<i>(in thousands of dollars)</i>				
Interest rate contracts				
Fixed-to-floating	Other assets	\$154	Other assets	\$78
Basis	Other liabilities	(\$447)	Other assets	\$146
Fixed-payor	Other liabilities	(\$453)	Other liabilities	(\$247)

The effects of derivative instruments on the consolidated statements of operations and changes in net assets for 2011 and 2010 are as follows:

(in thousands of dollars)		Location of Gain (Loss) Recognized in Statement of Operations	Amount of Gain (Loss) Recognized in Statement of Operations		Percentage Participation in CHE Swap Programs	
			2011	2010	2011	2010
Interest rate contracts						
Fixed-to-floating	Change in fair value of interest rate swaps		\$76	\$266	5.9%	5.0%
Basis	Change in fair value of interest rate swaps		(592)	(1,473)	6.1%	5.4%
Fixed-payor	Change in fair value of interest rate swaps		(207)	432	6.3%	5.6%
Total			(\$723)	(\$775)		

Certain of CHE's derivative instruments contain credit-risk-related provisions that require CHE and its counterparties to post collateral in varying amounts based on their respective credit ratings. If CHE's debt were to fall below investment grade, the counterparties to the derivative instruments would require CHE to post collateral only if the aggregate position of all derivative instruments is negative. Based on CHE's current credit rating, the System was not required to post collateral as of December 31, 2011 or 2010.

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**11. Long-Term Debt**

Long-term debt consists of the following at December 31

<i>(in thousands of dollars)</i>	<b>2011</b>	<b>2010</b>
Massachusetts Health and Educational Facilities Authority 2002 Revenue Bonds, bearing a fixed interest rate (with coupon rates ranging from 3.50% to 5.50%) with semi-annual principal payments beginning 2002 through 2015	\$1,040	\$1,275
Massachusetts Health and Educational Facilities Authority Series 2007C variable rate bonds, swapped to a fixed rate of 4.374% with semi-annual principal payments beginning 2007 through 2032	12,390	12,425
Massachusetts Health and Educational Facilities Authority 2009 Revenue Bonds, bearing a fixed interest rate (with coupon rate of 6.25%) with semi-annual principal payments beginning 2010 through 2032	30,320	30,490
Massachusetts Health and Educational Facilities Authority 2010 Revenue Bonds, bearing a fixed interest rate (with coupon rate ranging from 2.50% to 5.00%) with semi-annual principal payments beginning 2010 through 2018	13,090	14,690
Less: Unamortized discount	<u>(106)</u>	<u>(70)</u>
Subtotal	56,734	58,810
Construction mortgage payable to PNC in monthly installments through September 6, 2015, variable rates of LIBOR plus .85%, averaging 1.1% at December 31, 2011	1,302	1,642
Capital lease obligations	<u>25</u>	<u>47</u>
Total long-term debt	58,061	60,499
Less: current portion	<u>(2,498)</u>	<u>(2,438)</u>
Total long-term debt less current portion	<u><u>\$55,563</u></u>	<u><u>\$58,061</u></u>

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The fair value of the System's quoted market prices or estimates using discounted cash flow analysis is based on the System's incremental borrowing rates for similar types of borrowing arrangements. The fair value of the System's long-term debt, based on quoted market prices, at December 31, 2011 and 2010 was \$57,764,000 and \$56,306,000, respectively, compared to the carrying value of \$56,734,000 and \$58,880,000, respectively. This excludes capital leases and mortgage notes.

The System is a member of the CHE Obligated Group. Under CHE's Amended and Restated Master Trust Indenture dated January 1, 1998 and amended and restated as of September 30, 2007, CHE and other Obligated Group members provide a gross revenue pledge and are joint and severally liable on all obligations outstanding under the Master Indenture.

Additionally, the Obligated Group has agreed to comply with certain covenants including the repayment of principal and interest, notification regarding admission or withdrawal of members of the Obligated Group, to deliver financial statements and other related information by specified due dates, to maintain insurance, and to maintain a long-term debt service coverage of at least 1.10 to 1.00.

During 2011 and 2010, interest expense totaled \$2,112,000 and \$2,295,000, respectively. Cash paid for interest totaled \$2,543,000 and \$2,471,000 for the years ended December 31, 2011 and 2010, respectively.

Aggregate maturities of long-term debt as of December 31, 2011 are as follows:

*(in thousands of dollars)*

2012	\$2,498
2013	2,487
2014	2,620
2015	2,663
2016	2,385
Thereafter	45,514
	<u>58,167</u>
Less: unamortized discount	<u>(106)</u>
	<u><u>\$58,061</u></u>

On April 7, 2010, CHE issued \$16.2 million of Series 2010 Hospital Revenue Bonds through the Massachusetts Health and Educational Facilities Authority. On October 1, 2010 (the "Effective Date") pursuant to certain provisions of Chapter 240 of the Acts of 2010 of the Massachusetts Legislature, signed into law by the Massachusetts Governor on August 5, 2010 (the "Legislation") the Authority was merged into the Massachusetts Development Finance Agency ("MassDevelopment"). Under the Legislation, among other matters in connections with the merger, (i) on the Effective Date, the Authority is dissolved, and (ii) on and after the Effective Date, the Authority's rights, powers and duties, and properties shall be exercised, performed, owned and held by MassDevelopment, and any and all obligations and liabilities of the Authority shall become obligations and liabilities of MassDevelopment. The proceeds of the issue were used for an advance refunding and redemption of \$16.6 million of Massachusetts Health and Educational Facilities Authority, CHE Series 1998B revenue bonds and to pay the cost of issuance. The bonds were issued at a fixed rate. As part of the refinancing, the System recorded a loss on extinguishment totaling \$416,000.



**Sisters of Providence Health System, Inc. and Affiliated Organizations**  
**Notes to Consolidated Financial Statements**  
**December 31, 2011 and 2010**

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***Blended Cost of Debt Program***

During 2007, CHE implemented the Blended Cost of Debt Program (the "Debt Program") to establish a uniform cost of debt for participating RHCs and to mitigate the interest rate risk of an RHC. The System is a participant in the Debt Program.

Under the Debt Program, all debt costs, excluding taxable debt, capitalized leases, and short-term borrowing, are blended. The calculation of the blended costs incorporates bond interest, both fixed and variable, debt-related fees, such as letters of credit, credit enhancement, remarketing, auction, as well as periodic rating agency, bond trustee, master trustee and issuing authority fees, net swap payments/receipts and put/guaranty receipts, along with other miscellaneous fees related to tax-exempt debt issued by CHE and its affiliates.

Participants in the Debt Program make periodic payments to CHE. Each participant's periodic payment is based on their respective percentage of total indebtedness included in the Debt Program. Principal payments are not blended. Participants make their scheduled principal payments to CHE in the month they are due.

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

Temporarily restricted net assets are those whose use by the System has been limited by donors to a specific time period or purpose. Temporarily restricted net assets are available for the following purposes at December 31:

<i>(in thousands of dollars)</i>	<b>2011</b>	<b>2010</b>
Education and research	\$596	\$636
Building and equipment	1,046	1,161
Patient care	682	696
Other health services	132	125
Total	<u>\$2,456</u>	<u>\$2,618</u>

Permanently restricted net assets are those whose use by the System has been restricted by donors to be maintained in perpetuity. Permanently restricted net assets are as follows at December 31:

<i>(in thousands of dollars)</i>	<b>2011</b>	<b>2010</b>
Endowments for which the income is unrestricted	<u>\$2,122</u>	<u>\$2,209</u>

# Sisters of Providence Health System, Inc. and Affiliated Organizations

## Notes to Consolidated Financial Statements

### December 31, 2011 and 2010

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The System considers the following factors in determining if donor-restricted endowment funds are accumulated or appropriated

- 1) The duration and preservation of the fund
- 2) The purposes of the System's donor-restricted endowment funds
- 3) General economic conditions
- 4) Effect of possible inflation or deflation
- 5) The expected total investment return and appreciation of investments
- 6) Other resources of the System
- 7) Investment policies of the System

The System's permanently restricted net assets consist of individual endowment accounts. Unless otherwise directed by the donor, gifts received for endowments are invested in accordance with the System's investment policy. Unless otherwise directed by the donor, the System annually appropriates a certain percentage of each endowment fund, which is then available for spending in accordance with the donor's intent. In order to preserve the real value of a donor's gift and to sustain funding consistent with donor intent, the annual appropriation rate is set to strike a reasonable balance between long-term objectives of preserving and growing each endowment fund for the future and providing stable, annual appropriations.

The composition of endowment fund net assets, by type of fund, at December 31, 2011 and 2010 are as follows

	2011		
	Temporarily Restricted	Permanently Restricted	Total
<i>(in thousands of dollars)</i>			
Donor-restricted endowment funds	\$2,456	\$2,122	\$4,578
Total endowment funds	<u>\$2,456</u>	<u>\$2,122</u>	<u>\$4,578</u>
	2010		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$2,618	\$2,209	\$4,827
Total endowment funds	<u>\$2,618</u>	<u>\$2,209</u>	<u>\$4,827</u>

**Sisters of Providence Health System, Inc. and Affiliated Organizations**  
**Notes to Consolidated Financial Statements**  
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Changes in the composition of endowment fund net assets as of December 31, 2011 and 2010 are as follows

<i>(in thousands of dollars)</i>	<b>2011</b>		<b>Total</b>
	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
Endowment fund net assets, beginning of year	\$2,618	\$2,209	\$4,827
Investment return			
Realized gains	38	25	63
Unrealized gains	(58)	(103)	(161)
Other investment income	26	(9)	17
Total investment return	6	(87)	(81)
Other changes in endowment funds	(168)	-	(168)
Endowment fund net assets, end of year	<u>\$2,456</u>	<u>\$2,122</u>	<u>\$4,578</u>
<b>2010</b>			
	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment fund net assets, beginning of year	\$3,152	\$2,067	\$5,219
Investment return			
Realized losses	36	53	89
Unrealized gains	87	101	188
Other investment income	22	(12)	10
Total investment return	145	142	287
Other changes in endowment funds	(679)	-	(679)
Endowment fund net assets, end of year	<u>\$2,618</u>	<u>\$2,209</u>	<u>\$4,827</u>

### **13. Professional Liability and Insurance**

Professional and general liability risk is insured through a wholly-owned captive insurance company of CHE, commercial insurance and reinsurance companies, and self-insured programs. Excess insurance over self-insured amounts and coverage provided by the captive has been purchased from the commercial insurance and reinsurance markets. The excess professional liability coverage is provided on a claims-made basis. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. CHE has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. Accrued malpractice losses have been discounted and in management's opinion provide an adequate reserve for loss contingencies.

**Sisters of Providence Health System, Inc. and Affiliated Organizations**  
**Notes to Consolidated Financial Statements**  
**December 31, 2011 and 2010**

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Total amounts accrued under these programs as long-term liabilities approximate \$2,177,000 and \$1,741,000 at December 31, 2011 and 2010, respectively. Amounts recognized as insurance receivables related to the claims approximate \$19,135,000 at December 31, 2011. Insurance recoveries are measured on the same basis as the liability subject to the need for a valuation allowance for uncollectible amounts.

The System participates in a self-insurance program for workers' compensation claims which is administered and maintained by CHE. Losses from asserted claims and from unasserted claims identified under the System's incident reporting systems are accrued based on estimates that incorporate the System's experience, relevant trends, and other factors. CHE has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. Accrued workers compensation losses have been discounted and in management's opinion provide an adequate reserve for loss contingencies.

Total amounts accrued under these programs as current liabilities approximate \$735,000 and \$792,000 at December 31, 2011 and 2010, respectively. Total amounts accrued under these programs as long-term liabilities approximate \$1,399,000 and \$1,733,000 at December 31, 2011 and 2010, respectively. Amounts recognized as insurance receivables related to the claims approximate \$392,000 at December 31, 2011. Insurance recoveries are measured on the same basis as the liability subject to the need for a valuation allowance for uncollectible amounts.

Bank-administered trust and other accounts have been established for the purpose of segregating assets. These trusts are funded based on actuarial estimates and can only be used for payment of malpractice losses, related expenses, and administrative costs of the trusts. Assets of the trusts are included in marketable securities whose use is limited.

The total amount charged to expense for insurance was \$3,558,000 and \$2,499,000 in 2011 and 2010, respectively.

The System administers a self-insured health and welfare plan which provides coverage to employees of the System and affiliated organizations. The health plan, which is administered by an insurance company and a managed care provider, includes a stop-loss provision of \$250,000 on an individual-related claim basis. At December 31, 2011 and 2010, the System has recorded reserves of approximately \$1,319,000 and \$1,205,000, respectively, in accounts payable and accrued expenses relating to estimated losses which have been incurred as of December 31, 2011 and 2010, respectively, but will be paid in the future.

# Sisters of Providence Health System, Inc. and Affiliated Organizations

## Notes to Consolidated Financial Statements

### December 31, 2011 and 2010

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#### 14. Pension Benefits

CHE maintains non-contributory defined benefit pension plans that vary from one RHC to another, one of which is sponsored by the System

The following table sets forth the change in benefit obligation and the change in fair value of plan assets based on the measurement date, and the amounts recognized in the consolidated financial statements at December 31

<i>(in thousands of dollars)</i>	<b>2011</b>	<b>2010</b>
<b>Change in benefit obligation:</b>		
Benefit obligation, beginning of year	\$34,672	\$31,442
Interest cost	1,740	1,790
Actuarial (gain) loss	3,758	2,875
Gross benefits paid	(1,474)	(1,435)
Benefit obligation, end of year	<u>\$38,696</u>	<u>\$34,672</u>
<b>Accumulated benefit obligation, end of year</b>	<b>\$38,696</b>	<b>\$34,672</b>
<b>Change in plan assets:</b>		
Fair value of plan assets, beginning of year	\$25,502	\$23,317
Actual return on plan assets	(159)	2,512
Employer contributions	1,310	1,161
Gross benefits paid	(1,475)	(1,435)
Expenses	-	(53)
Fair value of plan assets, end of year	<u>\$25,178</u>	<u>\$25,502</u>
<b>Funded status</b>		
Fair value of plan assets	\$25,178	\$25,502
Projection benefit obligation	38,696	34,672
Funded status	<u>(\$13,518)</u>	<u>(\$9,170)</u>
Accrued pension liability, end of year	<u>(\$13,518)</u>	<u>(\$9,170)</u>
<b>Amounts recognized in unrestricted net assets</b>		
Net actuarial loss	<u>\$22,451</u>	<u>\$17,261</u>

The following table sets forth the components of net periodic benefit cost for the plan for the years ended December 31

<i>(in thousands of dollars)</i>	<b>2011</b>	<b>2010</b>
<b>Components of net periodic benefit cost:</b>		
Service cost	\$ -	\$58
Interest cost	1,740	1,790
Expected return on plan assets	(1,905)	(1,852)
Amortization of actuarial loss	580	524
<b>Net periodic benefit cost</b>	<u>\$415</u>	<u>\$520</u>

# Sisters of Providence Health System, Inc. and Affiliated Organizations

## Notes to Consolidated Financial Statements

### December 31, 2011 and 2010

The net actuarial loss that will be amortized from unrestricted net assets into net periodic benefit costs in 2012 is \$808,000

The assumptions used to determine the benefit obligation at December 31 are as follows

	2011	2010
<b>Assumptions used to determine the benefit obligation at December 31:</b>		
Weighted average discount rate	4.30%	5.15%
Weighted average expected long-term rate of return on plan assets	7.50%	8.00%
<b>Assumptions used to determine periodic benefit cost at December 31:</b>		
Weighted average discount rate	5.15%	5.80%
Weighted average expected long-term rate of return on plan assets	7.50%	8.00%

**Investment Policy and Asset Allocations** – In developing the assumption for the expected rate of return on assets, the System evaluates historical returns, the level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested, and the expectations for future returns of each asset class. The expected rate of return for each asset class is then weighted based on the target asset allocation to develop the assumption for the expected long-term rate of return on assets. This methodology was utilized to develop the long-term rate of return assumptions at December 31, 2011 and 2010.

The weighted average asset allocations for the plan at December 31 and the target allocation for the calendar year 2011, by asset category, is as follows

Asset Category	Target Allocation 2012	2011	Target Allocation 2011	2010
Cash and marketable debt securities	18.8%	19.2%	18.8%	18.1%
Marketable equity securities and managed funds	81.2%	80.8%	81.2%	81.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

The portfolio is diversified among a mix of assets including large and small cap, domestic and foreign equities, fixed income, alternatives (a fund of hedge funds), and cash. Asset mix is targeted to a specific allocation, either intermediate or long-term, that is established by evaluating expected return, standard deviation, and correlation of various assets against the plan's long-term objectives. Asset performance is monitored quarterly and rebalanced if asset classes exceed explicit ranges. The investment policy governs permitted types of investments, and outlines specific benchmarks and performance percentiles. The Investment Subcommittee of the Stewardship Committee of the CHE Board oversees the pension investment program and monitors investment performance. Risk is closely monitored through the evaluation of portfolio holdings and tracking the beta and standard deviation of the portfolio performance. The use of derivative financial instruments as an investment vehicle is specifically limited.

**Sisters of Providence Health System, Inc. and Affiliated Organizations**  
**Notes to Consolidated Financial Statements**  
**December 31, 2011 and 2010**

The following table presents the Plan's financial instruments as of December 31, 2011, measured at fair value on a recurring basis using the fair value hierarchy defined in Note 6

(in thousands of dollars)

	<b>2011</b>				<b><u>Valuation Technique</u></b>
	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>	
Pension plan assets					
Cash and cash equivalents	\$1,319	\$610	\$ -	\$1,929	Market
Marketable equity securities	15,675	1,282	-	16,957	Market
Marketable debt securities	1,090	2,454	-	3,544	Market
Managed funds	-	-	2,748	2,748	Market
Total pension plan assets	<u>\$18,084</u>	<u>\$4,346</u>	<u>\$2,748</u>	<u>\$25,178</u>	

(in thousands of dollars)

	<b>2010</b>				<b><u>Valuation Technique</u></b>
	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>	
Pension plan assets					
Cash and cash equivalents	\$1,109	\$705	\$ -	\$1,814	Market
Marketable equity securities	15,816	1,528	-	17,344	Market
Marketable debt securities	1,208	2,277	1	3,486	Market
Managed funds	-	-	2,858	2,858	Market
Total pension plan assets	<u>\$18,133</u>	<u>\$4,510</u>	<u>\$2,859</u>	<u>\$25,502</u>	

The table below sets forth a summary of changes in the fair value of the Level 3 assets for the Plan for the period from December 31, 2010 to December 31, 2011

(in thousands of dollars)

	<b>2011</b>	<b>2010</b>
Fair value January 1	\$2,858	\$2,687
Purchases	-	928
Sales	(102)	(582)
Realized gains	17	190
Unrealized losses	(112)	(93)
Transfer in (out)	87	(272)
Fair value December 31	<u>\$2,748</u>	<u>\$2,858</u>
Amount of unrealized losses related to Level 3 investments held at December 31	<u>(\$112)</u>	<u>(\$93)</u>

**Contributions-** Expected contributions to the defined benefit plan in 2012 are approximately \$1,931,000

**Sisters of Providence Health System, Inc. and Affiliated Organizations**  
**Notes to Consolidated Financial Statements**  
**December 31, 2011 and 2010**

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**Estimated Future Benefit Payments**

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows

*(in thousands of dollars)*

2012	\$1,720
2013	1,873
2014	2,004
2015	2,122
2016	2,236
2016-2020	12,069
	<u>\$22,024</u>

**15. Concentrations of Credit Risk**

The System grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of the receivables at December 31 is as follows:

	2011	2010
Managed care	17%	18%
Medicare	25%	22%
Medicaid	26%	25%
Self-pay	15%	18%
Other third-party payors	10%	10%
Commercial	7%	7%
	<u>100%</u>	<u>100%</u>

In addition, the System invests its cash and cash equivalents primarily with banks and financial institutions. These deposits may be in excess of federally insured limits. Management believes that the credit risk related to these deposits is minimal.

**16. Commitments and Contingencies**

The System is a defendant in various lawsuits relating primarily to rendering of health care services. In each instance, management is of the opinion that the liability, if any, resulting therefrom will be covered by insurance or will not have a material adverse impact on the consolidated financial statements of the System.

**17. Operating Leases**

The System leases office space and certain equipment under cancelable and non-cancelable operating leases. Rental expense was approximately \$3,543,000 and \$3,530,000 in 2011 and 2010, respectively.



**Sisters of Providence Health System, Inc. and Affiliated Organizations**  
**Notes to Consolidated Financial Statements**  
**December 31, 2011 and 2010**

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Future minimum lease payments for all cancelable and non-cancelable leases as of December 31, 2011 are as follows

*(in thousands of dollars)*

2012	\$1,912
2013	1,085
2014	637
2015	457
2016	265
Thereafter	750
	<u>\$5,106</u>

**18. Functional Expenses**

The System provides general health care services to residents within its geographic location, including acute care, outpatient care, pediatric care, and physician services. Expenses related to providing these services for the years ended December 31 are as follows

*(in thousands of dollars)*

	<b>2011</b>	<b>2010</b>
Health care services	\$238,911	\$238,136
General and administrative	<u>44,821</u>	<u>45,494</u>
Total	<u>\$283,732</u>	<u>\$283,630</u>

**19. Affiliates and Related Party Transactions**

CHE was incorporated as a Pennsylvania non-profit corporation on October 1, 1997. CHE is a catholic, multi-facility health system sponsored by fifteen religious congregations and Hope Ministries. Each sponsoring congregation appoints a representative to the Sponsors Council which maintains certain reserve powers, including the election of the CHE Board of Directors. CHE serves to carry out the health care ministries of the sponsoring congregations. The mission of CHE is to be a community of persons committed to being a transforming, healing presence within the communities it serves.

The consolidated financial statements of CHE include activities of its RHCs and related component corporations all of which are wholly or majority owned. These RHCs are located throughout eleven states and the healthcare activities provided by these RHCs include, but are not limited to, general acute care hospitals, long-term care facilities, skilled nursing facilities, behavioral health, and residential facilities for the elderly, physician services, home health, outpatient surgery, and other services.

In conjunction with the formation of CHE, the System became an RHC of CHE. With the exception of certain powers reserved by the System, including the power to approve recommendations for nominees to the Board of Trustees of the System and the power to approve the annual budget of the System, all other reserved powers of previous sponsors were transferred to CHE.

# **Sisters of Providence Health System, Inc. and Affiliated Organizations**

## **Notes to Consolidated Financial Statements**

### **December 31, 2011 and 2010**

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The System's portion of the dues or management fees assessed by CHE was approximately \$6,986,000 and \$5,882,000 for the years ended December 31, 2011 and 2010, respectively. These dues are included as professional fees and purchased services in the accompanying consolidated statements of operations and changes in net assets.

Pledges receivable from related parties, principally trustees of the System, before discounts and allowances were approximately \$161,000 and \$254,000 at December 31, 2011 and 2010, respectively.

Amounts due from affiliates, which are included in both current and long-term assets and liabilities and are not eliminated in consolidation, are \$1,881,000 and \$1,586,000 at December 31, 2011 and 2010, respectively. These amounts are related to monies due from unconsolidated related parties: Catholic Health East, Catherine Horan Building Limited Partnership, Mary's Meadow and Providence Place related to the normal day-to-day transactions which is offset by monies owed to the Sisters of Providence Inc., an unconsolidated related party, related to Mercy Medical Center and capital leases for land which expire in 2014.

#### **20. Discontinued Operations**

During 2008, the System discontinued the outpatient clinic operations and programs of Brightside Counseling Associates and the School Street Clinic ("Brightside Outpatient"). In December 2010, the Board of Directors of the System approved a plan to close the residential and school programs of Brightside ("Brightside Residential"). During 2010, the System also discontinued the operations of the Bariatrics program within System Coordinated Services and recorded all of the related revenues and expenses to discontinued operations.

All related assets, liabilities, and gains or losses from operations for Brightside Outpatient, Brightside Residential and Bariatrics have been accounted for as discontinued operations as of and for the years ended December 31, 2011 and 2010. For the years ended December 31, 2011 and 2010, respectively, the net operating loss of Brightside Outpatient, Brightside Residential and Bariatrics was \$18,000 and \$2,270,000, respectively.

## **SUPPLEMENTARY INFORMATION**

**Sisters of Providence Health System, Inc. and Affiliated Organizations**  
**Consolidating Balance Sheet**  
**December 31, 2011**

	<b>Sisters of Providence Health System Consolidated</b>	<b>Sisters of Providence Health System, Inc.</b>	<b>Mercy Hospital, Inc. and Subsidiaries</b>	<b>Continuing Care Network</b>	<b>Mercy Specialist Physicians</b>	<b>Brightside, Inc.</b>
<i>(In thousands of dollars)</i>						
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$12,419	(\$17,681)	\$52,411	(\$215)	(\$2,927)	(\$19,169)
Patent accounts receivable, net of estimated uncollectibles of \$10,828	29,822	-	26,957	2,396	214	255
Other accounts receivable	3,820	359	3,022	185	232	22
Prepays and other current assets	5,438	387	5,003	29	14	5
Total current assets	51,499	(16,935)	87,393	2,395	(2,467)	(18,887)
<b>Marketable securities and investments whose use is limited</b>						
Board-designated funds	3,134	-	99	-	-	3,035
Trustee-held funds	2,574	-	2,187	283	-	104
Donor-restricted funds	4,196	279	1,809	1,634	-	474
	9,904	279	4,095	1,917	-	3,613
<b>Property and equipment, net</b>	83,904	4,705	73,955	5,244	-	-
<b>Investments in unconsolidated organizations</b>	5,794	4,966	828	-	-	-
<b>Other assets</b>	22,960	21,809	900	74	-	177
Total assets	\$174,061	\$14,824	\$167,171	\$9,630	(\$2,467)	(\$15,097)

See accompanying independent auditor's report.

**Sisters of Providence Health System, Inc. and Affiliated Organizations**  
**Consolidating Balance Sheet (continued)**  
**December 31, 2011**

	<b>Sisters of Providence Health System Consolidated</b>	<b>Sisters of Providence Health System, Inc.</b>	<b>Mercy Hospital, Inc. and Subsidiaries</b>	<b>Continuing Care Network</b>	<b>Mercy Specialist Physicians</b>	<b>Brightside, Inc.</b>
<i>(in thousands of dollars)</i>						
<b>Liabilities and Net Assets</b>						
<b>Current Liabilities</b>						
Current portion of long-term debt	\$2,498	\$8	\$2,171	\$264	\$ -	\$55
Accounts payable and accrued expenses	23,343	3,014	17,403	2,580	121	225
Estimated third party payor settlements	8,987	-	8,987	-	-	-
Other current liabilities	6,675	(4,034)	5,650	4,946	8	105
Total current liabilities	41,503	(1,012)	34,211	7,790	129	385
<b>Long-term debt, net</b>	55,563	163	47,254	6,576	-	1,570
<b>Other liabilities</b>	16,425	354	15,972	33	-	66
<b>Insurance liabilities</b>	23,103	20,023	2,440	236	208	196
Total liabilities	136,594	19,528	99,877	14,635	337	2,217
<b>Net assets</b>						
Unrestricted	32,889	(4,922)	65,037	(6,640)	(2,804)	(17,782)
Temporarily restricted	2,456	168	1,900	109	-	279
Permanently restricted	2,122	50	357	1,526	-	189
Total net assets	37,467	(4,704)	67,294	(5,005)	(2,804)	(17,314)
Total liabilities and net assets	\$174,061	\$14,824	\$167,171	\$9,630	(\$2,467)	(\$15,097)

See accompanying independent auditor's report.

# Sisters of Providence Health System, Inc. and Affiliated Organizations

## Consolidating Statement of Operations and Changes in Net Assets

### December 31, 2011

(in thousands of dollars)

	Sisters of Providence Health System Consolidated	Sisters of Providence Health System, Inc.	Mercy Hospital, Inc. and Subsidiaries	Continuing Care Network	Mercy Specialist Physicians	Brightside, Inc.	Eliminations
<b>Unrestricted revenue, gains and other support</b>							
Net patient service revenue	\$272,033	\$ -	\$234,171	\$33,657	\$2,233	\$1,972	\$0
Net assets released from restrictions for operations	202	75	90	19	-	18	-
Contributions	763	93	304	31	-	335	-
Other operating revenues	17,735	29,634	15,456	1,189	-	61	(28,605)
	<u>290,733</u>	<u>29,802</u>	<u>250,021</u>	<u>34,896</u>	<u>2,233</u>	<u>2,386</u>	<u>(28,605)</u>
<b>Expenses</b>							
Salaries, wages and benefits	165,976	13,801	126,961	21,011	2,492	1,711	-
Medical supplies	30,102	(22)	29,553	570	1	-	-
Purchased services, professional fees and other expenses	61,744	13,120	64,432	10,907	715	1,175	(28,605)
Depreciation and amortization	11,674	2,554	8,635	479	-	6	-
Interest	2,112	(353)	1,811	602	1	51	-
Insurance	3,558	432	2,897	156	67	6	-
Provision for bad debts	8,566	-	8,335	111	56	64	-
	<u>283,732</u>	<u>29,532</u>	<u>242,624</u>	<u>33,836</u>	<u>3,332</u>	<u>3,013</u>	<u>(28,605)</u>
	<u>7,001</u>	<u>270</u>	<u>7,397</u>	<u>1,060</u>	<u>(1,099)</u>	<u>(627)</u>	<u>-</u>
Operating income (loss)							
Non-operating gains (losses)							
Investment returns, net	242	(86)	443	54	(18)	(151)	-
Equity in earnings of unconsolidated organizations	2,973	2,863	110	-	-	-	-
Change in fair value of interest rate swaps	(723)	(4)	(604)	(100)	-	(15)	-
	<u>2,492</u>	<u>2,773</u>	<u>(51)</u>	<u>(46)</u>	<u>(18)</u>	<u>(166)</u>	<u>-</u>
Excess (deficit) of revenues over expenses	<u>\$9,493</u>	<u>\$3,043</u>	<u>\$7,346</u>	<u>\$1,014</u>	<u>(\$1,117)</u>	<u>(\$793)</u>	<u>\$ -</u>

See accompanying independent auditor's report.

# Sisters of Providence Health System, Inc. and Affiliated Organizations

## Consolidating Statement of Operations and Changes in Net Assets (continued)

### December 31, 2011

(in thousands of dollars)

	Sisters of Providence Health System Consolidated	Sisters of Providence Health System, Inc.	Mercy Hospital, Inc. and Subsidiaries	Continuing Care Network	Mercy Specialist Physicians	Brightside, Inc.
<b>Unrestricted net assets</b>						
Excess (deficit) of revenues over expenses	\$9,493	\$3,043	\$7,346	\$1,014	(\$1,117)	(\$793)
Pension adjustment	(5,190)	40	(4,978)	(124)	-	(128)
Net assets released from restrictions for capital expenditures	664	-	639	25	-	-
Increase (decrease) in unrestricted net assets before discontinued operations	4,967	3,083	3,007	915	(1,117)	(921)
Loss from discontinued operations	(18)	-	(18)	-	-	-
Increase (decrease) in unrestricted net assets	4,949	3,083	2,989	915	(1,117)	(921)
<b>Temporarily restricted net assets</b>						
Contributions	766	(13)	730	59	-	(10)
Investment income	64	4	47	4	-	9
Change in unrealized losses on investments	(58)	(4)	(40)	(4)	-	(10)
Net assets released from restrictions	(866)	(75)	(729)	(44)	-	(18)
Other changes	(68)	-	(68)	-	-	-
(Decrease) increase in temporarily restricted net assets	(162)	(88)	(60)	15	-	(29)
<b>Permanently restricted net assets</b>						
Net realized and unrealized (losses) gains on investments	(87)	-	-	(89)	-	2
(Decrease) increase in permanently restricted net assets	(87)	-	-	(89)	-	2
Increase (decrease) in net assets	4,700	2,995	2,929	841	(1,117)	(948)
<b>Net assets</b>						
Beginning of year	32,767	(7,699)	64,365	(5,846)	(1,687)	(16,366)
End of year	\$37,467	(\$4,704)	\$67,294	(\$5,005)	(\$2,804)	(\$17,314)

See accompanying independent auditor's report.

**Sisters of Providence Health System, Inc. and Affiliated Organizations**  
**Consolidating Balance Sheet**  
**December 31, 2010**

	<b>Sisters of Providence Health System Consolidated</b>	<b>Sisters of Providence Health System, Inc.</b>	<b>Mercy Hospital, Inc. and Subsidiaries</b>	<b>Continuing Care Network</b>	<b>Mercy Specialist Physicians</b>	<b>Brightside, Inc.</b>
<i>(in thousands of dollars)</i>						
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$5,839	(\$18,078)	\$45,881	(\$1,658)	(\$2,042)	(\$18,264)
Patient accounts receivable, net of estimated uncollectibles of \$10,824	23,786	-	20,808	2,426	355	197
Other accounts receivable	9,466	1,085	7,898	139	353	(9)
Prepays and other current assets	5,846	408	5,366	60	8	4
Total current assets	44,937	(16,585)	79,953	967	(1,326)	(18,072)
<b>Marketable securities and investments whose use is limited</b>						
Board-designated funds	3,148	-	98	-	-	3,050
Trustee-held funds	2,481	-	2,109	273	-	99
Donor-restricted funds	3,987	180	1,601	1,711	-	495
	9,616	180	3,808	1,984	-	3,644
<b>Property and equipment, net</b>	80,663	6,006	69,165	5,492	-	-
Investments in unconsolidated organizations	3,052	2,103	949	-	-	-
Other assets	3,644	2,243	1,086	136	-	179
Total assets	\$141,912	(\$6,053)	\$154,961	\$8,579	(\$1,326)	(\$14,249)

See accompanying independent auditor's report.



**Sisters of Providence Health System, Inc. and Affiliated Organizations**  
**Consolidating Balance Sheet (continued)**  
**December 31, 2010**

	Sisters of Providence Health System Consolidated	Sisters of Providence Health System, Inc.	Mercy Hospital, Inc. and Subsidiaries	Continuing Care Network	Mercy Specialist Physicians	Brightside, Inc.
<i>(in thousands of dollars)</i>						
<b>Liabilities and Net Assets</b>						
Current Liabilities						
Current portion of long-term debt	\$2,438	\$8	\$2,121	\$256	\$ -	\$53
Accounts payable and accrued expenses	22,148	2,387	16,950	2,435	173	203
Estimated third party payor settlements	5,030	-	5,030	-	-	-
Other current liabilities	5,858	(1,921)	3,011	4,726	(4)	46
Total current liabilities	35,474	474	27,112	7,417	169	302
Long-term debt, net	58,061	171	49,426	6,839	-	1,625
Other liabilities	12,136	437	11,867	(124)	-	(44)
Insurance liabilities	3,474	564	2,191	293	192	234
Total liabilities	109,145	1,646	90,596	14,425	361	2,117
Net assets						
Unrestricted	27,940	(8,006)	62,051	(7,557)	(1,687)	(16,861)
Temporarily restricted	2,618	257	1,956	97	-	308
Permanently restricted	2,209	50	358	1,614	-	187
Total net assets	32,767	(7,699)	64,365	(5,846)	(1,687)	(16,366)
Total liabilities and net assets	\$141,912	(\$6,053)	\$154,961	\$8,579	(\$1,326)	(\$14,249)

See accompanying independent auditor's report.

# Sisters of Providence Health System, Inc. and Affiliated Organizations

## Consolidating Statement of Operations and Changes in Net Assets

### December 31, 2010

(in thousands of dollars)

	Sisters of Providence Health System Consolidated	Sisters of Providence Health System, Inc.	Mercy Hospital, Inc. and Subsidiaries	Continuing Care Network	Mercy Specialist Physicians	Brightside, Inc.	Eliminations
<b>Unrestricted revenue, gains and other support</b>							
Net patient service revenue	\$273,099	\$ -	\$234,888	\$33,754	\$2,641	\$1,816	\$ -
Net assets released from restrictions for operations	282	101	117	17	-	47	-
Contributions	1,184	74	471	39	-	600	-
Other operating revenues	16,795	29,148	14,568	617	5	291	(27,834)
	<u>291,360</u>	<u>29,323</u>	<u>250,044</u>	<u>34,427</u>	<u>2,646</u>	<u>2,754</u>	<u>(27,834)</u>
<b>Expenses</b>							
Salaries, wages and benefits	166,243	13,000	128,165	20,918	2,650	1,510	-
Medical supplies	32,883	-	32,216	666	1	-	-
Purchased services, professional fees and other expenses	59,169	12,943	61,926	10,099	621	1,414	(27,834)
Depreciation and amortization	11,799	3,056	8,084	659	-	-	-
Interest	2,295	(356)	1,976	620	-	55	-
Insurance	2,499	324	1,917	123	134	1	-
Provision for bad debts	8,742	-	8,557	65	67	53	-
	<u>283,630</u>	<u>28,967</u>	<u>242,841</u>	<u>33,150</u>	<u>3,473</u>	<u>3,033</u>	<u>(27,834)</u>
<b>Operating income (loss)</b>	<u>7,730</u>	<u>356</u>	<u>7,203</u>	<u>1,277</u>	<u>(827)</u>	<u>(279)</u>	<u>-</u>
<b>Non-operating gains (losses)</b>							
Investment returns, net	453	(135)	474	29	(4)	89	-
Equity in earnings of unconsolidated organizations	62	-	62	-	-	-	-
Restructuring expenses and impairment losses	(1,520)	(154)	(1,357)	(9)	-	-	-
(Loss) on extinguishment of debt	(416)	(2)	(353)	(51)	-	(10)	-
Change in fair value of interest rate swaps	(775)	(4)	(648)	(107)	-	(16)	-
	<u>(2,196)</u>	<u>(295)</u>	<u>(1,822)</u>	<u>(138)</u>	<u>(4)</u>	<u>63</u>	<u>-</u>
<b>Excess (deficit) of revenues over expenses</b>	<u>\$5,534</u>	<u>\$61</u>	<u>\$5,381</u>	<u>\$1,139</u>	<u>(\$831)</u>	<u>(\$216)</u>	<u>\$ -</u>

See accompanying independent auditor's report.

**Sisters of Providence Health System, Inc. and Affiliated Organizations**  
**Consolidating Statement of Operations and Changes in Net Assets (continued)**  
**December 31, 2010**

*(In thousands of dollars)*

	Sisters of Providence Health System Consolidated	Sisters of Providence Health System, Inc.	Mercy Hospital, Inc. and Subsidiaries	Continuing Care Network	Mercy Specialist Physicians	Brightside, Inc.
<b>Unrestricted net assets</b>						
Excess (deficit) of revenues over expenses	\$5,534	\$61	\$5,381	\$1,139	(\$831)	(\$216)
Pension adjustment	(1,668)	(89)	(1,446)	(87)	1	(47)
Net assets released from restrictions for capital expenditures	1,060	(3)	1,060	3	-	-
Other changes	(138)	(138)	-	-	-	-
Increase (decrease) in unrestricted net assets before discontinued operations	4,788	(169)	4,995	1,055	(830)	(263)
Loss from discontinued operations	(2,270)	-	(352)	-	-	(1,918)
Increase (decrease) in unrestricted net assets	2,518	(169)	4,643	1,055	(830)	(2,181)
<b>Temporarily restricted net assets</b>						
Contributions	630	147	410	29	-	44
Investment income	58	4	45	2	-	7
Change in unrealized gains on investments	87	6	60	5	-	16
Net assets released from restrictions	(1,342)	(101)	(1,173)	(21)	-	(47)
Other changes	33	-	33	-	-	-
(Decrease) increase in temporarily restricted net assets	(534)	56	(625)	15	-	20
<b>Permanently restricted net assets</b>						
Net realized and unrealized gains on investments	142	-	-	128	-	14
Increase in permanently restricted net assets	142	-	-	128	-	14
Increase (decrease) in net assets	2,126	(113)	4,018	1,198	(830)	(2,147)
<b>Net assets</b>						
Beginning of year	30,641	(7,586)	60,347	(7,044)	(857)	(14,219)
End of year	<u>\$32,767</u>	<u>(\$7,699)</u>	<u>\$64,365</u>	<u>(\$5,846)</u>	<u>(\$1,687)</u>	<u>(\$16,366)</u>

See accompanying independent auditor's report.

**Sisters of Providence Health System, Inc. and Affiliated Organizations**  
**Mercy Hospital, Inc. and Subsidiaries**  
**Consolidating Balance Sheet**  
**Year Ended December 31, 2011 (with comparative totals for 2010)**

	Mercy Medical Center	Providence Behavioral Health Hospital	Mercy Hospital, Inc. Consolidated	SCS. Inc. and Subsidiaries	2011 Consolidated	2010 Consolidated
<i>(in thousands of dollars)</i>						
<b>Assets</b>						
Current Assets						
Cash & cash equivalents	\$106,221	(\$46,303)	\$59,918	(\$7,507)	\$52,411	\$45,881
Patient accounts receivable, net of estimated uncollectibles of \$10,023	20,727	3,349	24,076	2,881	26,957	20,808
Other accounts receivable	2,657	21	2,678	344	3,022	7,898
Prepaid expenses and inventories	4,192	278	4,470	533	5,003	5,366
Total current assets	133,797	(42,655)	91,142	(3,749)	87,393	79,953
Marketable securities and investments whose use is limited						
Board-designated funds	99	-	99	-	99	98
Trustee-held funds	-	2,187	2,187	-	2,187	2,109
Donor-restricted funds	1,551	258	1,809	-	1,809	1,601
	1,650	2,445	4,095	-	4,095	3,808
Property and equipment, net	63,834	6,978	70,812	3,143	73,955	69,165
Investments in unconsolidated organizations	361	-	361	467	828	949
Other assets	540	270	810	90	900	1,086
Total assets	\$200,182	(\$32,962)	\$167,220	(\$49)	\$167,171	\$154,961

See accompanying independent auditor's report.

**Sisters of Providence Health System, Inc. and Affiliated Organizations**  
**Mercy Hospital, Inc. and Subsidiaries**  
**Consolidating Balance Sheet (continued)**  
**Year Ended December 31, 2011 (with comparative totals for 2010)**

	Mercy Medical Center	Providence Behavioral Health Hospital	Mercy Hospital, Inc. Consolidated	SCS. Inc. and Subsidiaries	2011 Consolidated	2010 Consolidated
<i>(in thousands of dollars)</i>						
<b>Liabilities and Net Assets</b>						
Current Liabilities						
Current portion of long-term debt	\$1,160	\$649	\$1,809	\$362	\$2,171	\$2,121
Accounts payable and accrued expenses	12,088	2,420	14,508	2,895	17,403	16,950
Estimated third party payor settlements	7,917	437	8,354	633	8,987	5,030
Other current liabilities	4,509	770	5,279	371	5,650	3,011
Total current liabilities	25,674	4,276	29,950	4,261	34,211	27,112
Long-term debt, net	23,329	22,961	46,290	964	47,254	49,426
Other liabilities	11,059	3,689	14,748	1,224	15,972	11,867
Insurance liabilities	1,871	418	2,289	151	2,440	2,191
Total liabilities	61,933	31,344	93,277	6,600	99,877	90,596
Net assets						
Unrestricted	136,249	(64,563)	71,686	(6,649)	65,037	62,051
Temporarily restricted	1,868	32	1,900	-	1,900	1,956
Permanently restricted	132	225	357	-	357	358
Total net assets	138,249	(64,306)	73,943	(6,649)	67,294	64,365
Total liabilities and net assets	\$200,182	(\$32,962)	\$167,220	(\$49)	\$167,171	\$154,961

See accompanying independent auditor's report.

**Sisters of Providence Health System, Inc. and Affiliated Organizations**  
**Mercy Hospital, Inc. and Subsidiaries**  
**Consolidating Statement of Operations and Changes in Net Assets**  
**Year Ended December 31, 2011 (with comparative totals for 2010)**

(in thousands of dollars)

	Mercy Medical Center	Providence Behavioral Health Hospital	Mercy Hospital, Inc. Consolidated	SCS. Inc. and Subsidiaries	Eliminations	2011 Consolidated	2010 Consolidated
<b>Unrestricted revenue, gains and other support</b>							
Net patient service revenue	\$176,407	\$28,410	\$204,817	\$38,198	(\$8,844)	\$234,171	\$234,888
Net assets released from restrictions for operations	76	14	90	-	-	90	117
Contributions	273	31	304	-	-	304	471
Other operating revenue	6,197	7,019	13,216	2,240	-	15,456	14,568
	<u>\$182,953</u>	<u>\$35,474</u>	<u>\$218,427</u>	<u>\$40,438</u>	<u>(\$8,844)</u>	<u>\$250,021</u>	<u>\$250,044</u>
<b>Expenses</b>							
Salaries, wages and benefits	76,541	25,070	101,611	25,350	-	126,961	128,165
Medical supplies	24,630	707	25,337	4,216	-	29,553	32,216
Purchased services, professional fees and other expenses	52,051	8,671	60,722	12,554	(8,844)	64,432	61,926
Depreciation and amortization	7,290	796	8,086	549	-	8,635	8,084
Interest	778	917	1,695	116	-	1,811	1,976
Insurance	2,366	237	2,603	294	-	2,897	1,917
Provision for bad debts	7,046	216	7,262	1,073	-	8,335	8,557
	<u>170,702</u>	<u>36,614</u>	<u>207,316</u>	<u>44,152</u>	<u>(8,844)</u>	<u>242,624</u>	<u>242,841</u>
Operating income (loss)	<u>12,251</u>	<u>(\$1,140)</u>	<u>11,111</u>	<u>(\$3,714)</u>	<u>-</u>	<u>\$7,397</u>	<u>\$7,203</u>
<b>Non-operating gains (losses)</b>							
Investment returns, net	742	(248)	494	(51)	-	443	474
Net cumulative unrealized losses transferred to trading securities	-	-	-	-	-	-	62
Equity in earnings of unconsolidated organizations	-	-	-	110	-	110	(1,357)
Loss on extinguishment of debt	-	-	-	-	-	-	(353)
Change in fair value of interest rate swaps	(535)	(69)	(604)	-	-	(604)	(648)
Total non-operating gains	<u>207</u>	<u>(317)</u>	<u>(110)</u>	<u>59</u>	<u>-</u>	<u>(51)</u>	<u>(1,822)</u>
Excess (deficit) of revenues over expenses	<u>\$12,458</u>	<u>(\$1,457)</u>	<u>\$11,001</u>	<u>(\$3,655)</u>	<u>\$ -</u>	<u>\$7,346</u>	<u>\$5,381</u>

See accompanying independent auditor's report.

**Sisters of Providence Health System, Inc. and Affiliated Organizations**  
**Mercy Hospital, Inc. and Subsidiaries**  
**Consolidating Statement of Operations and Changes in Net Assets (continued)**  
**Year Ended December 31, 2011 (with comparative totals for 2010)**

(in thousands of dollars)

	Mercy Medical Center	Providence Behavioral Health Hospital	Mercy Hospital, Inc. Consolidated	SCS. Inc. and Subsidiaries	2011 Consolidated	2010 Consolidated
<b>Unrestricted net assets</b>						
Excess (deficit) of revenue over expenses	\$12,458	(\$1,457)	\$11,001	(\$3,655)	\$7,346	\$5,381
Pension adjustment	(3,619)	(956)	(4,575)	(403)	(4,978)	(1,446)
Net assets released from restrictions for capital expenditures	621	18	639	-	639	1,060
Increase (decrease) in unrestricted net assets before discontinued operations						
	9,460	(2,395)	7,065	(4,058)	3,007	4,995
Loss from discontinued operations	-	-	-	(18)	(18)	(352)
Increase (decrease) in unrestricted net assets	9,460	(2,395)	7,065	(4,076)	2,989	4,643
<b>Temporarily restricted net assets</b>						
Contributions	726	4	730	-	730	410
Investment income	38	9	47	-	47	45
Change in unrealized (losses) gains on investments	(31)	(9)	(40)	-	(40)	60
Net assets released from restrictions	(697)	(32)	(729)	-	(729)	(1,175)
Other changes	(68)	-	(68)	-	(68)	33
Decrease in temporarily restricted net assets	(32)	(28)	(60)	-	(60)	(627)
Increase (decrease) in net assets	9,428	(2,423)	7,005	(4,076)	2,929	4,016
<b>Net assets</b>						
Beginning of year	128,821	(61,883)	66,938	(2,573)	64,365	60,347
End of year	\$138,249	(\$64,306)	\$73,943	(\$6,649)	\$67,294	\$64,363

See accompanying independent auditor's report.

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Sharon Adams Sr VP Patient Care Services	50 00				X			288,374	0	28,195
Caroline Fisher Medical Director	40 00				X			260,913	0	5,826
Dean McKenzie CMO/Behavioral	40 00				X			239,861	0	14,832
Nancy Dufault Staff Nurse	61 50					X		197,389	0	14,755
Jaiterth Avadhani Radiation Physicist	40 00					X		183,181	0	21,508
Lawrence Osborn Psychiatrist	40 00					X		176,456	0	6,148
Chhewang Norsang Psychiatrist	40 00					X		167,930	0	12,313
Shahrzad Yamini Psychiatrist	40 00					X		169,437	0	5,471



Additional Data

Software ID:

Software Version:

EIN: 04-3398280

Name: Mercy Hospital Inc

Form 990, Special Condition Description:

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099- MISC )	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
David M Chadbourne MD Trustee	1 00	X						0	0	0
William A Collins Trustee	1 00	X						0	0	0
Rev Msgr C D Connelly Trustee	1 00	X						0	0	0
Philip F Gaziano MD Trustee	1 00	X						0	0	0
Sr Ann M Horgan SP Trustee	1 00	X						0	0	0
Paul Mancinone Trustee	1 00	X						0	0	0
Sr Ruth F McGoldrick SP Trustee	1 00	X						0	0	0
Leda M McKenry PHD Trustee	1 00	X						0	0	0
Mark J Mullan MD Trustee	1 00	X						0	0	0
Sr Joan C Mullen SP Trustee	1 00	X						0	0	0
Shirin Nash MD Trustee	1 00	X						0	0	0
Carla W Newton Esq Trustee	1 00	X						0	0	0
Sr Kathleen M Popko SP Trustee	1 00	X						0	0	0
Rev Karen L Rucks Trustee	1 00	X						0	0	0
John E Sjoberg Trustee	1 00	X						0	0	0
Dean M Whalen Esq Trustee	1 00	X						0	0	0
Joanne M Beauregard Chair	1 00	X		X				0	0	0
Kathleen M Kane Vice Chair	1 00	X		X				0	0	0
Robert M Sullivan Jr Secretary	1 00	X		X				0	0	0
Daniel P Moen President & CEO	50 00	X		X				0	478,439	30,870
William Bithoney MD Interim President/CEO	50 00	X		X				0	448,378	39,770
Daniel Keenan Ast Secty/SVP Gvnmt Rltn	50 00			X				0	232,097	31,980
Sr Kathleen Sullivan Ast Secty/VP Missions	50 00			X				0	0	0
Thomas Robert Treasurer/ SVP & CFO	50 00			X				0	306,376	22,229
Leonard F Pansa Sr VP HR & Admin Srvcs	50 00				X			0	294,978	23,990

Additional Data

Software ID:

Software Version:

EIN: 04-3398280

Name: Mercy Hospital Inc

Form 990, Schedule D, Part X, - Other Liabilities

1	(a) Description of Liability	(b) Amount
	Third Party Payor Settlements	9,403,810
	Pension Liability	11,953,782
	Workers Compensation Reserve	1,440,514
	Other Reserve	1,344,311
	Fixed Assets Retirement Obligation	1,012,709
	Due to Related Parties	375,372
	Other Liabilities	555,288
	Health Claims Reserve	698,750
	Long Term Swap Program Market Valuation	624,090

Identifier	ReturnReference	Explanation
Reports Filed With States	Part VI, Line 7	MA,AL,CT,DE,FL,GA,ME,NJ,NY,NC,PA

Identifier	ReturnReference	Explanation
		Part VI, Line 6 The Mercy Hospital, Inc (d/b/a Mercy Medical Center, Providence Behavioral Health Center, Weldon Rehabilitation Hospital) is affiliated with the Sisters of Providence Health System The ministry of the Sisters of Providence is a profound legacy of compassion that inspires all of its affiliates to address unmet health needs, to collaborate with others to improve the health of the communities we serve, to address the root causes of health disparities and to educate community members about prevention and self-care

Identifier	ReturnReference	Explanation
		Part VI, Line 5 There are a number of ways in which Mercy Hospital, Inc and its affiliates further its tax exempt status by promoting the health of the community Here are three examples of community benefit programs and services delivered in 2011 The Healthcare for the Homeless Program provides community health outreach, free clinics, health screenings, primary care, case management, disease management and mental health services at 46 regional homeless shelters, soup kitchens and transitional living centers in Franklin, Hampshire and Hampden Counties In 2011, the Health Care for the Homeless Program conducted 1,262 medical intakes, provided 10,839 medical encounters and enrolled 501 persons in MassHealth The Vietnamese Health Project helps Vietnamese families and individuals through interpretive services, educational programs, case management, access to health insurance enrollment services and post-enrollment services Bilingual/bicultural case managers help caregivers and patients overcome language and cultural barriers and take clients to physician appointments and hospital visits In 2011, the Vietnamese Health Project provided services to 666 Vietnamese patients, in 3,128 medical encounters An affiliated entity of Mercy Hospital, Inc provides a continuum of community health services and programs to high-risk pregnant women, in order to address health disparities of minority populations, including prenatal care, psychosocial assessments, social support groups, basic living skills education, community health outreach, health literacy, child birth classes, breastfeeding classes, new and expectant parents' education at Mercy Medical Center, participation in community-wide coalitions addressing maternal and infant health issues The teen parent health outreach program provided services to 180 pregnant teens in 2011

Identifier	ReturnReference	Explanation
		Part VI, Line 4 The Mercy Hospital, Inc is a Catholic, not-for-profit, acute care hospital located in Springfield, Massachusetts The service area consists largely of the cities and towns in Hampden County Hampden County has a population of 465,621, of which 30.5% live below 200% of the Federal Poverty Level Per capital income is \$19,541 and the unemployment rate continues to hover around 10%

Identifier	ReturnReference	Explanation
		Part VI, Line 3 Patients are informed and educated regarding financial assistance in a number of ways General notices of financial assistance programs are posted throughout the hospital, primarily in the following areas service delivery areas, patient financial counselor areas, the central admission and registration areas, and business office areas open to patients Additionally, a general notice of program availability is included with the initial bill Financial counselors also work to identify available coverage options when scheduling services, while in the hospital, upon discharge, and for a reasonable time following discharge

Identifier	ReturnReference	Explanation
		Part VI, Line 2 Every 3 years, the hospital conducts a needs assessment to study the health care needs of the surrounding communities in the primary service area The most recent study was completed in 2010 in collaboration with Market Street Research, Inc of Northampton, MA The assessment involved detailed compilations of secondary data on demographic and socioeconomic trends, focus groups with a sample of community leaders and a telephone survey of a random sample of residents living in the primary service area of the hospital The next needs assessment is slated to be completed in 2013 and is now in the planning stages



Identifier	ReturnReference	Explanation
		Part V, Line 19 The hospital has a uniform mark up policy for all CDM gross charges regardless of whether or not the patient is FAP-eligible for emergency or other medically necessary care A patient is assessed for FAP eligibility based on FPL guidelines and if the patient qualifies then a discount or free care is applied against the account

Identifier	ReturnReference	Explanation
		Part III, Section B Medicare, Line 5 The hospital did received a prior year settlement in the total amount of \$180,423 during fiscal year 2011

Identifier	ReturnReference	Explanation
Mercy Hospital, Inc		Part V, Section B, Line 19d The hospital has a uniform mark up policy for all CDM gross charges regardless of whether or not the patient is FAP-eligible for emergency or other medically necessary care A patient is assessed for FAP eligibility based on FPL guidelines and if the patient qualifies then a discount or free care is applied against the account

Identifier	ReturnReference	Explanation
		Part III, Line 9b The same collection process is used for uninsured and insured patients, excluding those that are exempt from collection procedures pursuant to state regulations The collection process is as follows an initial bill is sent, followed by subsequent billings and various methods of notification including collection letters and telephone calls for a period of 120 days The EVS system is checked to ensure that the patient is not a low income patient A final notice by certified mail is sent for uninsured patients

Identifier	ReturnReference	Explanation
		Part III, Line 8 The costing methodology utilized in the Medicare cost report is as follows Inpatient routine services are allocated on a basis of Medicare days to total days All other services are allocated on a cost to charge ratio

Identifier	ReturnReference	Explanation
		Part III, Line 4 A cost to charge ratio was derived from Worksheet A to calculate Part III, lines 2 and 3 A study was conducted in which financial assistance applications, that were denied due to incomplete documentation, were assessed and were deemed eligible for financial assistance had the patient provided complete documentation Allowance for Uncollectibles The system provides an allowance for uncollectibles for estimated losses The allowance is determined by analyzing historical data and trends Accounts receivable are charged off against the allowance for uncollectibles when management determines that recovery is unlikely and the system ceases collection efforts

Identifier	ReturnReference	Explanation
		Part I, L7 Col(f) Bad Debt expense included in Form 990, Part IX, Line 25, Column A is \$7,262,551 and has been removed prior to the calculation of Line 7, Column F pursuant to the instructions

Identifier	ReturnReference	Explanation
		Part I, Line 7 A cost to charge ratio was derived from Worksheet 2 to calculate the charity care and means-tested government program section Part I, Line 7 The cost to charge ratio excludes bad debt expenses pursuant to the instructions



Identifier	Return Reference	Explanation
		Disclosure Statement Related to Form 5471 Filed by Catholic Health East and Saint Michael's Medical Center Under the constructive ownership rule of Internal Revenue Code Sections 318(a) and 958(b), the organization is required to file Form 5471, Information Return of U S Persons With Respect to Certain Foreign Corporations, as a Category 4 and/or Category 5 filer with respect to Stella Maris Insurance Company Limited and Chestnut Risk Services, LTD (collectively, the "foreign corporations") This filing requirement is, or will be, satisfied through the filing of Forms 5471 with respect to the foreign corporations on the organization's behalf by the U S organizations identified below Foreign Corporation Stella Maris Insurance Company U S Organization Catholic Health East Address 3805 West Chester Pike, Suite 100, Newtown Square, Pennsylvania 19073 Identifying Number of U S Tax Return with Which Form 5471 was filed 23-2929748 IRS Service Center Where U S Return Was Filed Ogden, UT Foreign Corporation Chestnut Risk Services, LTD U S Organization Saint Michael's Medical Center Address 111 Central Avenue, Newark, New Jersey 07102 Identifying Number of U S Tax Return with Which Form 5471 was filed 26-2616046 IRS Service Center Where U S Return Was Filed Ogden, UT

Identifier	Return Reference	Explanation
	Form 990, Part VII, Section A	All money paid for services provided by Sr Sullivan goes directly to her religious order on her behalf

Identifier	Return Reference	Explanation
Explanation of financial statements	Form 990, Part XII, Line 2a & 2b	While the entity does not have individual audited financial statements, an audit of SPHS's consolidated financial statements was performed

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Transfers for capital expenditures 635,904 Pension adjustment -4,575,321 Released from restriction -725,463 Other -70,619 Net unrealized losses on investments -643,419 Total to Form 990, Part XI, Line 5 -5,378,918

Identifier	Return Reference	Explanation
Avg hours devoted to related org(s) when related comp is reported	Form 990, Part VII	Individuals receiving compensation from related organizations have system-wide responsibilities requiring services to be performed for this organization as well as other organizations in the Sisters of Providence Health System, Inc. The hours listed for individuals in Part VII reflect the time the individual spends on this organization and related organizations. Accordingly, compensation listed in this part represents the individual's total compensation for work performed for all organizations comprising the Sisters of Providence Health System, Inc.

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section C, line 19	Organizational Articles of Incorporation, Corporate Bylaws, governance policies believed to be of interest to the public, conflict-of-interest policy, audited financial statements, annual community benefit report and IRS Form 990 are available to the public upon request

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15	The organization has adopted CHE's process for determining compensation, which includes the following The board has an independent committee review and approve all elements of remuneration for all disqualified parties, as well as other key management The board/committee has an established compensation philosophy which details the objectives of market positioning and pay elements The committee engages with external consultants to provide market data comparing the organization's roles to similarly sized health systems utilizing both title and job content comparisons The committee reviews the market analysis, approves any salary adjustments for the executive population, considers both reasonableness and effectiveness of all remunerative programs and establishes the detailed performance expectations which are incorporated into the incentive plan All of these discussions and decisions are documented through the provision of meeting minutes

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 12c	<p>The organization has adopted CHE's Policy 103, which sets forth the organization's conflict-of-interest policy and processes. Annually, all those serving the organization in a fiduciary capacity, including directors, officers and key employees receive a copy of the policy and annual disclosure statement to be completed. Disclosures of financial interest or other reportable circumstances as defined in the policy are submitted and reviewed by the organization's CEO and board's chair. Summary information is reported to the entire board and available to the board throughout the year as business comes before the board or management for action. The policy contains a continuing affirmative obligation on all affected individuals to disclose compensation or other circumstances throughout the year which may rise to the level of an actual or apparent conflict. The determination of whether a disclosed financial or other interest constitutes a conflict of interest is made by the board or an appropriate committee thereof comprised of disinterested persons and without the participation of the affected individual except to respond to questions about the disclosure. The policy further addresses the procedure for the board's further consideration of the proposed transaction/matter without the participation of the affected person and the documentation of the proceedings. Lastly, the policy addresses potential disciplinary action for violations of the policy. The policy is available to the public upon request.</p>



Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 11	The organization took steps to educate management, members of the board and members of appropriate subcommittees of the board on the compliance requirements mandated by the Form 990. The form was prepared by Deloitte Tax LLP, reviewed by management and then presented to the Finance Committee, who reviewed the 990 at their meeting on November 6, 2012.

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 7b	CHE along with Sisters of Providence Health System, Inc have limited reserved powers to approve decisions of the governing body

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 7a	Yes, Sisters of Providence Health System, Inc approves the appointment of the members of the governing body