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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
MERITER HOSPITAL INC

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
202 SOUTH PARK STREET

City or town, state or country, and ZIP + 4
MADISON, WI 537151596

D Employer identification number
39-0806367

E Telephone number
(608) 417-6000

G Gross receipts $ 590,950,090

F Name and address of principal officer
JAMES WOODWARD
202 SOUTH PARK STREET
MADISON, WI 537151596

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

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

H(c) Group exemption number ▶

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

J Website: ▶ WWW MERITER COM

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

L Year of formation 1898

M State of legal domicile WI

Part I Summary

1 Briefly describe the organization's mission or most significant activities
MERITER HOSPITAL IS A NOT FOR PROFIT, LOCALLY GOVERNED COMMUNITY HOSPITAL MERITER HOSPITAL PROVIDES A COMPREHENSIVE ARRAY OF PATIENT-FOCUSED INPATIENT AND OUTPATIENT SERVICES TO MEET THE HEALTH-RELATED NEEDS OF OUR COMMUNITY

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

Activities & Governance	**3** Number of voting members of the governing body (Part VI, line 1a)	**3**	19
	4 Number of independent voting members of the governing body (Part VI, line 1b)	**4**	14
	5 Total number of individuals employed in calendar year 2011 (Part V, line 2a)	**5**	3,869
	6 Total number of volunteers (estimate if necessary)	**6**	730
	7a Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	197,510
	b Net unrelated business taxable income from Form 990-T, line 34	**7b**	102,611

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	508,463	540,243
	9 Program service revenue (Part VIII, line 2g)	355,327,823	373,350,414
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	10,087,792	6,212,005
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	5,145,114	6,017,488
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	371,069,192	386,120,150
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	134,143	112,400
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	176,990,665	175,789,629
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶985,573		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	158,317,004	164,649,055
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	335,441,812	340,551,084
	19 Revenue less expenses Subtract line 18 from line 12	35,627,380	45,569,066

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	527,282,205	605,180,203
	21 Total liabilities (Part X, line 26)	230,538,522	297,376,374
	22 Net assets or fund balances Subtract line 21 from line 20	296,743,683	307,803,829

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 — Date: 2012-08-13

KEVIN BOREN CFO
Type or print name and title

Paid Preparer's Use Only

Preparer's signature	Date	Check if self-employed	Preparer's taxpayer identification number (see instructions)
RACHEL BECKER		☐	P00966076

Firm's name (or yours if self-employed), address, and ZIP + 4
DELOITTE TAX LLP
555 EAST WELLS STREET SUITE 1400
MILWAUKEE, WI 53202

EIN ▶ 86-1065772

Phone no ▶ (414) 271-3000

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

MERITER HOSPITAL IS DEDICATED TO PROVIDING EXCEPTIONAL HEALTH CARE AND LIVING BY ITS MISSION TO HEAL, TEACH AND SERVE

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 $ 305,983,539 including grants of $ 112,400) (Revenue $ 374,950,755)

MERITER HOSPITAL IS A 448-BED COMMUNITY HOSPITAL THAT WAS RECOGNIZED IN 2010 AND 2011 AS A THOMPSON REUTER 100 TOP HOSPITALS AND PATIENTS RATED IN THE TOP 10 PERCENT IN THE NATION IN TERMS OF THEIR OVERALL HOSPITAL RATING AND WILLINGNESS TO RECOMMEND TO FAMILY AND FRIENDS THIS YEAR MERITER DEDICATED SIGNIFICANT TIME AND RESOURCES TO IMPLEMENT AN ELECTRONIC MEDICAL RECORD SYSTEM INCLUDING MYCHART, MERITER CARE AND CARE EVERYWHERE IN FURTHER EFFORTS TO IMPROVE PATIENT SAFETY, QUALITY CARE AND OPERATIONAL EFFICIENCY AS WISCONSIN'S FIFTH LARGEST HOSPITAL, MERITER HOSPITAL SERVES THE COMMUNITY BY PROVIDING A COMPREHENSIVE ARRAY OF SERVICES AND IS PROUD TO DELIVER MORE BABIES THAN ANY OTHER HOSPITAL IN THE STATE, TO RECEIVE CYCLE III ACCREDITATION FROM THE SOCIETY OF CHEST PAIN CENTERS, BE AWARDED A THREE-YEAR ACCREDITATION IN COMPUTED TOMOGRAPHY (CT) MERITER MEDICAL STAFF PROVIDES PATIENTS WITH THE GREATEST CHOICE OF HEALTH CARE PROVIDERS INCLUDING MERITER MEDICAL GROUP, UNIVERSITY OF WISCONSIN MEDICAL FOUNDATION PHYSICIANS AND CERTIFIED NURSE-MIDWIVES AND WIDE ARRAY OF INDEPENDENT MEDICAL PROVIDERS MERITER PROVIDES SOLUTIONS TO MANY HEALTH CARE NEEDS SUCH AS THE REGION'S ONLY HOSPITAL-BASED DENTAL CLINIC, CHILD AND ADOLESCENT PSYCHIATRY SERVICES, SEXUAL ASSAULT NURSE EXAMINER (SANE) SERVICES, AND SUPPORT TO NEW FAMILIES THROUGH THE BREASTFEEDING HELP LINE AND MOTHER-BABY HOUR, A FREE EDUCATIONAL SUPPORT PROGRAM

4b (Code) (Expenses $ including grants of $) (Revenue $)

4c (Code) (Expenses $ including grants of $) (Revenue $)

4d Other program services (Describe in Schedule O)

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

4e **Total program service expenses** ▶ $ 305,983,539

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see 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? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		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? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Part 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 ? *If "Yes," complete Schedule F, Part II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Part III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** 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? *If "Yes," complete Schedule I, Parts I and II*	**21**	Yes	
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**	Yes	
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to line 25*	**24a**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? *If "Yes," complete Schedule L, Part IV*	**28c**	Yes	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	**34**	Yes	
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)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**	Yes	
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	1a	156		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			1c	Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	2a	3,869		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			2b	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			3a	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?			4a		No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .			5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			5b		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			6b		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			7a		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d	0			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			8		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			9b		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** 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?			14a		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .			14b		

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

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

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	19		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	14		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2	Yes	
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .		3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .		5		No
6	Did the organization have members or stockholders?		6	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?		7a	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		No

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

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

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed ▶ WI

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

☐ Own website ☐ Another's website ☑ Upon request

19 Describe in Schedule O whether (and if so, how), the organization 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 ▶

KEVIN BOREN
202 SOUTH PARK STREET
MADISON, WI 53715
(608) 417-5811

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
See Additional Data Table										

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
See Additional Data Table										
1b **Sub-Total**										
c **Total from continuation sheets to Part VII, Section A**										
d **Total (add lines 1b and 1c)**								481,806	4,869,073	510,163

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 5

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

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization 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
JH FINDORFF & SON INC 300 SOUTH BEDFORD STREET MADISON, WI 53703	CONSTRUCTION	13,851,735
UNIVERSITY OF WISCONSIN HOSPITAL & CLINI 750 HIGHLAND AVENUE MADISON, WI 53278	INTERNS,RESIDENTS,MED-FLIGHT,&TEACHING	3,842,854
UW MEDICAL FOUNDATION 750 HIGHLAND AVENUE MADISON, WI 53278	INTERNS AND RESIDENTS	3,069,340
EPIC 1979 MILKY WAY LANE VERONA, WI 53593	INFORMATION SYSTEMS	1,745,084
UNIVERSITY OF WISCONSIN 600 HIGHLAND AVENUE MADISON, WI 53278	INTERNS AND RESIDENTS	1,694,224

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ▶ 63

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 540,243				
	e	Government grants (contributions) 1e				
	f	All other contributions, gifts, grants, and similar amounts not included above 1f				
	g	Noncash contributions included in lines 1a-1f $				
	h	**Total.** Add lines 1a-1f . . . . . ▶	540,243			
Program Service Revenue		Business Code				
	2a	PATIENT SERVICE REV	621400	361,209,625	361,209,625		
	b	MNGT CONTRACT REVENUE	621110	1,605,616	1,605,616		
	c	CAFETERIA REVENUE	722210	1,048,745		7,048	1,041,697
	d	PARKING REVENUE	722210	847,731			847,731
	e	CHILD CARE REVENUE	624410	791,102			791,102
	f	All other program service revenue		7,847,595	6,113,418	77,499	1,656,678
	g	**Total.** Add lines 2a–2f . . . . . ▶		373,350,414			
	3	Investment income (including dividends, interest and other similar amounts) . . . . . ▶		6,707,566		36,231	6,671,335
	4	Income from investment of tax-exempt bond proceeds . . ▶					
	5	Royalties . . . . . ▶					
		(i) Real / (ii) Personal					
	6a	Gross rents 2,677,680					
	b	Less rental expenses 2,682,288					
	c	Rental income or (loss) -4,608					
	d	Net rental income or (loss) . . . . . ▶	-4,608		76,732	-81,340	
		(i) Securities / (ii) Other					
	7a	Gross amount from sales of assets other than inventory 201,292,602 / 117,986					
	b	Less cost or other basis and sales expenses 201,766,252 / 139,897					
	c	Gain or (loss) -473,650 / -21,911					
	d	Net gain or (loss) . . . . . ▶	-495,561			-495,561	
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . . a					
	b	Less direct expenses . . . b					
	c	Net income or (loss) from fundraising events . . ▶					
	9a	Gross income from gaming activities See Part IV, line 19 . . . a					
	b	Less direct expenses . . . b					
	c	Net income or (loss) from gaming activities . . . ▶					
	10a	Gross sales of inventory, less returns and allowances . a 440,758					
	b	Less cost of goods sold . . b 241,503					
	c	Net income or (loss) from sales of inventory . . ▶	199,255	199,255			
		Miscellaneous Revenue / Business Code					
	11a	INCOME FROM UNCONSOLID 900099	5,822,841	5,822,841			
	b						
	c						
	d	All other revenue					
	e	**Total.** Add lines 11a–11d . . . . . ▶	5,822,841				
	12	**Total revenue.** See Instructions . . . ▶	386,120,150	374,950,755	197,510	10,431,642	

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	67,829	67,829		
2	Grants and other assistance to individuals in the United States See Part IV, line 22	44,571	44,571		
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	12,500		12,500	
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	136,898,698	132,107,244	4,791,454	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	5,257,828	5,073,804	184,024	
9	Other employee benefits	23,575,948	22,750,790	825,158	
10	Payroll taxes	10,044,655	9,693,092	351,563	
11	Fees for services (non-employees)				
a	Management	13,139,474	341,083	12,798,391	
b	Legal	256,123		256,123	
c	Accounting				
d	Lobbying				
e	Professional fundraising *See Part IV, line 17* . .				
f	Investment management fees				
g	Other	16,367,590	15,641,856	725,734	
12	Advertising and promotion	327,869	311,869	16,000	
13	Office expenses	1,142,946	833,149	309,797	
14	Information technology				
15	Royalties . .				
16	Occupancy	10,802,592	10,275,426	527,166	
17	Travel	203,510	193,579	9,931	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings				
20	Interest	6,495,862		6,495,862	
21	Payments to affiliates	984,673			984,673
22	Depreciation, depletion, and amortization	22,795,790	21,683,355	1,112,435	
23	Insurance	861,801	819,746	42,055	
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	46,218,526	43,963,062	2,255,464	
b	STATE REV ASSESSMENT	11,802,012	11,802,012		
c	BAD DEBT EXPENSE	6,069,895	5,773,684	296,211	
d	EQUIPMENT RENTAL & MAIN	5,487,395	5,219,610	267,785	
e					
f	All other expenses	21,692,997	19,387,778	2,304,319	900
25	**Total functional expenses.** Add lines 1 through 24f	340,551,084	305,983,539	33,581,972	985,573
26	**Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

			(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing	107,505	1	160,196
	2	Savings and temporary cash investments	25,992,088	2	32,132,295
	3	Pledges and grants receivable, net		3	
	4	Accounts receivable, net	39,510,233	4	31,548,904
	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	56,307,170	7	89,463,830
	8	Inventories for sale or use	3,317,243	8	3,387,821
	9	Prepaid expenses and deferred charges	3,350,287	9	3,353,641
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D* — 10a: 474,479,650			
	b	Less accumulated depreciation — 10b: 266,225,987	193,376,362	10c	208,253,663
	11	Investments—publicly traded securities	171,865,494	11	200,324,078
	12	Investments—other securities See Part IV, line 11		12	
	13	Investments—program-related See Part IV, line 11		13	
	14	Intangible assets		14	
	15	Other assets See Part IV, line 11	33,455,823	15	36,555,775
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)	527,282,205	16	605,180,203
Liabilities	17	Accounts payable and accrued expenses	37,084,997	17	38,663,872
	18	Grants payable		18	
	19	Deferred revenue		19	
	20	Tax-exempt bond liabilities	173,166,910	20	213,556,070
	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	4,052,091	23	3,581,233
	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	16,234,524	25	41,575,199
	26	**Total liabilities.** Add lines 17 through 25	230,538,522	26	297,376,374
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**			
	27	Unrestricted net assets	290,773,794	27	301,394,600
	28	Temporarily restricted net assets	5,666,887	28	6,106,227
	29	Permanently restricted net assets	303,002	29	303,002
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.			
	30	Capital stock or trust principal, or current funds		30	
	31	Paid-in or capital surplus, or land, building or equipment fund		31	
	32	Retained earnings, endowment, accumulated income, or other funds		32	
	33	Total net assets or fund balances	296,743,683	33	307,803,829
	34	Total liabilities and net assets/fund balances	527,282,205	34	605,180,203

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12) . . .	1	386,120,150
2	Total expenses (must equal Part IX, column (A), line 25)	2	340,551,084
3	Revenue less expenses Subtract line 2 from line 1	3	45,569,066
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	296,743,683
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-34,508,920
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	307,803,829

Part XII Financial Statements and Reporting

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

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

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
MERITER HOSPITAL INC

Employer identification number
39-0806367

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

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

a ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - Other

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

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

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

	Yes	No
(i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization? **11g(i)**		
(ii) a family member of a person described in (i) above? **11g(ii)**		
(iii) a 35% controlled entity of a person described in (i) or (ii) above? **11g(iii)**		

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

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

Part II **Support Schedule for Organizations Described in 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 **33 1/3% support test—2011.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization

b **33 1/3% support test—2010.** If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization

17a **10%-facts-and-circumstances test—2011.** If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization

b **10%-facts-and-circumstances test—2010.** If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization

18 **Private Foundation** If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions

Part III **Support Schedule for Organizations Described in 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 **stop here** ▶☐

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 **stop here.** 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 **stop here.** The organization qualifies as a publicly supported organization ▶☐

20 **Private Foundation** If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions ▶☐

Part IV **Supplemental Information.** Supplemental Information. Complete this part to provide the 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

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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	Employer identification number
MERITER HOSPITAL INC	39-0806367

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? ☐ Yes ☐ No

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ $ _____

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

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

4 Did the filing organization file **Form 1120-POL** for this year? ☐ Yes ☐ No

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

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

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

A Check ☐ if the filing organization belongs to an affiliated group (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		
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-		

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

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

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

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

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

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

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation
EXPLANATION OF OTHER LOBBYING ACTIVITIES	PART II-B, LINE 1I	MERITER HOSPITAL IS A MEMBER OF WHA AND AHA, AND PAYS DUES OF $85,644 AND $47,686, RESPECTIVELY A PORTION OF THESE DUES ARE USED FOR LOBBYING, HOWEVER, THESE ORGANIZATIONS ARE NOT REQUIRED TO DISCLOSE THE LOBBYING PERCENTAGE PURSUANT TO IRC SEC 6033 AS SUCH, MERITER HOSPITAL HAS NOT DISCLOSED THE AMOUNT OF LOBBYING RELATED TO THESE DUES ABOVE MERITER DOES NOT ENGAGE IN ANY DIRECT LOBBYING

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
MERITER HOSPITAL INC

Employer identification number
39-0806367

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

		(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year		
2	Aggregate contributions to (during year)		
3	Aggregate grants from (during year)		
4	Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit ☐ Yes ☐ No

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)
☐ Preservation of land for public use (e g , recreation or pleasure)
☐ Preservation of an historically importantly land area
☐ Protection of natural habitat
☐ Preservation of a certified historic structure
☐ Preservation of open space

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2a Did the organization include an amount on Form 990, Part X, line 21? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV

Part V Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance					
b Contributions					
c Investment earnings or losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

2 Provide the estimated percentage of the year end balance held as

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶
- c Term endowment ▶

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

		Yes	No
(i) unrelated organizations	3a(i)		
(ii) related organizations	3a(ii)		
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b		

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

Part VI 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		7,925,938		7,925,938
b Buildings		254,031,686	120,104,298	133,927,388
c Leasehold improvements		600,200	203,279	396,921
d Equipment		196,312,500	145,918,410	50,394,090
e Other		15,609,326		15,609,326
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				208,253,663

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

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

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

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

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

(a) Description	(b) Book value
(1) DUE FROM MERITER FOUNDATION, INC	7,391,899
(2) OTHER LONG TERM ASSETS	3,754,474
(3) INVESTMENT IN JOINT VENTURES	24,165,328
(4) LOAN RECEIVABLE NET OF CURRENT	1,244,074
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	36,555,775

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
RETIREMENT LIABILITY	40,700,633
INSURANCE RESERVES	586,000
ASSET RETIREMENT OBLIGATION	288,566
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	41,575,199

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

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

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	386,120,150
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	340,551,084
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	45,569,066
4	Net unrealized gains (losses) on investments	4	-2,175,637
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-32,333,283
9	Total adjustments (net) Add lines 4 - 8	9	-34,508,920
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	11,060,146

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

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

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

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

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	THE HOSPITAL ACCOUNTS FOR INCOME TAXES IN ACCORDANCE WITH ASC SUBTOPIC 740-10, INCOME TAXES - OVERALL THIS GUIDANCE ADDRESSES THE DETERMINATION OF HOW TAX CLAIMED OR EXPECTED TO BE CLAIMED ON A TAX RETURN SHOULD BE RECORDED IN THE FINANCIAL STATEMENTS UNDER ASC 740-10, THE HOSPITAL MUST RECOGNIZE THE TAX BENEFIT FROM AN UNCERTAIN TAX POSITION ONLY IF IT IS MORE LIKELY THAN NOT THE TAX POSITION WILL BE SUSTAINED ON EXAMINATION BY THE TAXING AUTHORITIES, BASED ON THE TECHNICAL MERITS OF THE POSITION THE TAX BENEFITS RECOGNIZED IN THE FINANCIAL STATEMENTS FROM SUCH A POSITION ARE MEASURED BASED ON THE LARGEST BENEFIT THAT HAS A GREATER THAN FIFTY PERCENT LIKELIHOOD OF BEING REALIZED UPON ULTIMATE SETTLEMENT ASC740-10 ALSO PROVIDES GUIDANCE ON DERECOGNITION, CLASSIFICATION, INTEREST AND PENALTIES ON INCOME TAXES, AND ACCOUNTING IN INTERIM PERIODS, AND REQUIRES INCREASED DISCLOSURES AS OF DECEMBER 31,2010 AND 2011, THE HOSPITAL DOES NOT HAVE A LIABILITY FOR UNRECOGNIZED TAX BENEFITS
PART XI, LINE 8 - OTHER ADJUSTMENTS		SWAP GAIN LOSS -6,038,490 MINIMUM PENSION AND UNRECOGNIZED RETIREE MED BEN -26,010,410 ASSETS RELEASED FROM RESTRICTION 314,273 RELEASED FOR CAPITAL AND OTHER 246,290 TEMPORARY RESTRICTED TRANSFERS - FOUNDATION 1,011,693 WRITE-DOWN OF LANDE -854,208 OTHER -1,002,431 TOTAL TO SCHEDULE D, PART XI, LINE 8 -32,333,283

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
MERITER HOSPITAL INC

Employer identification number
39-0806367

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 ☐ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
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 *free* care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☑ 200% ☐ Other _____ %	3a	Yes	
b	Did the organization use FPG to determine eligibility for providing *discounted* care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☑ Other 500.000000000000 %	3b	Yes	
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"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	5b		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		
6a	Did the organization prepare a community benefit reportduring the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 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)		16,106	5,725,750		5,725,750	1 710 %
b Medicaid (from Worksheet 3, column a)		24,964	56,114,969	37,167,981	18,946,988	5 660 %
c Costs of other means-tested government programs (from Worksheet 3, column b)		968	2,490,684	2,195,639	295,045	0 090 %
d **Total** Charity Care and Means-Tested Government Programs		42,038	64,331,403	39,363,620	24,967,783	7 460 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	96	51,244	628,266	8,100	620,166	0 190 %
f Health professions education (from Worksheet 5)	72	9,554	7,684,883	1,352,860	6,332,023	1 890 %
g Subsidized health services (from Worksheet 6)	5	3,230	2,294,280		2,294,280	0 690 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)	112	20,525	651,221	8,430	642,791	0 190 %
j **Total** Other Benefits	285	84,553	11,258,650	1,369,390	9,889,260	2 960 %
k **Total.** Add lines 7d and 7j	285	126,591	75,590,053	40,733,010	34,857,043	10 420 %

Part II Community 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
1	Physical improvements and housing	2		1,418		1,418	0 %
2	Economic development						
3	Community support	18	60	23,958		23,958	0 010 %
4	Environmental improvements	3		1,481		1,481	0 %
5	Leadership development and training for community members						
6	Coalition building	4		6,929		6,929	0 %
7	Community health improvement advocacy	1		546		546	0 %
8	Workforce development	4	10	46,397		46,397	0 010 %
9	Other						
10	**Total**	32	70	80,729		80,729	0 020 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense	2	2,288,350		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	0		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	71,088,002
6	Enter Medicare allowable costs of care relating to payments on line 5	6	85,713,597
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-14,625,595
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used		

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

9a	Did the organization have a written debt collection policy during the tax year?	9a	Yes	
b	If "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 IV Management 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 %
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest)

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

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	MERITER HOSPITAL INC 202 S PARK STREET MADISON, WI 53715	X	X		X		X	X		

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)

MERITER 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	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ 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?	9	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 000000000000%			
If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 500 000000000000%			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☑ Asset level			
	c ☑ Medical indigency			
	d ☐ Insurance status			
	e ☐ Uninsured discount			
	f ☐ Medicaid/Medicare			
	g ☐ State regulation			
	h ☐ Other (describe in Part VI)			
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?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☑ The policy was posted at all times on the hospital facility's web site			
	b ☑ The policy was attached to all billing invoices			
	c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☑ The policy was posted in the hospital facility's admissions offices			
	e ☑ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☐ Other (describe in Part VI)			

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 ☑ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments or arrests			
	e ☐ 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?	16	Yes	
	If "Yes," check all actions in which the hospital facility or a third party engaged			
	a ☑ Reporting to credit agency			
	b ☑ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments			
	e ☐ Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
	a ☑ Notified patients of the financial assistance policy upon admission			
	b ☑ Notified patients of the financial assistance policy prior to discharge			
	c ☑ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
	d ☑ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
	e ☐ 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?	**18**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ 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 ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☑ 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 ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☐ 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?	**20**		No
If "Yes," explain in Part VI			
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?	**21**		No
If "Yes," explain in Part VI			

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? **7**

	Name and address	Type of Facility (Describe)
1	MAX W POHL DENTAL CLINIC 202 S PARK ST MADISON, WI 53715	DENTAL SERVICES
2	MERITER REHABILITATION MEDICINE 202 S PARK ST MADISON, WI 53715	REHABILITATION SERVICES
3	WOMAN CARE CLINIC 20 S PARK ST MADISON, WI 53715	GYNECOLOGICAL SERVICES
4	CHILD & ADOLESCENT PSYCHIATRY 8001 RAYMON ROAD MADISON, WI 53719	INPATIENT PSYCHIATRY SERVICES
5	MERITER NEWSTART 1015 GAMMON LANE MADISON, WI 53719	SUBSTANCE ABUSE TREATMENT PROGRAM
6	MERITER WELLNESS CENTER 2501 W BELTLINE HIGHWAY SUIT 207 MADISON, WI 53713	CARDIOVASCULAR AND PULMONARY REHABILITATION AND NUTRITION
7	CENTER FOR PERINATAL CARE 202 S PARK ST MADISON, WI 53715	PREGNANCY CARE
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, 6i, 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 6A A COMMUNITY BENEFIT REPORT IS FILED ON BEHALF OF MERITER HEALTH SERVICES, INC , MERITER HOSPITAL, INC IS A SUBSIDIARY THE COMMUNITY BENEFIT TEXT IN THIS RETURN REPRESENTS THE HOSPITAL

Identifier	ReturnReference	Explanation
		PART I, LINE 7 COSTING METHODOLOGY THE RATIO OF COSTS TO CHARGES IS BASED ON WORKSHEET 3 OF SCHEDULE H

Identifier	ReturnReference	Explanation
		PART I, LINE 7, COLUMN (F) THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS $ 6069895

Identifier	ReturnReference	Explanation
		PART II MERITER STRIVES TO HELP CREATE A HEALTHY COMMUNITY INCLUDING A SAFE ENVIRONMENT, INTERCONNECTED NEIGHBORHOODS WITH ADEQUATE AND AFFORDABLE HOUSING, STRONG SCHOOLS AND A PREPARED AND DIVERSE WORKFORCE THROUGH PARTNERSHIPS WITH AREA NON-PROFIT ORGANIZATIONS AND COMMUNITY GROUPS, MERITER IS WORKING TO STRENGTHEN THE COMMUNITY THROUGH SPONSORSHIPS AND INVOLVEMENT IN BAYVIEW COMMUNITY FOUNDATION, GREENBUSH DAY COMMUNITY CELEBRATION, NEIGHBORHOOD HOUSE, AND HABITAT FOR HUMANITY, AND SUPPORT OF A NEIGHBORHOOD HOUSING INITIATIVE ALL OF THESE GROUPS, AND OTHERS, CREATE OPPORTUNITIES FOR SAFE AND AFFORDABLE HOUSING, FAMILY-BASED EVENTS, AND STRENGTHENING THE NEIGHBORHOODS THROUGH RAISING AWARENESS OF COMMUNITY RESOURCES AND NEIGHBORHOOD ASSETS NEIGHBORHOOD HOUSE, IN PARTICULAR, HAS EXPANDED ITS AFTERSCHOOL ACTIVITIES AND SUMMER CAMP PROGRAM THIS PROGRAM INTRODUCED CHILDREN TO AREAS OF THE COMMUNITY MANY HAD NOT EXPERIENCED INCLUDING FIELD TRIPS TO THE UNIVERSITY, ZOO AND TO A LOCAL COMMUNITY GARDEN THE GREENBUSH DAY COMMUNITY CELEBRATION INVOLVED AREA RESTAURANTS AND PERFORMING ARTS GROUPS TO BRING TOGETHER RESIDENTS AND FORMER RESIDENTS OF AN ETHNICALLY DIVERSE AND LOCALLY HISTORICALLY SIGNIFICANT NEIGHBORHOOD THIS CELEBRATION BROUGHT TOGETHER DIVERSE COMMUNITY MEMBERS TO HELP PLAN AND PARTICIPATE IN THIS ON-GOING COMMUNITY CELEBRATION MERITER LED THE WAY IN ESTABLISHING A WORK-FORCE HOUSING INITIATIVE FOR A RAPIDLY CHANGING NEIGHBORHOOD THE INITIATIVE, WHICH INCLUDES PARTNERS FROM OTHER AREA EMPLOYERS, HAS GROWN IN TO A SEPARATE ORGANIZATION WHICH PROVIDES HOME-BUYER EDUCATION, BUDGETING, AND OTHER FINANCIAL LITERACY FINALLY, MERITER IS WORKING WITH COMMUNITY GROUPS SUCH AS THE URBAN LEAGUE TO FUND TRAINING PROGRAMS, SCHOLARSHIPS AND TUTORING PROGRAMS THROUGH SUPPORT OF EDUCATIONAL PROGRAMS, MERITER IS HELPING INCREASE JOB OPPORTUNITIES FOR AREA RESIDENTS, THEREBY INCREASING JOB SECURITY

Identifier	ReturnReference	Explanation
		PART III, LINE 4 THE AUDITED FINANCIAL STATEMENTS DO NOT CONTAIN A BAD DEBT FOOTNOTE THE HOSPITAL REPORTS ACCOUNTS RECEIVABLE FOR SERVICES RENDERED AT NET REALIZABLE AMOUNTS FROM THIRD PARTY PAYERS, PATIENTS AND OTHERS THE HOSPITAL PROVIDES AN ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS BASED UPON THE REVIEW OF OUTSTANDING RECEIVEABLES, HISTORICAL COLLECTION INFORMATION AND EXISTING ECONOMIC CONDITIONS COSTING METHODOLOGY THE RATIO OF PATIENT CARE COST TO CHARGES IS APPLIED TO THE BAD DEBT ATTRIBUTABLE TO PATIENT ACCOUNTS THAT ARE REPORTED ON LINE 2 THE RATIO OF COSTS TO CHARGES IS BASED ON WORKSHEET 3 OF SCHEDULE H

Identifier	ReturnReference	Explanation
		PART III, LINE 8 THE MEDICARE SHORTFALL WAS NOT INCLUDED AS COMMUNITY BENEFIT

Identifier	ReturnReference	Explanation
		PART III, LINE 9B WE NOTIFY PATIENTS OF THEIR FINANCIAL RESPONSIBILITY AS WELL AS OUR CHARITY CARE POLICY OUR COLLECTION AGENCIES ARE EDUCATED ON OUR FAHCP (FINANCIAL ASSISTANCE FOR HEALTH CARE PROGRAM) AND WE FOLLOW WHA (WISCONSIN HOSPITAL ASSOCIATION) GUIDELINES OUR POLICY STATES "PATIENT ACCOUNTS IN THE PROCESS OF FINANCIAL AID REVIEW WILL NOT KNOWINGLY BE SENT TO COLLECTIONS "

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 MERITER UTILIZES LOCAL PUBLIC HEALTH DATA AND THE STATE HEALTH PLAN, HEALTHIEST WISCONSIN 2020, TO ESTABLISH ITS COMMUNITY BENEFIT PLAN

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 WE NOTIFY PATIENTS OF THEIR FINANCIAL RESPONSIBILITY AS WELL AS OUR CHARITY CARE POLICY OUR COLLECTION AGENCIES ARE EDUCATED ON OUR FAHCP (FINANCIAL ASSISTANCE FOR HEALTH CARE PROGRAM) AND WE FOLLOW WHA (WISCONSIN HOSPITAL ASSOCIATION) GUIDELINES OUR POLICY STATES "PATIENT ACCOUNTS IN THE PROCESS OF FINANCIAL AID REVIEW WILL NOT KNOWINGLY BE SENT TO COLLECTIONS "

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 MERITER'S PRIMARY SERVICE AREA IS DANE COUNTY DANE COUNTY IS HOME TO THE STATE CAPITOL, A MAJOR UNIVERSITY, AS WELL AS A MIX OF LARGE EMPLOYERS THE COMMUNITY IS A A SMALL URBAN AREA SURROUNDED BY SMALL TOWNS AND RURAL FARMS THE COMMUNITY IS NEARLY 85% WHITE, NEARLY 6% HISPANIC, 5 % BLACK AND NEARLY 5% ASIAN OVER 94% OF COUNTY RESIDENTS OVER THE AGE OF 25 HAVE COMPLETED HIGH SCHOOL AND OVER 45% HAVE AT LEAST A BACHELOR'S DEGREE DESPITE THE HIGH EDUCATION LEVELS, 11 6% OF THE POPULATION LIVES BELOW THE POVERTY LINE

Identifier	ReturnReference	Explanation
		PART VI, LINE 5 MERITER IS A LOCALLY MANAGED AND A LOCALLY GOVERNED HOSPITAL THE COMMUNITY-BASED BOARD OF DIRECTORS IS COMMITTED TO PROTECTING THE HEALTH OF THE COMMUNITY THROUGH SUSTAINING SEVERAL OF MERITER'S PROGRAMS AND SERVICES THAT ONLY MERITER PROVIDES SEVERAL YEARS AGO, THE BOARD MADE A PLEDGE TO CONTINUE TO PROVIDE CHILD AND ADOLESCENT PSYCHIATRIC SERVICES EVEN WHEN OTHER PROVIDERS WERE UNABLE TO PROVIDE ANY SUPPORT SIMILARLY, MERITER PROVIDES THE ONLY HOSPITAL BASED DENTAL RESIDENCY PROGRAM IN THE AREA THIS SERVICE OFFERS AN OPTION FOR THOSE WHO CANNOT BE SEEN IN A STANDARD DENTAL OFFICE WHETHER THAT REASON IS FOR AN ILLNESS OR A BEHAVIORAL OR COGNITIVE DISABILITY BOTH OF THESE SERVICES OFTEN OPERATE AT A LOSS FOR THE ORGANIZATION HOWEVER, THE BOARD IS COMMITTED TO ENSURING THAT MERITER CONTINUE TO PROVIDE THIS RESOURCE TO THE COMMUNITY

Identifier	ReturnReference	Explanation
		PART VI, LINE 6

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

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

▶ **Attach to Form 990**

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
MERITER HOSPITAL INC

Employer identification number
39-0806367

Part I General Information on Grants and Assistance

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . ☑ Yes ☐ No

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

Part II Grants and Other Assistance to Governments and Organizations in the United States.

Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than $5,000. Check this box if no one recipient received more than $5,000. Use Part IV and Schedule I-1 (Form 990) if additional space is needed . . . ▶ ☐

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) MERITER FOUNDATION INC202 S PARK STREET MADISON,WI 537151596	23-7098688	501(C)(3)	30,753				HOSPITAL PROGRAMS

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . ▶ 1

3 Enter total number of other organizations listed in the line 1 table . . . ▶ 0

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

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance
(1) HOSPITAL SCHOLARSHIPS	23	44,571			

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

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 GRANTS ARE MADE UPON A SPECIFIC PROJECT REQUEST AND ONLY MADE TO ORGANIZATIONS THAT WE HAVE A WORKING RELATIONSHIP WITH AND SHARE A COMMON GOAL OF COMMUNITY BENEFIT GRANTS ARE ONLY MADE TO 501(C)(3) ORGANIZATIONS WHICH MUST COMPLETE FORM 990S AND ANNUAL REPORTS PART III - SCHOLARSHIPS ARE AWARDED TO INDIVIDUALS WHO HAVE SUBMITTED REQUIRED APPLICATION AND SUPPORTING DOCUMENTATION A SELECTION COMMITTEE REVIEWS THE REQUESTS, EVALUATES EACH APPLICATION BASED UPON FINANCIAL NEED, ACADEMIC RECORD, EXTRA CURRICULAR WORK/VOLUNTEERING, RECOMMENDATION AND ESSAY CHECKS ARE ISSUED TO THE ACADEMIC INSTITUTION ON THE STUDENT'S BEHALF

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
MERITER HOSPITAL INC

Employer identification number
39-0806367

Part I Questions Regarding Compensation

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

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use 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				
See Additional Data Table								

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	BUSINESS CLUB DUES WERE PAID FOR TWO PEOPLE THE BUSINESS CLUB IS AN IRS SECTION 501(C)(7)
	PART I, LINES 4A-B	SEVERANCE PAYMENTS WERE RECEIVED BY THE FOLLOWING INDIVIDUALS - TIMOTHY PRINCE - $125,953 - MARY NICK - $92,188 - MARGO FRANCISCO - $51,750 AMOUNTS LISTED INCLUDE EMPLOYEE DEFERRALS, WHERE APPLICABLE - M NICK $4,137 WHILE SELECT INDIVIDUALS PARTICIPATE IN A SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN, NO PAYMENTS WERE RECEIVED IN 2011
	PART I, LINE 7	SYSTEM WIDE PERFORMANCE MEASURES, WITH A FINANCIAL THRESHOLD COMPONENT, MUST BE MET TO QUALIFY FOR THE OVERALL INCENTIVE ONCE MET, VARIOUS ESTABLISHED GOALS ARE MEASURED WHICH INCLUDE SPECIFIC PERFORMANCE IMPROVEMENT SAVINGS, DAYS CASH ON HAND, OPERATING MARGIN

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 39-0806367
Name: MERITER HOSPITAL INC

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
JAMES WOODWARD	(I)	0	0	0	0	0	0	0
	(II)	500,602	191,621	30,516	16,047	29,254	768,040	0
SUSAN TOTH MD	(I)	0	0	0	0	0	0	0
	(II)	187,333	40,000	3,149	0	11,716	242,198	0
LINDA HOFF	(I)	0	0	0	0	0	0	0
	(II)	327,438	108,212	559	24,496	14,985	475,690	0
LYNNE MYERS	(I)	0	0	0	0	0	0	0
	(II)	329,196	111,037	1,210	15,350	14,738	471,531	0
KEVIN BOREN	(I)	0	0	0	0	0	0	0
	(II)	200,968	29,118	332	4,636	14,999	250,053	0
SUE ERICKSON	(I)	0	0	0	0	0	0	0
	(II)	169,755	44,556	7,279	24,394	22,438	268,422	0
PATRICIA GRUNWALD	(I)	0	0	0	0	0	0	0
	(II)	212,895	63,992	10,111	30,460	14,147	331,605	0
KERRA GUFFEY	(I)	0	0	0	0	0	0	0
	(II)	243,782	78,911	604	15,717	16,265	355,279	0
TAMARA SAUNAITIS	(I)	0	0	0	0	0	0	0
	(II)	166,283	40,000	59,907	0	11,251	277,441	0
GEOFFREY R PRIEST MD	(I)	0	0	0	0	0	0	0
	(II)	319,741	90,680	2,262	22,801	28,217	463,701	0
KATHERINE KOSTRIVAS	(I)	0	0	0	0	0	0	0
	(II)	146,326	28,278	507	10,861	13,377	199,349	0
KEVIN SNITCHLER	(I)	0	0	0	0	0	0	0
	(II)	174,190	41,010	671	13,349	15,756	244,976	0
LOUIS S BRYSH	(I)	190,312	45,718	31,372	22,909	15,839	306,150	0
	(II)	0	0	0	0	0	0	0
WILLIAM HERBERT	(I)	165,497	29,304	7,103	30,606	14,160	246,670	0
	(II)	0	0	0	0	0	0	0
ROGER SLATTER	(I)	0	0	0	0	0	0	0
	(II)	213,750	49,354	1,289	14,775	1,601	280,769	0
MARGO FRANCISCO	(I)	0	0	0	0	0	0	0
	(II)	136,383	36,717	51,921	10,645	1,043	236,709	0
MARY M NICK	(I)	0	0	0	0	0	0	0
	(II)	81,360	62,868	95,240	4,769	2,309	246,546	0
TIMOTHY PRINCE	(I)	0	0	0	0	0	0	0
	(II)	0	30,430	125,953	0	6,253	162,636	0

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
MERITER HOSPITAL INC

Employer identification number
39-0806367

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	WISCONSIN HEALTH AND EDUCATIONAL FACILITIES AUTHORITY REVENUE BONDS #1992A	39-1337855	97710BBH4	05-21-2008	23,750,000	CURRENT REFUNDING OF 2006 SERIES A		X		X		X
B	WISCONSIN HEALTH AND EDUCATIONAL FACILITIES AUTHORITY REVENUE BONDS # 2002	39-1337855	97710BBJ1	05-21-2008	28,400,000	CURRENT REFUNDING OF 2006 SERIES B		X		X		X
C	WISCONSIN HEALTH AND EDUCATIONAL FACILITIES AUTH AUCTION RATE BONDS #2006A	39-1337855	97710BBK7	05-21-2008	34,940,000	CURRENT REFUNDING OF 2006 SERIES C		X		X		X
D	WISCONSIN HEALTH AND EDUCATIONAL FACILITIES AUTH AUCTION RATE BONDS #2006B	39-1337855	97710BKL5	07-28-2009	50,000,000	CONSTRUCT AND EQUIP HOSPITAL FACILITIES		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired				
2	Amount of bonds defeased				
3	Total proceeds of issue	23,750,000	28,400,000	34,940,000	50,000,000
4	Gross proceeds in reserve funds				3,649,677
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrow				
7	Issuance costs from proceeds	1,369,247			1,627,314
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	22,380,752	28,400,000	34,940,000	44,898,623
11	Other spent proceeds				
12	Other unspent proceeds				
13	Year of substantial completion	2009	2009	2009	

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

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

Part IV Arbitrage

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

Part 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

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
MERITER HOSPITAL INC

Employer identification number
39-0806367

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	WISCONSIN HEALTH AND EDUCATIONAL FACILITIES AUTHORITY REVENUE BONDS #2011	39-1337855	97710BG71	06-08-2011	40,000,000	HOSPITAL CONSTRUCTION AND EQUIPMENT		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired				
2	Amount of bonds defeased				
3	Total proceeds of issue	39,630,769			
4	Gross proceeds in reserve funds				
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrow				
7	Issuance costs from proceeds	556,800			
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	32,561,390			
11	Other spent proceeds				
12	Other unspent proceeds	7,127,814			
13	Year of substantial completion	2013			

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X						
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?		X						
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	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?								
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 ▶	0 %							
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	0 %							
6	Total of lines 4 and 5	0 %							
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						
2	Is the bond issue a variable rate issue?		X						
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X						
b	Name of provider	NA							
c	Term of hedge								
d	Was the hedge superintegrated?		X						
e	Was a hedge terminated?		X						
4a	Were gross proceeds invested in a GIC?		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						
6	Did the bond issue qualify for an exception to rebate?		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

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
MERITER HOSPITAL INC

Employer identification number
39-0806367

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues? Yes	(e) Sharing of organization's revenues? No
(1) LONDA DEWEY	PAST BOARD CHAIR	57,200	CONTRACT MS DEWEY, A MERITER HEALTH SERVICES AND MERITER HOSPITAL BOARD MEMBER, IS PRESIDENT OF THE QTI ORGANIZATION, WHICH PROVIDES CONSULTING SERVICES TO MERITER HOSPITAL THE TRANSACTION LISTED RELATES TO A CONSULTING ARRANGEMENT THAT WAS COMPLETED AT ARM'S LENGTH COMMERCIAL TERMS		No
(2) RICH LYNCH	BOARD MEMBER	16,595,419	CONSTRUCTION MR LYNCH, A MERITER HEALTH SERVICES AND MERITER HOSPITAL BOARD MEMBER, IS PRESIDENT OF THE FINDORFF ORGANIZATIONS WHICH PROVIDED CONSTRUCTION CONTRACT SERVICES TO MERITER HOSPITAL THE TRANSACTIONS LISTED RELATE TO CONSTRUCTION CONTRACTS THAT WERE COMPLETED AT ARM'S LENGTH COMMERCIAL TERMS MR LYNCH RECUSES HIMSELF FROM ALL CONSTRUCTION-RELATED VOTES OF THE HOSPITAL		No
(3)					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
MERITER HOSPITAL INC

Employer identification number
39-0806367

Identifier	Return Reference	Explanation
NEW PROGRAM SERVICES	FORM 990, PART III, LINE 2	IN 2011, MERITER CONTINUED TO MEET PATIENT NEEDS BY IMPLEMENTING A NEW PEDIATRIC CARE MODEL WHICH INVOLVED OPENING A NEW PEDIATRIC CENTER TO PROVIDE EMERGENCY, OBSERVATION AND INPATIENT CARE, OPENED A NEW DIGESTIVE HEALTH CENTER, PROVIDING GREATER PATIENT PRIVACY AND SERVICE FOR PREVENTION, EARLY DETECTION AND TREATMENT OF GASTROINTESTINAL DISEASE, AND LEADING EDGE ORTHOPEDIC CARE WITH THE INTRODUCTION OF MAKOPLASTY KNEE REPLACEMENT PROCEDURE

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 2	LONDA DEWEY AND DANIEL RASHKE HAVE A BUSINESS RELATIONSHIP

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 6	MERITER HEALTH SERVICES (MHS) IS THE SOLE VOTING MEMBER OF MERITER HOSPITAL

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 7A	MERITER HEALTH SERVICES (MHS) IS THE SOLE VOTING MEMBER OF MERITER HOSPITAL AND, AS SUCH, THE MHS BOARD ELECTS THE MEMBERS OF THE MERITER HOSPITAL BOARD OF DIRECTORS

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 7B	THE FOLLOWING ACTIONS REQUIRE THE PRIOR AUTHORIZATION OR APPROVAL OF THE MHS BOARD AS VOTING MEMBER OF THE CORPORATION, (A) MERGER, CONSOLIDATION OR DISSOLUTION OF THE CORPORATION, (B) AMENDMENT OR RESTATEMENT OF THE ARTICLES OF INCORPORATION OF THE CORPORATION, (C) A SALE, LEASE, EXCHANGE, OR OTHER DISPOSITION OF ALL, OR SUBSTANTIALLY ALL, THE PROPERTY AND ASSETS OF THE CORPORATION, (D) THE ESTABLISHMENT, FORMATION, ACQUISITION, MERGER, CONSOLIDATION OR DISSOLUTION OF ANY SUBSIDIARY CORPORATION OF THE CORPORATION, (E) THE ADOPTION OF THE AGGREGATE ANNUAL OPERATING AND CAPITAL BUDGETS OF THE CORPORATION, (F) AGGREGATE BORROWING FOR PERIODS OF ONE (1) YEAR OR LESS FOR ANY PURPOSE IN EXCESS OF A DOLLAR AMOUNT TO BE ESTABLISHED BY THE VOTING MEMBER FROM TIME TO TIME, AND AGGREGATE BORROWING FOR PERIODS OF MORE THAN ONE (1) YEAR FOR ANY PURPOSE IN EXCESS OF A DOLLAR AMOUNT TO BE ESTABLISHED BY THE VOTING MEMBER FROM TIME TO TIME. FOR THE PURPOSE OF THIS SUBPARAGRAPH, THE TERM AGGREGATE BORROWING MEANS BORROWINGS NOT PREVIOUSLY INCLUDED IN THE OPERATING AND/OR CAPITAL BUDGETS, AND INCLUDES BUT IS NOT LIMITED TO LEASE AGREEMENTS AND CONTRACTS FOR SALE, (G) THE PURCHASE, SALE, LEASE, DISPOSITION, HYPOTHECATION, EXCHANGE, GIFT, PLEDGE, AND ENCUMBRANCE OF ANY ASSET, REAL OR PERSONAL, WITH A VALUE IN EXCESS OF A DOLLAR AMOUNT TO BE ESTABLISHED BY THE VOTING MEMBER FROM TIME TO TIME, NOT PREVIOUSLY INCLUDED IN THE CAPITAL BUDGET, (H) THE APPOINTMENT OF THE INDEPENDENT AUDITOR AND CORPORATE COUNSEL

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 11	MERITER CONTRACTS WITH AN OUTSIDE PUBLIC ACCOUNTING FIRM TO PREPARE ALL INCOME TAX RETURNS MERITER'S ACCOUNTING DEPARTMENT STAFF COMPLETES AND THE CONTROLLER REVIEWS THE COMPREHENSIVE TAX ORGANIZER PROVIDED BY THE TAX FIRM THE CORPORATE CONTROLLER AND THE TAX FIRM WORK TOGETHER TO PREPARE TAX RETURNS TO REFLECT INFORMATION THAT AFFECTS THE FORM 990 TWO WEEKS PRIOR TO FILING, THE RETURNS WILL BE POSTED TO THE BOARD GOVERNANCE INTERNAL WEB SITE ACCOMPANIED BY A MEMO HIGHLIGHTING THE KEY POINTS OF INTEREST FOR THE FILING YEAR AND CONTAINING THE ANTICIPATED FILING DATE IN ADDITION TO PROVIDING CONTACT INFORMATION FOR FURTHER INQUIRY BY THE BOARD

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	THE HOSPITAL BOARDS OF DIRECTORS CONSISTENTLY MONITOR AND ENFORCE COMPLIANCE WITH THE CONFLICT OF INTEREST POLICY ON A PROACTIVE BASIS, DECLARATIONS OF POTENTIAL CONFLICTS OF INTEREST ARE SIGNED WHEN EACH DIRECTOR JOINS THE BOARD AND ANNUALLY THEREAFTER THE CEO AND BOARD CHAIR MONITOR THE POTENTIAL CONFLICTS DISCLOSED BY BOARD MEMBERS AND MANAGE ATTENDANCE AT MEETINGS AND PARTICIPATION IN VOTES ACCORDING TO THE ISSUE ON THE AGENDA INDIVIDUAL DIRECTORS ALSO MONITOR THEIR POTENTIAL CONFLICTS AND RECUSE THEMSELVES FROM BOARD DISCUSSION AND/OR VOTES AS REQUIRED BY THE CIRCUMSTANCES THE PROCESS OF MANAGING CONFLICTS OF INTEREST IS RECORDED IN THE MEETING MINUTES BELOW IS THE 2011 CONFLICT OF INTEREST DISCLOSURE DRS ROTHSTEIN AND PRIEST ARE MEMBERS OF PHYSICIAN PLUS INVESTMENT GROUP LLP WHICH IS A 1/3 OWNER OF PHYSICIANS PLUS INSURANCE CORPORATION WHERE MERITER HEALTH SERVICES OWNS THE REMAINING 2/3 DR ROTHSTEIN IS THE MANAGING PARTNER OF PPIG LLP AND DR PRIEST IS A NON-VOTING MEMBER OF SAME DR MANNING, A BOARD MEMBER OF MERITER HOSPITAL, ALSO IS A MEMBER OF UW MEDICAL FOUNDATION MERITER PAYS TEACHING STIPENDS TO UW MEDICAL FOUNDATION PHYSICIANS

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	THE MERITER HEALTH SERVICES BOARD OF DIRECTORS APPROVES EXECUTIVE COMPENSATION PHILOSOPHY AND STRATEGY THE BOARD OF DIRECTORS AUTHORIZES A SUB-COMMITTEE OF THE BOARD TO MAKE COMPENSATION DECISIONS WHILE RETAINING OVERSIGHT OF SAID COMMITTEE. AN EXTERNAL HUMAN RESOURCES CONSULTING FIRM IS ENGAGED BY THE BOARD OF DIRECTORS' SUB-COMMITTEE. THIS FIRM COLLECTS AND REVIEWS ALL ORGANIZATIONAL INFORMATION, COMPENSATION DATA, AND BACKGROUND INFORMATION MATCHING ALL EXECUTIVE POSITIONS TO SURVEY BENCHMARKS USING THIS INFORMATION THE CONSULTING FIRM PRODUCES ESTIMATED MARKET VALUES FOR EACH EXECUTIVE AND RECOMMENDS ANY NECESSARY CHANGES WITH EXECUTIVE COMPENSATION TO THE BOARD COMMITTEE FOR THEIR DECISION

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 18	BECAUSE THE ORGANIZATION FILED ITS FORM 1023 BEFORE JULY 1987 AND DID NOT HAVE A COPY OF FORM 1023 ON THAT DATE, IT IS NOT REQUIRED TO MAKE ITS FORM 1023 AVAILABLE FOR PUBLIC INSPECTION

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	AS PRIVATE CORPORATIONS, THE GOVERNING DOCUMENTS ARE NOT MADE PUBLIC THE CONFLICT OF INTEREST POLICY IS NOT GENERALLY MADE PUBLIC, BUT WOULD BE DISCLOSED TO INTERESTED PARTIES IN THE CONTEXT OF ANY ISSUE THAT MIGHT ARISE. FINANCIAL INFORMATION CONTAINED WITHIN THE 990S IS AVAILABLE TO THE PUBLIC ON GUIDESTAR AND ARE AVAILABLE UPON REQUEST OF ADMINISTRATION

Identifier	Return Reference	Explanation
AVG HOURS DEVOTED TO RELATED ORG(S) WHEN RELATED COMP IS REPORTED	FORM 990, PART VII	ALL LISTED MERITER EMPLOYERS REPORTED ON THIS FORM 990 WORK, ON AVERAGE, A MINIMUM OF 40 HOURS PER WEEK FOR THE MERITER ENTITIES THE DIFFERENCE BETWEEN 40 HOURS AND THE HOURS REPORTED ON FORM 990, PART VII REPRESENTS THE ESTIMATED HOURS WORKED FOR OTHER MERITER ENTITIES BASED ON A 40-HOURS PER WEEK HOWEVER, IN MOST CASES, THESE INDIVIDUALS WORK FOR MORE THAN 40 HOURS PER WEEK

Identifier	Return Reference	Explanation
COMPENSATION FOR SUSAN TOTH, MD	FORM 990, PART VII	THE COMPENSATION PAID TO SUSAN TOTH, M D REFLECTS PAYMENT FOR HER SERVICES AS PHYSICIAN TO MERITER MEDICAL GROUP, INC , A RELATED ORGANIZATION, NOT REMUNERATION FOR HER PARTICIPATION ON THE BOARD OF TRUSTEES OF MERITER HOSPITAL OR MERITER HEALTH SERVICES

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED LOSSES ON INVESTMENTS -2,175,637 SWAP GAIN LOSS -6,038,490 MINIMUM PENSION AND UNRECOGNIZED RETIREE MED BEN -26,010,410 ASSETS RELEASED FROM RESTRICTION 314,273 RELEASED FOR CAPITAL AND OTHER 246,290 TEMPORARY RESTRICTED TRANSFERS - FOUNDATION 1,011,693 WRITE-DOWN OF LANDE -854,208 OTHER -1,002,431 TOTAL TO FORM 990, PART XI, LINE 5 -34,508,920

Identifier	Return Reference	Explanation
	FORM 990, PART VII & SCHEDULE J	FORM 990 RULES FOR REPORTING EMPLOYEE VOLUNTARY DEFERRALS OF INCOME DISTORTS THE ACCURACY OF THE PRESENTATION OF THE EMPLOYEE'S BASE COMPENSATION THEREFORE, THE VOLUNTARY DEFERRALS FOR TWO EXECUTIVES ARE REPORTED HERE J WOODWARD AND P GRUNWALD DEFERRED $38,788 AND $33,674 OF THEIR BASE COMPENSATION, RESPECTIVELY

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
MERITER HOSPITAL INC

Employer identification number
39-0806367

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) MERITER HEALTH SERVICES INC 202 SOUTH PARK STREET MADISON, WI 537151596 39-1412318	PARENT OF MERITER ENTITIES - SUPPORT NONPROFIT SUBSIDIARIES	WI	501(C)(3)	LINE 11B, II	MERITER HOSPITAL INC	Yes	
(2) MERITER FOUNDATION INC 202 SOUTH PARK STREET MADISON, WI 537151596 23-7098688	CHARITABLE SUPPORT FOR HEALTH CARE NEEDS	WI	501(C)(3)	LINE 7	MERITER HEALTH SERVICES INC		No
(3) MERITER MEDICAL GROUP INC 202 SOUTH PARK STREET MADISON, WI 537151596 05-0545222	CLINICAL SUPPORT OF MERITER HOSPITAL, INC	WI	501(C)(3)	LINE 11B, II	MERITER HOSPITAL INC	Yes	
(4) SHARED MAGNETIC RESONANCE IMAGING FACILITY INC 1104 JOHN NOLEN DR MADISON, WI 53713 39-1534744	MEDICAL TECHNOLOGY	WI	501(C)(3)	LINE 11A, I	MERITER HOSPITAL INC	Yes	

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? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) MERITER REAL ESTATE LLC 202 SOUTH PARK STREET MADISON, WI 537151596 20-1455471	REAL ESTATE MANAGEMENT	WI	MERITER HOSPITAL INC	RELATED	109,338			No		Yes		99 000 %
(2) MERITER UWMF PHYSICIAN CONTRACTING LLC 202 SOUTH PARK STREET MADISON, WI 53715 39-1998819	HEALTH CARE CONTRACTING SERVICES	WI	N/A									

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) MERITER HEALTH ENTERPRISES INC 202 SOUTH PARK STREET MADISON, WI 537151596 39-1293620	HEALTHCARE RELATED ACTIVITIES	WI	N/A	C			
(2) HCP CORPORATION 202 SOUTH PARK STREET MADISON, WI 537151596 39-1177562	RENTAL PROPERTIES	WI	MERITER HOSPITAL INC	C	53,500	909,747	100 000 %
(3) MERITER MANAGEMENT SERVICES INC 202 SOUTH PARK STREET MADISON, WI 537151596 39-1458235	MANAGEMENT COMPANY	WI	N/A	C			
(4) PHYSICIANS PLUS INSURANCE INC 22 EAST MIFFLIN STREET 200 MADISON, WI 53703 39-1565691	INSURANCE	WI	N/A	C			

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

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

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

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

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

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate 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		Yes	No	

Schedule R (Form 990) 2011

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation	

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 39-0806367
Name: MERITER HOSPITAL INC

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)	MERITER MANAGEMENT SERVICES INC	A	105,521	FMV
(2)	MERITER FOUNDATION INC	C	954,262	FMV
(3)	MERITER MANAGEMENT SERVICES INC	D	1,511,271	FMV
(4)	MERITER MEDICAL GROUP INC	D	77,751,353	FMV
(5)	MERITER HEALTH ENTERPRISES INC	I	1,277,900	FMV
(6)	MERITER MANAGEMENT SERVICES INC	I	647,940	FMV
(7)	MERITER FOUNDATION INC	I	82,882	FMV
(8)	MERITER FOUNDATION INC	L	984,673	FMV
(9)	MERITER HEALTH ENTERPRISES INC	L	10,778,368	FMV
(10)	MERITER HEALTH SERVICES INC	L	785,692	FMV
(11)	MERITER MANAGEMENT SERVICES INC	L	11,714,558	FMV
(12)	MERITER MEDICAL GROUP INC	L	1,206,189	FMV
(13)	MERITER HEALTH ENTERPRISES INC	K	1,621,062	FMV
(14)	MERITER MEDICAL GROUP INC	K	1,074,195	FMV
(15)	MERITER FOUNDATION INC	R	414,018	FMV

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			
TIMOTHY RIDDLE END 12811 ASSISTANT TREASURER	35 00			X				0	8,277	0
SUE ERICKSON VP OF PROFESSIOAL SERVICES	25 00				X			0	221,590	46,832
PATRICIA GRUNWALD CHIEF NURSING OFFICER	35 00				X			0	286,998	44,607
KERRA GUFFEY CHIEF INFORMATION OFFICER	35 00				X			0	323,297	31,982
TAMARA SAUNAITIS CHIEF HUMAN RESOURCES OFFICER	35 00				X			0	266,190	11,251
GEOFFREY R PRIEST MD CHIEF MEDICAL OFFICER	40 00				X			0	412,683	51,018
KATHERINE KOSTRIVAS AVP - WOMEN HEALTH	40 00					X		0	175,111	24,238
KEVIN SNITCHLER AVP - FACILITIES	40 00					X		0	215,871	29,105
LOUIS S BRYSH PHYSICIAN	40 00					X		267,402	0	38,748
WILLIAM HERBERT DIRECTOR - PHARMACY	40 00					X		201,904	0	44,766
ROGER SLATTER CHIEF MED INFO OFFICER	40 00					X		0	264,393	16,376
MARGO FRANCISCO FORMER EXECUTIVE	0 00						X	0	225,021	11,688
MARY M NICK FORMER EXECUTIVE	0 00						X	0	239,468	7,078
TIMOTHY PRINCE FORMER EXECUTIVE	0 00						X	0	156,383	6,253

Additional Data

Software ID:
Software Version:
EIN: 39-0806367
Name: MERITER HOSPITAL INC

Form 990, Special Condition Description:

Special Condition Description

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			
JAMES WOODWARD CEO/PRESIDENT	10 00	X		X				0	722,739	45,301
DAVE BOYER CHAIR	6 00	X		X				6,250	6,250	0
VIRGINIA GRAVES VICE CHAIR	6 00	X		X				0	0	0
LONDA DEWEY PAST CHAIR	6 00	X		X				6,250	6,250	0
DAVE ANDERSON END 711 BOARD MEMBER	4 00	X						0	0	0
HOLLY CREMER-BERKENSTADT BOARD MEMBER	4 00	X						0	0	0
JOAN BURKE END 611 BOARD MEMBER	4 00	X						0	0	0
PHIL BLAKE END 611 BOARD MEMBER	4 00	X						0	0	0
CATHERINE DURHAM BOARD MEMBER	4 00	X						0	0	0
MICHAEL GOLDROSEN MD BOARD MEMBER	4 00	X						0	0	0
GEORGE KAMPERSCHROER BOARD MEMBER	4 00	X						0	0	0
RICHARD LYNCH BOARD MEMBER	4 00	X						0	0	0
BRADLEY MANNING MD BOARD MEMBER	4 00	X						0	0	0
EILEEN MERSHART BOARD MEMBER	4 00	X						0	0	0
MARGARET NOREUIL RN PHD START 611 BOARD MEMBER	4 00	X						0	0	0
PAUL PEERCY PHD BOARD MEMBER	4 00	X						0	0	0
DAN RASHKE START 611 BOARD MEMBER	4 00	X						0	0	0
PAT RICHTER BOARD MEMBER	4 00	X						0	0	0
LAURENCE ROTHSTEIN MD BOARD MEMBER	4 00	X						0	0	0
JULIE SCHURR MD BOARD MEMBER	4 00	X						0	0	0
BARBARA SWAN BOARD MEMBER	4 00	X						0	0	0
SUSAN TOTH MD BOARD MEMBER	4 00	X						0	230,482	11,716
LINDA HOFF CFO/SECRETARY/TREASURER	30 00			X				0	436,209	39,481
LYNNE MYERS COO/ASST SECRETARY	35 00			X				0	441,443	30,088
KEVIN BOREN ASSISTANT TREASURER	30 00			X				0	230,418	19,635

MERITER HOSPITAL, INC.

Consolidated Financial Statements

December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

MERITER HOSPITAL, INC.

Table of Contents

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

Independent Auditors' Report

The Board of Directors
Meriter Hospital, Inc.:

We have audited the accompanying consolidated balance sheets of Meriter Hospital, Inc. (the Hospital) as of December 31, 2011 and 2010, and the related consolidated statements of unrestricted revenues, expenses, and changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

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

KPMG LLP

April 12, 2012

MERITER HOSPITAL, INC.

Consolidated Balance Sheets

December 31, 2011 and 2010

(In thousands)

Assets		2011	2010
Current assets:			
Cash and cash equivalents	$	30,994	25,809
Marketable securities		2,696	1,043
Current portion of assets limited as to use		9,127	2,493
Patient accounts receivable, net of allowance for uncollectibles of approximately $5,106 and $4,038 in 2011 and 2010, respectively		33,543	40,910
Other receivables		2,269	4,150
Inventories		3,388	3,317
Prepaid expenses		3,558	3,522
Total current assets		85,575	81,244
Marketable securities less current portion		195,436	166,977
Assets limited as to use less current portion		4,982	4,927
Property and equipment:			
Land		16,191	13,996
Land improvements		1,838	956
Buildings and building improvements		280,479	230,686
Equipment		204,270	188,860
		502,778	434,498
Less accumulated depreciation and amortization		270,610	246,579
		232,168	187,919
Construction in progress		14,531	28,464
Property and equipment, net		246,699	216,383
Investments in joint ventures		24,165	20,874
Loans receivable less current portion		1,244	1,923
Interest in net assets of Meriter Foundation, Inc.		7,392	6,486
Other noncurrent assets		4,729	3,863
Total assets	$	570,222	502,677

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets	2011	2010
Current liabilities:		
Current portion of long-term debt	$ 5,011	3,321
Accounts payable	18,039	17,067
Accrued wages and other employee benefits	14,071	13,150
Third-party payor payables	2,000	1,800
Claims payable and other	6,317	5,036
Total current liabilities	45,438	40,374
Accrued pension and postretirement benefits	41,513	15,565
Long-term debt, net of current portion	203,677	169,798
Other noncurrent liabilities	13,842	7,767
Total noncurrent liabilities	259,032	193,130
Total liabilities	304,470	233,504
Net assets:		
Unrestricted	259,342	263,203
Temporarily restricted	6,107	5,667
Permanently restricted	303	303
Total net assets	265,752	269,173
Total liabilities and net assets	$ 570,222	502,677

MERITER HOSPITAL, INC.

Consolidated Statements of Unrestricted Revenues,
Expenses, and Changes in Net Assets

Years ended December 31, 2011 and 2010

(In thousands)

	2011	2010
Unrestricted revenues, gains and other support:		
Net patient service revenue	$ 383,097	362,319
Other operating revenue	13,523	12,023
Equity income of joint venture investments	5,823	4,921
Net assets released from restrictions for operations	314	609
Total unrestricted revenues, gains and other support	402,757	379,872
Expenses:		
Salaries and wages	163,118	155,596
Employee benefits	42,391	42,282
Supplies and other	135,445	129,811
Interest	6,078	5,597
Depreciation and amortization	25,534	24,982
Provision for uncollectible accounts	6,412	6,010
Total expenses	378,978	364,278
Excess of revenues, gains and other support over expenses before nonoperating income	23,779	15,594
Nonoperating income (loss):		
Contributions	520	509
Investment income	6,686	8,427
Net gain (loss) on sale of property and equipment	(854)	55
Change in net unrealized gains and losses on trading securities	(2,009)	5,490
Change in interest in net assets of Meriter Foundation, Inc.	308	406
Change in fair value of interest rate swap agreements	(6,038)	(2,196)
Total nonoperating income (loss)	(1,387)	12,691
Excess of revenues, gains and other support over expenses	22,392	28,285

(Continued)

MERITER HOSPITAL, INC.

Consolidated Statements of Unrestricted Revenues,
Expenses, and Changes in Net Assets

Years ended December 31, 2011 and 2010

(In thousands)

	2011	2010
Unrestricted net assets:		
Excess of revenues, gains and other support over expenses	$ 22,392	28,285
Net assets released from restrictions for property and equipment	279	1,825
Change in accrued pension and postretirement benefits other than net periodic benefit cost	(26,532)	2,767
Increase (decrease) in unrestricted net assets	(3,861)	32,877
Temporarily restricted net assets:		
Change in interest in net assets of Meriter Foundation, Inc.	1,012	1,363
Contributions from Meriter Foundation, Inc.	21	197
Net assets released from restrictions	(593)	(2,930)
Increase (decrease) in temporarily restricted net assets	440	(1,370)
Permanently restricted net assets:		
Change in interest in net assets of Meriter Foundation, Inc.	—	30
Increase (decrease) in total net assets	(3,421)	31,537
Net assets:		
Beginning of year	269,173	237,636
End of year	$ 265,752	269,173

See accompanying notes to consolidated financial statements.

MERITER HOSPITAL, INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2011 and 2010

(In thousands)

		2011	2010
Operating activities			
Change in net assets	$	(3,421)	31,537
Adjustments to reconcile change in net assets to net cash provided by operating activities			
Depreciation and amortization		25,534	24,983
Provision for uncollectible accounts		6,412	6,010
Net (gain) loss on sale of property and equipment		854	(55)
Distributions from joint venture investments		2,532	3,350
Net realized and unrealized (gains) losses on investments		2,482	(7,306)
Equity income of joint venture investments		(5,823)	(4,921)
Change in accrued pension and postretirement benefits other than net periodic benefit cost		26,532	(2,767)
Change in fair value of interest rate swap agreements		6,038	2,196
Changes in assets and liabilities			
Increase in interest in net assets of Meriter Foundation, Inc		(906)	(690)
Increase in patient accounts receivable, net		955	(9,839)
(Increase) decrease in deferred revenue		19	(6)
Change in other assets and liabilities		4,506	2,617
Net cash provided by operating activities		65,714	45,109
Investing activities			
Change in assets limited as to use, net		(6,769)	12,573
Purchases of marketable securities		(188,822)	(132,650)
Proceeds from sales of marketable securities		156,331	130,617
Acquisition of property and equipment		(57,732)	(55,490)
Proceeds from sale of property		139	983
Payments received on loans receivable		718	246
Loans issued		—	(475)
Change in other noncurrent assets and liabilities		(433)	(272)
Net cash used in investing activities		(96,568)	(44,468)
Financing activities			
Proceeds from issuance of debt		40,000	—
Payments on long-term debt		(3,351)	(6,310)
Payment of debt issuance costs		(610)	—
Net cash provided by (used in) financing activities		36,039	(6,310)
Net increase (decrease) in cash and cash equivalents		5,185	(5,669)
Cash and cash equivalents			
Beginning of year		25,809	31,478
End of year	$	30,994	25,809
Supplemental disclosures of cash flow information			
Cash paid during the year for interest, net of amounts capitalized	$	5,041	5,048
Cash paid during the year for income taxes		47	40
Property and equipment acquired through capital lease		247	82

See accompanying notes to consolidated financial statements

(1) Organization

Meriter Hospital, Inc. (the Hospital) is a nonstock, not-for-profit acute care general hospital with 448 licensed beds. The Hospital provides comprehensive hospital and outpatient services to residents of Dane County and southern Wisconsin from multiple facilities in Madison, Wisconsin. Included in the operations of the Hospital are transactions related to the Friends of Meriter (Auxiliary) and Special Properties (Real Estate).

The Hospital is a member of a corporate group, of which Meriter Health Services, Inc. (MHS) is the parent corporation. Meriter Foundation, Inc. (the Foundation), Meriter Management Services, Inc. (MMS), and Physicians Plus Insurance Corporation (PPIC) are affiliates within this corporate group.

(2) Summary of Significant Accounting Policies

(a) Financial Statement Presentation

The consolidated financial statements include the accounts of the Hospital and its subsidiaries. The subsidiaries are described below:

HCP Corporation – is involved in real estate activities and is wholly owned by the Hospital.

Meriter Medical Group, Inc (Meriter Clinics) – is a not-for-profit organization that supports certain employed physicians and physicians clinics.

All significant intercompany accounts and transactions have been eliminated.

(b) Interest in Net Assets of the Foundation

The Hospital recognizes its interest in the net assets of the Foundation and adjusts that interest for its share of the change in net assets of the Foundation as change in interest in net assets of the Foundation. Because the Hospital can influence the timing and amount of distributions from the Foundation, amounts contributed to the Foundation for the Hospital with no further restriction are classified as unrestricted net assets. Amounts contributed to the Foundation for the Hospital with further donor restriction are classified as either temporarily or permanently restricted net assets.

The Hospital periodically requests funds from the Foundation for capital or other needs. Such requests are received by the Foundation, and if approved, funds are released. Such releases of funds are reported in the accompanying consolidated financial statements as net assets released from restrictions.

(c) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid money market investments and short-term investments with original maturities of three months or less excluding amounts held as assets limited as to use.

(e) Investments in Marketable Securities

The Hospital records all investments at fair value in the consolidated balance sheets. Investment income or loss (including realized gains and losses on investments, changes in unrealized gains and losses on trading securities, interest, and dividends) is included in excess of revenues, gains, and other support over expenses unless the income or loss is restricted by law.

The Hospital classifies investments in marketable securities as current for those that mature within one year. All investments in marketable securities with maturities greater than one year are classified as noncurrent.

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

(f) Derivative Financial Instruments

The Hospital, at times, uses variable rate debt to finance construction of facilities and equipment. The debt obligations expose the Hospital to variability in interest payments due to changes in interest rates. Management believes that it is prudent to limit the variability of a portion of its interest payments. To meet this objective, management enters into interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk.

By using derivative financial instruments to hedge exposures to changes in interest rates, the Hospital exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes a payment to the Hospital if the contract is terminated. When the fair value of derivative contract is negative, the Hospital would owe any termination payment to the counterparty. The Hospital minimizes the risk in derivative instruments by entering into transactions with high-quality counterparties.

Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk is managed by limiting the types of market risk that may be undertaken and negotiating terms that limit the ability of the counterparty to terminate the contract at inopportune times.

The Hospital assesses interest rate risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging

opportunities. In addition to the use of derivatives, the Hospital's investment policy requires certain investment strategies for hedging variable rate risk.

The Hospital does not use derivative instruments for speculative investment purposes.

The Hospital has entered into certain interest rate swap agreements, designated as cash flow hedges. For interest rate swaps that are designed and qualify as cash flow hedges, the effective portion of the gains and losses resulting from changes in the fair value is reported as a component of unrestricted net assets. The ineffective portion, if any, is reported in excess of revenues over expense in the current period. If hedging relationships were to cease to be highly effective, gains and losses on the interest rate swaps would be reported in excess of revenues over expenses over the remaining life of the debt. Any differences between interest received and paid under the interest rate swap designated as a cash flow hedge is recorded as a component of interest expense.

(g) Investments in Joint Ventures

The Hospital has investments in organizations which are not majority owned or controlled. The Hospital accounts for its investments in these organizations using the equity method of accounting.

(h) Assets Limited as to Use

Assets whose use is limited include assets held by trustees under bond indenture agreements, bond proceeds held in escrow for capital expenditures, and deferred compensation investments. Deferred compensation investments are restricted for the deferred compensation plan, with a deferred compensation payable approximately equal to the fair value of the investments recorded by the Hospital.

(i) Inventories

Inventories are valued at the lower of cost on the FIFO (first-in, first-out) basis or market.

(j) Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the respective depreciable assets on the straight-line method. Leasehold improvements are depreciated over the shorter of their estimated useful lives or the lease term. The estimated useful lives as of December 31, 2011 and 2010 are as follows:

Land improvements	10 – 15 years
Buildings and building improvements	10 – 50 years
Equipment	3 – 40 years

(k) Long-Lived Assets

The Hospital periodically assesses the carrying value of long-lived assets (including property and equipment and investments in joint ventures) in accordance with Accounting Standards Codification (ASC) Topic 360, *Property, Plant, and Equipment*. Long-lived assets are reviewed for impairment

whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived assets that are to be disposed of by sale are reported at the lower of their carrying value or fair value less cost to sell and are not depreciated. The Hospital has decided to dispose of property it owns in Sun Prairie WI. Therefore the asset has been presented as an asset-held-for-sale. The asset was re-measured to the lower of carrying amount and fair value less cost to sell as of December 31, 2011. Management believes the Hospital's remaining long-lived assets are not impaired at December 31, 2011.

(l) Capitalized Interest

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. During the years ended December 31, 2011 and 2010, capitalized interest expense totaling $1,319 and $853, respectively, was offset by interest income on debt service funds of $82 and $145, respectively.

(m) Unamortized Debt Issuance Costs

Financing costs associated with the issuance of bonds and notes are capitalized and are included in other noncurrent assets in the accompanying consolidated balance sheets. These costs are being amortized using the effective-interest method over the lives of the respective debt issues.

(n) Unrestricted, Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those assets whose use has been limited by donors to a specific purpose or time period. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. All other net assets, including board-designated or appropriated amounts are reported as unrestricted net assets.

Temporarily restricted net assets and income from permanently restricted net assets are available for various programs at the Hospital's facilities.

(o) Contributions and Donor Restrictions

The Hospital reports contributions of cash and other assets as unrestricted or as temporarily restricted depending on the existence of donor stipulations that limit the use of support. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of unrestricted revenues, expenses, and changes in net assets as net assets released from restrictions.

(p) Nonoperating Income (Loss)

Transactions deemed by management to be ongoing or central to the provision of healthcare services are reported as unrestricted revenues, gains, and other support, and expenses. Peripheral or incidental transactions, including certain investment, fund-raising, and hedging activities, are reported as nonoperating income (loss).

(q) Excess of Revenues, Gains, and Other Support over Expenses

The consolidated statements of unrestricted revenues, expenses, and changes in net assets includes excess revenues, gains and other support over expenses. Changes in unrestricted net assets which are excluded from excess of revenues, gains and other support over expenses, consistent with industry practice, include transfers between related parties, changes in accrued pension and postretirement benefits other than net pension benefit cost, and net assets released from restriction for property and equipment.

(r) Net Patient Service Revenue

Net patient service revenue is reported at the estimated realizable amounts from patients and third-party payors for services rendered.

The Medicare program pays for inpatient and outpatient, medical education, and certain other services at predetermined rates under its prospective payment system. Payments under Medicare's prospective payment system are not subject to retroactive adjustment. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. Provisions for settlements and adjustments are estimated in the period the related services are rendered and adjusted in future periods as final reimbursements are determined. Medicare cost reports have been audited by the Medicare fiscal intermediary through 2007. The Medicaid program reimburses the Hospital for inpatient and outpatient services largely at predetermined rates. Changes in the Medicare or Medicaid programs and reduction of funding levels could have an adverse effect on the Hospital. Net patient service revenue for the years ended December 31, 2011 and 2010 includes approximately $1,444 and $1,388, respectively, of favorable retrospectively determined prior year settlements with third-party payors.

During February 2009, the Economic Recovery Act was signed into Wisconsin law retroactive to July 1, 2008. Pursuant to this program, hospitals within the State of Wisconsin (the State) are required to remit payment to the State under a tax assessment formula. The Hospital has included its related assessment of $11,802 and $11,324 for 2011 and 2010, respectively, as supplies and other expenses in the accompanying consolidated statements of unrestricted revenues, expenses, and changes in net assets.

The aforementioned assessment program increases the amount of federal matching for the Medicaid program, which is then passed on to hospitals as increased Medicaid reimbursement. The State's assessment program prohibits the use of assessment revenue to supplant current revenue used to support existing hospital payment levels. The State distributes the assessment revenue as increased rates for both Medicaid and Medicaid Health Maintenance Organization (HMO) patients. The incremental reimbursement from the assessment programs is in excess of the tax assessments paid.

In 2009, the Office of the President and the United States Congress proposed significant reforms to the healthcare system, within the Affordable Health Care for America Act and the Patient Protection and Affordable Care Act. During 2011, and into 2012, numerous reform proposals are emerging at

the state and federal levels. Due to the current healthcare transformation taking place in the healthcare system, the Hospital is unable to predict the actual outcome of these matters or the impact that future legislation may have on the Hospital's financial results. Current legislation, if enacted, could have a significant impact on the operations by limiting revenue, increasing expenses, and reducing cash flow.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries are outstanding, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Net patient service revenue from managed care contracts, other than the contract with PPIC, is based upon discounts from established charges and prospectively determined per diem rates.

(s) Charity and Partially Reimbursed Care Programs

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

The Hospital is a provider under the Title XIX Wisconsin Medical Assistance (Medicaid) Program. Under this program, the Hospital is legally bound to accept the amount determined by the State as payment in full for each patient's charges.

(t) Adoption of New Accounting Standards

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-06, *Improving Disclosures about Fair Value Measurements* (ASU No. 2010-06). ASU No. 2010-06 amends ASC Subtopic 820-10, *Fair Value Measurements* and Disclosures, to provide additional disclosure requirements for transfers in and out of Levels 1 and 2 and for activity in Level 3 and to clarify certain other existing disclosure requirements. The Hospital implemented ASU No. 2010-06 for the year ended December 31, 2010.

In August 2010, the FASB issued ASU No. 2010-23, *Measuring Charity Care for Disclosure* (ASU No. 2010-23). ASU No. 2010-23 amends ASC Subtopic 954-605 to require the Hospital to use cost as the measurement basis for charity care disclosure requirements, and is effective for the year ended December 31, 2011.

In July 2011, the FASB issued ASU No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* (ASU No. 2011-07. ASU No. 2011-07 requires certain healthcare entities to record the provision for bad debts associated with patient service revenue as a deduction from patient service

revenue (net of contractual allowances and discounts) and is effective for the year ending December 31, 2012, with early adoption permitted.

(u) Income Taxes

The Hospital is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes pursuant to Section 501(a) of the Code. The Hospital is, however, subject to federal and state income taxes on any unrelated business income under the provisions of Section 511 of the Code.

HCP is a taxable entity for both federal and Wisconsin income for franchise tax purposes.

The Hospital accounts for income taxes in accordance with ASC Subtopic 740-10, *Income Taxes – Overall*. This guidance addresses the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC 740-10, the Hospital must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. ASC 740-10 also provides guidance on derecognition, classification, interest and penalties on income taxes, and accounting in interim periods, and requires increased disclosures. As of December 31, 2011 and 2010, the Hospital does not have a liability for unrecognized tax benefits.

The Hospital files informational tax returns in the U.S. federal jurisdiction. The Hospital is subject to U.S. federal tax examinations by tax authorities for years after 2006. There are no current or ongoing examinations by any taxing authority as of December 31, 2011 and 2010.

The Hospital's policy is to record interest and penalties on uncertain tax provisions as income tax expense. As of December 31, 2011 and 2010, the Hospital has no accrued interest or penalties related to uncertain tax positions.

(v) Functional Expenses

The expenses included in the consolidated statements of revenues, expenses, and changes in net assets are primarily related to providing healthcare-related services.

(Dollars in thousands)

(3) Net Patient Service Revenue and Concentrations of Credit Risk

The percentages of net patient service revenue attributable to third-party payor programs for the years ended December 31, 2011 and 2010 are as follows:

	2011	2010
Medicare	23%	24%
Medicaid	10	7
Managed care programs	41	40
Other	26	29
	100%	100%

Included in net patient service revenue are net capitation payments of $86,084 and $77,960 for the years ended December 31, 2011 and 2010, respectively, related to the Hospital's managed care contract with PPIC. Under this agreement, the Hospital receives monthly capitation payments based on the number of covered members, regardless of services actually performed by the Hospital. Also as part of this contract, the Hospital shares the risk for payment of covered members' defined benefits, which is limited by a stop-loss insurance policy. When a covered service is provided to the member by an organization other than the Hospital, these payments are netted against the Hospital gross capitation payments and are included in the net capitation above.

Included in net patient service revenue are net capitation payments of $26,378 for the year ended December 31, 2011, related to the Hospital's managed care contract with Unity. Under this agreement, effective January 1, 2011, the Hospital receives monthly capitation payments based on the number of covered members, regardless of services actually performed by the Hospital.

Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors for the Hospital is as follows:

	2011	2010
Commercial	43%	30%
Medicaid, Medicare, and other governmental	44	54
Managed care programs	12	13
Patients	1	3
	100%	100%

(Continued)

(Dollars in thousands)

(4) Charity and Partially Reimbursed Care

The level of services provided under charity care programs for the years ended December 31, 2011 and 2010 is summarized as follows:

		2011	2010
Costs incurred for services provided under the charity care program	$	6,279	5,312

The cost of services provided under the charity care program was calculated using a Cost to Charge ratio as defined by the Wisconsin Hospital Association (WHA) for the annual Community Benefits Inventory for Social Accountability (CIBSA) statewide survey. It is calculated by taking adjusted patient care costs divided by adjusted patient care charges.

In addition to providing charity care, the Corporation provides other programs and services for the general community. These programs and services consist of health promotion and education, health clinics and screenings, counseling, and medical research.

The Corporation is a provider under the Medicaid program and is legally bound to accept the amount determined by the State as payment in full for each patient's charges. The following summarizes cost in excess of reimbursement for services provided under the Medicaid program for the years ended December 31:

		2011	2010
Costs incurred in excess of partial reimbursement for services provided under the Medicaid program	$	32,399	32,382

(Continued)

(Dollars in thousands)

(5) Assets Limited as to Use and Investments in Marketable Securities

The composition of assets limited as to use at December 31, 2011 and 2010 is as follows:

		2011	2010
Under bond indenture agreements – held by trustee for debt service:			
Cash and cash equivalents	$	4,129	2,649
U.S. government securities and municipals		1,526	2,370
Certificates of deposit		1,836	2,346
Interest receivable		12	17
		7,503	7,382
Bond proceeds in escrow for capital expenditures:			
Cash and cash equivalents		5,753	—
U.S. government securities and municipals		759	—
		6,512	—
Under deferred compensation agreement – held by trustee:			
Mutual funds		94	38
	$	14,109	7,420

As the maturity of the assets in the table above are short term in nature, the cost of the assets approximate fair value.

Marketable securities consist of the following at December 31, 2011 and 2010:

		2011		2010	
		Cost	Fair value	Cost	Fair value
U S government and municipals	$	70,702	72,698	74,017	75,712
U S corporate bonds		18,000	17,997	19,396	19,128
Certificates of deposit		6,982	7,196	14,609	15,204
Foreign obligations		7,783	7,482	822	864
Mutual funds		95,078	92,759	57,622	57,112
	$	198,545	198,132	166,466	168,020

The mutual funds above are broad in nature and do not present significant concentration risk.

(Continued)

(Dollars in thousands)

Investment return comprises the following for the years ended December 31, 2011 and 2010:

	2011	2010
Dividends and interest	$ 7,159	6,611
Net realized gains (loss)	(473)	1,816
Change in net unrealized gains and losses on trading securities	(2,009)	5,490
Total investment return	$ 4,677	13,917

Investment return included in the accompanying consolidated statements of unrestricted revenues, expenses, and changes in net assets for the years ended December 31, 2011 and 2010 is as follows:

	2011	2010
Investment income	$ 6,686	8,427
Change in net unrealized gains and losses on trading securities	(2,009)	5,490
Total investment return	$ 4,677	13,917

(6) Joint Ventures

The Hospital's ownership percentage and carrying amount for investments in significant joint venture arrangements at December 31, 2011 and 2010 are as follows:

	2011		2010	
	Percentage owned	Carrying value	Percentage owned	Carrying value
Shared Magnetic Resonance Imaging Facility, Inc	50 00%	$ 10,885	50 00%	$ 9,258
Madison Surgery Center	33 33	3,908	33 33	3,491
Madison United Healthcare Linen, Ltd	33 33	2,964	33 33	2,999
Other	36 46% – 50 00%	6,408	36 46% – 50 00%	5,126
		$ 24,165		$ 20,874

Total assets of Shared Magnetic Resonance Imaging Facility, Inc., Madison Surgery Center, and Madison United Healthcare Linen, Ltd approximated $45,277 and $40,295 at December 31, 2011 and 2010, respectively, and total liabilities approximated $2,889 and $2,216 at December 31, 2011 and 2010, respectively. For the years ended December 31, 2011 and 2010, total revenues of the three joint ventures approximated $69,864 and $64,578, respectively, and net income approximated $12,929 and $10,296, respectively.

(Continued)

(Dollars in thousands)

During 2011 and 2010, the Hospital received cash distributions of $3,825 and $3,350, respectively, from joint ventures, and the Hospital paid capital contributions of $1,293 and $0, respectively, to joint ventures.

Other joint ventures include Generations Fertility Care, Madison Environmental Resourcing, Inc., Nursing Simulation Lab, Sleep Equipment of Wisconsin, LLC Transformations Surgery Center, Wisconsin Dialysis, Inc., and Wisconsin Sleep, Inc.

(7) Long-Term Debt

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

	2011	2010
Revenue bonds:		
Wisconsin Health and Educational Facilities Authority (WHEFA):		
Revenue Bonds, Series 1992A, payable in annual installments, including principal and interest to December 2022, in amounts ranging from $525 to $1,055, interest rates ranging from 6.00% to 6.30%, (effective interest rate of 4.71% and 4.89% in 2011 and 2010, respectively)	$ 8,840	9,395
Revenue Bonds, Series 2002, principal payable in annual installments starting in 2010 through 2032, in amounts ranging from $500 to $3,270; interest payable monthly, rate adjusted daily (0.11% and 0.35% at December 31, 2011 and 2010, respectively, and effective interest rate of 3.60% and 3.60% in 2011 and 2010, respectively)	26,000	26,500
Adjustable Rate Revenue Bonds, Series 2008A, principal payable in annual installments through 2024, in amounts ranging from $1,150 to $1,550; interest payable monthly; rate adjusted daily (0.07% and 0.33% at December 31, 2011 and 2010, respectively, and effective interest rate of 0.62% and 0.68% in 2011 and 2010, respectively)	19,250	20,400
Adjustable Rate Revenue Bonds, Series 2008B, principal payable in annual installments through 2026, in amounts ranging from $650 to $2,175; interest payable monthly; rate adjusted daily (0.07% and 0.33% at December 31, 2011 and 2010, respectively, and effective interest rate of 0.83% and 0.88% in 2011 and 2010, respectively)	25,950	26,625

(Continued)

(Dollars in thousands)

		2011	2010
Adjustable Rate Revenue Bonds, Series 2008C, principal payable in annual installments starting in 2019 through 2035, in amounts ranging from $110 to $5,655; interest payable monthly; rate adjusted daily (0.07% and 0.33% at December 31, 2011 and 2010, respectively, and effective interest rate of 1.12% and 0.1.11% in 2011 and 2010, respectively)	$	34,940	34,940
Fixed Rate Revenue Bonds, Series 2009, principal payable in annual installments starting in 2012 through 2038, in amounts ranging from $925 to $3,460; interest rates ranging from; 4.00% to 6.00% (effective interest rate of 5.96% and 5.96% in 2010 and 2011, respectively)		50,000	50,000
Fixed Rate Revenue Bonds, Series 2011, principal payable in annual installments starting in 2012 through 2038, in amounts ranging from $300 to $4,500; interest rates ranging from: 3.00% to 6.00% (effective interest rate of 5.91% in 2011)		40,000	—
Unamortized bond premiums		128	1,207
Total revenue bonds, including unamortized premiums		205,108	169,067
Notes payable:			
Promissory Note, Series 2007, monthly installments including principal and interest to December 27, 2010, principal payments of $200 per year with outstanding amount due at maturity, variable rate interest at one-month LIBOR plus 75 basis points		3,217	3,416
Total notes payable		3,217	3,416
Capital lease, monthly payments including principal and interest $19,799 to April 15, 2013 (fixed interest rate of 5.326%)		363	635
Total long-term debt		208,688	173,118
Less current maturities		5,011	3,322
Long-term portion	$	203,677	169,796

The Series 1992A, 2002, 2008A, 2008B, 2008C, 2009, and 2011 bonds are collateralized by pledged revenues of the Hospital. In addition, the bond agreements require maintenance of certain debt service coverage ratios, limits additional borrowings and requires compliance with various other restrictive covenants. Management believes the Hospital was in compliance with all financial covenants for the years ended December 31, 2011 and 2010.

(Continued)

(Dollars in thousands)

The bond agreements require that various amounts be held on deposit with a trustee for bond redemption, interest payments, and future capital expenditures (note 5).

The Revenue Bonds Series 2002 are demand bonds backed by a letter of credit expiring in December 2014. The Adjustable Rate Revenue Bonds Series 2008A, 2008B, and 2008C are demand bonds backed by a five-year letter of credit expiring in May 2013. All letters of credit are secured by a note issued under the Master Indenture and shares in the collateral pledged for the Series 1992A. In the event the remarketing agent is unable to remarket the bonds, the bank would draw on the letter of credit to purchase the bonds. Repayment of any draws under the letter of credit by the Hospital to the bank is required at 36 months and 18 months for the 2002 and 2008 bonds, respectively, with the earliest payment due at least 366 days from the date of the draws.

The Hospital has an outstanding line of credit totaling $5,000. No amounts were drawn as of December 31, 2011 and 2010.

Future principal maturities for all long-term debt as of December 31, 2011 under the original debt documents are summarized as follows:

2012	$	5,011
2013		7,779
2014		5,191
2015		5,569
2016		5,885
Thereafter		179,253
	$	208,688

(8) Derivative Instruments and Hedging Activities

On March 3, 2005, the Hospital entered into an interest rate swap agreement with an original notional amount of $27,000 and maturity of 2032 to manage interest rate risk on its Revenue Bonds, Series 2002. Under the swap, the Hospital pays a fixed rate of 3.46% and receives a variable rate equal to 67% of LIBOR. At December 31, 2011 and 2010, the fair value of the swap is approximately $(6,418) and $(2,960), respectively, and is included in other noncurrent liabilities in the accompanying consolidated balance sheets.

On December 22, 2005, the Hospital entered into two forward swap agreements with notional amounts of $25,525 for the Series 2006 A and $29,000 for the Series 2006 B. The start date for each of the swaps was August 1, 2006, coinciding with the date the Hospital issued Series 2006 A and Series 2006 B tax-exempt floating rate bonds in the same amount. The Series 2006 A and 2006 B bonds were retired in 2008 with the proceeds of the Series 2008 A and 2008 B bonds; however, the swaps remain in place to manage the interest rate risk of the 2008 bonds. Under the swaps, the Hospital will pay fixed rates of 3.53% and 3.54%, respectively, and receive a variable rate of 63.00% of LIBOR plus 30 basis points. At December 31, 2011 and 2010, the fair value of the swaps is approximately $(7,042) and $(4,462),

(Dollars in thousands)

respectively, and is included in other noncurrent liabilities in the accompanying consolidated balance sheets.

The Hospital's interest rate swap agreement related to the Series 2007 promissory note matured on January 1, 2011 and had a fair value of $0 as of 2010.

The interest rate swap agreements at December 31, 2011 and 2010 consist of the following:

Type	Balance sheet location	Original notional amount	Maturity date	Fixed pay rate	Effective rate (net cash received and paid) 2011	2010	Counterparty
Series 2002 bonds	Other liabilities	$ 27,000	December 2032	3.46%	3.46%	3.55%	US Bank
Series 2008A bonds	Other liabilities	23,750	December 2024	3.53	3.23	3.30	Piper Jaffray
Series 2008B bonds	Other liabilities	28,400	December 2026	3.54	3.24	3.31	Piper Jaffray

(9) Medical Malpractice Coverage

The Hospital had primary medical malpractice insurance coverage on an occurrence basis through a commercial carrier with limits of $1,000 per occurrence and $3,000 per policy year through September 30, 2003. Starting October 1, 2003, the coverage was replaced with a claims made policy through a commercial carrier with the same limits of $1,000 per occurrence and $3,000 per policy year. The policy is renewed annually in October. The Hospital has provided for an estimated tail liability related to its claims-made policy. The Injured Patient's and Families' Compensation Fund of the State of Wisconsin will cover claim awards in excess of these limits.

(10) Related-Party Transactions

The following is a summary of financial data arising from transactions with affiliated organizations that are included in the Hospital's consolidated financial statements as of and for the years ended December 31, 2011 and 2010. See note 3 regarding transactions with PPIC.

	2011	2010
Consolidated balance sheets:		
Other receivables	$ 640	2,369
Interest in net assets of Meriter Foundation, Inc.	7,392	6,486
Loans receivable (current and noncurrent portions)	1,244	1,923
Consolidated statements of unrestricted revenues, expenses and changes in net assets:		
Other operating revenue	$ 4,340	4,384
Supplies and other expenses	25,668	28,438

Transactions with affiliates include sales and purchases of administrative and laboratory services, purchases of information systems and telecommunication services, space rental, loan interest income, and unrestricted contributions from the Foundation.

(Dollars in thousands)

Net assets of the Foundation are invested in common stocks 49% and 50%, debt securities 43% and 40%, and cash and cash equivalents 8% and 10% at December 31, 2011 and 2010, respectively. Amounts are advanced from the Foundation to the Hospital for specified purposes, which are reported by the Hospital in the consolidated statements of unrestricted revenues, expenses, and changes in net assets. The Foundation contributed $520 and $509 of unrestricted amounts to the Hospital in 2011 and 2010, respectively, which are recorded in nonoperating income as contributions.

The Hospital has a managed care contract with PPIC, which provides for monthly capitation payments based on the number of covered members. See note 3.

In addition to transactions with affiliates, the Hospital has entered into transactions with joint venture organizations. A summary of operating expenses for the years ended December 31, 2011 and 2010 is as follows:

	2011	2010
Madison Environmental Resourcing, Inc.	$ 84	89
Madison United Healthcare Linen, Ltd.	1,432	1,439

(11) Fair Value of Financial Instruments

(a) Fair Value of Financial Instruments

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

- The carrying amount reported in the consolidated balance sheets for the following approximates fair value because of the short maturities of these instruments – cash and cash equivalents, other receivables, inventories, prepaid expenses, other current assets, accounts payable and accrued wages and other employee benefits, third-party payor payables, claims payable, and deferred revenue.
- Assets limited as to use and marketable securities – common stocks, mutual funds, U.S. Treasury obligations, U.S. government agencies and corporate bonds and notes are measured using quoted market prices at the reporting date multiplied by the quantity held. The carrying value equals fair value. These amounts are based on valuations by external investment managers and the custodian banks, which are based on observable market prices, observable inputs other than quoted prices such as pricing services, indexes, estimates, appraisals, assumptions and other methods that are reviewed by management.
- The fair value of interest rate swaps is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The value was determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and the Hospital. The carrying value equals fair value.

(Dollars in thousands)

- Fair value of the Hospital's fixed rate long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Hospital for debt of the same remaining maturities. For variable rate debt, carrying amounts approximate fair value. Fair value was estimated using quoted market prices based upon the Hospital's current borrowing rates for similar types of long-term debt securities.

The following table presents the carrying amounts and estimated fair values of the Hospital's financial instruments not carried at fair value at December 31, 2011 and 2010. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties.

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt	$ 208,688	214,328	173,119	173,796

(b) Fair Value Hierarchy

Effective January 1, 2008, the Hospital adopted the provisions of ASC Topic 820, *Fair Value Measurements and Disclosures*, which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels are defined as follows as interpreted for use by the Hospital:

- Level 1 – Inputs into fair value methodology are based on quoted unadjusted market prices in active markets for identical assets or liabilities.
- Level 2 – Inputs into the fair value methodology are based on quoted prices for similar items, broker/dealer quotes, or models using market interest rates or yield curves. The inputs are generally seen as observable in active markets for similar items for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.
- Level 3 – Inputs into the fair value methodology are unobservable and significant to the fair value measurement. Often these types of investments are valued based on historical cost or investments and then adjusted by shared earnings of a partnership or cooperative which can require some varying degree of judgment.

(Continued)

(Dollars in thousands)

The following table presents assets and liabilities that are measured at fair value on a recurring basis at December 31, 2011:

	December 31, 2011	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
Cash and cash equivalents	$ 30,994	30,994	—	—
Marketable securities and assets limited as to use excluding interest receivable of $12				
Cash and cash equivalents	9,882	—	9,882	—
U S government and municipals	74,983	—	74,983	—
U S corporate bonds	17,997	—	17,997	—
Certificates of deposit	9,032	—	9,032	—
Foreign obligations	7,482	—	7,482	—
Mutual funds	92,853	92,853	—	—
Total assets	$ 243,223	123,847	119,376	—
Liabilities				
Interest rate swap agreements	$ 13,460	—	13,460	—
Total liabilities	$ 13,460	—	13,460	—

(Continued)

(Dollars in thousands)

The following table presents assets and liabilities that are measured at fair value on a recurring basis at December 31, 2010:

	December 31, 2010	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
Cash and cash equivalents	$ 25,809	25,809	—	—
Marketable securities and assets limited as to use excluding interest receivable of $17				
Cash and cash equivalents	2,649	—	2,649	—
U S government and municipals	78,082	—	78,082	—
U S corporate bonds	19,128	—	19,128	—
Certificates of deposit	17,550	—	17,550	—
Foreign obligations	864	—	864	—
Mutual funds	57,150	57,150	—	—
Total assets	$ 201,232	82,959	118,273	—
Liabilities				
Interest rate swap agreements	$ 7,422	—	7,422	—
Total liabilities	$ 7,422	—	7,422	—

There were no transfers of investments between Level 1 and Level 2 for the years ended December 31, 2011 and 2010.

(12) Accrued Pension and Postretirement Benefits

The Hospital participates in the MHS defined benefit pension plan. Benefits under this plan are based primarily on years of service and employees' compensation. The participating corporations make annual contributions to the plan, which are within the minimum and maximum contribution ranges as determined by consulting actuaries. Net periodic pension cost for the MHS plan totaled $6,181 and $7,640 for the years ended December 31, 2011 and 2010, respectively. Pension expense allocated to the Hospital was $5,397 and $6,490 for the years ended December 31, 2011 and 2010, respectively.

The Hospital also participates in a defined benefit health insurance plan sponsored by MHS. This unfunded plan provides selected healthcare benefits for eligible retired employees. Net periodic benefit cost for the MHS plan totaled $(97) and $(91) for the years ended December 31, 2011 and 2010, respectively.

(Continued)

(Dollars in thousands)

Postretirement healthcare benefits expense allocated to the Hospital was $(50) and $79 for the years ended December 31, 2011 and 2010, respectively. The accrued liability for post retirement healthcare benefits for the Hospital was $1,102 and $1,153 for the years ended December 31, 2011 and 2010, respectively.

In 2011 and 2010, the Hospital recognized $26,449 and $2,767, respectively, in changes in accrued pension and postretirement benefits other than net periodic benefit cost in the consolidated statements of unrestricted revenues, expenses, and changes in net assets related to changes in net actuarial losses and prior service costs arising during the year. For the years ended December 31, 2011 and 2010, the Hospital's total liability for pension benefits was $41,513 and $15,565, respectively.

Data and assumptions relative to the MHS pension and postretirement plans for 2011 and 2010 are as follows:

	Pension benefits		Postretirement benefits	
	2011	2010	2011	2010
Change in benefit obligation				
Benefit obligation at beginning of year	$ 173,977	158,076	1,316	1,374
Service cost	7,353	7,059	56	53
Interest cost	9,234	9,128	66	76
Plan amendments	—	—	—	—
Curtailments	—	—	—	—
Employee contributions	—	—	145	150
Actuarial gain	26,535	7,269	109	33
Benefits paid	(10,179)	(7,555)	(378)	(370)
Benefit obligation at end of year	$ 206,920	173,977	1,314	1,316
Change in plan assets				
Fair value of plan assets at beginning of year	$ 157,378	137,150	—	—
Actual return on plan assets	4,939	18,783	—	—
Employer contributions	7,000	9,000	234	220
Employee contributions	—	—	144	150
Benefits paid	(10,179)	(7,555)	(378)	(370)
Fair value of plan assets at end of year	159,138	157,378	—	—
Funded status of the MHS plan	$ (47,782)	(16,599)	(1,314)	(1,316)
Amounts recognized in the MHS consolidated balance sheets				
Accrued pension and postretirement benefits	$ (47,782)	(16,599)	(1,314)	(1,316)

(Continued)

(Dollars in thousands)

	Pension benefits		Postretirement benefits	
	2011	2010	2011	2010
Amounts recognized as changes in unrestricted net assets				
Net loss (gain)	$ 31,188	(3,487)	(137)	(28)
Prior service cost (credit)	770	773	(191)	(191)
Net change in MHS unrestricted net assets	$ 31,958	(2,714)	(328)	(219)
Cumulative amounts recognized in MHS unrestricted net assets subsequent to adoption of ASC 715-20-65				
Beginning of year	$ (45,975)	(48,689)	1,701	1,955
Prior service cost	(770)	(773)	(191)	(191)
Net gain (loss)	(31,188)	3,487	(137)	(63)
End of year	$ (77,933)	(45,975)	1,373	1,701
Components of net period benefit cost				
Service cost	$ 7,353	7,059	—	53
Interest cost	9,234	9,128	—	76
Expected return on plan assets	(11,715)	(10,231)	—	—
Amortization of prior service costs	(770)	(772)	—	(191)
Amortization of unrecognized net loss (gain)	2,084	2,457	—	(29)
Benefit cost	$ 6,186	7,641	—	(91)

Assumptions used in accounting for net periodic benefit cost at December 31 were as follows:

	Pension benefits		Postretirement benefits	
	2011	2010	2011	2010
Discount rate	4 10%	5 54%	4 10%	5 54%
Rate of compensation increase	4 00	4 00	NA	NA
Assumed rate of return on plan assets	7 50	7 50	NA	NA

For postretirement benefit obligation measurement purposes, a 7.5% and 8.0% annual medical care cost trend rate of increase for eligible participants was assumed for 2011 and 2010, respectively, with the rate assumed to decrease gradually to 5.0% for all participants in 2017 and remain at that level thereafter. The healthcare cost trend rate assumption has a significant effect on the amounts reported.

(Continued)

(Dollars in thousands)

To develop the expected long-term rate of return on asset assumptions, MHS considered the historical returns and future expectations for returns in each asset class, as well as targeted asset allocation percentages within the pension portfolio. This resulted in the selection of 7.5% for both 2011 and 2010, respectively, as the long-term rate of return on assets assumption.

Pension and postretirement benefits are managed in accordance with the Employee Retirement Plan Investment Policy Statement as established and maintained by the Executive Compensation and Retirement Plan Committee (the Committee) of the board of directors. The Committee has established a Retirement Plan Committee (RPC) and delegated primary responsibility for day-to-day plan administration to the RPC. The RPC meets at least quarterly and reports decisions made to the Committee. The RPC selects investment managers based on the investment objectives and regularly evaluates each manager's performance based on comparable investment style benchmarks. The investment policy guidelines establish asset allocation, quality targets, and performance expectations as well as regular reporting requirements. The RPC has established target asset allocation, diversifying each class with multiple managers and differing styles of management. For the years ended December 31, 2011 and 2010, the Hospital's total liability for pension benefits was $41,513 and $15,565, respectively.

The current target allocation and the actual asset allocation as of December 31 are as follows:

	Asset allocation target	2011	2010
Equity	50%	50%	50%
Bonds	40	40	40
Alternatives	10	10	10
	100%	100%	100%

The Hospital adopted ASC Subtopic 715-20-50, *Defined Benefit Plans – Disclosure*, on January 1, 2009 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Subtopic 715-20-50 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Fair values of the Plan's investments are estimated based on prices provided by its investment managers and its custodian bank. Fair value for cash and cash equivalents, U.S. government and municipals, U.S. corporate bonds, foreign obligations, and stock and equity funds are measured using quoted market prices at the reporting date multiplied by the quantity held. The Plan has certain investments, principally limited partnerships, for which quoted market prices are not available. The estimated fair value of these investments includes estimates, appraisals, assumptions and methods provided by external financial advisors and reviewed by the Plan.

For Level 3 hedge funds, the Hospital elected to apply the concepts of ASC Subtopic 820-10 to its alternative investments using net asset value as a practical expedient in estimating fair value; however, it is

(Dollars in thousands)

possible that the redemption rights of certain investments may be restricted by the funds in the future in accordance with the underlying fund agreements. Changes in market conditions and the economic environment may impact the net asset value of the funds and consequently the fair value of the Corporation's interests in the funds. The net asset value of the funds was approximately $11,981 as of December 31, 2011.

Fair value measurements of investments of the funds as of December 31, 2011 are as follows:

	Net asset value	Unfunded commitments	Redemption frequency	Redemption notice period
Commodity fund	$ 4,895	—	Monthly	Same day
Hedge fund of funds	7,086	—	Quarterly	40 days
Total	$ 11,981	—		

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

	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets				
Investments excluding accrued income of $799				
Cash and cash equivalents	$ 3,614	3,614	—	—
U S government and municipals	19,776	—	19,776	—
U S corporate bonds	30,206	—	30,206	—
Foreign obligations	2,550	—	2,550	—
Equities	53,921	49,831	4,090	—
Mutual funds	33,798	33,798	—	—
Other	14,474	2,493	—	11,981
Total	$ 158,339	89,736	56,622	11,981

(Continued)

(Dollars in thousands)

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

	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets				
Investments excluding accrued income of $746				
Cash and cash equivalents	$ 2,872	—	2,872	—
U S government and municipals	15,875	—	15,875	—
U S corporate bonds	27,981	—	27,981	—
Foreign obligations	2,050	—	2,050	—
Equities	55,161	51,141	4,020	—
Mutual funds	38,019	38,019	—	—
Other	14,674	2,290	—	12,384
Total	$ 156,632	91,450	52,798	12,384

The following table is a rollforward of the investment classified within Level 3 of the fair value hierarchy as defined above:

Fair value December 31, 2009	$	6,672
Gains and investment income, net		414
Purchases		5,298
Fair value at December 31, 2010		12,384
Gains and investment income, net		(403)
Purchases		—
Fair value at December 31, 2011	$	11,981

(Continued)

(Dollars in thousands)

The following reflects future service benefit payments expected to be paid:

	Pension	Postretirement
2012	$ 10,992	185
2013	12,252	143
2014	11,789	112
2015	14,611	109
2016	15,186	122
Succeeding five years	86,627	637

The Hospital's accrued pension and postretirement benefits comprise the following at December 31, 2011 and 2010:

	2011	2010
Accrued pension liability	$ 40,411	14,413
Postretirement healthcare benefits	1,102	1,152
	$ 41,513	15,565

(13) Commitments and Contingencies

The Hospital, in order for MMS to secure an additional bank loan, has provided a partial guarantee of approximately $424 over the respective terms of the loan, which matures on January 29, 2012. This note was renewed until January 29, 2017 and the revised guarantee amount is $315. The partial guarantee could be enforced in the event of a default by MMS. This amount has not been included in the Hospital's consolidated financial statements.

The Hospital is subject to various legal proceedings and claims, including environmental matters, which are incidental to its normal business activities. In the opinion of the Hospital, the amount of ultimate liability with respect to these actions will not materially affect the operations or net assets of the Hospital.

The Hospital has entered into operating leases for various facilities through 2024. The 2650 Novation Parkway, LLC lease dated October 2008 was originally executed with MHS as the lessee. On April 6, 2010, this lease was assigned to the Hospital effective October 2009 and, therefore, has been included in future minimum lease payments. Total rental expense in 2011 and 2010 for operating leases was approximately $4,366 and $4,773, respectively.

(Continued)

(Dollars in thousands)

Total minimum lease obligations at December 31, 2011 are as follows:

2012	$	3,476
2013		2,827
2014		2,518
2015		2,210
2016		1,644
Thereafter		12,348
	$	25,023

(14) Subsequent Events

On January 3, 2012, Meriter Hospital, Inc. acquired 100% of Wisconsin Heart, S.C., a service corporation based in Madison, Wisconsin, which operates a medical practice specializing in cardiovascular and vascular medicine, for cash consideration of $2.3 million.