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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 <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization ST LUKE'S HOSPITAL OF DULUTH	D Employer identification number 41-0714079
	Doing Business As	E Telephone number (218) 249-5555
	Number and street (or P O box if mail is not delivered to street address) Room/suite 915 EAST FIRST STREET	G Gross receipts \$ 332,671,175
	City or town, state or country, and ZIP + 4 DULUTH, MN 55805	
	F Name and address of principal officer JOHN STRANGE 915 EAST FIRST STREET DULUTH, MN 55805	H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) H(c) Group exemption number ▶
I Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () ◀ (Insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		
J Website: ▶ WWW.SLHDULUTH.COM		
K Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶		L Year of formation 1881
		M State of legal domicile MN

Part I		Summary	
Activities & Governance	1 Briefly describe the organization's mission or most significant activities TO SERVE AS A LEADING HEALTHCARE PROVIDER OF QUALITY HEALTHCARE SERVICES IN OUR SURROUNDING REGION 		
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	16
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	13
	5 Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	2,607
	6 Total number of volunteers (estimate if necessary)	6	340
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	6,758,855
	b Net unrelated business taxable income from Form 990-T, line 34	7b	-1,429,996
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	515,372	691,492
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	313,827,445	324,371,421
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	1,991,534	2,402,110
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	1,165,708	2,085,015
		317,500,059	329,550,038
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	9,564,247	237,395
	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)	188,065,195	199,162,993
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	115,967,026	129,559,403
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	313,596,468	328,959,791
	19 Revenue less expenses Subtract line 18 from line 12	3,903,591	590,247
Net Assets or Fund Balances		Beginning of Current Year	End of Year
	20 Total assets (Part X, line 16)	144,997,293	157,002,357
	21 Total liabilities (Part X, line 26)	116,888,629	149,991,647
	22 Net assets or fund balances Subtract line 21 from line 20	28,108,664	7,010,710

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		2012-11-12 Date	
	SUSAN BENJAMIN CHIEF FINANCIAL OFFICER Type or print name and title			
Paid Preparer's Use Only	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's taxpayer identification number (see instructions)
	Firm's name (or yours if self-employed), address, and ZIP + 4			EIN
				Phone no
May the IRS discuss this return with the preparer shown above? (see instructions) <input type="checkbox"/> Yes <input type="checkbox"/> 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

THE PATIENT ABOVE ALL ELSE

2

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

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?

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 \$ 277,858,219 including grants of \$ 237,395) (Revenue \$ 324,371,421)

ORGANIZATIONAL COMMITMENT TO PROVIDING COMMUNITY BENEFIT A OUR MISSION IS TO SERVE AS A LEADING PROVIDER OF QUALITY HEALTHCARE SERVICES IN OUR LOCAL COMMUNITY AND THE SURROUNDING 17-COUNTY REGION OF NORTHEASTERN MINNESOTA, NORTHWESTERN WISCONSIN AND THE UPPER PENINSULA OF MICHIGAN AS THE FEDERALLY DESIGNATED REGIONAL TRAUMA CENTER FOR THIS REGION, ST LUKE’S PROVIDES CRITICAL ACCESS TO HIGH QUALITY ACUTE HEALTHCARE SERVICES B ST LUKE’S RECOGNIZES ITS RESPONSIBILITY TO THE COMMUNITY BY PROVIDING FINANCIAL SUPPORT TO COMMUNITY ORGANIZATIONS, OFFERING EDUCATION PROGRAMS, OUTREACH PROGRAMS AND SUPPORTING THE COMMUNITY THROUGH EMPLOYEE VOLUNTEER EFFORTS AND DONATIONS WE SUPPORT THE LAKE SUPERIOR COMMUNITY HEALTH CENTER AND THE HEALTH CARE ACCESS OFFICE IN 2010, ST LUKE’S DONATED MORE THAN 800 HOURS TO ENRICH THE HEALTHCARE OF THE COMMUNITY, INCLUDING SERVING ON BOARDS OF THE MN HOMECARE ASSOCIATION,UNITED WAY, AND OTHER NON-PROFIT ORGANIZATIONS IN OUR COMMUNITY C ST LUKE’S SERVES A DISPROPORTIONATE SHARE OF MEDICARE AND MEDICAID PATIENTS ALSO, THROUGH OUR PATIENT ASSISTANCE PROGRAM, WE PROVIDE FULL OR PARTIALLY SUBSIDIZED SERVICES TO INDIVIDUALS AND FAMILIES WHO ARE UNABLE TO PAY AT ADMISSION AND THROUGH PATIENT HANDBOOKS, PATIENTS ARE GIVEN INFORMATION TO CONTACT ST LUKE’S FINANCIAL COUNSELORS FOR INFORMATION ON OUR FINANCIAL ASSISTANCE PROGRAMS ALSO, ST LUKE’S PROVIDES MEDICAL TRANSPORT SERVICES AT LESS THAN COST TO OUR PATIENTS IN THE REGION

4b

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

ORGANIZATIONAL DESCRIPTION FOR TAX EXEMPTION ST LUKE’S IS A NOT-FOR-PROFIT, COMMUNITY-BASED, NON-DENOMINATIONAL HOSPITAL, GOVERNED BY A VOLUNTEER BOARD OF DIRECTORS OUR MEDICAL STAFF IS OPEN TO ALL QUALIFIED PHYSICIANS AND ALLIED HEALTH PROFESSIONALS ST LUKE’S EMERGENCY DEPARTMENT SERVES PATIENTS REGARDLESS OF ABILITY TO PAY ST LUKE’S RESEARCH DEPARTMENT, THE WHITESIDE INSTITUTE FOR CLINICAL RESEARCH, PARTICIPATES IN INVESTIGATIONAL DRUG PROTOCOLS THAT ARE NON-FUNDED OR UNDER-FUNDED ST LUKE’S IS A CLINICAL TRAINING SITE FOR MANY HEALTHCARE STUDENTS IN ADDITION TO MEDICAL STUDENTS AND RESIDENTS, WE PROVIDE CLINICAL TRAINING FOR STUDENTS IN NURSING, PHYSICAL MEDICINE, RADIOLOGY, RESPIRATORY, LAB, MEDICAL ASSISTANT, OCCUPATIONAL THERAPY, PHYSICIAN ASSISTANT, DIETETICS, SOCIAL WORK, MEDICAL RECORD CODING, PARAMEDIC, HEALTH UNIT COORDINATOR, SURGICAL TECHNOLOGY, ANESTHESIA AND PHARMACY WE CONTRIBUTED TO SCHOLARSHIP FUNDS FOR MEDICAL STUDENTS AT THE UNIVERSITY OF MINNESOTA, DULUTH SCHOOL OF MEDICINE AND NURSING STUDENTS AT THE COLLEGE OF ST SCHOLASTICA AND LAKE SUPERIOR COLLEGE OTHER EDUCATION ACTIVITIES REACH TENS OF THOUSANDS OF PEOPLE THROUGH COMMUNITY EDUCATION AND OUTREACH, HEALTH SCREENINGS, SUPPORT GROUPS AND OTHER COMMUNITY SERVICES OUR SPEAKERS BUREAU OFFERED PROGRAMS AT NO CHARGE TO THOUSANDS MORE TOPICS PRESENTED INCLUDED MEN’S HEALTH, WOMEN AND BREAST CANCER, CHILDREN’S NUTRITION, MENTAL HEALTH ISSUES, CARDIAC ISSUES, FALL PREVENTION, FIRST AID, DIABETES, EYE AND LUNG ISSUES, AND INFECTION CONTROL WE ALSO OFFERED TOURS TO DOZENS OF COMMUNITY AND SCHOOL GROUPS, MADE MEDICAL SUPPLIES/EQUIPMENT DONATIONS TO COMMUNITY AND MEDICAL RELIEF ORGANIZATIONS, DONATED NEWSPAPER ADVERTISING SPACE FOR THE JUNIOR LEAGUE OF DULUTH, PARTICIPATED IN THE COMMUNITY COALITION FOR FALL PREVENTION AND OFFERED BROCHURE PRINTING SERVICES TO A LOCAL MEDICAL PROFESSIONAL GROUP ANNUALLY, WE PROVIDE RENT-FREE, HUNDREDS OF HOURS OF FREE MEETING SPACE FOR COMMUNITY GROUPS, SUCH AS LYME DISEASE SUPPORT GROUP, MOTHERS OF MULTIPLES AND THE OSTOMY CLUB, AND ORGANIZATIONS SUCH AS THE MINNESOTA HOMECARE ASSOCIATION, THE BOY SCOUTS, AND THE COLLEGE OF ST SCHOLASTICA WE OFFER SUPPORT GROUPS TO THE COMMUNITY, INCLUDING - HEART-TO-HEART SUPPORT GROUP - PARKINSON’S DISEASE - LOOK GOOD, FEEL GOOD GROUP (THROUGH THE AMERICAN CANCER SOCIETY) - CANCER INFORMATION AND SUPPORT GROUP - OSTOMY CLUB - BREAST CANCER SUPPORT GROUP - DIABETES SUPPORT GROUP (SPONSORED BY ST LUKE’S, DULUTH DIABETES CENTER AND THE DULUTH FAMILY PRACTICE CENTER) - INSULIN PUMP SUPPORT GROUP (SPONSORED BY ST LUKE’S, DULUTH DIABETES CENTER AND THE DULUTH FAMILY PRACTICE CENTER) - CELIAC SUPPORT GROUP (SPONSORED BY ST LUKE’S AND ST MARY’S/DULUTH CLINIC)WE PARTICIPATE IN MEDICAID, MEDICARE, CHAMPUS, TRICARE AND OTHER GOVERNMENT SPONSORED HEALTH CARE PROGRAMS DURING 2011, THERE WERE 11,424 ADMISSIONS, 48,833 PATIENT DAYS, 442,373 CLINIC VISITS, 157,420 OUTPATIENT REGISTRATIONS AND 63,471 EMERGENCY/URGENT CARE VISITS

4c

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

ORGANIZTIONAL DESCRIPTION OF COMMUNITY BENEFIT PROGRAMS A ALL PATIENTS RECEIVE SERVICES AT ST LUKE’S REGARDLESS OF ABILITY TO PAY IN ADDITION, ST LUKE’S MENTAL HEALTH SERVICES MAINTAIN A PHARMACEUTICAL SAMPLE PROGRAM FOR ITS CLIENTS THESE MEDICATIONS ARE PROVIDED THROUGH PHARMACEUTICAL COMPANIES AND MANAGED THROUGH THE OUTPATIENT MENTAL HEALTH DEPARTMENT THE HEALTH AND SAFETY OF OUR COMMUNITY WERE ADDRESSED THROUGH HEALTH SCREENINGS AT NO CHARGE FOR BLOOD PRESSURE, BLOOD SUGAR, CHOLESTEROL AND BONE DENSITY AT COMMUNITY HEALTH FAIRS MONTHLY CHILD CARE SEAT SAFETY CLINICS WERE HELD IN CONJUNCTION WITH THE DULUTH FIRE DEPARTMENT, AND TRAUMAROO, A BIKE AND PLAYGROUND SAFETY PROGRAM FOR CHILDREN IN KINDERGARTEN THROUGH 2ND GRADE WAS OFFERED TO LOCAL SCHOOLS AT NO CHARGE WE PARTICIPATE IN OUR COMMUNITY’S DISASTER DRILLS HELD TWICE A YEAR AND WE WORK WITH OTHER HOSPITALS IN THE REGION TO PLAN IN THE EVENT OF A BIOTERRORISM ATTACK OR OTHER MAJOR CALAMITY

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

THE FINANCIAL INFORMATION IN THIS REPORT WAS PREPARED FOLLOWING GUIDELINES SUGGESTED BY MINNESOTA HOSPITAL ASSOCIATION AND OTHER NATIONALLY RECOGNIZED HEALTHCARE ASSOCIATIONS THESE GUIDELINES RECOMMEND THE FOLLOWING INCLUDING MEDICARE SHORTFALL REPORT CHARITY CARE AT COST, NOT CHARGES DOES NOT INCLUDE BAD DEBT, CONTRACTUAL ALLOWANCES, AND PROMPT PAY DISCOUNTS AS CHARITY CARE EXPENSES REPORTS THE NET EXPENSE FOR COMMUNITY BENEFIT SERVICES, I E , THE TOTAL COMMUNITY BENEFIT EXPENSE MINUS ANY ASSOCIATED REVENUE FROM PATIENTS, PAYORS, AND OTHER EXTERNAL SOURCES FOR FISCAL YEAR ENDED DECEMBER 31, 2011PATIENT ASSISTANCE - AT COST \$ 2,742,825 GOVERNMENT SPONSORED HEALTH CARE - NET EXPENSE 38,300,126COMMUNITY HEALTH IMPROVEMENT SERVICES 712,743SUBSIDIZED HEALTH SERVICES 4,317,123HEALTH PROFESSIONS EDUCATION 5,808,618MNCARE TAX, MEDICAID SURCHARGE & OTHER TAXES 5,558,941FINANCIAL AND IN-KIND CONTRIBUTIONS 438,221COMMUNITY-BUILDING ACTIVITIES 323,390 TOTAL QUANTIFIABLE COMMUNITY BENEFIT \$58,201,717

4d

Other program services (Describe in Schedule O)





















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

4e

Total program service expenses\$ 277,858,219

Part IV

Checklist of Required Schedules

		Yes	No	
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A.</i> 	1	Yes	
2	Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)? 	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I.</i> 	3		No
4	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? <i>If "Yes," complete Schedule C, Part II.</i> 	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III.</i> 	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I.</i> 	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? <i>If "Yes," complete Schedule D, Part II.</i> 	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> 	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV.</i> 	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> 	10		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> 	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII.</i> 	11b	Yes	
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII.</i> 	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX.</i> 	11d	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> 	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X.</i> 	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> 	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> 	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Part I.</i>	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S ? <i>If "Yes," complete Schedule F, Part II and IV.</i>	15		No
16	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S ? <i>If "Yes," complete Schedule F, Part III and IV.</i>	16		No
17	Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I.</i>	17		No
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II.</i>	18		No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>	19		No
20a	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> 	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? 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? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to line 25</i>	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	34	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a	Yes	
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V		Statements Regarding Other IRS Filings and Tax Compliance	
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>			
		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .	1a	87
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	
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	2,607
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	No
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	
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	16		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	13
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	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	No
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	No
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	

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed <input checked="" type="checkbox"/> MN
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization <input checked="" type="checkbox"/> SUSAN BENJAMIN 915 EAST FIRST STREET DULUTH, MN 55805 (218) 249-5475

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			
(1) JOHN STRANGE PRESIDENT/CEO	36.00	X		X				802,545	0	140,923
(2) DALE MOE BOARD CHAIR	1.00	X		X				0	0	0
(3) MARK EMMEL VICE CHAIR	1.00	X		X				0	0	0
(4) SUSAN GOLTZ MD SECRETARY	1.00	X		X				0	0	0
(5) BRIAN RYKS TREASURER	1.00	X		X				0	0	0
(6) MELINDA MACHONES PAST CHAIR	1.00	X		X				0	0	0
(7) GAIL BALDWIN MD BD MEMBER	1.00	X						0	0	0
(8) LISA BODINE BD MEMBER	1.00	X						0	0	0
(9) RAY CHRISTENSEN MD BD MEMBER	1.00	X						0	0	0
(10) MARLENE DAVID BD MEMBER	1.00	X						0	0	0
(11) JESSE FRYE BD MEMBER	1.00	X						0	0	0
(12) DAVE MCMILLAN BD MEMBER	1.00	X						0	0	0
(13) KATHLEEN NELSON EDD BD MEMBER	1.00	X						0	0	0
(14) DEL PREVOST BD MEMBER	1.00	X						0	0	0
(15) KRISTI STOKES BD MEMBER	1.00	X						0	0	0
(16) PAUL SANFORD MD CHIEF OF STAFF	40.00	X						242,736	0	28,503
(17) JAMES WUELLNER VP FINANCE/CFO	36.00			X				315,369	0	82,655

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			
(18) JOHN YOON MD PHYSICIAN	40 00					X		1,392,149	0	27,487
(19) JOHN WATKINS MD PHYSICIAN	40 00					X		829,373	0	22,366
(20) MARSHALL WATSON JR MD PHYSICIAN	40 00					X		821,176	0	22,994
(21) DAVID FOGARTY MD PHYSICIAN	40 00					X		800,290	0	9,692
(22) MARY BOYLAN MD PHYSICIAN	40 00					X		799,508	0	28,939
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								6,003,146	0	363,559

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▶274

		Yes	No
3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>		No
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>	Yes	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>		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
STONEARCH CREATIVE 710 S 2ND STREET MINNEAPOLIS, MN 55401	MARKETING SERVICES	1,728,022
DONALD HOLM CONSTRUCTION 3211 W 3RD STREET DULUTH, MN 55086	CONSTRUCTION SERVICES	1,363,682
MAYO COLLABORATIVE SERVICES PO BOX 4100 ROCHESTER, MN 55903	LABORATORY SERVICES	1,070,804
ECLINICAL WORKS LLC 110 TURNPIKE RD STE 308 ESTBOROUGH, MA 01581	IT SERVICES	1,054,886
MEMORIAL BLOOD CENTER 737 PELHAM BLVD ST PAUL, MN 55144	LABORATORY SERVICES	900,709
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 ▶44		

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		691,492		
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d	433,870			
	e	Government grants (contributions)	1e	139,136			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	118,486			
	g	Noncash contributions included in lines 1a-1f \$ _____					
	h	Total. Add lines 1a-1f					
Program Service Revenue			Business Code				
	2a	MEDICAL SERVICES	621990	246,447,036	246,447,036		
	b	PHARMACY	446110	77,650,526	71,435,249	6,215,277	
	c	CREDENTIALING	541900	119,337		119,337	
	d	TRANSCRIPTION	541900	61,400		42,045	19,355
	e	GUEST CARE	721000	39,108			39,108
	f	All other program service revenue		54,014		52,411	1,603
	g	Total. Add lines 2a-2f			324,371,421		
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		2,460,908			2,460,908
	4	Income from investment of tax-exempt bond proceeds . . .					
	5	Royalties					
	6a	(i) Real		22,211			22,211
		(ii) Personal					
		Gross rents					
		Less rental expenses					
	b	Rental income or (loss)					
	c	Net rental income or (loss)					
	7a	(i) Securities		-58,798			-58,798
		(ii) Other					
		Gross amount from sales of assets other than inventory					
		Less cost or other basis and sales expenses					
	b	Gain or (loss)					
	c	Net gain or (loss)					
	8a						
	b	Less direct expenses					
	c	Net income or (loss) from fundraising events . . .					
	9a						
b	Less direct expenses						
c	Net income or (loss) from gaming activities . . .						
10a			10,041			10,041	
b	Less cost of goods sold						
c	Net income or (loss) from sales of inventory . . .						
Miscellaneous Revenue		Business Code					
11a	MEALS/VENDING INCOME	900099	1,319,410			1,319,410	
b	PARKING LOT INCOME	900099	403,568			403,568	
c	ANSWERING SERVICES	561000	228,626		228,626		
d	All other revenue		101,159		101,159		
e	Total. Add lines 11a-11d			2,052,763			
12	Total revenue. See Instructions			329,550,038	317,882,285	6,758,855	4,217,406

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	237,395	237,395		
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	1,341,491		1,341,491	
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	155,332,415	137,967,764	17,364,651	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	8,050,669	7,089,734	960,935	
9	Other employee benefits	24,902,744	21,930,330	2,972,414	
10	Payroll taxes	9,535,674	8,076,602	1,459,072	
11	Fees for services (non-employees)				
a	Management	25,500	25,500		
b	Legal	788,881		788,881	
c	Accounting	140,049		140,049	
d	Lobbying	20,227	20,227		
e	Professional fundraising See Part IV, line 17				
f	Investment management fees	77,757		77,757	
g	Other	12,837,287	4,405,477	8,431,810	
12	Advertising and promotion	478,492	478,492		
13	Office expenses	8,765,764	4,313,755	4,452,009	
14	Information technology	2,336,851	1,932,057	404,794	
15	Royalties				
16	Occupancy	15,005,084	10,466,600	4,538,484	
17	Travel				
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	1,453,887	1,243,654	210,233	
20	Interest	3,758,458	3,637,235	121,223	
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	7,941,862	5,785,392	2,156,470	
23	Insurance	1,911,815	1,911,815		
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	31,927,235	31,927,235		
b	DRUGS	21,984,804	21,984,804		
c	CHARITY CARE	7,461,322	7,461,322		
d	BAD DEBT EXPENSE	6,621,167	2,409,624	4,211,543	
e					
f	All other expenses	6,022,961	4,553,205	1,469,756	
25	Total functional expenses. Add lines 1 through 24f	328,959,791	277,858,219	51,101,572	0
26	Joint costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			12,186,113	1	11,693,617
	2	Savings and temporary cash investments				2	
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			39,341,753	4	45,260,432
	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				7	
	8	Inventories for sale or use			5,149,584	8	5,380,796
	9	Prepaid expenses and deferred charges			1,143,385	9	1,517,518
	10a	Land, buildings, and equipment, cost or other basis. Complete Part VI of Schedule D	10a	149,571,142			
	b	Less: accumulated depreciation	10b	99,789,440	44,825,670	10c	49,781,702
	11	Investments—publicly traded securities			9,380,018	11	9,112,526
	12	Investments—other securities. See Part IV, line 11			20,697,406	12	21,814,593
	13	Investments—program-related. See Part IV, line 11				13	
	14	Intangible assets			1,933,219	14	1,775,579
	15	Other assets. See Part IV, line 11			10,340,145	15	10,665,594
	16	Total assets. Add lines 1 through 15 (must equal line 34)			144,997,293	16	157,002,357
Liabilities	17	Accounts payable and accrued expenses			29,814,264	17	43,253,811
	18	Grants payable				18	
	19	Deferred revenue				19	
	20	Tax-exempt bond liabilities			48,073,092	20	47,843,362
	21	Escrow or custodial account liability. Complete Part IV of Schedule D				21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L				22	
	23	Secured mortgages and notes payable to unrelated third parties				23	
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D			39,001,273	25	58,894,474
	26	Total liabilities. Add lines 17 through 25			116,888,629	26	149,991,647
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets			28,108,664	27	7,010,710
	28	Temporarily restricted net assets				28	
	29	Permanently restricted net assets				29	
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds				30	
	31	Paid-in or capital surplus, or land, building or equipment fund				31	
	32	Retained earnings, endowment, accumulated income, or other funds				32	
	33	Total net assets or fund balances			28,108,664	33	7,010,710
	34	Total liabilities and net assets/fund balances			144,997,293	34	157,002,357

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	329,550,038
2	Total expenses (must equal Part IX, column (A), line 25)	2	328,959,791
3	Revenue less expenses Subtract line 2 from line 1	3	590,247
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	28,108,664
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-21,688,201
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	7,010,710

Part XII Financial Statements and Reporting

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

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

SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public
Inspection

Name of the organization ST LUKE'S HOSPITAL OF DULUTH	Employer identification number 41-0714079
--	--

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

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

- 1

☐

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

☐

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

☒

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other
- e

☐

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

☐

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

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)
- | | Yes | No |
|----------|-----|----|
| 11g(i) | | |
| 11g(ii) | | |
| 11g(iii) | | |
- | (i)
Name of supported organization | (ii)
EIN | (iii)
Type of organization (described on lines 1- 9 above or IRC section (see instructions)) | (iv)
Is the organization in col (i) listed in your governing document? | | (v)
Did you notify the organization in col (i) of your support? | | (vi)
Is the organization in col (i) organized in the U S ? | | (vii)
Amount of support? |
|---------------------------------------|-------------|---|---|----|--|----|---|----|-----------------------------|
| | | | Yes | No | Yes | No | Yes | No | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| Total | | | | | | | | | |
- For Paperwork Reduction Act Notice, see the Instructions for Form 990

Cat No 11285F

Schedule A (Form 990 or 990-EZ) 2011

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 IIIPart III

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

Section A. Public Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public Support (Subtract line 7c from line 6.)						

Section B. Total Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support (Add lines 9, 10c, 11 and 12.)						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and 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

Additional Data

Software ID:
Software Version:
EIN: 41-0714079
Name: ST LUKE'S HOSPITAL OF DULUTH

Form 990, Special Condition Description:

Special Condition Description

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

4d. Other program services
(Code) (Expenses \$ including grants of \$) (Revenue \$)
THE FINANCIAL INFORMATION IN THIS REPORT WAS PREPARED FOLLOWING GUIDELINES SUGGESTED BY MINNESOTA HOSPITAL ASSOCIATION AND OTHER NATIONALLY RECOGNIZED HEALTHCARE ASSOCIATIONS THESE GUIDELINES RECOMMEND THE FOLLOWING INCLUDING MEDICARE SHORTFALL REPORT CHARITY CARE AT COST, NOT CHARGES DOES NOT INCLUDE BAD DEBT, CONTRACTUAL ALLOWANCES, AND PROMPT PAY DISCOUNTS AS CHARITY CARE EXPENSES REPORTS THE NET EXPENSE FOR COMMUNITY BENEFIT SERVICES, I E , THE TOTAL COMMUNITY BENEFIT EXPENSE MINUS ANY ASSOCIATED REVENUE FROM PATIENTS, PAYORS, AND OTHER EXTERNAL SOURCES FOR FISCAL YEAR ENDED DECEMBER 31, 2011PATIENT ASSISTANCE - AT COST \$ 2,742,825 GOVERNMENT SPONSORED HEALTH CARE - NET EXPENSE 38,300,126COMMUNITY HEALTH IMPROVEMENT SERVICES 712,743SUBSIDIZED HEALTH SERVICES 4,317,123HEALTH PROFESSIONS EDUCATION 5,808,618MNCARE TAX, MEDICAID SURCHARGE & OTHER TAXES 5,558,941FINANCIAL AND IN-KIND CONTRIBUTIONS 438,221COMMUNITY-BUILDING ACTIVITIES 323,390 TOTAL QUANTIFIABLE COMMUNITY BENEFIT \$58,201,717

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 ST LUKE'S HOSPITAL OF DULUTH	Employer identification number 41-0714079
--	--

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

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

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

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

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

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

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

Part II-A

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

- A

Check

☐

if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B

Check

☐

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

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

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

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

Part II-B

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

		(a)		(b)	
		Yes	No	Amount	
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of				
	a Volunteers?				No
	b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?				No
	c Media advertisements?				No
	d Mailings to members, legislators, or the public?		No		
	e Publications, or published or broadcast statements?		No		
	f Grants to other organizations for lobbying purposes?		No		
	g Direct contact with legislators, their staffs, government officials, or a legislative body?		No		
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No		
	i Other activities? If "Yes," describe in Part IV	Yes		20,227	
	j Total lines 1c through 1i			20,227	
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No		
b	If "Yes," enter the amount of any tax incurred under section 4912				
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912				
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?				

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
EXPLANATION OF LOBBYING ACTIVITIES	PART II-B, LINE 1	A PORTION OF THE DUES THAT ST LUKE'S HOSPITAL PAYS TO THE AMERICAN HOSPITAL ASSOCIATION AND MINNESOTA HOSPITAL ASSOCIATION ARE USED TO ADVOCATE ON BEHALF OF THE HOSPITAL AND ISSUES RELATING TO HEALTHCARE. IN ADDITION TO THE ABOVE, ST LUKE'S HOSPITAL ALSO PAID A LAW FIRM TO LOBBY ON BEHALF OF THE HOSPITAL.

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
ST LUKE'S HOSPITAL OF DULUTH

Employer identification number
41-0714079

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

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

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

1

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

☐ Preservation of land for public use (e g , recreation or pleasure)☐ Preservation of an historically importantly land area
☐ Protection of natural habitat☐ Preservation of a certified historic structure
☐ Preservation of open space

2

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

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

3

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

4

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

5

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

☐ Yes ☐ No

6

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

7

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

8

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

☐ Yes ☐ No

9

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

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

1a

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

b

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

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

► \$ _____

(ii) Assets included in Form 990, Part X

► \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

► \$ _____

b

Assets included in Form 990, Part X

► \$ _____

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

Cat No 52283D

Schedule D (Form 990) 2011

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
1c	
1d	
1e	
1f	

2a

Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

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

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

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

(i)

unrelated organizations

3a(i)

☐ Yes

☐ No

(ii)

related organizations

3a(ii)

☐ Yes

☐ No

b

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

3b

☐ Yes

☐ No

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		4,218,799		4,218,799
b Buildings		65,351,851	46,092,194	19,259,657
c Leasehold improvements		1,340,090	1,084,041	256,049
d Equipment		74,549,253	52,613,205	21,936,048
e Other		4,111,149		4,111,149
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				49,781,702

Part XIReconciliation of Change in Net Assets from Form 990 to Financial Statements			
1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	329,550,038
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	328,959,791
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	590,247
4	Net unrealized gains (losses) on investments	4	199,531
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-21,887,732
9	Total adjustments (net) Add lines 4 - 8	9	-21,688,201
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	-21,097,954

Part XIIReconciliation of Revenue per Audited Financial Statements With Revenue per Return			
1	Total revenue, gains, and other support per audited financial statements	1	322,448,895
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	-7,461,322
e	Add lines 2a through 2d	2e	-7,461,322
3	Subtract line 2e from line 1	3	329,910,217
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	-360,179
c	Add lines 4a and 4b	4c	-360,179
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)	5	329,550,038

Part XIIIReconciliation of Expenses per Audited Financial Statements With Expenses per Return			
1	Total expenses and losses per audited financial statements	1	323,011,842
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	1,513,373
e	Add lines 2a through 2d	2e	1,513,373
3	Subtract line 2e from line 1	3	321,498,469
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	7,461,322
c	Add lines 4a and 4b	4c	7,461,322
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18)	5	328,959,791

Part XIVSupplemental Information

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

Identifier	Return Reference	Explanation
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	THE SYSTEM IS COMPRISED OF THREE SEPARATE NONPROFIT CORPORATIONS AS DESCRIBED IN SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE THAT ARE EXEMPT FROM FEDERAL INCOME TAXES ON RELATED INCOME PURSUANT TO SECTION 501(C)(3) OF THE CODE. THE SYSTEM HAS ELECTED TO ADOPT GUIDANCE IN THE INCOME TAX STANDARD REGARDING THE RECOGNITION AND MEASUREMENT OF UNCERTAIN TAX POSITIONS. THE SYSTEM FOLLOWS THE ACCOUNTING STANDARD FOR CONTINGENCIES FOR EVALUATING UNCERTAIN TAX POSITIONS. THE ADOPTION OF THIS STANDARD HAS NO EFFECT ON THE CONSOLIDATED FINANCIAL STATEMENTS. THE SYSTEM'S INCOME TAX RETURNS ARE SUBJECT TO REVIEW AND EXAMINATION BY FEDERAL, STATE, AND LOCAL TAX AUTHORITIES. THE TAX RETURNS FOR THE YEARS 2009 TO 2011 ARE OPEN TO EXAMINATION BY FEDERAL, STATE, AND LOCAL AUTHORITIES.
PART XI, LINE 8 - OTHER ADJUSTMENTS		CHANGE IN MINIMUM PENSION LIABILITY -21,992,666 CAPITAL REIMBURSEMENT FROM ST. LUKE'S FOUNDATION 114,934 CONTRIBUTION TO SLH VOLUNTEER SERVICE GUILD -10,000 TOTAL TO SCHEDULE D, PART XI, LINE 8 - 21,887,732
PART XII, LINE 2D - OTHER ADJUSTMENTS		CHARITY CARE -7,461,322
PART XII, LINE 4B - OTHER ADJUSTMENTS		INVESTMENT INCOME 1,153,194 RENTAL EXPENSES -1,362,216 GIFT SHOP EXPENSES -151,157
PART XIII, LINE 2D - OTHER ADJUSTMENTS		RENTAL EXPENSES 1,362,216 GIFT SHOP EXPENSES 151,157
PART XIII, LINE 4B - OTHER ADJUSTMENTS		CHARITY CARE 7,461,322

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
ST LUKE'S HOSPITAL OF DULUTH

Employer identification number
41-0714079

Part I

Charity Care and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals <div><input checked="" type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Generally tailored to individual hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div>			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <div><input checked="" type="checkbox"/> 100%<input type="checkbox"/> 150%<input type="checkbox"/> 200%<input type="checkbox"/> Other _____%</div> b Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care <div><input type="checkbox"/> 200%<input type="checkbox"/> 250%<input checked="" type="checkbox"/> 300%<input type="checkbox"/> 350%<input type="checkbox"/> 400%<input type="checkbox"/> Other _____%</div> c If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care	3a	Yes	
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 eligible for free or discounted care?	5c		
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7

Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1)		4,534	2,742,825		2,742,825	0 850 %
b Medicaid (from Worksheet 3, column a)			42,665,888	28,702,134	13,963,754	4 330 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Charity Care and Means-Tested Government Programs		4,534	45,408,713	28,702,134	16,706,579	5 180 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)		8,807	712,473		712,473	0 220 %
f Health professions education (from Worksheet 5)		1,324	5,808,618		5,808,618	1 800 %
g Subsidized health services (from Worksheet 6)		48,153	4,317,123		4,317,123	1 340 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)		80	438,221		438,221	0 140 %
j Total Other Benefits		58,364	11,276,435		11,276,435	3 500 %
k Total. Add lines 7d and 7j		62,898	56,685,148	28,702,134	27,983,014	8 680 %

Part IICommunity Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development			222,959		222,959	0.070 %
3Community support						
4Environmental improvements		435	1,162		1,162	0 %
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy		53	26,856		26,856	0.010 %
8Workforce development		198	72,413		72,413	0.020 %
9Other						
10Total		686	323,390		323,390	0.100 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1	Yes	
2Enter the amount of the organization's bad debt expense	2	6,621,167	
3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	2,743,599	
4Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.			

Section B. Medicare

5Enter total revenue received from Medicare (including DSH and IME)	5	112,781,269	
6Enter Medicare allowable costs of care relating to payments on line 5	6	143,669,797	
7Subtract line 6 from line 5. This is the surplus or (shortfall).	7	-30,888,528	
8Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other			

Section C. Collection Practices

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

Part IVManagement Companies and Joint Ventures (see instructions)

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
11CENTER FOR DIAGNOSTIC IMAGING	DIAGNOSTIC IMAGING	21.000 %	0 %	21.000 %
22PAVILION SURGERY CENTER	OUTPATIENT AMBULATORY SURGERY	50.000 %	5.000 %	45.000 %
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Section A. Hospital Facilities

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

Name and address

Schedule H (Form 990) 2011

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)

ST LUKE'S HOSPITAL OF DULUTH

Name of Hospital Facility:

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

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 If "Yes," indicate what the Needs Assessment describes (check all that apply) a <input type="checkbox"/> A definition of the community served by the hospital facility b <input type="checkbox"/> Demographics of the community c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	
5 Did the hospital facility make its Needs Assessment widely available to the public? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 300 0000000000000% If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

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

Billing and Collections

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

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

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

Part V

Facility Information (continued)

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

(list in order of size from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? 37

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

Part VI Supplemental Information

Complete this part to provide the following information

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

Identifier	ReturnReference	Explanation
		PART I, LINE 7 ST LUKE'S USED COST-TO-CHARGE RATIOS DERIVED FROM THE MOST RECENT COMPLETED MEDICARE COST REPORT

Identifier	ReturnReference	Explanation
		PART I, LINE 7G ST LUKE'S INCLUDED SUBSIDIZED HEALTH SERVICES FROM A MENTAL HEALTH CLINIC (\$1,862,825), A PEDIATRICS CLINIC (\$1,862,825), AND HOMECARE/HOSPICE SERVICES (\$717,928)

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) BAD DEBT EXPENSE FOR 2011 IS \$6,621,167 AS REPORTED IN PART III SECTION A, LINE 2 THIS AMOUNT HAS BEEN ELIMINATED WHEN CALCULATING THE COMMUNITY BENEFIT AS A PERCENT OF TOTAL EXPENSE BAD DEBT ACCOUNTS WILL MEET ALL OF THE FOLLOWING CRITERIA I PATIENT OR GUARANTOR HAS RECEIVED AT LEAST 3 STATEMENTS II AT LEAST THREE TELEPHONE CONTACTS HAVE BEEN MADE OR ATTEMPTED III PATIENT OR GUARANTOR HAS NOT RESPONDED DURING THE COLLECTION CYCLE IN A TIMELY AND RESPONSIBLE MANNER OR HAS DEFAULTED ON A PAYMENT ARRANGEMENT IV THERE ARE NO KNOWN CIRCUMSTANCES WHICH WOULD JUSTIFY RECONSIDERATION FOR CHARITY ASSISTANCE APPROVAL FOR BAD DEBT WRITE OFFS ARE AS FOLLOWS \$0 TO 2,499 -- PATIENT ACCOUNTS MANAGER OR CBO MANAGER\$2,500 TO 9,999 -- BUSINESS SERVICES DIRECTOR OR CBO MANAGER\$10,000 AND OVER -- CHIEF FINANCIAL OFFICER

Identifier	ReturnReference	Explanation
		PART II ST LUKE'S COMMUNITY-BUILDING ACTIVITIES INCLUDE CASH, IN-KIND DONATIONS, AND OTHER EXPENDITURES FOR THE DEVELOPMENT OF COMMUNITY HEALTH PROGRAMS AND PARTNERSHIPS

Identifier	ReturnReference	Explanation
		PART III, LINE 4 ST LUKE'S DOES NOT INCLUDE A FOOTNOTE IN IT'S AUDITED FINANCIAL STATEMENTS THAT DESCRIBES BAD DEBT ST LUKE'S ACCOUNTS FOR DISCOUNTS AND PAYMENTS ON PATIENT ACCOUNTS THROUGH A RECORD KEEPING SYSTEM IN THE BUSINESS SERVICES DEPARTMENT PAYMENT FOR SERVICES IS REQUIRED UPON RECEIPT OF A BILL OR STATEMENT ALL SELF PAY ACCOUNTS ARE ANALYZED FOR COLLECTABILITY BASED ON THE MONTHS PAST DUE AND PAYMENT HISTORY THE ALLOWANCE FOR DOUBTFUL ACCOUNTS IS CALCULATED BY APPLYING HISTORICAL EXPERIENCE TO AN AGING OF THESE ACCOUNTS ACCOUNTS THAT ARE DETERMINED TO BE UNCOLLECTIBLE ARE SENT TO A COLLECTION AGENCY AND WRITTEN OFF AT THAT TIME THE COST OF BAD DEBT WAS REPORTED IN PART III, LINE 2 THIS AMOUNT IS CALCULATED USING THE MEDICARE COST REPORT RATIO FOR THE HOSPITAL AND CLINIC, MULTIPLIED BY ST LUKE'S BAD DEBT EXPENSE FOR FY ENDING 12/31/11 THE COST OF CHARITY CARE WAS REPORTED IN PART III, LINE 3 THIS AMOUNT IS CALCULATED USING THE MEDICARE COST REPORT RATIO FOR THE HOSPITAL, MULTIPLIED BY ST LUKE'S CHARITY CARE EXPENSE FOR FY ENDING 12/31/11

Identifier	ReturnReference	Explanation
		PART III, LINE 8 THE COST-TO-CHARGE RATIO WAS THE COSTING METHODOLOGY USED TO DETERMINE THE MEDICARE ALLOWABLE COSTS REPORTED ON THE MEDICARE COST REPORT THE ENTIRE SHORTFALL (\$30,888,528) IS INCLUDED IN THE TOTAL VALUE OF COMMUNITY CONTRIBUTIONS LISTED UNDER "OTHER COMMUNITY CONTRIBUTIONS" (PER VHA GUIDELINES THE SHORTFALL CANNOT BE INCLUDED IN THE TOTAL COST OF COMMUNITY BENEFITS)

Identifier	ReturnReference	Explanation
		<p>PART III, LINE 9B THE GENERAL DEBT COLLECTION PROCESS BEGINS EITHER AT THE TIME OF BILLING, OR AFTER ALL IDENTIFIED INSURANCE PAYMENTS HAVE BEEN RECEIVED AND POSTED ANY REMAINING PATIENT LIABILITY WILL BE TRANSFERRED TO THE PATIENT RESPONSIBILITY CATEGORY ANY MONTHLY PAYMENT LESS THAN \$50 A MONTH MUST BE APPROVED BY THE BUSINESS SERVICES DIRECTOR OR THE CENTRAL BILLING OFFICE (CBO) MANAGER UNINSURED PATIENTS WHOSE HOUSEHOLD INCOME IS LESS THAN \$125,000 MAY APPLY FOR A SELF PAY UNINSURED PATIENT DISCOUNT BY SUBMITTING COPIES OF THE PREVIOUS YEAR'S INCOME TAX FORM, COPIES OF THEIR PAST 3 PAY STUBS, AND A COMPLETED APPLICATION IF THAT DOCUMENTATION SHOWS A QUALIFYING ANNUAL INCOME, THE PATIENT WILL RECEIVE A DISCOUNT ON THEIR OUTSTANDING HOSPITAL BALANCE EQUAL TO THE RATE GIVEN TO ST LUKE'S LARGEST CONTRACTED NON-GOVERNMENTAL PAYER THIS DISCOUNT DOES NOT APPLY TO ELECTIVE PROCEDURES OR PHYSICIAN CLINIC BALANCES THE DISCOUNT RATE WILL BE EVALUATED ON EACH JULY 1ST BASED ON THE PAYER DISCOUNT RATES FOR THE PREVIOUS CALENDAR YEAR'S ACTIVITY COLLECTION, LITIGATION AND OR GARNISHMENT ACTIVITIES WILL NOT BE INITIATED UNTIL THE BUSINESS SERVICES DIRECTOR, PATIENT ACCOUNTING MANAGER AND/OR CBO MANAGER VERIFIES THAT I THE PATIENT OR GUARANTOR OWES THE DEBTII ALL THIRD PARTY PAYERS HAVE BEEN BILLEDIII WHEN APPLICABLE, THE PATIENT/GUARANTOR HAS BEEN OFFERED A REASONABLE PAYMENT PLANIV THE PATIENT/GUARANTOR HAS BEEN MADE AWARE OF THE UNINSURED PATIENT DISCOUNT OR FINANCIAL ASSISTANCE PROGRAM, HAS BEEN OFFERED AN APPLICATION AND THE OFFER OF ASSISTANCE TO COMPLETE THE APPLICATION PATIENTS WHO DESIRE ELECTIVE INPATIENT OR OUTPATIENT SERVICES AND ARE UNINSURED OR HAVE LARGE INSURANCE DEDUCTIBLES FIRST MEET WITH A FINANCIAL COUNSELOR TO DISCUSS FINANCIAL ARRANGEMENTS PRIOR TO SERVICES BEING RENDERED ST LUKE'S COLLECTION CYCLE WILL INCLUDE A MINIMUM OF 4 STATEMENTS (1 SUMMARY BILL AND 3 DUNNING STATEMENTS) AND A MINIMUM OF 3 TELEPHONE CONTACTS A 100% DEPOSIT IS EXPECTED FOR THE EXPECTED PATIENT LIABILITY IN ADVANCE OF SERVICES BEING RENDERED IF THE 100% DEPOSIT CANNOT BE MET, THEN A MINIMUM DEPOSIT OF 50% OF THE EXPECTED PATIENT LIABILITY WILL BE REQUIRED AND THE PATIENT MUST SIGN A PROMISSORY NOTE FOR THE REMAINING BALANCE TO BE PAID WITHIN 30 DAYS OF SERVICES IF NEITHER OF THESE CONDITIONS CAN BE MET, AN ELECTIVE PROCEDURE MAY BE CANCELLED UNTIL SUCH TIME AS THESE FINANCIAL CONDITIONS CAN BE MET</p>

Identifier	ReturnReference	Explanation
ST LUKE'S HOSPITAL OF DULUTH		PART V, SECTION B, LINE 19D - ST LUKE'S HOSPITAL USES THE FEDERAL POVERTY GUIDELINES TO DETERMINE THE MAXIMUM AMOUNTS THAT CAN BE CHARGED TO FAP-ELIGIBLE INDIVIDUALS FOR EMERGENCY OR OTHER MEDICALLY NECESSARY CARE

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 2 ST LUKE'S HAS A LONG HISTORY OF PARTICIPATING IN SUCCESSFUL, SUSTAINABLE COLLABORATIVE INITIATIVES ON LOCAL, REGIONAL AND NATIONAL LEVELS 1) ST LUKE'S RESEARCH DEPARTMENT, THE WHITESIDE INSTITUTE FOR CLINICAL RESEARCH, WAS FORMED IN 1996 AS THE RESULT OF A PARTNERSHIP WITH THE UNIVERSITY OF MINNESOTA MEDICAL SCHOOL, DULUTH (UMMSD), AND CONTINUES TO PROVIDE SERVICES TO ST LUKE'S PATIENTS IN ACCESS TO LOCAL, NATIONAL AND MULTI-NATIONAL CLINICAL STUDIES AS WELL AS TO ST LUKE'S STAFF IN DEVELOPMENT OF RESEARCH STUDIES, REFERRAL TO UM COLLABORATORS AND GRANT WRITING RESOURCES 2) ST LUKE'S HAS COLLABORATED WITH THE MULTI-STATE CONSORTIUM OF ABOUT 56 SUPPORTING ORGANIZATIONS INCLUDING COUNTY PUBLIC HEALTH DEPARTMENTS, HOSPITALS AND CLINICS TO FUND THE BRIDGE TO HEALTH PROJECT THIS PROJECT COLLECTED POPULATION-BASED, HEALTH STATUS DATA ON ADULTS (AGED 18+) IN THE REGION USING A 70 QUESTION TELEPHONE SURVEY FORMAT AND WAS CONDUCTED IN 1995, 2000, 2005 AND 2010 TO ADDRESS A NEED THAT BECAME APPARENT AS A RESULT OF THE BRIDGE TO HEALTH SURVEY, THE TWIN PORTS HEALTHCARE ACCESS GROUP WAS FORMED ST LUKE'S JOINED WITH OTHER HEALTHCARE PROVIDERS IN THE COMMUNITY TO DEVELOP TWO PROGRAMS SHARECARE WHICH ESTABLISHED SLIDING FEE SCALES FOR CLINIC AND OUTPATIENT SERVICES TO DIMINISH THE FINANCIAL BARRIER TO PREVENTIVE, MENTAL HEALTH AND PRIMARY CARE SERVICES, AND HEALTHSHARE WHICH IS A COVERAGE MODEL FOR SMALL BUSINESSES FUNDED COLLABORATIVELY BY THE EMPLOYERS, EMPLOYEES AND THE COMMUNITY THIS COVERAGE MODEL PROVIDES A CONTINUUM OF HEALTH CARE SERVICES FOR EMPLOYEES WITHIN A DEFINED NETWORK OF COMMUNITY PROVIDERS 3) ST LUKE'S WAS A LEAD PARTICIPANT IN THE WILDERNESS COALITION PHARMACY SERVICES PROJECT FUNDED BY THE AGENCY FOR HEALTHCARE RESEARCH AND QUALITY THIS 3-YEAR PROJECT SUCCESSFULLY IMPLEMENTED 24/7 PROFESSIONAL PHARMACY SERVICES FOR 10 RURAL HOSPITALS IN NORTHEASTERN MINNESOTA USING ST LUKE'S 24 HOUR PHARMACY, AN ITV-BASED SYSTEM OF CONTINUING EDUCATION FOR SITES, PHARMACY POLICIES AND PROCEDURES ADAPTABLE FOR INDIVIDUAL SITES, AS WELL AS BEDSIDE VERIFICATION OF MEDICATION ADMINISTRATION AND MEDICATION BAR CODING AT SOME LOCATIONS THOUGH PROJECT FUNDING HAS ENDED, THE SERVICES REMAIN AND THE PROGRAM IS NOW SELF-SUSTAINING 4) ST LUKE'S IS AN ACTIVE PARTICIPANT IN THE COMMUNITY HEALTH INFORMATION COLLABORATIVE (CHIC) WHICH RECENTLY LAUNCHED "HIE-BRIDGE", A SECURE "HEALTH INFORMATION EXCHANGE" WHICH ALLOWS HEALTH CARE PROVIDERS TO QUICKLY DETERMINE THE LOCATION OF PATIENT MEDICAL RECORDS IN THE REGION AND COMMUNICATE WITH PATIENT'S HOME FACILITY IN ORDER TO PROVIDE PROMPT QUALITY CARE ST LUKE'S ASSISTED CHIC IN THE TEST PHASE OF THIS PROJECT FUNDED BY THE NATIONAL LIBRARY OF MEDICINE</p>

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 3 ST LUKE'S INFORMS AND EDUCATES PATIENTS AND PERSONS WHO MAY BE BILLED FOR PATIENT CARE ABOUT ELIGIBILITY FOR ASSISTANCE THE FOLLOWING WAYS - INFORMATION IS INCLUDED ON THE ST LUKE'S WEB SITE (WWW.SLHDULUTH.COM) REGARDING WHO PATIENTS SHOULD CONTACT FOR INFORMATION OR FINANCIAL ASSISTANCE - THERE ARE POSTINGS IN ALL REGISTRATION AREAS WITH CONTACT INFORMATION AND PHONE NUMBERS REGARDING HOW PATIENTS CAN OBTAIN ASSISTANCE (BOTH FROM ST LUKE'S AND EXTERNAL ORGANIZATIONS) - ALL ST LUKE'S EXTERNAL BILLING AND COLLECTION VENDORS HAVE BEEN INSTRUCTED TO REFER ANY PATIENT INDICATING THEY LACK THE FINANCIAL WHEREWITHAL TO MEET THEIR FINANCIAL OBLIGATIONS TO ST LUKE'S FINANCIAL COUNSELORS AS REQUIRED UNDER A BILLING AND COLLECTION AGREEMENT WITH THE MINNESOTA ATTORNEY GENERAL, ST LUKE'S PERFORMS AN ANNUAL AUDIT OF ALL EXTERNAL VENDORS TO ENSURE COMPLIANCE WITH THIS INSTRUCTION AND ALL OTHER ST LUKE'S POLICIES AND PROCEDURES - ST LUKE'S FINANCIAL COUNSELORS' BUSINESS CARDS ARE PROMINENTLY DISPLAYED AND AVAILABLE AT ALL REGISTRATION AREAS (INCLUDING THE EMERGENCY/URGENT CARE AREA) WITH THEIR CONTACT INFORMATION AND PHONE NUMBERS PATIENTS ARE ENCOURAGED TO CONTACT FINANCIAL COUNSELORS - THE ST LUKE'S FINANCIAL COUNSELORS' PHONE NUMBER IS LISTED PROMINENTLY ON THE PATIENT BILLING STATEMENTS - THE FINANCIAL COUNSELORS ARE AVAILABLE WEEKDAYS BY PHONE OR IN PERSON TO DISCUSS AND APPLY FOR FINANCIAL ASSISTANCE PROGRAMS - ST LUKE'S HAS ENGAGED AN EXTERNAL VENDOR TO MEET WITH PATIENTS AT BEDSIDE TO DISCUSS ELIGIBILITY FOR ASSISTANCE WITH GOVERNMENTAL ASSISTANCE PROGRAMS OR ST LUKE'S FINANCIAL ASSISTANCE PROGRAM - ST LUKE'S INPATIENT BOOKLET CONTAINS INFORMATION REGARDING FINANCIAL ASSISTANCE AND CONTACT INFORMATION - AT LEAST ANNUALLY, THE ST LUKE'S AND MEDICAL STAFF NEWSLETTERS CONTAIN ARTICLES REGARDING PATIENT FINANCIAL ASSISTANCE HOSPITAL AND MEDICAL STAFF MEMBERS ARE INFORMED THAT THEY HAVE THE RESPONSIBILITY TO LISTEN FOR FINANCIAL CONCERNS EXPRESSED BY PATIENTS AND TO PROACTIVELY REFER THOSE PATIENTS TO ST LUKE'S FINANCIAL COUNSELORS</p>

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 COMMUNITY OR COMMUNITIES THE ORGANIZATION SERVES ST LUKE'S SERVICE AREA CONSISTS OF A 17-COUNTY REGION OF NORTHEASTERN MINNESOTA, NORTHWESTERN WISCONSIN AND THE WESTERN UPPER PENINSULA OF MICHIGAN WITH A POPULATION OF APPROXIMATELY 500,000 THE PRIMARY MARKET CONSISTS OF DULUTH, CLOQUET AND TWO HARBORS, MINNESOTA, AND SUPERIOR, WISCONSIN THIS PRIMARY MARKET SERVES URBAN AND SUBURBAN AREAS WITH A POPULATION OF APPROXIMATELY 166,000 DEMOGRAPHICS OF THE COMMUNITY OR COMMUNITIES (PRIMARY MARKET) POPULATIONS DULUTH, MN (86,265), SUPERIOR, WI (27,244)MEDIAN HOUSEHOLD INCOME DULUTH, MN (\$33,766), SUPERIOR, WI (\$31,921)MEDIAN FAMILY INCOME DULUTH, MN (\$46,394), SUPERIOR, WI (\$41,093)% OF FAMILIES BELOW FPG DULUTH, MN (8 6%), SUPERIOR, WI (9 6%)% OF INDIVIDUALS BELOW FPG DULUTH, MN (15 5%), SUPERIOR, WI (13 4%)% OF HOSPITAL MEDICAID PAYOR MIX INPATIENT (12%), OUTPATIENT (13%)% OF HOSPITAL SELF PAY PAYOR MIX INPATIENT (4%), OUTPATIENT (3%)NUMBER OF HOSPITALS SERVING THE COMMUNITY OR COMMUNITIES (PRIMARY MARKET) ST LUKE'S HOSPITALLAKE VIEW HOSPITALCLOQUET COMMUNITY MEMORIAL HOSPITAL ESSENTIA HEALTH SMDC MEDICAL CENTER (FORMERLY MILLER DWAN) ESSENTIA HEALTH ST MARY'S HOSPITAL OF SUPERIORESSENTIA HEALTH ST MARY'S MEDICAL CENTERNUMBER OF FEDERALLY-DESIGNATED MEDICALLY UNDERSERVED AREAS OR POPULATIONS PRESENT IN THE COMMUNITY MUA/P DULUTH, MN (11), SUPERIOR, WI (7)

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 5 ST LUKE'S HAS BUILT A REPUTATION OF PROVIDING QUALITY CARE AND PUTTING THE PATIENT FIRST SINCE OPENING IN 1881, ST LUKE'S HAS GROWN INTO A NATIONALLY RECOGNIZED HEALTH CARE SYSTEM SERVING 17 COUNTIES THROUGHOUT NORTHEASTERN MINNESOTA, NORTHWESTERN WISCONSIN AND THE UPPER PENINSULA OF MICHIGAN ST LUKE'S HOSPITAL, ALONG WITH ITS PRIMARY AND SPECIALTY CARE CLINICS, OFFERS A COMPREHENSIVE CONTINUUM OF CARE THAT INCLUDES TRAUMA, MEDICAL, SURGICAL, DIAGNOSTIC, THERAPEUTIC AND REHAB SERVICES MORE THAN 2,000 HEALTH CARE PROFESSIONALS, INCLUDING A MEDICAL STAFF OF 365 PHYSICIANS AND OTHER MEDICAL PROVIDERS, MAKE UP ST LUKE'S STAFF WITH RAPID ACCESS TO ST LUKE'S ELECTRONIC MEDICAL RECORDS, PHYSICIANS CAN MAKE INFORMED TREATMENT DECISIONS FOR THEIR PATIENTS ST LUKE'S 13 PRIMARY CARE CLINICS INCLUDE 10 FAMILY PRACTICE CLINICS LOCATED IN DULUTH (4), AND ACROSS MINNESOTA IN SILVER BAY, HIBBING, MOUNTAIN IRON AND HERMANTOWN, MN AS WELL AS IN ASHLAND AND SUPERIOR, WI IN ADDITION, ST LUKE'S DULUTH INTERNAL MEDICINE ASSOCIATES (DIMA) IS LOCATED IN DOWNTOWN DULUTH WHILE ST LUKE'S INTERNAL MEDICINE ASSOCIATES AND ST LUKE'S PEDIATRIC ASSOCIATES ARE LOCATED ON THE ST LUKE'S CAMPUS AN ADDITIONAL 23 SPECIALTY CLINICS LOCATED PRIMARILY ON THE ST LUKE'S CAMPUS, PROVIDE EXPERTISE IN MANY AREAS OF HEALTH CARE INCLUDING CANCER CARE, CARDIAC CARE, HOME CARE AND HOSPICE, ADULT PSYCHIATRY, PLASTIC SURGERY, ALLERGY, ENDOCRINOLOGY, DERMATOLOGY, GASTROENTEROLOGY, INFECTIOUS DISEASE, PHYSICAL MEDICINE AND REHAB, UROLOGY, RHEUMATOLOGY, NEUROSURGERY AND PULMONARY MEDICINE</p>

Additional Data

Software ID:
Software Version:

EIN: 41-0714079

Name: ST LUKE'S HOSPITAL OF DULUTH

Form 990 Schedule H, Part V Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

[illegible]

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
ST LUKE'S HOSPITAL OF DULUTH

Employer identification number
41-0714079

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) LAKE SUPERIOR COMMUNITY HEALTH CENTER4325 GRAND AVENUE DULUTH, MN 55807	23-7167576	501(C)(3)	82,500				TO SERVE LOW INCOME, UNINSURED CLIENTS
(2) UNITED WAY424 WEST SUPERIOR STREET DULUTH, MN 55802	41-0857077	501(C)(3)	5,500				TO SUPPORT THE WORK OF THE UNITED WAY
(3) PROGRAM FOR AID TO VICTIMS OF SEXUAL ASSAULT32 EAST 1ST STREET SUITE 200 DULUTH, MN 55802	41-1350021	501(C)(3)	41,600				TRAINING AND SUPPORT FOR SEXUAL ASSAULT NURSE EXAMINER PROGRAM
(4) AMERICAN HEART ASSOCIATION130 W SUPERIOR ST STE700 DULUTH, MN 55802	13-5613797	501(C)(3)	7,000				SUPPORT THE HEART WALK AND GO RED FOR WOMEN CAMPAIGNS
(5) AMERICAN CANCER SOCIETY130 WEST SUPERIOR STREET DULUTH, MN 55802	41-0724036	501(C)(3)	9,500				TO SUPPORT THE RELAY FOR LIFE, DAFFODIL DAYS, AND THE LIZ PREBICH GOLF CLASSIC
(6) MN MEDICAL FOUNDATIONPO BOX 86 MINNEAPOLIS, MN 55486	41-6027707	501(C)(3)	7,500				SUPPORT FOR THE UNIVERSITY OF MINNESOTA DULUTH MEDICAL SCHOOL
(7) AREA PARTNERSHIP FOR ECONOMIC DEVELOPMENT306 W SUPERIOR ST STE902 DULUTH, MN 55802	32-0079166	501(C)(6)	15,000				SUPPORT FOR GOOGLE TWIN PORTS EXPANSION PROJECT
(8) GRANDMA'S MARATHON-DULUTH INC PO BOX 16234 DULUTH, MN 55816	41-1573627	501(C)(3)	4,500				SPONSOR MINNESOTA MILE WALK FOR BREAST CANCER AND YOUNG ATHLETES FOUNDATION
(9) DULUTH AREA CHAMBER OF COMMERCE5 WEST FIRST STREET 101 DULUTH, MN 55802	41-0225910	501(C)(6)	10,950				SPONSOR FOR 2010 DULUTH DAYS AT THE CAPITAL
(10) ARROWHEAD EMS ASSOCIATION INC4219 ENTERPRISE CIRCLE DULUTH, MN 55811	41-1522627	501(C)(3)	5,000				SPONSOR FOR THE ARROWHEAD EMS ANNUAL CONFERENCE
(11) COLLEGE OF ST SCHOLASTICA1200 KENWOOD AVE DULUTH, MN 55811	41-0598301	501(C)(3)	7,500				SUPPORT FOR THE ST SCHOLASTICA HEALTH SCIENCE SCHOLARSHIP PROGRAM
(12) ST LUKE'S FOUNDATION1000 EAST FIRST STREET SUITE 102 DULUTH, MN 55805	41-1448118	501(C)(3)	21,104				SUPPORT GENERAL OPERATIONS

2

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

10

3

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

2

Part III

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

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

Part IV

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

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 THE HOSPITAL REQUESTS THAT GRANTEES PROVIDE AN UPDATE ON THE IMPACT OF THE GRANT SIX MONTHS AFTER THE GRANT HAS BEEN MADE IN ADDITION,THE ACCOUNTING DEPARTMENT REVIEWS INVOICES SUPPORTING THE FUNDS USED FROM THE GRANT THE AFOREMENTIONED PROCESS HELPS ENSURE THE GRANT WAS USED FOR THE INDENDED PURPOSE

Software ID:
Software Version:
EIN: 41-0714079
Name: ST LUKE'S HOSPITAL OF DULUTH

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
LAKE SUPERIOR COMMUNITY HEALTH CENTER 4325 GRAND AVENUE DULUTH, MN 55807	23-7167576	501(C)(3)	82,500				TO SERVE LOW INCOME, UNINSURED CLIENTS
UNITED WAY424 WEST SUPERIOR STREET DULUTH, MN 55802	41-0857077	501(C)(3)	5,500				TO SUPPORT THE WORK OF THE UNITED WAY

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
PROGRAM FOR AID TO VICTIMS OF SEXUAL ASSAULT32 EAST 1ST STREET SUITE 200 DULUTH,MN 55802	41-1350021	501(C)(3)	41,600				TRAINING AND SUPPORT FOR SEXUAL ASSAULT NURSE EXAMINER PROGRAM
AMERICAN HEART ASSOCIATION130 W SUPERIOR ST STE700 DULUTH,MN 55802	13-5613797	501(C)(3)	7,000				SUPPORT THE HEART WALK AND GO RED FOR WOMEN CAMPAIGNS

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
AMERICAN CANCER SOCIETY130 WEST SUPERIOR STREET DULUTH,MN 55802	41-0724036	501(C)(3)	9,500				TO SUPPORT THE RELAY FOR LIFE, DAFFODIL DAYS, AND THE LIZ PREBICH GOLF CLASSIC
MN MEDICAL FOUNDATIONPO BOX 86 MINNEAPOLIS, MN 55486	41-6027707	501(C)(3)	7,500				SUPPORT FOR THE UNIVERSITY OF MINNESOTA DULUTH MEDICAL SCHOOL

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
AREA PARTNERSHIP FOR ECONOMIC DEVELOPMENT306 W SUPERIOR ST STE902 DULUTH,MN 55802	32-0079166	501(C)(6)	15,000				SUPPORT FOR GOOGLE TWIN PORTS EXPANSION PROJECT
GRANDMA'S MARATHON-DULUTH INCPO BOX 16234 DULUTH,MN 55816	41-1573627	501(C)(3)	4,500				SPONSOR MINNESOTA MILE WALK FOR BREAST CANCER AND YOUNG ATHLETES FOUNDATION

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
DULUTH AREA CHAMBER OF COMMERCE5 WEST FIRST STREET 101 DULUTH,MN 55802	41-0225910	501(C)(6)	10,950				SPONSOR FOR 2010 DULUTH DAYS AT THE CAPITAL
ARROWHEAD EMS ASSOCIATION INC 4219 ENTERPRISE CIRCLE DULUTH,MN 55811	41-1522627	501(C)(3)	5,000				SPONSOR FOR THE ARROWHEAD EMS ANNUAL CONFERENCE

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
COLLEGE OF ST SCHOLASTICA1200 KENWOOD AVE DULUTH,MN 55811	41-0598301	501(C)(3)	7,500				SUPPORT FOR THE ST SCHOLASTICA HEALTH SCIENCE SCHOLARSHIP PROGRAM
ST LUKE'S FOUNDATION1000 EAST FIRST STREET SUITE 102 DULUTH,MN 55805	41-1448118	501(C)(3)	21,104				SUPPORT GENERAL OPERATIONS

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization ST LUKE'S HOSPITAL OF DULUTH	Employer identification number 41-0714079
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Part I

Questions Regarding Compensation

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

Part II **Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use Schedule J-1 if additional space needed.

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

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) JOHN STRANGE	(i)	798,688	0	3,857	9,308	131,615	943,468	0
	(ii)	0	0	0	0	0	0	0
(2) PAUL SANFORD MD	(i)	207,805	34,241	690	5,101	23,402	271,239	0
	(ii)	0	0	0	0	0	0	0
(3) JAMES WUELLNER	(i)	313,235	0	2,134	4,544	78,111	398,024	0
	(ii)	0	0	0	0	0	0	0
(4) JOHN YOON MD	(i)	1,391,523	0	626	4,544	22,943	1,419,636	0
	(ii)	0	0	0	0	0	0	0
(5) JOHN WATKINS MD	(i)	829,073	0	300	4,544	17,822	851,739	0
	(ii)	0	0	0	0	0	0	0
(6) MARSHALL WATSON JR MD	(i)	820,876	0	300	4,544	18,450	844,170	0
	(ii)	0	0	0	0	0	0	0
(7) DAVID FOGARTY MD	(i)	799,840	0	450	0	9,692	809,982	0
	(ii)	0	0	0	0	0	0	0
(8) MARY BOYLAN MD	(i)	798,218	0	1,290	5,878	23,061	828,447	0
	(ii)	0	0	0	0	0	0	0

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
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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
ST LUKE'S HOSPITAL OF DULUTH

Employer identification number

41-0714079

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

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

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

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

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

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

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

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

Part IV

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) GAIL BALDWIN	BOARD MEMBER	103,620	FAMILY EMPLOYMENT RELATIONSHIPHUSBAND IS EMPLOYED AS A PHARMACIST BY ST LUKE'S HOSPITAL AND WAS PAID WAGES DURING FY 2011		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 ST LUKE'S HOSPITAL OF DULUTH	Employer identification number 41-0714079
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Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 1	THE EXECUTIVE COMMITTEE SHALL BE COMPOSED OF THE CHAIRPERSON OF THE BOARD AS THE PRESIDING OFFICER, ALL OTHER OFFICERS OF THE HOSPITAL WHO ARE DIRECTORS, AND SUCH ADDITIONAL DIRECTORS AS THE CHAIRPERSON MAY APPOINT WHEN THE BOARD OF DIRECTORS IS NOT IN SESSION, THE EXECUTIVE COMMITTEE SHAL HAVE THE POWER AND AUTHORITY OF THE BOARD TO TRANSACT ALL REGULAR BUSINESS OF THE HOSPITAL, INCLUDEING THE AUTHORITY TO REVIEW THE COMPENSATION PAID TO THE HOSPITAL'S EMPLOYED PHYSICIANS, SUBJECT TO ANY PRIOR LIMITATIONS IMPOSED BY THE BOARD OR BY STATUTE, AND SHALL MEET AS NECESSARY IN ADDITION, THE EXECUTIVE COMMITTEE SHALL OVERSEE THE HOSPITAL'S PUBLIC RELATIONS ACTIVITIES AND KEEP THE CORPORATION'S HEALTH CARE EFFORTS CONTINUALLY BEFORE THE COMMUNITIES SERVED THROUGH THE USE OF PUBLICATIONS AND OTHER COMMUNICATIONS DESCRIBING THE HOSPITAL'S SERVICES, PROGRAMS, AND NEEDS

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 6	ST LUKE'S HOSPITAL SHALL HAVE THREE CLASSES OF MEMBERSHIPS A) PAST MEMBERS OF ST LUKE'S HOSPITAL OF DULUTH - THE INDIVIDUALS AND ORGANIZATIONS LISTED ON THE HOSPITAL'S OFFICIAL ROSTER OF MEMBERS AS OF MAY 20, 2004 SHALL BE MEMBERS AND HAVE THE NUMBER OF VOTES AS IDENTIFIED ON THAT LIST B) MEMBERS OF THE ST LUKE'S HOSPITAL OF DULUTH - ANY INDIVIDUAL OR ORGANIZATION THAT, SUBSEQUENT TO MAY 20, 2004, CONTRIBUTES \$100 OR MORE TO THE HOSPITAL SHALL, UPON REQUEST FROM SUCH INDIVIDUAL OR ORGANIZATION AND APPROVAL BY THE BOARD OF DIRECTORS, BE A MEMBER OF THE ORGANIZATION WITH ONE VOTE C) EX OFFICIO MEMBERS - EACH DIRECTOR AND THE PRESIDENT/CEO OF THE HOSPITAL SHALL BE A VOTING MEMBER OF THE HOSPITAL DURING HIS OR HER TERM IN SUCH OFFICE AND SHALL HAVE ONE VOTE

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 7B	THE FOLLOWING RIGHTS OF THE MEMBERS OF THE CORPORATION SHALL BE LIMITED TO THE FOLLOWING MATTERS A) APPROVAL OF ANY TRANSACTION THAT WOULD CULMINATE IN THE TRANSFER OF CONTROL OF HOSPITAL OPERATIONS TO A SECRETARIAN OR RELIGIOUS ORGANIZATION B) APPROVAL OF ANY TRANSACTIONS WHICH WOULD CULMINATE IN THE TRANSFER OF CONTORL OF THE HOSPITAL'S OPERATIONS TO A FOR-PROFIT ENTITY C) APPROVAL OF THE DISSOLUTION OF THE HOSPITAL OR THE CESSATION OF THE HOSPITAL OPERATIONS THE FOREGOING ACTIONS SHALL BE APPROVED AND ADOPTED ONLY AFTER AUTHORIZATION BY THE BOARD OF DIRECTORS AND APPROVAL BY THE MEMBERS

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 11	MANAGEMENT REFERENCED MULTIPLE SOURCES OF INFORMATION IN ORDER TO ACCURATELY PREPARE THE 2011 FORM 990. THESE SOURCES INCLUDE THE INTERNAL REVENUE SERVICE WEBSITE, LEGAL COUNSEL, HEALTHCARE TRADE ASSOCIATIONS, AND OTHER VARIOUS PUBLICATIONS. ONCE THE FORM 990 WAS PREPARED, IT WAS REVIEWED BY THE FOLLOWING GROUPS: 1. ST. LUKE'S SENIOR MANAGEMENT (OCTOBER 2012); 2. ST. LUKE'S BOARD OF DIRECTORS (OCTOBER 2012); 3. ST. LUKE'S FINANCE COMMITTEE (OCTOBER 2012). ALL OF THE ABOVE GROUPS WERE PROVIDED WITH A COMPLETE COPY OF THE 2011 FORM 990. IN OCTOBER 2012, THE CHIEF FINANCIAL OFFICER MADE A PRESENTATION TO THE BOARD REGARDING THE FORM 990 AND THEIR RESPONSIBILITIES. IN THE CASE OF THE FINANCE COMMITTEE AND BOARD OF DIRECTORS, THE FORM 990 REVIEW WAS LISTED AS AN AGENDA ITEM AT THEIR RESPECTIVE MEETINGS. THE CFO OF ST. LUKE'S PROVIDED AN OVERVIEW OF THE RETURN AND ANSWERED ANY QUESTIONS OR CONCERNS FROM THE BOARD/COMMITTEE MEMBERS. ANY SUGGESTED CHANGES TO THE FORM 990 WERE EVALUATED, WITH LEGAL COUNSEL IF NECESSARY, AND INCORPORATED INTO THE RETURN AS APPROPRIATE. THE RETURN WAS THEN FILED ON OR BEFORE NOVEMBER 15, 2012.

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	<p>1 ALL EMPLOYEES AND BOARD MEMBERS OF ST LUKE'S MUST DISCLOSE POTENTIAL CONFLICTS OF INTEREST TO THEIR SUPERVISOR(S), AND REFRAIN FROM MAKING DECISIONS BASED ON OUTSIDE INTERESTS 2 AT LEAST ANNUALLY, AFFECTED INDIVIDUALS MUST REVIEW THIS POLICY AND COMPLETE THE CONFLICT OF INTEREST STATEMENT A THE COMPLIANCE OFFICE MAINTAINS A LIST OF AFFECTED INDIVIDUALS DEPARTMENT DIRECTORS IDENTIFY ADDITIONAL EMPLOYEES WITH SIGNIFICANT PURCHASING AND DECISION-MAKING RESPONSIBILITY FOR THE COMPLIANCE OFFICE B THE COMPLIANCE OFFICE REQUESTS THAT AFFECTED INDIVIDUALS REVIEW THIS POLICY, COMPLETE AND RETURN THE CONFLICT OF INTEREST STATEMENT C THE COMPLIANCE OFFICE REVIEWS THE STATEMENTS OF EMPLOYEES, DIRECTORS AND PHYSICIANS, AND NOTIFIES THE APPROPRIATE EXECUTIVE OF ANY POTENTIAL CONFLICT OR DUALITY OF INTEREST D THE PRESIDENT REVIEWS THE STATEMENTS OF EXECUTIVES FOR POTENTIAL CONFLICT OR DUALITY OF INTEREST E THE CHAIRMAN OF THE BOARD OF DIRECTORS REVIEWS THE STATEMENTS OF THE PRESIDENT/CEO AND BOARD MEMBERS F EMPLOYEE STATEMENTS ARE FILED IN HUMAN RESOURCES, BOARD OF DIRECTOR STATEMENTS ARE FILED IN THE ADMINISTRATION OFFICE 3 THE STATEMENT MUST BE COMPLETED UPON APPOINTMENT / HIRING TO AN ADMINISTRATIVE, DIRECTOR OR MANAGEMENT POSITION A HUMAN RESOURCES INCLUDES THE CONFLICT OF INTEREST POLICY AND STATEMENT IN THE NEW HIRE PACKET AND FORWARDS THE COMPLETED STATEMENT TO COMPLIANCE OFFICE FOR REVIEW B HUMAN RESOURCES NOTIFIES COMPLIANCE OFFICE OF INTERNAL TRANSFERS TO ADMINISTRATIVE, DIRECTOR AND MANAGEMENT POSITIONS COMPLIANCE OFFICE REQUESTS COMPLETION OF THE CONFLICT OF INTEREST STATEMENT C IF AN EMPLOYEE'S DUTIES CHANGE DURING THE YEAR, RESULTING IN A POTENTIAL CONFLICT OF INTEREST, THE DEPARTMENT DIRECTOR NOTIFES THE COMPLIANCE OFFICE TO OBTAIN A CONFLICT OF INTEREST STATEMENT 4 AT ANY TIME DURING THE YEAR, WHEN AN ACTUAL, POTENTIAL OR PERCEIVED CONFLICT OF INTEREST ARISES, AN AFFECTED INDIVIDUAL MUST CONTACT HIS OR HER SUPERVISOR OR THE COMPLIANCE OFFICE AND COMPLETE THE CONFLICT OF INTEREST STATEMENT 5 AFFECTED INDIVIDUALS ARE REQUIRED TO SUBMIT IN WRITING A LIST OF ALL BUSINESSES OR OTHER ORGANIZATIONS IF THEY OR MEMBERS OF THEIR FAMILY ARE AN OFFICER, MEMBER, OWNER, OR EMPLOYEE AND ST LUKE'S HAS OR MIGHT REASONABLY BE EXPECTED TO ENTER INTO A RELATIONSHIP OR A TRANSACTION WITH THE BUSINESS OR ORGANIZATION IN THE FUTURE 6 IF RESOLUTION OF POTENTIAL CONFLICTS OF INTEREST IS NEEDED, IT WILL BE HANDLED THROUGH THE CHAIN OF COMMAND OR AT THE BOARD OF DIRECTORS LEVEL 7 EMPLOYEES ACCEPT NO PERSONAL GIFTS, FAVORS, OR COMPENSATION FROM PATIENTS, VENDORS, OR OTHER INDIVIDUALS OR ORGANIZATIONS SEEKING A BUSINESS RELATIONSHIP WITH ST LUKE'S A BUSINESS TRAVEL PAID IN PART OR COMPLETELY BY AN OUTSIDE INDIVIDUAL, AGENCY, CORPORATION OR ORGANIZATION REQUIRES PRIOR APPROVAL BY MANAGEMENT B PERISHABLE OR CONSUMABLE GIFTS (CANDY, DONUTS, FLOWERS, ETC) GIVEN TO A DEPARTMENT OR GROUP OF EMPLOYEES ALLOWED C CASH GIFTS ARE PROHIBITED D IF AN EMPLOYEE IS GIVEN A GIFT THAT CANNOT BE RETURNED, THE EMPLOYEE WILL CONSULT HIS OR HER SUPERVISOR AND/OR HUMAN RESOURCES TO DETERMINE AN ACCEPTABLE COURSE OF ACTION SUCH AS DONATION OF THE GIFT TO ST LUKE'S FOUNDATION</p>

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	<p>THE COMPENSATION REVIEW PROCESS DESCRIBED BELOW PERTAINS TO THE CHIEF EXECUTIVE OFFICE (CEO) AND THE CHIEF FINANCIAL OFFICER (CFO) POSITIONS. THE CEO IS THE TOP MANAGEMENT OFFICIAL. THE CFO IS AN OFFICER OF THE CORPORATION. THERE ARE NO EMPLOYEES WHO QUALIFY AS KEY EMPLOYEES OF THE ORGANIZATION. THE COMPENSATION REVIEW PROCESS OCCURS DURING AN ANNUAL REVIEW OF THE COMPENSATION FOR BOTH POSITIONS AND LAST OCCURRED IN 2011. TOTAL COMPENSATION FOR THE CEO WAS ITEMIZED INCLUDING BASE SALARY, HEALTH INSURANCE, DENTAL INSURANCE, LIFE INSURANCE, DISABILITY, VACATION AND HOLIDAY PAY AND EXECUTIVE COMPENSATION. ALL AMOUNTS WERE COMBINED TO DETERMINE THE TOTAL COMPENSATION FOR THIS POSITION. THE TOTAL COMPENSATION AMOUNT OF EACH POSITION WAS THEN MEASURED AGAINST THE 2008 - 2009 WATSON WYATT DATA FOR HOSPITAL SYSTEMS IN THE NORTH CENTRAL U.S. REGIONS WITH \$150 - \$450 MILLION IN NET OPERATING REVENUE. THE TOTAL COMPENSATION WAS ALSO MEASURED AGAINST THE MINNESOTA HOSPITAL ASSOCIATION DATA FOR HOSPITALS WITH \$200 MILLION OR MORE IN TOTAL EXPENSE BUDGET. THE COMPENSATION REVIEW FOR THE CFO FOLLOWS THE SAME PROCESS. THE AFOREMENTIONED DATA FOR BOTH THE CEO AND CFO WAS THEN REVIEWED WITH AND APPROVED BY THE EXECUTIVE COMMITTEE AND THE BOARD OF DIRECTORS. CONTEMPORANEOUS DOCUMENTS AND RECORDKEEPING WITH RESPECT TO THE DELIBERATIONS AND DECISIONS ARE MAINTAINED BY THE CEO AND HUMAN RESOURCES DEPARTMENT.</p>

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	ST LUKE'S GOVERNING DOCUMENTS AND CONFLICT OF INTEREST STATEMENTS ARE REVIEWED AND UPDATED ANNUALLY BY THE BOARD OF DIRECTORS. THEY ARE NOT AVAILABLE TO THE GENERAL PUBLIC. FINANCIAL INFORMATION IS MADE AVAILABLE THROUGH ST LUKE'S ANNUAL REPORT (PUBLISHED EVERY YEAR AND AVAILABLE ON ST LUKE'S WEBSITE AT WWW.SLHDULUTH.COM) AND THE FORM 990 IS MADE AVAILABLE TO THE PUBLIC IN ACCORDANCE WITH THE INTERNAL REVENUE SERVICE GUIDANCE.

Identifier	Return Reference	Explanation
ALLOCATION OF HOURS	FORM 990, PART VII, SECTION A, LINE 1	JOHN STRANGE, CEO, DEVOTED APPROXIMATELY 40 HOURS PER WEEK AS FOLLOWS BETWEEN THE REPORTING ORGANIZATION AND ITS RELATED AFFILIATES ST LUKE'S HOSPITAL OF DULUTH 36 HOURS LAKE VIEW MEMORIAL HOSPITAL, INC 2 HOURS ST LUKE'S FOUNDATION 2 HOURS JAMES WUELLNER, CEO, DEVOTED APPROXIMATELY 40 HOURS PER WEEK AS FOLLOWS BETWEEN THE REPORTING ORGANIZATION AND ITS RELATED AFFILIATES ST LUKE'S HOSPITAL OF DULUTH 36 HOURS LAKE VIEW MEMORIAL HOSPITAL, INC 2 HOURS ST LUKE'S FOUNDATION 2 HOURS IN ADDITION TO BEING A BOARD MEMBER OF ST LUKE'S HOSPITAL OF DULUTH, THE FOLLOWING BOARD MEMBERS, DALE MOE AND MARLENE DAVID, ALSO SERVE AS BOARD MEMBERS OF THE RELATED ORGANIZATION LAKE VIEW MEMORIAL HOSPITAL IN ADDITION TO BEING A BOARD MEMBER OF ST LUKE'S HOSPITAL OF DULUTH, THE FOLLOWING BOARD MEMBERS, MELINDA MACHONES, PAUL SANFORD, AND BRIAN RYKS, ALSO SERVE AS BOARD MEMBERS OF THE RELATED ORGANIZATION ST LUKE'S FOUNDATION

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED GAINS ON INVESTMENTS 199,531 CHANGE IN MINIMUM PENSION LIABILITY - 21,992,666 CAPITAL REIMBURSEMENT FROM ST LUKE'S FOUNDATION 114,934 CONTRIBUTION TO SLH VOLUNTEER SERVICE GUILD -10,000 TOTAL TO FORM 990, PART XI, LINE 5 -21,688,201

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
ST LUKE'S HOSPITAL OF DULUTH

Employer identification number
41-0714079

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) ST LUKE'S FOUNDATION 1000 EAST FIRST STREET NO 102 DULUTH, MN 55805 41-1448118	FUNDRAISING SUPPORT FOR HEALTH CARE/HOSPITAL	MN	501(C)(3)	LINE 11A, I	ST LUKE'S HOSPITAL OF DULUTH	Yes	
(2) LAKE VIEW MEMORIAL HOSPITAL INC 325 11TH AVENUE TWO HARBORS, MN 55616 41-0786046	HEALTH CARE/HOSPITAL	MN	501(C)(3)	LINE 3	ST LUKE'S HOSPITAL OF DULUTH	Yes	
(3) LAKE VIEW MEMORIAL HOSPITAL FOUNDATION OF NORTHEAST MINNESOTA 325 11TH AVENUE TWO HARBORS, MN 55616 41-1700972	FUNDRAISING SUPPORT FOR LAKE VIEW MEMORIAL HOSPITAL	MN	501(C)(3)	LINE 7	ST LUKE'S HOSPITAL OF DULUTH & LAKE VIEW MEMORIAL HOSPITAL		No
(4) CRITICAL CARE SERVICES INC DBA LIFELINK III 3010 BROADWAY STREET NE MINNEAPOLIS, MN 554131768 41-1518013	HEALTH CARE EMERGENCY TRANSPORTATION	MN	501(C)(3)	LINE 11C, III-FI	N/A		No

Part III

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

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

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

Part V

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

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

1

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

a

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

b

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

c

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

d

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

e

Loans or loan guarantees by related organization(s)

f

Sale of assets to related organization(s)

g

Purchase of assets from related organization(s)

h

Exchange of assets with related organization(s)

i

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

j

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

k

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

l

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

m

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

n

Sharing of paid employees with related organization(s)

o

Reimbursement paid to related organization(s) for expenses

p

Reimbursement paid by related organization(s) for expenses

q

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

r

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

No

No

No

No

No

No

No

No

No

Yes

Yes

No

No

No

No

No

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) ST LUKE'S FOUNDATION	C	433,870	FAIR MARKET VALUE
(2) ST LUKE'S FOUNDATION	P	273,639	FAIR MARKET VALUE
(3) LAKE VIEW MEMORIAL HOSPITAL INC	P	931,162	FAIR MARKET VALUE
(4) LAKE VIEW MEMORIAL HOSPITAL INC	D	4,705,675	FAIR MARKET VALUE
(5)			
(6)			

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

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation	
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ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES

**CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

YEARS ENDED DECEMBER 31, 2011 AND 2010

**ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES
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CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
St. Luke's Hospital of Duluth and Affiliates
Duluth, Minnesota

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 St. Luke's Hospital of Duluth and Affiliates as of December 31, 2011 and 2010, and the results of their operations, changes in their net assets, and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP
CliftonLarsonAllen LLP

Minneapolis, Minnesota
March 13, 2012

ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2011 AND 2010
(IN THOUSANDS)

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 12,394	\$ 13,145
Undesignated Investments	23,871	23,252
Receivables		
Net Patient Accounts Receivable	43,435	38,716
Due from Third-Party Payors	2,169	207
Other	1,692	2,049
Current Portion of Assets Limited as to Use	4,842	1,347
Inventories	5,655	5,416
Prepaid Expenses	1,561	1,247
Total Current Assets	<u>95,619</u>	<u>85,379</u>
INVESTMENTS AND ASSETS LIMITED AS TO USE		
Internally Designated for Property and Equipment	4,822	7,628
Donor Restricted Investments	4,808	4,726
Held by Trustee under Indenture Agreement, Net of Current Portion	4,499	4,733
Investments and Assets Limited as to Use	<u>14,129</u>	<u>17,087</u>
PROPERTY AND EQUIPMENT, NET	57,442	53,157
OTHER ASSETS	<u>12,540</u>	<u>12,245</u>
Total Assets	<u>\$ 179,730</u>	<u>\$ 167,868</u>

See accompanying Notes to Consolidated Financial Statements

	<u>2011</u>	<u>2010</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Borrowings under the Lines of Credit	\$ 12,540	\$ -
Current Maturities of Long-Term Debt	4,800	1,198
Accounts Payable	11,144	11,492
Accrued Salaries and Employee Benefits	17,800	17,378
Due to Third-Party Payors	675	288
Other Accrued Expenses	2,238	1,839
Total Current Liabilities	<u>49,197</u>	<u>32,195</u>
EMPLOYEE BENEFIT OBLIGATIONS	56,985	36,823
OTHER LIABILITIES	1,742	1,982
LONG-TERM DEBT (Net of Current Maturities)	<u>51,027</u>	<u>55,046</u>
Total Liabilities	158,951	126,046
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted	15,708	36,823
Temporarily Restricted	4,333	4,281
Permanently Restricted	738	718
Total Net Assets	<u>20,779</u>	<u>41,822</u>
Total Liabilities and Net Assets	<u><u>\$ 179,730</u></u>	<u><u>\$ 167,868</u></u>

ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(IN THOUSANDS)

	<u>2011</u>	<u>2010</u>
REVENUES		
Net Patient Service Revenue	\$ 320,003	\$ 305,396
Other Revenue	14,947	14,394
Total Revenues	<u>334,950</u>	<u>319,790</u>
EXPENSES		
Salaries	161,689	153,941
Employee Benefits	43,636	40,523
Supplies	58,865	53,472
Physician and Professional Fees	18,637	17,750
Depreciation and Amortization	9,066	9,566
Occupancy	17,763	16,879
Interest	4,248	4,202
Provision for Bad Debts	6,881	6,590
Other	14,567	14,059
Total Expenses	<u>335,352</u>	<u>316,982</u>
OPERATING GAIN (LOSS)	(402)	2,808
NON-OPERATING GAINS	1,140	1,488
CONTRIBUTION OF LAKE VIEW MEMORIAL HOSPITAL, INC.	-	5,071
CONTRIBUTION FROM LAKE VIEW HEALTH CORP.	<u>-</u>	<u>355</u>
EXCESS OF REVENUES OVER EXPENSES	<u><u>\$ 738</u></u>	<u><u>\$ 9,722</u></u>

See accompanying Notes to Consolidated Financial Statements

ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(IN THOUSANDS)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
NET ASSETS - DECEMBER 31, 2009	\$ 29,909	\$ 3,566	\$ 437	\$ 33,912
Excess of Revenues over Expenses	9,722	-	-	9,722
Change in Net Unrealized Gains on Investments Classified as Available for Sale	1,264	378	-	1,642
Net Assets Released from Restriction	408	(408)	-	-
Restricted Investment Income	-	103	-	103
Donor Restricted Contributions	-	369	-	369
Capital Contributions and Other	(11)	90	-	79
Change in Minimum Pension Liability	(4,469)	-	-	(4,469)
Contribution of Lake View Memorial Hospital, Inc	-	543	281	824
Change in Beneficial Interest in Lake View View Health Corp	-	(360)	(281)	(641)
Endowments Assumed Upon Dissolution of Lake View Health Corp	-	-	281	281
Change in Net Assets - 2010	6,914	715	281	7,910
NET ASSETS - DECEMBER 31, 2010	36,823	4,281	718	41,822
Excess of Revenues over Expenses	738	-	-	738
Change in Net Unrealized Losses on Investments Classified as Available for Sale	(63)	(316)	-	(379)
Net Assets Released from Restriction	215	(215)	-	-
Restricted Investment Income	-	196	-	196
Donor Restricted Contributions	-	397	20	417
Capital Contributions and Other	(12)	(10)	-	(22)
Change in Minimum Pension Liability	(21,993)	-	-	(21,993)
Change in Net Assets - 2011	(21,115)	52	20	(21,043)
NET ASSETS - DECEMBER 31, 2011	\$ 15,708	\$ 4,333	\$ 738	\$ 20,779

See accompanying Notes to Consolidated Financial Statements

ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(IN THOUSANDS)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ (21,043)	\$ 7,910
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	9,066	9,566
Provision for Bad Debts	6,881	6,590
Loss on Disposal of Property and Equipment	2	236
Capital Contributions and Other	12	11
Change in Minimum Pension Liability	21,993	4,469
Change in Net (Gains) Losses on Investments	719	(2,035)
Contribution of Lake View Memorial Hospital, Inc	-	(5,823)
Contribution from Lake View Health Corp	-	(355)
(Increase) Decrease in		
Receivables	(11,600)	(5,070)
Other Receivables	357	(308)
Due from Third-Party Payors	(1,962)	(98)
Inventories	(239)	(90)
Prepaid Expenses	(314)	(324)
Other Assets	(538)	(6,027)
Increase (Decrease) in		
Accounts Payable	(348)	1,361
Accrued Salaries and Employee Benefits	422	2,589
Due to Third-Party Payors	387	(1,039)
Other Liabilities	(240)	25
Other Accrued Expenses	(1,432)	6,978
Net Cash Provided by Operating Activities	<u>2,123</u>	<u>18,566</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(12,332)	(10,684)
Purchases of Investments	(10,016)	(9,460)
Sales of Investments	8,860	3,887
Change in Net Gains (Losses) on Investments	(719)	2,035
Net Cash Used by Investing Activities	<u>(14,207)</u>	<u>(14,222)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments under Lines of Credit	-	(4,000)
Withdrawals under Lines of Credit	12,540	-
Principal Payments on Long-Term Debt	(1,195)	(1,087)
Capital Contributions and Other	(12)	(11)
Net Cash Provided (Used) by Financing Activities	<u>11,333</u>	<u>(5,098)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(751)</u>	<u>(754)</u>
Cash and Cash Equivalents - Beginning of Year	<u>13,145</u>	<u>13,899</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 12,394</u></u>	<u><u>\$ 13,145</u></u>
SUPPLEMENTAL DISCLOSURE		
Cash Paid for Interest	<u><u>\$ 4,088</u></u>	<u><u>\$ 4,040</u></u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Property and Equipment Acquired Under Capital Lease Obligations	<u><u>\$ 778</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to Consolidated Financial Statements

ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(IN THOUSANDS)

NOTE 1 SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

St Luke's Hospital of Duluth (St Luke's) is a Minnesota nonprofit corporation that provides medical care to patients in a licensed 267-bed hospital and its clinics

St Luke's Foundation (the Foundation) raises and holds funds for the benefit of St Luke's. The Foundation amended and restated their by-laws effective December 15, 2009 to allow the Hospital board to elect the members of the board of Foundation. Together St Luke's and the Foundation are referred to as the Obligated Group in the consolidated financial statements.

Lake View Memorial Hospital, Inc (Lake View) is a Minnesota nonprofit membership corporation. Lake View operates a hospital and clinic in Two Harbors, Minnesota. Lake View had an affiliation agreement with St Luke's and Lake View Health Corp (Health Corp) through December 31, 2009.

Effective January 1, 2010, Lake View and St Luke's agreed to become more fully integrated, giving St Luke's control of Lake View's operations. Lake View amended its articles of incorporation and by-laws, making St Luke's the sole corporate member of Lake View. No consideration was given to Lake View or Health Corp by St Luke's. As a part of this agreement Health Corp was dissolved, and the remaining assets of Health Corp were transferred to the Lake View.

Collectively, St Luke's, the Foundation and Lake View are referred to as the System in the consolidated financial statements.

Consolidation Policy

The consolidated financial statements include the accounts of St Luke's and the controlled Affiliates identified above. All material inter-company accounts and transactions have been eliminated through consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires the System 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The System is comprised of three separate nonprofit corporations as described in Section 501(c)(3) of the Internal Revenue Code that are exempt from federal income taxes on related income pursuant to Section 501(c)(3) of the Code.

ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(IN THOUSANDS)

NOTE 1 SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Income Taxes (Continued)

The System has elected to adopt guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The System follows the accounting standard for contingencies for evaluating uncertain tax positions. The adoption of this standard has no effect on the consolidated financial statements.

The System's income tax returns are subject to review and examination by federal, state, and local authorities. The tax returns for the years 2009 to 2011 are open to examination by federal, state, and local authorities.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments with an original maturity of three months or less, excluding amounts limited as to use by the board of directors designation or other arrangements under trust agreements. Cash and cash equivalents are stated at cost, which approximates fair value.

Patient Receivables

The System provides an allowance for uncollectible self-pay accounts. Patients are not required to provide collateral for services rendered. Payment for services is required upon receipt of a bill or statement, after payment by insurance, if any. All self-pay accounts are analyzed for collectibility based on the months past due and payment history. The allowance for doubtful accounts is calculated by applying historical experience to an aging of these accounts. Accounts that are determined to be uncollectible are sent to a collection agency and written off at that time. At December 31, 2011 and 2010, the allowance for uncollectible accounts was \$4,584 and \$4,468, respectively.

Other Accounts Receivable

Other accounts receivable includes receivables related to an employee personal computer purchase/loan plan that was implemented during 1996. The Hospital makes non-interest-bearing loans to employees to purchase personal computers for home use. The loans are being repaid through payroll deductions. The amount of the receivable from employees was \$168 and \$189 at December 31, 2011 and 2010, respectively. The Hospital funded the loans with advances from the Foundation of which \$190 and \$196 remains due to the Foundation at December 31, 2011 and 2010, respectively. The advances from the Foundation are eliminated in the consolidated financial statements.

Other accounts receivable also includes accrued interest receivable, other non-patient related receivables and pledges receivable that represent commitments to make gifts received from residents, organizations and businesses. The pledges are not legally enforceable.

ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(IN THOUSANDS)

NOTE 1 SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Inventory

Inventory is stated at cost (principally on the first-in, first-out basis) not in excess of market value. Market value is determined by comparison with recent purchases or realizable value.

Assets Limited as to Use

Assets limited as to use includes assets held by trustees under indenture agreements and designated assets set aside by the System's Board of Directors for future capital improvements over which the Board retains control and may, at its discretion, subsequently use for other purposes. Assets limited as to use also includes investments that are temporarily or permanently restricted, depending on the intent of the donor. Amounts required to meet certain current liabilities of the System are classified as current in the consolidated balance sheets.

Investments and Investment Income

The System has investments in debt and equity securities which consist of common stocks, mortgage and asset-backed securities, corporate obligations, mutual funds and money market accounts. The deferred compensation funds are invested in mutual funds.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments held by the Obligated Group are excluded from the excess of revenues over expenses. Unrealized gains and losses on investments held by Lake View are included in excess of revenues over expenses.

The System continually monitors the difference between the cost and fair market value of its investments. If any of the System's investments experience a decline in value that the System determines is other than temporary, the System records a realized loss in investment income in the statement of operations. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the consolidated balance sheets.

Property and Equipment

Property and equipment acquisitions are recorded at cost when purchased or at estimated fair market value when received by donation. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Estimated useful lives for buildings range from 15 to 40 years, whereas fixed and major movable equipment range from 5 to 20 years. Equipment under capital lease obligations is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. This amortization is included in depreciation and amortization in the consolidated financial statements.

ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(IN THOUSANDS)

NOTE 1 SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Property and Equipment (Continued)

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support and are excluded from the excess of revenue over expense unless explicit stipulations specify how the donated assets must be used. Gifts of assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Intangible Assets

Intangible assets associated with acquisitions are included in other assets. Intangible assets are amortized on a straight-line basis over a period of 1 to 15 years. The System had no goodwill at December 31, 2011 and 2010.

Northern Imaging of Duluth, LLC

In 2000, the System entered into an agreement with an MRI center and a radiology center to form a new limited liability corporation to own and operate Northern Imaging of Duluth, LLC (Northern Imaging) to provide high-quality radiological care for northeastern Minnesota and northwestern Wisconsin. The System invested \$750 for a 21% interest in Northern Imaging. This investment is recorded using the equity method of accounting.

Pavilion Surgery Center, LLC

The consolidated financial statements include the investment in the Pavilion Surgery Center, LLC (Surgery Center), a 50% joint venture with certain members of the System's medical staff. In 2000, the System invested \$570 for its interest in the Surgery Center. The Surgery Center provides ambulatory surgical-related services to the northeastern Minnesota and northwestern Wisconsin community. The investment is recorded using the equity method of accounting.

The System is also the master leaseholder of the building where the Surgery Center is located. The System and the Surgery Center have entered into an operating lease for the area occupied by the Surgery Center. In addition, the System has subleased a portion of the space to other independent physician groups. Sublease rentals totaled \$519 and \$510 in 2011 and 2010, respectively.

Deferred Financing Costs

The System has incurred financing costs pertaining to the issuances of long-term debt. Original financing costs of \$2,366 as of December 31, 2011 and 2010 are being amortized in a manner designed to approximate a constant annual effective interest rate over the term of the issuance. Accumulated amortization as of December 31, 2011 and 2010 was \$1,029 and \$923, respectively. Amortization expense related to deferred financing costs is \$106 for the years ended December 31, 2011 and 2010. Deferred financing costs are included with other assets on the consolidated balance sheets.

ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(IN THOUSANDS)

NOTE 1 SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Asset Retirement Obligations

Asset retirement obligations are included in other liabilities and represent obligations to dispose of assets that are legally required to be removed at a future date. They are recorded at the net present value using a risk-free interest rate and inflationary rate.

Net Assets

Net assets are classified into three separate categories based on the existence or absence of donor-imposed restrictions. In the consolidated financial statements, net assets that have similar characteristics have been combined into categories as follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted – Net assets subject to donor-imposed restrictions that may or will be met either with actions of the System and/or the passage of time. When a restriction expires, temporarily restricted net assets are classified to unrestricted net assets and reported in the statements of operations as net assets released from restrictions.

Permanently Restricted – Net assets subject to donor-imposed restrictions that are maintained permanently by the System. Generally, the donors of these assets permit the System to use all or part of the income earned on related investments for specific or general purposes.

The System follows guidance on endowments of not-for-profit organizations, including guidance on the net asset classification of donor-restricted endowment funds that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). This guidance provides for additional disclosures about the System's endowment funds.

Contributions

Contributions from donors that are unconditional promises to give are recorded as receivables and revenues in the period that the promise is made. Conditional promises to give are not recorded until the condition is substantially met. All contributions are recorded at fair value.

Net Patient Service Revenue

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

ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(IN THOUSANDS)

NOTE 1 SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Patient Assistance Program

The System provides care to patients who meet certain criteria under its patient assistance program policy prorated based on poverty level. Because the System does not pursue collection of amounts determined to qualify within this program, they are not reported as revenue.

Other Revenue

Other revenue includes principally rental income, income from Northern Imaging and Pavilion Surgery Center, and income under other various contracts.

Non-Operating Gains

Non-operating gains include investment income of \$1,142 and \$1,724 for the years ended December 31, 2011 and 2010, respectively. Non-operating gains also include losses on disposals of property and equipment of \$2 and \$236 for the years ended December 31, 2011 and 2010, respectively.

Excess of Revenues over Expenses

The statements of operations include excess of revenues over expenses. Changes in net assets that are excluded from excess of revenues over expenses include unrealized gains on investments classified as available for sale and, consistent with industry practice, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions that, by donor restriction, were to be used for the purpose of acquiring such assets), and changes in the additional minimum pension liability.

Fair Value

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The System emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, the System has measured fair value using a market based approach and has classified assets recorded at fair value based on observable inputs of the fair value hierarchy as defined by the standard.

Investments are recorded at fair value on a recurring basis. Fair value for investments designated as Level 1 measured based on quoted prices in active markets, including the New York Stock Exchange, National Association of Securities Dealers Automated Quotations and U.S. Treasury and government agency over-the-counter markets, for identical assets, if available. Fair value for investments designated as Level 2 are measured using independent pricing models based on quoted prices for similar assets. The System does not have any investments designated as Level 3. See Note 14 for information on investment balances by fair value hierarchy level.

ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(IN THOUSANDS)

NOTE 1 SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Fair Value (Continued)

The System also adopted the policy of valuing certain financial instruments at fair value. This accounting policy allows the System the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The System has not elected to measure any existing financial instruments at fair value, however, may elect to measure newly acquired financial instruments at fair value in the future.

Reclassifications

Certain items in the prior year consolidated financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on the System's overall net assets.

Subsequent Events

In preparing these consolidated financial statements, the System has evaluated events and transactions for potential recognition or disclosure through March 13, 2012, the date the consolidated financial statements were available to be issued.

NOTE 2 NET PATIENT SERVICE REVENUE

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

Medicare – St. Luke's

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services and certain outpatient services related to Medicare beneficiaries were paid based upon a cost reimbursement methodology. St. Luke's was reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by St. Luke's and audits thereof by the Medicare fiscal intermediary. St. Luke's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with St. Luke's.

Medicare pays outpatient services under the Ambulatory Payment Classification (APC) method. Under this method, Medicare reimburses St. Luke's a predetermined amount for most outpatient services. The following services are excluded from the APC payment methodology, services already paid on a fee schedule and certain drugs, biologicals and medical devices identified as pass-through items. The APC payments are not based on the provider's annual cost report. Professional fees for clinic and other services are paid according to the Medicare fee schedule.

ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(IN THOUSANDS)

NOTE 2 NET PATIENT SERVICE REVENUE (CONTINUED)

Medicare – Lake View

Lake View is certified as a Critical Access Hospital (CAH) and receives reimbursement for Inpatient, Swing Bed, and Outpatient services to Medicare patients on a reasonable cost basis. Medicare reimburses Lake View for services provided to Medicare patients using interim rates, with a final settlement determined based on the annual cost report that is filed by Lake View. This cost report is subject to audits by the Medicare fiscal intermediary. Lake View's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with Lake View.

Medicaid – St. Luke's

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per discharge. Outpatient Medicaid services are reimbursed under the lower of usual or customary charge fee structure.

Medicaid – Lake View

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per discharge. Outpatient services are paid based upon a predetermined fee schedule. In addition, capital-related costs and certain medical education costs are also reimbursed as a prospective pass-through.

Professional services provided by physicians and other clinicians are reimbursed based on one of the following methods: a prospectively determined resource-based relative value Hospital, fee schedule, or a cost-reimbursement methodology depending upon type of professional services provided.

Revenue from the Medicare and Medicaid programs accounted for approximately 36% and 9%, respectively, of the System's net patient revenue for the year ended 2011, and 35% and 9%, respectively, of the System's net patient revenue, for the year ended 2010. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(IN THOUSANDS)

NOTE 2 NET PATIENT SERVICE REVENUE (CONTINUED)

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

Gross patient service revenue at established rates, less third-party payor contractual adjustments, for the years ended December 31 consisted of the following:

	2011	2010
St. Luke's - Hospital	\$ 564,214	\$ 525,998
St. Luke's - Clinics	132,625	124,930
Lake View - Hospital and Clinic	18,210	17,210
Gross Patient Service Revenue	715,049	668,138
Less: Allowances for Contractual Adjustments	(395,046)	(362,742)
Net Patient Service Revenue	<u>\$ 320,003</u>	<u>\$ 305,396</u>

NOTE 3 CONCENTRATIONS OF CREDIT RISK

The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The significant concentrations of gross revenue for services to patients include the following at December 31:

	2011	2010
Medicare	49 %	49 %
Medicaid	13	12
Blue Cross	19	20
Other Third-Party Payors	16	16
Self-Pay	3	3
Total	<u>100 %</u>	<u>100 %</u>

The System has from time to time deposits in excess of Federal Depository Insurance Corporation limits. Management believes any credit risk related to these deposits is minimal.

ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(IN THOUSANDS)

NOTE 4 ASSETS LIMITED AS TO USE, INVESTMENTS, AND INVESTMENT INCOME

As required by the Series 2002 bond indenture agreement, St. Luke's established certain funds to be used to fund construction, remodeling, and equipment acquisitions, and to maintain a debt service reserve fund equal to the maximum annual debt service of the Series 2002 bonds. These funds are held by a trustee and are classified as assets limited as to use under indenture agreement held by trustee in the consolidated balance sheets.

In addition, the System has designated assets for future capital improvements over which the Board retains control and may, at its discretion, subsequently use for other purposes. Assets limited as to use also include investments that are temporarily or permanently restricted, depending on the intent of the donor.

Investments and assets limited as to use consist of the following balances at December 31:

	2011	2010
Series 2002 Reserve Fund	\$ 4,970	\$ 4,749
Series 2002 Interest Fund	-	290
Series 2002 Sinking Fund	751	858
Assets Held by Trustee Under Indenture Agreement	5,721	5,897
Assets Limited for Current Maturities - Lake View	3,620	183
Undesignated Investments	23,871	23,252
Internally Designated for Property and Equipment	4,822	7,628
Donor Restricted Investments	4,808	4,726
Total Investments and Assets Limited as to Use	42,842	41,686
Less: Current Portion of Assets Limited as to Use	(4,842)	(1,347)
Less: Undesignated Investments	(23,871)	(23,252)
Non-Current Investments and Assets Limited as to Use	<u>\$ 14,129</u>	<u>\$ 17,087</u>

The composition of investments and assets limited as to use consists of the following at December 31:

	2011	2010
Cash and Cash Equivalents	\$ 101	\$ 2
Money Market Funds	965	1,759
Marketable Equity Securities	10,322	9,756
Government Obligations	3,226	3,350
Corporate Obligations	27,000	26,050
Real Estate Mutual Funds	1,228	769
Total Investments and Assets Limited as to Use	<u>\$ 42,842</u>	<u>\$ 41,686</u>

ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(IN THOUSANDS)

NOTE 4 ASSETS LIMITED AS TO USE, INVESTMENTS, AND INVESTMENT INCOME
(CONTINUED)

Investment Income

Total investment income and the changes in net unrealized gains (losses) on investments for the years ended December 31 consist of the following

	2011	2010
Interest and Dividend Income	\$ 1,409	\$ 1,306
Realized Gains	73	25
Change in Net Unrealized Gains (Losses) on Trading Investments Classified as Trading	(340)	393
Total Investment Income	<u>\$ 1,142</u>	<u>\$ 1,724</u>
Change in Net Unrealized Gains (Losses) on Investments Classified as Available for Sale	<u>\$ (379)</u>	<u>\$ 1,642</u>

Unrealized Losses - Available for Sale

The following table shows the gross unrealized losses and fair value of the System's investments and assets limited as to use with unrealized losses that are deemed to be temporarily impaired, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position, at December 31, 2011

Description of Securities	Less Than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Marketable Equity Securities	\$ 1,449	\$ (103)	\$ 1,770	\$ (310)
Corporate Obligations	4,109	(61)	1,402	(42)
Government Obligations	100	(2)	-	-
Real Estate Mutual Funds	386	(30)	256	(13)
Total	<u>\$ 6,044</u>	<u>\$ (195)</u>	<u>\$ 3,428</u>	<u>\$ (365)</u>

The unrealized losses on the marketable equity securities, corporate obligations and real estate mutual funds amounted to \$553 at December 31, 2011. Of these amounts, \$365 of the losses relate to losses which extend over one year as of December 31, 2011. Investment losses under one year old are expected to be recoverable in future periods and are not deemed by management to be unrecoverable. Investment losses in excess of one year are also expected to be recoverable in future periods as the System has the intent and ability to hold these investments until further market recovery occurs.

The unrealized losses on the System's investments in Government Obligations of \$2 were caused by interest rate increases. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than the amortized cost of the investment. Because the System has the ability and intent to hold these investments until a market price recovery, which may be maturity, the System does not consider these investments to be other-than-temporarily impaired at December 31, 2011.

ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(IN THOUSANDS)

NOTE 5 OTHER ASSETS

A summary of other assets as of December 31 is as follows

	2011	2010
Cash Surrender Value of Life Insurance	\$ 1,112	\$ 1,084
Deferred Financing Costs, Net	1,340	1,443
Deferred Compensation	6,202	5,607
Intangible Assets, Net	1,776	1,933
Investment in Northern Imaging of Duluth, L L C	537	437
Investment in Pavilion Surgery Center, L L C	556	628
Other	1,017	1,113
Total	<u>\$ 12,540</u>	<u>\$ 12,245</u>

Summarized combined financial information for Northern Imaging of Duluth, L L C and Pavilion Surgery Center L L C as of and for the years ended December 31 is as follows

	2011	2010
Net Income	\$ 3,690	\$ 3,078
Total Assets	5,230	5,045
Total Liabilities	1,894	2,361

NOTE 6 PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31 is as follows

	2011	2010
Land and Land Improvements	\$ 6,486	\$ 5,672
Buildings and Improvements	70,956	66,561
Major Movable Equipment	77,338	68,656
Construction in Progress	4,111	5,061
Gross Property and Equipment	<u>158,891</u>	<u>145,950</u>
Less Accumulated Depreciation	(101,449)	(92,793)
Property and Equipment, Net	<u>\$ 57,442</u>	<u>\$ 53,157</u>

Lake View operates a clinic in a building under capital lease obligation. The gross property and equipment associated with that lease is \$3,299 at December 31, 2011 and 2010. The accumulated depreciation for the leased clinic building is \$380 and \$187 at December 31, 2011 and 2010, respectively.

St. Luke's acquired equipment through capital lease obligations in 2011. The cost of that equipment is \$778 and the accumulated depreciation is \$19 at December 31, 2011.

Construction in progress consists of various remodeling projects, parking expansion costs and upgrades to the information technology systems. The majority of the projects are expected to be completed during fiscal 2012. Total remaining costs to complete these projects is approximately \$3,743 in addition to the amounts included in construction in progress at December 31, 2011. These projects are being financed by internal funds.

ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES
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NOTE 7 LINES OF CREDIT AND LONG-TERM DEBT

Lines of Credit

As of December 31, 2011 and 2010, the System had two line of credit agreements, one available to St. Luke's and one available to Lake View. The outstanding balance on the lines of credit was \$12,540 at December 31, 2011. The System has no borrowings under these lines of credit at December 31, 2010.

The interest rate on the line of credit available to St. Luke's is equal to the greater of the Prime rate plus 2.25%, equal to 5.50% at December 31, 2011. The interest rate on the line of credit available to Lake View is equal to the greater of the Prime rate plus 0.75%, equal to 4.00% at December 31, 2011. The lines of credit expire on August 1, 2012 and July 1, 2012, respectively.

Long-Term Debt

Long-term debt at December 31 consisted of the following:

<u>Description</u>	<u>2011</u>	<u>2010</u>
Duluth Economic Development Authority, Minnesota Health Care Facilities Revenue Bonds, Series 2002, Interest from 6.0% to 7.25%, Due in Varying Amounts through June 15, 2032 (Net of Unamortized Discount of \$855 and \$896 in 2011 and 2010, Respectively)	\$ 46,950	\$ 47,924
City of Two Harbors Health Care Facilities Revenue Note Series 2003, payable in monthly installments of \$3,400, including interest currently at 4.7%, maturing in August 2028, collateralized by substantially all of the Lake View's assets	4,706	4,895
Capital Lease Obligation, interest only payments at 7.10% due monthly through August 2012, at which time the remaining balance becomes payable, collateralized by leased land, buildings and equipment	3,425	3,425
Capital Lease Obligations, with varying interest rates, monthly payments through September 2016, collateralized by the leased equipment	746	-
Total	55,827	56,244
Less: Current Maturities	(4,800)	(1,198)
Long-Term Debt, Net of Current Maturities	<u>\$ 51,027</u>	<u>\$ 55,046</u>

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NOTE 7 LINES OF CREDIT AND LONG-TERM DEBT (CONTINUED)

Long-Term Debt (Continued)

In August 2002, the St Luke's issued \$55,000 Healthcare Facilities Revenue Bonds (St Luke's Hospital of Duluth Obligated Group) Series 2002 (the 2002 Bonds) The Foundation is part of the Obligated Group for the 2002 Bonds The interest rate on the bonds ranges from 6 0% to 7 25% and the payments are payable through June 2032 The original issue discount of approximately \$1,245 is being amortized over the life of the 2002 Bonds

The proceeds from the 2002 Bonds were used to fund certain construction, remodeling, and equipment acquisition projects and certain investments required by the 2002 bond indenture agreement, to repay St Luke's \$10 million note payable, and to refund on November 1, 2002 all of St Luke's Duluth Economic Development Authority, Minnesota Hospital Facilities Revenue Bonds (St Luke's Hospital of Duluth Project) Series 1992A and St Luke's Duluth Economic Development Authority, Minnesota Hospital Facilities Refunding Revenue Bonds (St Luke's Hospital of Duluth Project) Series 1992B

The 2002 bond agreement requires that the Obligated Group, among other matters, maintain a specified level of debt service coverage and days cash on hand, as defined, to meet other operational and financial performance covenants and limits the amount of additional borrowings of short and long-term debt The 2002 Bonds are collateralized by substantially all property and equipment owned by the Obligated Group at its main campus in Duluth, Minnesota

The terms of the 2003 Revenue Note held by Lake View call for the interest rate to be adjusted February 2016 and May 2022 at the seven-year Treasury Rate plus 1 75% The Revenue Note is guaranteed by St Luke's The Revenue note requires that Lake View maintain certain financial and non-financial covenants Lake View was in violation of a certain covenant as of December 31, 2011 and 2010, however, the violation was waived by the holder

Maturities of long-term debt, excluding unamortized discount and capital lease obligations, for each of the next five years and thereafter are as follows

<u>Year Ending December 31,</u>	<u>Long-Term Debt</u>	<u>Capital Leases</u> <u>Obligations</u>
2012	\$ 1,270	\$ 3,716
2013	1,344	408
2014	1,428	83
2015	1,514	83
2016	1,609	61
Thereafter	45,346	-
Total	<u>\$ 52,511</u>	<u>4,351</u>
Less Interest on Capital Lease Obligations		(180)
		<u>\$ 4,171</u>

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NOTE 8 EMPLOYEE BENEFIT PLANS AND EMPLOYMENT BENEFIT OBLIGATIONS

Savings Plans

The System has contributory employee retirement and savings plans for salaried employees, which are qualified under Sections 401(k) and 403(B) of the Internal Revenue Code (IRC). Employer contributions to the plan are discretionary. The related Employer expense was \$1,145 and \$945 for 2011 and 2010, respectively.

Deferred Compensation Plans

The System also maintains other nonqualified deferred compensation plans. The liability for these plans at December 31, 2011 and 2010 was \$6,202 and \$5,606, respectively, and is included within employee benefit obligations on the consolidated balance sheets.

Defined Contribution Plan

Effective January 2, 2006, eligible employees enter the defined contribution pension plan in lieu of the defined benefit pension plan. Participants are eligible to receive 3% of compensation up to \$80,000 for up to 30 years of combined service under the defined benefit plan and the defined contribution plan, or an amount determined under the "Target Benefit Formula." The "Target Benefit Formula" approximates the actuarial equivalent, for transferring participants, which would have accrued under the defined benefit pension plan. Plan expenses were \$1,800 and \$1,754 for 2011 and 2010, respectively.

Defined Benefit Pension Plan

Employers are required to recognize the over-funded or under-funded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through unrestricted net assets of a not-for-profit organization. The amount of the asset or liability to be recorded is disclosed in the consolidated financial statements.

The System sponsors a noncontributory defined benefit pension plan. Effective January 2, 2006, plan eligibility was frozen and no new entrants are allowed in the plan. Benefits under the plan are based on employees' years of service and compensation. The System's policy is to fund the minimum required contributions, based upon actuarial computations, necessary to meet the present and future obligations of the plan to prevent a deficiency in the plan's funding.

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NOTE 8 EMPLOYEE BENEFIT PLANS AND EMPLOYMENT BENEFIT OBLIGATIONS
(CONTINUED)

Defined Benefit Pension Plan (Continued)

The required disclosures for the defined benefit pension plan are as follows

	<u>2011</u>	<u>2010</u>
Change in Benefit Obligation		
Benefit Obligation at Beginning of Year	\$ 102,328	\$ 89,279
Service Cost	2,683	2,460
Interest Cost	5,640	5,309
Amendments	-	-
Assumption Changes	17,173	7,284
Actuarial Loss	1,651	408
Actual Benefits Paid	(2,877)	(2,412)
Benefit Obligation at End of Year	<u>\$ 126,598</u>	<u>\$ 102,328</u>
	<u>2011</u>	<u>2010</u>
Change in Plan Assets		
Fair Value of Plan Assets at Beginning of Year	\$ 71,111	\$ 63,467
Actual Return on Plan Assets	393	7,476
Employer Contributions	7,188	2,580
Benefits Paid, Including Expenses	(2,877)	(2,412)
Fair Value of Plan Assets at End of Year	<u>75,815</u>	<u>71,111</u>
Reconciliation of Funded Status		
Funded Status	(50,783)	(31,217)
Unrecognized Transition Obligation/(Asset)	N/A	N/A
Unrecognized Prior Service Cost	N/A	N/A
Unrecognized (Gain) Loss	N/A	N/A
Net Amount Recognized	<u>(50,783)</u>	<u>(31,217)</u>
Contributions After Measurement Date	-	-
Net Amount Recognized After Recognition of Contributions Paid After Measurement Date	\$ (50,783)	\$ (31,217)
Unrestricted Net Assets Attributable to Change in Additional Liability Recognition	N/A	N/A

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NOTE 8 EMPLOYEE BENEFIT PLANS AND EMPLOYMENT BENEFIT OBLIGATIONS
(CONTINUED)

Defined Benefit Pension Plan (Continued)

	<u>2011</u>	<u>2010</u>
Amount Recognized in the Statement of Financial Position		
Noncurrent Assets	\$ -	\$ -
Current Liabilities	-	-
Noncurrent Liabilities	<u>(50,783)</u>	<u>(31,217)</u>
Net Amount Recognized	(50,783)	(31,217)
Amount Not Yet Recognized in Net Periodic Pension Cost and Included in Unrestricted Net Assets		
Transition Asset (Obligation)	-	-
Prior Service Credit (Cost)	203	400
Accumulated Net Gain (Loss)	<u>(52,292)</u>	<u>(30,299)</u>
Pension Adjustment to Unrestricted Net Assets	(52,089)	(29,899)
Cumulative Contributions in Excess of Net Periodic Pension Cost	\$ 1,306	\$ (1,318)
Net Amount Recognized in Balance Sheets	\$ (50,783)	\$ (31,217)
Additional Year-End information for Pension Plans with Projected Benefit Obligation in Excess of Assets		
Projected Benefit Obligation	\$ 126,598	\$ 89,686
Fair Value of Plan Assets	75,815	71,111
Weighted Average Assumptions Used to Arrive at the Benefit Obligation		
Discount Rate	5.50	6.00
Rate of Compensation Increase	3.00	3.25
Weighted Average Assumptions Used to Arrive at the Net Benefit Cost - Beginning of Year		
Discount Rate	4.50	5.50
Expected Long-Term Return on Plan Assets	8.00	8.00
Rate of Compensation Increase	3.00	3.25
Components of Net Periodic Benefit Cost		
Service Cost	\$ 2,683	\$ 2,460
Interest Cost	5,640	5,309
Expected Rate of Plan Assets	5,977	7,475
Amortization of Unrecognized Items		
Transition Obligation/Asset	-	-
Prior Service Cost	197	197
Net (Gain) Loss	<u>(9,736)</u>	<u>(11,925)</u>
Net Periodic Benefit Cost	<u>\$ 4,761</u>	<u>\$ 3,516</u>

ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES
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NOTE 8 EMPLOYEE BENEFIT PLANS AND EMPLOYMENT BENEFIT OBLIGATIONS
(CONTINUED)

Long-Term Rate of Return Assumption

To develop the expected long-term rate of return on assets assumption, the System considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio. This resulted in the selection of the 8.00% long-term rate of return on assets assumption for the fiscal year ended December 31, 2011. Expectations related to future returns have led to the same assumption of 8.00% for the fiscal year ended December 31, 2011.

<u>Estimated Benefits to be Paid over the Next 5 Years</u>	<u>Amount</u>
2012	\$ 3,013
2013	3,155
2014	3,483
2015	3,851
2016	4,446
2017 - 2021	31,574

Future Contributions

The System expects to make a contribution to the Plan during the year ending December 31, 2012 of at least the amount required to meet funding requirements.

Fair Value of Plan Assets

The following tables present the fair value hierarchy for the balances of the plan assets measured at fair value on a recurring basis as of December 31.

<u>2011</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Plan Assets				
Marketable Equity Securities	\$ 41,401	\$ -	\$ -	\$ 41,401
Marketable Debt Securities	27,039	-	-	27,039
Guaranteed Investment Contract	-	7,271	-	7,271
Total Assets Measured at Fair Value	<u>\$ 68,440</u>	<u>\$ 7,271</u>	<u>\$ -</u>	<u>\$ 75,711</u>
<u>2010</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Plan Assets				
Marketable Equity Securities	\$ 42,880	\$ -	\$ -	\$ 42,880
Marketable Debt Securities	20,622	-	-	20,622
Guaranteed Investment Contract	-	7,467	-	7,467
Total Assets Measured at Fair Value	<u>\$ 63,502</u>	<u>\$ 7,467</u>	<u>\$ -</u>	<u>\$ 70,969</u>

The plan assets also included cash and cash equivalents of \$104 and \$142 at December 31, 2011 and 2010, respectively. Cash and cash equivalents are stated at cost, which approximates fair value.

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NOTE 9 RESTRICTED NET ASSETS

Temporarily Restricted

At December 31, 2011 and 2010, the System had temporarily restricted net assets restricted for capital, equipment, education, patient assistance and other operating purposes as follows

	2011	2010
Patient Care	\$ 2,472	\$ 2,429
Research	768	692
Other	589	517
Lectures	287	339
Education	217	304
	<u>\$ 4,333</u>	<u>\$ 4,281</u>

Permanently Restricted

The System's permanently restricted net assets consist of approximately seven endowment funds established for a variety of purposes. The endowments consist solely of donor restricted funds with endowment net assets for \$2,083 and \$2,135 at December 31, 2011 and 2010, respectively. As required by GAAP, net assets associated with endowment funds, including designated by the board of directors as to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

At December 31, 2011 and 2010, the System's permanently restricted net assets invested to provide a permanent source of income for capital, equipment, education, research and other operating purposes as follows

	2011	2010
Patient Care	\$ 390	\$ 390
Other	293	293
Lectures	25	25
Education	30	10
	<u>\$ 738</u>	<u>\$ 718</u>

Interpretation of Relevant Law

The State of Minnesota adopted State Prudent Management of Institutional Funds Act (the Act) effective August 1, 2008. The Board of Directors of the System has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the System classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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NOTE 9 RESTRICTED NET ASSETS (CONTINUED)

Interpretation of Relevant Law (Continued)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the System in a manner consistent with the standard of prudence prescribed in the Act

In accordance with the Act, the System considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds

- The duration and preservation of the fund
- The purposes of the Foundation and the donor- restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policy of the Foundation

Endowment Net Assets

The following are the changes in endowment net assets for the years ended December 31, 2011 and 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, January 1, 2010	\$ -	\$ 1,229	\$ 437	\$ 1,666
Investment Income	-	43	-	43
Change in Net Unrealized Gains	-	156	-	156
Endowment Investment Return	-	199	-	199
Contributions and Special Events	-	2	-	2
Released from Restriction	13	(13)	-	-
Appropriations	(13)	-	-	(13)
Contribution of Lake View	-	-	281	281
Endowment Net Assets, December 31, 2010	-	1,417	718	2,135
Investment Income	-	94	-	94
Change in Net Unrealized Losses	-	(129)	-	(129)
Endowment Investment Return	-	(35)	-	(35)
Contributions and Special Events	-	-	20	20
Released from Restriction	37	(37)	-	-
Appropriations	(37)	-	-	(37)
Endowment Net Assets, December 31, 2011	<u>\$ -</u>	<u>\$ 1,345</u>	<u>\$ 738</u>	<u>\$ 2,083</u>

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NOTE 9 RESTRICTED NET ASSETS (CONTINUED)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the System to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of December 31, 2011 and 2010.

Return Objectives and Risk Parameters

The System has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the System must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to preserve and grow capital, strive for consistent absolute returns, preserve purchasing power by striving for long-term returns which either match or exceed the set payout, fees and inflation without putting the principal value at imprudent risk, and diversify investments consistent with commonly accepted industry standard to minimize the risk of large losses.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the System relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The System targets a diversified asset allocation that meets the System's long-term rate-of-return objectives while avoiding undue risk from imprudent concentration in any single asset class or investment vehicle.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The System's spending policy is consistent with its objective of preservation of the fair value of the original gift of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

NOTE 10 RELATED-PARTY TRANSACTIONS

The Foundation contributed \$434 and \$515 to St. Luke's of which \$126 and \$159 was restricted for purchases of property and equipment and \$308 and \$356 was contributed for education, hospice, and other operating purposes during 2011 and 2010, respectively.

The System purchases inpatient MRI (magnetic resonance imaging) services from Northern Imaging of Duluth, L L C. Expenses included in the statements of operations related to such agreements were \$266 in 2011 and \$187 in 2010. In addition, the System leases space for the MRI center to Northern Imaging of Duluth, L L C. Rent revenues included in the statements of operations were \$77 in 2011 and \$76 in 2010.

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NOTE 10 RELATED PARTY TRANSACTIONS (CONTINUED)

St. Luke's provides certain administrative and computer software support services to Lake View under a management services agreement. The amounts billed to Lake View were \$931 and \$528 during 2011 and 2010, respectively. The net receivable due from Lake View at December 31, 2011 and 2010 was \$293 and \$7, respectively. Lake View had \$40 in outstanding checks to St. Luke's at December 31, 2010. All material related party transactions have been eliminated in the consolidated financial statements.

NOTE 11 LIABILITY INSURANCE

The System carries professional and general liability insurance on a "claims made" basis with coverage for claims up to \$1,000 per occurrence (limited to annual aggregates of \$3,000). In addition, the System carries excess professional liability and umbrella liability coverage. Should this insurance coverage become unavailable, the System would be at risk for all claims reported after the policy period had expired (either directly or through additional insurance premiums necessary to provide "tail coverage"). The System's current professional and general liability insurance coverage expires January 1, 2012. This coverage was renewed prior to year-end for another full year of coverage.

NOTE 12 COMMITMENTS AND CONTINGENCIES

Litigation

The System is a defendant in certain pending legal actions related to professional and general liabilities that are within applicable amounts and risks of the insurance policies for the periods involved. In the opinion of the System's management, any recovery by the plaintiff or other claimant in any such action would be covered by existing policies or would not have a material effect on the System's financial condition or results of operations.

Compliance

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

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NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Employee Health Care Claims

The System self-insures for employee health care claims. The System manages its risk by entering into stop-loss reinsurance contracts that limit the System's exposure per individual to \$200 for the first individual and \$150 for the second and any additional individuals thereafter per year and \$1,000 per lifetime. Annual contributions to fund the claims are based on actuarial estimates.

Included in other accrued expenses was approximately \$2,138 and \$2,821 for estimated unprocessed claims and claims incurred but not reported as of December 31, 2011 and 2010, respectively.

Workers' Compensation

The System purchases coverage for workers' compensation through an insurance company. Premium expense related to the workers' compensation insurance policy was \$1,279 and \$1,377 for 2011 and 2010, respectively. In connection with its self-insurance program for workers' compensation claims, the System has an irrevocable letter of credit with a bank that restricts drawings on the letter of credit to workers' compensation liability claims and related expenses. The System had \$1,030 as of December 31, 2011 and 2010, available under the irrevocable letter of credit arrangement with a bank. While it is possible that claims, which may be asserted in the future, could result in liabilities in excess of amounts provided, management believes that the excess liability, if any, will not materially affect the financial position, results of operations, or cash flows of the System.

Operating Leases

The System has operating lease agreements for the rental of the Surgery Center building, various clinic facilities, medical office building, computer hardware and software, and various equipment. Rent expense was \$10,574 and \$8,705 for 2011 and 2010, respectively. The minimum future rental commitments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2011 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2012	\$ 9,977
2013	9,469
2014	7,867
2015	5,126
2016	3,992
Thereafter	9,906
Total	<u>\$ 46,337</u>

The System entered into an operating lease agreement with a developer to build and finance a 176,000 square foot medical office building. The medical office building is expected to be completed in September 2012. The table above does not include the future minimum rental payments required for the medical office building as the final terms of the agreement continue to be negotiated.

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NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Subleases

The expected future minimum rent payments to be received under sublease arrangements as of December 31, 2011, including rent to be received from Pavilion Surgery Center, L L C are as follows

<u>Year Ending December 31,</u>	<u>Amount</u>
2012	\$ 912
2013	866
2014	606
2015	154
2016	84
Thereafter	99
Total	<u>\$ 2,721</u>

NOTE 13 FUNCTIONAL EXPENSES

The System provides general health care services to residents within its geographic location, including Level 2 emergency trauma care, microsurgery and limb reattachment, open heart surgery, neurology and neurosurgery, obstetrics/newborn, oncology, ophthalmology, oral and maxillofacial surgery, otolaryngology, orthopedic surgery, pediatrics, physical medicine, sports medicine, plastic surgery, psychiatry, and urology and vascular/thoracic surgery. In addition to the health care services provided by the System, the Foundation holds fundraising events and raises funds on behalf of the System. Expenses related to providing these services are as follows:

	<u>2011</u>	<u>2010</u>
Health Care Services	\$ 281,648	\$ 263,177
General and Administrative	53,545	53,651
Fundraising	159	154
Total Expenses	<u>\$ 335,352</u>	<u>\$ 316,982</u>

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NOTE 14 FAIR VALUE

Fair Value Measurements

The System uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. For additional information on how the System measures fair value refer to Note 1. The following tables present the fair value hierarchy for the balances of the assets of the System measured at fair value on a recurring basis as of December 31.

2011	Level 1	Level 2	Level 3	Total
Investments and Assets Limited to Use				
Marketable Equity Securities	\$ 10,322	\$ -	\$ -	\$ 10,322
Government Obligations	3,226	-	-	3,226
Corporate Obligations	-	27,000	-	27,000
Real Estate Mutual Funds	1,228	-	-	1,228
Total Assets Measured at Fair Value	<u>\$ 14,776</u>	<u>\$ 27,000</u>	<u>\$ -</u>	<u>\$ 41,776</u>
2010	Level 1	Level 2	Level 3	Total
Investments and Assets Limited to Use				
Marketable Equity Securities	\$ 9,756	\$ -	\$ -	\$ 9,756
Government Obligations	3,350	-	-	3,350
Corporate Obligations	-	26,050	-	26,050
Real Estate Mutual Funds	769	-	-	769
Total Assets Measured at Fair Value	<u>\$ 13,875</u>	<u>\$ 26,050</u>	<u>\$ -</u>	<u>\$ 39,925</u>

Fair Value of Financial Instruments

Additionally, from time to time, the System may be required to record at fair value other assets on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from the application of the lower-of-cost-or-market accounting or write down of individual assets. Nonfinancial assets measured at fair value on a nonrecurring basis would include nonfinancial assets and nonfinancial liabilities measured at fair value in the second step of a goodwill impairment test, other real estate owned, and other intangible assets measured at fair value for impairment assessment.

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NOTE 14 FAIR VALUE (CONTINUED)

Fair Value of Financial Instruments (Continued)

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

Long-Term Debt – The fair value of the System's revenue bonds is calculated based on the estimated trade values as of December 31, 2011 and 2010. The fair value of the System's remaining long-term debt is estimated using discounted cash flows analyses, based on the System's current incremental borrowing rates for similar types of borrowing arrangements.

Cash and Cash Equivalents – The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents are recorded at cost, which approximates fair value.

Other Receivables – The carrying amounts reported in the consolidated balance sheets for other receivables approximate the expected cash collections within the next fiscal year.

Investments and Assets Limited as to Use – The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents and money market funds approximate the fair value for those assets. The fair values of the marketable equity securities, government obligations, corporate obligations and real estate mutual funds are based on the quoted market values of the underlying investments on the last business day of the year.

Accounts Payable and Accrued Expenses – The carrying amounts reported in the consolidated balance sheets for accounts payable and accrued expenses approximate fair value.

The carrying amounts and fair values of the System's financial instruments at December 31, 2011 and 2010 are as follows:

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and Cash Equivalents	\$ 12,394	\$ 12,394	\$ 13,145	\$ 13,145
Investments and Assets Limited as to Use	42,842	42,842	41,686	41,686
Accounts Payable and Accrued Expenses	31,857	31,857	30,997	30,997
Long-Term Debt	55,827	57,017	56,244	59,855

ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(IN THOUSANDS)

NOTE 15 CONTRIBUTION OF LAKE VIEW MEMORIAL HOSPITAL, INC.

The System is required to disclose the following information related to the contribution of Lake View Memorial Hospital, Inc (Lake View) pursuant to ASC 958, *Not-For-Profit Entities: Mergers and Acquisitions*. The following table is a summary of Lake View's balance sheet at January 1, 2010

	Balance
Cash and Cash Equivalents	\$ 72
Assets Limited as to Use	3,790
Patient Receivables	1,926
Other Assets	466
Property and Equipment	9,155
Total Assets	<u>\$ 15,409</u>
Accounts Payable and Accrued Expenses	\$ 1,020
Long-Term Debt	8,494
Total Liabilities	<u>9,514</u>
Unrestricted	5,071
Temporarily Restricted	543
Permanently Restricted	281
Total Net Assets	<u>5,895</u>
Total Liabilities and Net Assets	<u>\$ 15,409</u>

Total revenues of \$12,425, including non-operating revenues, attributable to Lake View are included in the statement of operations for the year ended December 31, 2010. The changes in net assets attributable to Lake View included in the consolidated financial statements for the period ended December 31, 2010 is summarized in the following table

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
December 31, 2009	\$ -	\$ -	\$ -	\$ -
Contribution of Lake View, January 1, 2010	5,071	543	281	5,895
Operating Gain	105	-	-	105
Non-Operating Gains	488	-	-	488
Change in Beneficial Interest in View Memorial Hospital Foundation	-	90	-	90
Change in Beneficial Interest in Lake View Health Corp	-	(360)	(281)	(641)
Contribution From Lake View Health Corp	355	-	-	355
Endowments Assumed Upon Dissolution of Lake View Health Corp	-	-	281	281
December 31, 2010	<u>\$ 6,019</u>	<u>\$ 273</u>	<u>\$ 281</u>	<u>\$ 6,573</u>

ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(IN THOUSANDS)

NOTE 16 CHARITY CARE AND BENEFITS TO THE COMMUNITY SERVED

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

The System provides care to patients who meet certain criteria under its financial assistance policy without charge or at amounts less than established rates. Key elements used to determine eligibility include a patient's demonstrated inability to pay based on family size and household income related to federal income poverty guidelines. Because the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The System did not receive any grants or contributions subsidizing the costs of these services for 2011 and 2010.

The System maintains records to identify and monitor the level of community benefit services it provides. Those records include management's estimate of the costs to provide charity care, discounted pricing to the uninsured, the cost of services and supplies furnished for community benefit programs, costs in excess of program payments for treating Medical Assistance patients and costs of subsidizing various health services such as emergency and trauma services, women's and children's services, homecare services, hospice services and behavioral health services.

The System has estimated its direct and indirect costs of providing charity care under its financial assistance policy using CHA/VHA guidelines. The following is a calculation of the estimate value of benefits provided to the community, including the costs of charity care, by the System of the years ended December 31, 2011 and 2010.

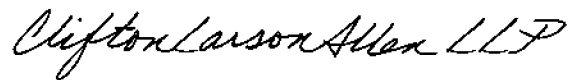
	2011	2010
Costs of Charity Care	\$ 2,743	\$ 3,112
Discounts Offered to Uninsured Patients	148	156
Costs in Excess of Medicaid Payments	8,946	6,245
Education and Workforce Development and Research	5,809	5,640
Subsidized Health Services	4,317	4,202
Cash and In-Kind Donations	438	409
Community Building and Other Community Benefit Costs	1,036	716
Total Cost of Community Benefits*	<u>23,437</u>	<u>20,480</u>
*as defined by CHA/VHA guidelines		
Other Community Contributions		
Costs in Excess of Medicare Payments	29,354	24,412
Other Care Provided without Compensation (Bad Debt)	6,621	6,382
Taxes and Fees	5,559	5,435
Total Value of Community Contributions	<u>\$ 64,971</u>	<u>\$ 56,709</u>

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

**INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTAL INFORMATION**

Board of Directors
St. Luke's System of Duluth and Affiliates
Duluth, Minnesota

We have audited the consolidated financial statements of St. Luke's System of Duluth and Affiliates as of and for the years ended December 31, 2011 and 2010, and our report thereon dated March 13, 2012, which expressed an unqualified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheets and statements of operation are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
March 13, 2012

ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2011
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION)

	St Luke's	Foundation	Eliminations	Obligated Group	Lake View	Eliminations	Consolidated System
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	\$ 11,694	\$ 112	\$ 22	\$ 11,828	\$ 566	\$ -	\$ 12,394
Undesignated Investments	21,815	2,056	-	23,871	-	-	23,871
Receivables							
Net Patient Accounts Receivable	41,273	-	-	41,273	2,162	-	43,435
Due from Third-Party Payors	2,119	-	-	2,119	50	-	2,169
Other	2,032	273	(347)	1,958	28	(294)	1,692
Current Portion of Assets Limited as to Use	1,222	-	-	1,222	3,620	-	4,842
Inventories	5,381	-	-	5,381	274	-	5,655
Prepaid Expenses	1,518	5	-	1,523	38	-	1,561
Total Current Assets	<u>87,054</u>	<u>2,446</u>	<u>(325)</u>	<u>89,175</u>	<u>6,738</u>	<u>(294)</u>	<u>95,619</u>
ASSETS LIMITED AS TO USE							
Internally Designated for Property and Equipment	3,391	-	-	3,391	1,431	-	4,822
Donor Restricted Investments	-	4,527	-	4,527	281	-	4,808
Held by Trustee under Indenture Agreement, Net of Current Portion	<u>4,499</u>	<u>-</u>	<u>-</u>	<u>4,499</u>	<u>-</u>	<u>-</u>	<u>4,499</u>
Total Assets Limited as to Use	<u>7,890</u>	<u>4,527</u>	<u>-</u>	<u>12,417</u>	<u>1,712</u>	<u>-</u>	<u>14,129</u>
PROPERTY AND EQUIPMENT, NET	49,782	-	-	49,782	7,660	-	57,442
OTHER ASSETS	<u>12,277</u>	<u>-</u>	<u>-</u>	<u>12,277</u>	<u>402</u>	<u>(139)</u>	<u>12,540</u>
Total Assets	<u>\$ 157,003</u>	<u>\$ 6,973</u>	<u>\$ (325)</u>	<u>\$ 163,651</u>	<u>\$ 16,512</u>	<u>\$ (433)</u>	<u>\$ 179,730</u>

ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2011
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION)

	<u>St Luke's</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Obligated Group</u>	<u>Lake View</u>	<u>Eliminations</u>	<u>Consolidated System</u>
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Borrowings under the Lines of Credit	\$ 12,540	\$ -	\$ -	\$ 12,540	\$ -	\$ -	\$ 12,540
Current Maturities of Long-Term Debt	1,180	-	-	1,180	3,620	-	4,800
Accounts Payable	10,758	173	(157)	10,774	664	(294)	11,144
Accrued Salaries and Employee Benefits	17,198	-	-	17,198	602	-	17,800
Due to Third-Party Payors	675	-	-	675	-	-	675
Other Accrued Expenses	2,399	-	(168)	2,231	7	-	2,238
Total Current Liabilities	<u>44,750</u>	<u>173</u>	<u>(325)</u>	<u>44,598</u>	<u>4,893</u>	<u>(294)</u>	<u>49,197</u>
EMPLOYEE BENEFIT OBLIGATIONS	56,985	-	-	56,985	-	-	56,985
OTHER LIABILITIES	1,742	-	-	1,742	-	-	1,742
LONG-TERM DEBT (Net of Current Maturities)	<u>46,516</u>	<u>-</u>	<u>-</u>	<u>46,516</u>	<u>4,511</u>	<u>-</u>	<u>51,027</u>
Total Liabilities	149,993	173	(325)	149,841	9,404	(294)	158,951
COMMITMENTS AND CONTINGENCIES							
NET ASSETS							
Unrestricted	7,010	2,273	-	9,283	6,564	(139)	15,708
Temporarily Restricted	-	4,070	-	4,070	263	-	4,333
Permanently Restricted	-	457	-	457	281	-	738
Total Net Assets	<u>7,010</u>	<u>6,800</u>	<u>-</u>	<u>13,810</u>	<u>7,108</u>	<u>(139)</u>	<u>20,779</u>
Total Liabilities and Net Assets	<u>\$ 157,003</u>	<u>\$ 6,973</u>	<u>\$ (325)</u>	<u>\$ 163,651</u>	<u>\$ 16,512</u>	<u>\$ (433)</u>	<u>\$ 179,730</u>

ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2010
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION)

	<u>St Luke's</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Obligated Group</u>	<u>Lake View</u>	<u>Eliminations</u>	<u>Consolidated System</u>
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	\$ 12,186	\$ 106	\$ -	\$ 12,292	\$ 813	\$ 40	\$ 13,145
Undesignated Investments	20,697	2,555	-	23,252	-	-	23,252
Receivables							
Net Patient Accounts Receivable	37,200	-	-	37,200	1,516	-	38,716
Due from Third-Party Payors	207	-	-	207	-	-	207
Other	2,237	324	(497)	2,064	37	(52)	2,049
Current Portion of Assets Limited as to Use	1,164	-	-	1,164	183	-	1,347
Inventories	5,150	-	-	5,150	266	-	5,416
Prepaid Expenses	1,143	2	-	1,145	102	-	1,247
Total Current Assets	<u>79,984</u>	<u>2,987</u>	<u>(497)</u>	<u>82,474</u>	<u>2,917</u>	<u>(12)</u>	<u>85,379</u>
ASSETS LIMITED AS TO USE							
Internally Designated for Property and Equipment	3,483	-	-	3,483	4,145	-	7,628
Donor Restricted Investments	-	4,445	-	4,445	281	-	4,726
Held by Trustee under Indenture Agreement,							
Net of Current Portion	<u>4,733</u>	<u>-</u>	<u>-</u>	<u>4,733</u>	<u>-</u>	<u>-</u>	<u>4,733</u>
Total Assets Limited as to Use	<u>8,216</u>	<u>4,445</u>	<u>-</u>	<u>12,661</u>	<u>4,426</u>	<u>-</u>	<u>17,087</u>
PROPERTY AND EQUIPMENT, NET	44,826	-	-	44,826	8,331	-	53,157
OTHER ASSETS	<u>11,972</u>	<u>-</u>	<u>-</u>	<u>11,972</u>	<u>429</u>	<u>(156)</u>	<u>12,245</u>
Total Assets	<u>\$ 144,998</u>	<u>\$ 7,432</u>	<u>\$ (497)</u>	<u>\$ 151,933</u>	<u>\$ 16,103</u>	<u>\$ (168)</u>	<u>\$ 167,868</u>

ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2010
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION)

	<u>St Luke's</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Obligated Group</u>	<u>Lake View</u>	<u>Eliminations</u>	<u>Consolidated System</u>
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Current Maturities of Long-Term Debt	\$ 1,015	\$ -	\$ -	\$ 1,015	\$ 183	\$ -	\$ 1,198
Accounts Payable	11,141	311	(301)	11,151	353	(12)	11,492
Accrued Salaries and Employee Benefits	16,889	-	-	16,889	489	-	17,378
Due to Third-Party Payors	100	-	-	100	188	-	288
Other Accrued Expenses	2,029	-	(196)	1,833	6	-	1,839
Total Current Liabilities	<u>31,174</u>	<u>311</u>	<u>(497)</u>	<u>30,988</u>	<u>1,219</u>	<u>(12)</u>	<u>32,195</u>
EMPLOYEE BENEFIT OBLIGATIONS	36,823	-	-	36,823	-	-	36,823
OTHER LIABILITIES	1,982	-	-	1,982	-	-	1,982
LONG-TERM DEBT (Net of Current Maturities)	<u>46,909</u>	<u>-</u>	<u>-</u>	<u>46,909</u>	<u>8,137</u>	<u>-</u>	<u>55,046</u>
Total Liabilities	116,888	311	(497)	116,702	9,356	(12)	126,046
COMMITMENTS AND CONTINGENCIES							
NET ASSETS							
Unrestricted	28,110	2,676	-	30,786	6,193	(156)	36,823
Temporarily Restricted	-	4,008	-	4,008	273	-	4,281
Permanently Restricted	-	437	-	437	281	-	718
Total Net Assets	<u>28,110</u>	<u>7,121</u>	<u>-</u>	<u>35,231</u>	<u>6,747</u>	<u>(156)</u>	<u>41,822</u>
Total Liabilities and Net Assets	<u>\$ 144,998</u>	<u>\$ 7,432</u>	<u>\$ (497)</u>	<u>\$ 151,933</u>	<u>\$ 16,103</u>	<u>\$ (168)</u>	<u>\$ 167,868</u>

ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2011
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION)

	St Luke's	Foundation	Eliminations	Obligated Group	Lake View	Eliminations	Consolidated System
REVENUES							
Net Patient Service Revenue	\$ 307,199	\$ -	\$ -	\$ 307,199	\$ 12,804	\$ -	\$ 320,003
Other Revenue	15,250	590	(290)	15,550	328	(931)	14,947
Total Revenues	<u>322,449</u>	<u>590</u>	<u>(290)</u>	<u>322,749</u>	<u>13,132</u>	<u>(931)</u>	<u>334,950</u>
EXPENSES							
Salaries and Wages	156,719	259	-	156,978	5,122	(411)	161,689
Employee Benefits	42,492	15	-	42,507	1,234	(105)	43,636
Supplies	57,883	11	-	57,894	1,035	(64)	58,865
Physician and Professional Fees	16,326	50	5	16,381	2,380	(124)	18,637
Depreciation and Amortization	8,267	-	-	8,267	817	(18)	9,066
Occupancy	17,063	23	(21)	17,065	701	(3)	17,763
Interest	3,758	-	-	3,758	490	-	4,248
Provision for Bad Debts	6,621	21	-	6,642	239	-	6,881
Other	13,883	615	(274)	14,224	567	(224)	14,567
Total Expenses	<u>323,012</u>	<u>994</u>	<u>(290)</u>	<u>323,716</u>	<u>12,585</u>	<u>(949)</u>	<u>335,352</u>
OPERATING GAIN (LOSS)	(563)	(404)	-	(967)	547	18	(402)
NON-OPERATING GAINS (LOSSES)	<u>1,153</u>	<u>163</u>	<u>-</u>	<u>1,316</u>	<u>(176)</u>	<u>-</u>	<u>1,140</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	<u>\$ 590</u>	<u>\$ (241)</u>	<u>\$ -</u>	<u>\$ 349</u>	<u>\$ 371</u>	<u>\$ 18</u>	<u>\$ 738</u>

ST. LUKE'S HOSPITAL OF DULUTH AND AFFILIATES
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2010
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION)

	St Luke's	Foundation	Eliminations	Obligated Group	Lake View	Eliminations	Consolidated System
REVENUES							
Net Patient Service Revenue	\$ 293,573	\$ -	\$ -	\$ 293,573	\$ 11,823	\$ -	\$ 305,396
Other Revenue	14,311	646	(322)	14,635	275	(516)	14,394
Total Revenues	<u>307,884</u>	<u>646</u>	<u>(322)</u>	<u>308,208</u>	<u>12,098</u>	<u>(516)</u>	<u>319,790</u>
EXPENSES							
Salaries and Wages	148,735	266	-	149,001	4,940	-	153,941
Employee Benefits	39,330	15	-	39,345	1,178	-	40,523
Supplies	52,448	11	7	52,466	1,013	(7)	53,472
Physician and Professional Fees	16,294	47	2	16,343	1,896	(489)	17,750
Depreciation and Amortization	8,723	-	-	8,723	843	-	9,566
Occupancy	16,171	24	(21)	16,174	706	(1)	16,879
Interest	3,716	-	-	3,716	504	(18)	4,202
Provision for Bad Debts	6,382	3	-	6,385	205	-	6,590
Other	13,095	585	(310)	13,370	708	(19)	14,059
Total Expenses	<u>304,894</u>	<u>951</u>	<u>(322)</u>	<u>305,523</u>	<u>11,993</u>	<u>(534)</u>	<u>316,982</u>
OPERATING GAIN (LOSS)	2,990	(305)	-	2,685	105	18	2,808
NON-OPERATING GAINS	915	85	-	1,000	488	-	1,488
CONTRIBUTION OF LAKE VIEW MEMORIAL HOSPITAL, INC.	-	-	-	-	5,245	(174)	5,071
CONTRIBUTION FROM LAKE VIEW HEALTH CORP.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>355</u>	<u>-</u>	<u>355</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	<u>\$ 3,905</u>	<u>\$ (220)</u>	<u>\$ -</u>	<u>\$ 3,685</u>	<u>\$ 6,193</u>	<u>\$ (156)</u>	<u>\$ 9,722</u>