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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2011

Open to Public Inspection

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

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

C Name of organization
Park Nicollet Group Return

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
6500 Excelsior Boulevard

City or town, state or country, and ZIP + 4
St Louis Park, MN 55426

D Employer identification number
45-5023260

E Telephone number
(952) 993-6790

G Gross receipts $ 1,425,429,506

F Name and address of principal officer
Sheila McMillan
6500 Excelsior Boulevard
St Louis Park, MN 55426

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

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

H(c) Group exemption number ▶ 5874

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

J Website: ▶ www parknicollet com

K Form of organization ☐ Corporation ☐ Trust ☐ Association ☑ Other ▶ | **L** Year of formation | **M** State of legal domicile MN

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Cares for and supports the health, healing, and learning of those served

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

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	24
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	11
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	**5**	0
6	Total number of volunteers (estimate if necessary)	**6**	1,087
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	4,032,986
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	-729,543

		Prior Year	Current Year
Revenue			
8	Contributions and grants (Part VIII, line 1h)	18,790,749	14,391,919
9	Program service revenue (Part VIII, line 2g)	1,165,706,743	1,141,830,201
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	7,046,714	17,727,333
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	6,447,050	6,353,193
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	1,197,991,256	1,180,302,646
Expenses			
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	5,939,785	186,876
14	Benefits paid to or for members (Part IX, column (A), line 4)		0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	601,848,526	611,537,104
16a	Professional fundraising fees (Part IX, column (A), line 11e)		0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶560,866		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	550,000,008	544,022,710
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	1,157,788,319	1,155,746,690
19	Revenue less expenses Subtract line 18 from line 12	40,202,937	24,555,956

		Beginning of Current Year	End of Year
Net Assets or Fund Balances			
20	Total assets (Part X, line 16)	929,740,783	925,315,895
21	Total liabilities (Part X, line 26)	505,633,819	487,581,753
22	Net assets or fund balances Subtract line 21 from line 20	424,106,964	437,734,142

Part II Signature Block

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

Sign Here

****** | 2012-11-01
Signature of officer | Date

Sheila McMillan Sr VP & CFO
Type or print name and title

Paid Preparer's Use Only

Preparer's signature ▶ Kristina Rasmussen | Date | Check if self-employed ▶☐ | Preparer's taxpayer identification number (see instructions) P00143920

Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ Deloitte Tax LLP
50 South Sixth Street
Minneapolis, MN 55402

EIN ▶

Phone no ▶ (612) 397-4000

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

Cares for and supports the health, healing, and learning of those served

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? . . . . . ☐ Yes ☑ No

If "Yes," describe these new services on Schedule O

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? . . . . . ☐ Yes ☑ No

If "Yes," describe these changes on Schedule O

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a (Code) (Expenses $ 893,535,110 including grants of $ 186,876) (Revenue $ 1,048,037,604)

Park Nicollet Health Services is the parent organization to an integrated care system that includes Park Nicollet Methodist Hospital, Park Nicollet Clinic, Park Nicollet Health Care Products, Park Nicollet Institute and PNMC Holdings Park Nicollet Health Services and affiliates have more than 8,100 team members, including more than 1,000 physicians on staff Park Nicollet Health Services is a nonprofit system staffed by nationally recognized doctors, clinical professionals, nurses and other team members who help patients stay healthy and take care of them when they are sick In 2011, Park Nicollet Health Services and affiliates, a national health care improvement leader, continued to make dramatic patient care advances, win prominent awards, expand access to services and integrate efficiency into Park Nicollet Health Services' operations Park Nicollet Health Services and affiliates also have enhanced community health, increased team member satisfaction and promoted research and education Park Nicollet Health Services mission is to care for and support the health, healing and learning of those served Park Nicollet Health Services uses five core values to accomplish its mission care, service, stewardship, joy and learning Highlights of 2011 that support Park Nicollet Health Service's values include the following - Park Nicollet opened Park Nicollet Clinic-Lakeville on Aug 22 near the intersection of 185th Street and I-35W The clinic opened with 25 team members, including four physicians It offers family medicine, pediatrics and extended hours - Park Nicollet Melrose Institute expanded its eating disorders care to Park Nicollet Clinic-Burnsville in October after the number of Melrose patient from Dakota County doubled over a three-year period - Melrose Institute added a metabolic health and weight management program to its eating disorders treatment offerings - Park Nicollet International Diabetes Center (IDC) began working with Mayo Clinic to develop a clinical diabetes training program for Chinese physicians after signing a $3 9 million contract with the China Ministry of Health This is a five-year initiative to train 500 emerging expert physicians in China regarding advances in diabetes research, care and education - With a $1 5 million grant awarded by the Leona M and Harry B Helmsley Charitable Trust, IDC worked to further standardize glucose analysis to improve type 1 diabetes clinical outcomes - Park Nicollet Frauenshuh Cancer Center (FCC) became the first program in Minnesota to be certified as a Quality Oncology Practice Initiative - In February, the 1,700 United Health Group employees who work at UHG's Minnetonka headquarters began using The Well, a new work-site clinic staffed by Park Nicollet clinicians and Optum Health wellness providers - Launched Head + Heart, Together internal culture that combines intellect and the science of medicine with the compassion, spirit and humanity of Park Nicollet team members The launch included team vision meetings, rollout of HHT competencies, a new appraisal system and HHT magazine for team members - Park Nicollet completed its electronic medical record (EMR) transition from Last Word to Epic in early July This was the culmination of three years of planning and implementations The EPIC Command Center received more than 13,000 calls between July 2 and 18, and 130 people were working in the center when Epic went live on July 5 As part of the transition to Epic, Park Nicollet launched My Chart service, so patients can access portions of their EMR at mychart parknicollet com - Park Nicollet began conducting patient surveys at all locations as part of our effort to continually improve our Patient and Family Experience Results will be tied to team member surveys - For the third consecutive year, Park Nicollet achieved 100 percent of its quality goals as part of its participation in the Physicians Group Practice (PGP) Demonstration, Medicare's first physician pay-for-performance initiative at the group practice level Park Nicollet's 2011 federal PGP bonus payment was nearly $5 7 million - Park Nicollet is one of 32 health systems to receive Accountable Care Organization (ACO) status from the Centers for Medicare & Medicaid Services (CMS) Through the Pioneer ACO Model, Park Nicollet is working with CMS to test new payment models in order to provide Medicare beneficiaries with higher quality care while reducing growth in Medicare expenditures through enhanced care coordination We are gratified that many of our clinical and cost-saving achievements were recognized by respected third-party organizations These honors and recognition included - Park Nicollet received 2011 HealthGrades recognition that included * Distinguished Hospital Award for Patient Safety * Cardiac Excellence Award * Stroke Care Excellence Award * Critical Care Excellence Award * Pulmonary Care Excellence Award * Gastrointestinal Medical Treatment Excellence Award * Women's Health Excellence Award * Innovation in Health Care Award - Park Nicollet's Leigh Myers-Higgins, RN, received the Good Catch for Patient Safety Award from the Minnesota Hospital Association - Methodist Hospital's vascular laboratory was the only one in the Twin Cities to receive accreditation in four major testing areas from the Intersocietal Commission for the Accreditation of Vascular Labs - Thomson Reuters named Methodist Hospital as one of its 50 Top Cardiovascular Hospitals - Park Nicollet was named a Leader in Lesbian, Gay, Bi-sexual and Transgender (LGBT) Equality by the Human Rights Campaign Foundation, which publishes the annual Healthcare Equality Index report The index focuses on policies and practices that help create a welcoming environment for LGBT patients and families - 2011 Nurse of Excellence Award recipients were Angel Larson, RN, Carrie Wickland, LPN, Kelly Albers, RN, Mary Jo Macklem, RN, Laura Nicklay, RN, Kris Smith, RN, and Vicki Norton, RN - Joel Jahrus, MD, Medical Director of the Melrose Institute, received the Ellis Island Medal of Honor, which recognizes leadership dedicated to community service and a commitment to teaching and improving the health and well-being of others Past recipients include former presidents Bill Clinton, George H Bush and Gerald Ford - FCC received the Commission on Cancer Outstanding Achievement Award - IDC was selected as one of the top 25 medical organizations to participate in the Type 1 Diabetes Exchange

4b (Code) (Expenses $ 60,467,729 including grants of $) (Revenue $ 60,911,521)

Park Nicollet Health Care Products is part of Park Nicollet Health Services, a nonprofit integrated care delivery system, staffed by nationally recognized hospital and clinic doctors, clinical professionals, nurses, researchers and other staff at Park Nicollet Methodist Hospital and Park Nicollet Clinic who help patients stay healthy and take care of patients when they are sick Park Nicollet Health Care Products is a supporting organization to Park Nicollet Methodist Hospital and Park Nicollet Clinic, providing durable medical equipment (DME)/supplies and pharmaceuticals supporting ongoing patient care Park Nicollet Health Care Products focus on the health, healing and learning of patients by providing easy access to products and services that support successful self-management of a health condition at home The products support both short term acute conditions and chronic lifelong conditions, such as eyewear, hearing aids, and many products that cross into almost every medical subspecialty The Pharmacy @ Park Nicollet, meets growing demand for self-care products and services The Pharmacies are at these Park Nicollet Clinic locations Bloomington, Brookdale, Burnsville, Carlson Parkway (Minnetonka), Chanhassen, Eagan, Maple Grove, Minneapolis, St Louis Park, and Wayzata as well as the Heart and Vascular Center and Meadowbrook at the Park Nicollet Methodist Hospital The patient care experience does not end at the hospital or clinic door Patients have many self-care needs to manage both their acute and chronic health conditions, and Park Nicollet Health Care Products is expanding its capacity to better serve these growing needs Major accomplishments for The Pharmacy @ Park Nicollet in 2011 include - Enhanced product and pharmaceutical assortments available for patients, especially patients living with chronic health conditions such as diabetes, cancer, and bone and joint disease - Educated physicians and care provider's about Pharmacy services and products to better link solutions for patient health care needs, including smoking cessation - Developed standard work around provider referrals to Park Nicollet Pharmacies, assuring that patients have the products needed as they go home from clinic or hospital - Continue to provide customer service and sales training to all store staff and management - Expanded Pharmacy MTM, (Medication Therapy Management) services directly into the care environment to assist both providers and patients alike - Update e-commerce Web site for Pharmacy @ Park Nicollet to make it easier for providers and patients to locate and purchase health care products - Worked with staff to ensure their job satisfaction and self worth so that they can, in turn, share their positive attitude with clinical team members and customers - Enhanced the focus on customer satisfaction scores to reinforce best practices and provide superior service - Enhanced tracking systems to measure and monitor customer success of sales strategies - Ensured all Pharmacy staff attended learning events to achieve their continuing education requirements - Attended major trade shows to keep current with pharmacy assortment and billing information - Held meetings and educational sessions for Pharmacy staff to learn the complexities of billing 3rd party payers to ensure compliance and accuracy of claims submission The Contact Lens and Optical Store @ Park Nicollet Health Care Products, which meet growing demand for self-care products and services, are at these Park Nicollet Clinic sites Bloomington, Brookdale, Burnsville, Carlson Parkway (Minnetonka), Chanhassen, Maple Grove, Minneapolis, Shakopee, and St Louis Park The patient care experience does not end at the hospital or clinic door Patients have many self-care needs to manage both their acute and chronic health conditions, and Park Nicollet Health Care Products is expanding its capacity to better serve these growing needs Major accomplishments for The Contact Lens and Optical Store @ Park Nicollet in 2011 include - Enhanced optical product assortments available for patients, especially patients living with chronic health conditions affecting their vision - Enhanced the optical benefit program offered to PN employees to increase the affordability of eyewear Park Nicollet Health Care Products, branded as The Stores @ Park Nicollet, is a group of departments within Park Nicollet Health Services providing durable medical equipment (DME)/supplies and pharmaceuticals, supporting ongoing patient care HCP partners with your clinician to provide products and services to help you live more comfortably The Health and Care Stores, which meet a growing demand for self-care products and services, located within Park Nicollet Clinics, include Health & Care Store offering DME products at 4 locations, Hearing Center & Store with 3 locations, CPAP clinic/Store with 2 locations and Breastfeeding Center, (1 location within the Meadowbrook Health & Care store) The Health & Care Stores are at these Park Nicollet Clinic sites Burnsville, St Louis Park, as well as the Heart and Vascular Center and Meadowbrook at the Park Nicollet Methodist Hospital The patient care experience does not end at the hospital or clinic door Patients have many self-care needs to manage both their acute and chronic health conditions, and Park Nicollet Health Care Products is expanding its capacity to better serve these growing needs Major accomplishments for The Health & Care Stores in 2011 include - Enhanced product assortments available for patients, especially patients living with chronic health conditions - Educated physicians and care provider's about Health Care Stores product offerings to better link patient health care needs to product solutions, including smoking cessation - Developed standard work for provider referrals to Health Care stores, assuring that patients have the products needed as they go home from clinic or hospital - Continued customer service and sales training to all store staff and management - Expanded point of care operation and specialty stores to help bring more products directly into the care environment to assist both providers and patients alike

4c (Code) (Expenses $ 39,057,879 including grants of $) (Revenue $ 32,881,076)

Members of the Park Nicollet Group incur expenses on behalf of the affiliated tax exempt organizations, (Park Nicollet Health Services, Park Nicollet Clinic, Park Nicollet Health Care Products, Park Nicollet Methodist Hospital, PNMC Holdings, and Park Nicollet Institute) These organizations provide rental space, employment and management services in order to assure the efficient and professional delivery of health care to the community

4d Other program services (Describe in Schedule O)
(Expenses $ including grants of $) (Revenue $)

4e **Total program service expenses** ▶ $ 993,060,718

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	Yes	
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Part I*	14b	Yes	
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Part II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Part III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** All Form 990 filers that operated one or more hospitals must attach audited financial statements	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**	Yes	
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**	Yes	
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to line 25*	**24a**		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? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**	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? *If "Yes," complete Schedule L, Part IV*	**28c**	Yes	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	**34**	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	**35a**	Yes	
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**	Yes	
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V **Statements Regarding Other IRS Filings and Tax Compliance**

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	**1a**	478		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	**1b**	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			**1c**	Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	**2a**	0			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			**2b**		
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			**3a**	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			**3b**	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?			**4a**		No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .			**5a**		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			**5b**		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			**5c**		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			**6a**		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			**6b**		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			**7a**		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			**7b**		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			**7c**		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	**7d**	0			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			**7e**		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			**7f**		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			**7g**		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			**7h**		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			**8**		No
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	24		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	11		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2	Yes	
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .		3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .		5		No
6	Did the organization have members or stockholders?		6	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		7a	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		No

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

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

Section C. Disclosure

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

☐ Own website ☐ Another's website ☑ Upon request

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

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

Sheila McMillan
6500 Excelsior Blvd
St Louis Park, MN 55426
(952) 993-6790

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

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

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
See Additional Data Table										
1b **Sub-Total**										
c **Total from continuation sheets to Part VII, Section A**										
d **Total (add lines 1b and 1c)**								7,676,439	5,995,688	1,629,397

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 ▶ 1,035

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

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization Report compensation for the calendar year ending with or within the organization's tax year

(A) Name and business address	(B) Description of services	(C) Compensation
RJM Construction 5455 HWY 169 Plymouth, MN 55442	Construction Services	5,641,005
Mequist Transcriptions LTD PO Box 102467 Atlanta, GA 30368	Transcription	3,790,333
ABM Janitorial Services Inc 75 Remittance Dr Suite 3048 Chicago, IL 60693	Janitorial	3,115,880
Digital Prospectors Corporation 100 High Street Building B Exeter, NH 03833	Training	3,081,690
Memorial Blood Center of Minneapolis PO Box 1164 Minneapolis, MN 55480	Medical Services	2,699,816

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 ▶ 133

Part VIII Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d	2,149,214			
	e	Government grants (contributions)	1e	3,983,539			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	8,259,166			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f		14,391,919			
Program Service Revenue			Business Code				
	2a	Medical Services	621400	733,475,025	732,582,199		892,826
	b	Medicare/Medicaid	621400	310,225,584	310,225,584		
	c	Retail Sales	446110	60,911,521	56,843,848	4,032,986	34,687
	d	Services to Affilates	561000	32,881,076	32,881,076		
	e	Research	541700	4,336,995	4,336,995		
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f		1,141,830,201			
	3	Investment income (including dividends, interest and other similar amounts)		6,125,159			6,125,159
	4	Income from investment of tax-exempt bond proceeds		364,955			364,955
	5	Royalties		5,811			5,811
			(i) Real	(ii) Personal			
	6a	Gross rents	1,980,491				
	b	Less rental expenses	1,495,573				
	c	Rental income or (loss)	484,918				
	d	Net rental income or (loss)		484,918			484,918
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory	252,573,248	1,762,777			
	b	Less cost or other basis and sales expenses	242,103,996	994,810			
	c	Gain or (loss)	10,469,252	767,967			
	d	Net gain or (loss)		11,237,219			11,237,219
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events					
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities					
	10a	Gross sales of inventory, less returns and allowances	a	1,494,243			
	b	Less cost of goods sold	b	532,481			
	c	Net income or (loss) from sales of inventory		961,762			961,762
		Miscellaneous Revenue	Business Code				
	11a	Cafeteria	722210	2,439,519			2,439,519
	b	Property Management	812930	2,271,308			2,271,308
	c	Misc Services	900099	189,875			189,875
	d	All other revenue					
	e	**Total.** Add lines 11a–11d		4,900,702			
	12	**Total revenue.** See Instructions		1,180,302,646	1,136,869,702	4,032,986	25,008,039

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	167,777	167,777		
2	Grants and other assistance to individuals in the United States See Part IV, line 22	19,099	19,099		
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	2,816,444	2,417,758	398,686	
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	498,723,262	477,128,084	21,224,357	370,821
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	31,441,915	29,359,501	2,053,059	29,355
9	Other employee benefits	47,971,945	45,028,746	2,887,779	55,420
10	Payroll taxes	30,583,538	29,018,823	1,531,445	33,270
11	Fees for services (non-employees)				
a	Management				
b	Legal	1,036,953		1,036,953	
c	Accounting	448,883		448,883	
d	Lobbying				
e	Professional fundraising *See Part IV, line 17*				
f	Investment management fees	740,657		740,657	
g	Other	34,159,131	31,354,780	2,732,351	72,000
12	Advertising and promotion	3,654,242	271,119	3,383,123	
13	Office expenses	14,850,089	10,538,470	4,311,619	
14	Information technology	8,935,225	8,593,519	341,706	
15	Royalties				
16	Occupancy	43,704,336	40,082,286	3,622,050	
17	Travel	936,195	778,246	157,949	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	801,880	698,213	103,667	
20	Interest	9,789,418	9,789,418		
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	30,430,126	27,527,472	2,902,654	
23	Insurance	7,889,654		7,889,654	
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	Management Fees	156,429,670	51,414,077	105,015,593	0
b	Medical Supplies	134,980,485	134,548,555	431,930	0
c	Cost of Goods Sold	40,837,694	40,837,694	0	0
d	Bad Debt Expense	26,018,410	26,018,410	0	0
e					
f	All other expenses	28,379,662	27,468,671	910,991	
25	**Total functional expenses.** Add lines 1 through 24f	1,155,746,690	993,060,718	162,125,106	560,866
26	**Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

			(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing	602,996	1	830,871
	2	Savings and temporary cash investments	192,677	2	282,705
	3	Pledges and grants receivable, net	1,972,690	3	3,414,212
	4	Accounts receivable, net	112,572,899	4	135,003,069
	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	11,219,361	8	10,046,399
	9	Prepaid expenses and deferred charges	8,249,643	9	11,936,459
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D* — 10a: 954,957,878			
	b	Less accumulated depreciation — 10b: 613,787,542	358,091,019	10c	341,170,336
	11	Investments—publicly traded securities		11	386,672,271
	12	Investments—other securities See Part IV, line 11	394,731,187	12	28,139,728
	13	Investments—program-related See Part IV, line 11		13	
	14	Intangible assets		14	
	15	Other assets See Part IV, line 11	42,108,311	15	7,819,845
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)	929,740,783	16	925,315,895
Liabilities	17	Accounts payable and accrued expenses	93,815,825	17	82,424,257
	18	Grants payable		18	
	19	Deferred revenue	6,191,231	19	11,939,650
	20	Tax-exempt bond liabilities	388,720,675	20	379,891,311
	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	2,698,222	23	1,984,777
	24	Unsecured notes and loans payable to unrelated third parties	4,132,852	24	1,930,180
	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	10,075,014	25	9,411,578
	26	**Total liabilities.** Add lines 17 through 25	505,633,819	26	487,581,753
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**			
	27	Unrestricted net assets	422,917,533	27	436,481,051
	28	Temporarily restricted net assets	914,699	28	976,854
	29	Permanently restricted net assets	274,732	29	276,237
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.			
	30	Capital stock or trust principal, or current funds		30	
	31	Paid-in or capital surplus, or land, building or equipment fund		31	
	32	Retained earnings, endowment, accumulated income, or other funds		32	
	33	Total net assets or fund balances	424,106,965	33	437,734,142
	34	Total liabilities and net assets/fund balances	929,740,783	34	925,315,895

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	1,180,302,646
2	Total expenses (must equal Part IX, column (A), line 25)	2	1,155,746,690
3	Revenue less expenses Subtract line 2 from line 1	3	24,555,956
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	424,106,965
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-10,928,779
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	437,734,142

Part XII Financial Statements and Reporting

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

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

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Park Nicollet Group Return

Employer identification number
45-5023260

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

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

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

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

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

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

_____

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Part II **Support Schedule for Organizations Described in IRC 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public Support.** Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income (Explain in Part IV) Do not include gain or loss from the sale of capital assets						
11 **Total support** (Add lines 7 through 10)						

12 Gross receipts from related activities, etc (See instructions) **12**

13 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here**

Section C. Computation of Public Support Percentage

14 Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f)) **14**

15 Public Support Percentage for 2010 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2011.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization

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

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

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

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

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

Section A. Public Support

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

Section B. Total Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support** (Add lines 9, 10c, 11 and 12)						

14 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

17 Investment income percentage for **2011** (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from **2010** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2011.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2010.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

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

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

Facts And Circumstances Test

Explanation

Schedule A, Part IV, Supplemental Information Park Nicollet Methodist Hospital Line 3, 170(b)(1)(a)(iii) Park Nicollet Clinic Line 3, 170(b)(1)(a)(iii) Park Nicollet Institute Line 4, 170(b)(1)(a)(iii) Park Nicollet Health Care Products Line 11 Type II, 509(a)(3) PNMC Holdings Line 11 Type I, 509(a)(3) Part I, Line 11 Supporting organizations detail PNMC Holdings and Park Nicollet Healthcare Products provide support to following organizations PNMC Holdings Line 11, column (i) Park Nicollet Clinic, (ii) 41-0834920, (iii) 170(b)(1)(a)(iii), (iv), Yes, (v) Yes, (vi) Yes, (vii) $2,205,011 Park Nicollet Health Care Products Line 11, column (i) Park Nicollet Methodist Hospital, (ii) 41-0132080, (iii) 170(b)(1)(a)(iii), (iv), Yes, (v) Yes, (vi) Yes, (vii) $5,385,974 Line 11, column (i) Park Nicollet Clinic, (ii) 41-0834920, (iii) 170(b)(1)(a)(iii), (iv), Yes, (v) Yes, (vi) Yes, (vii) $ 65,563,597

Additional Data

Software ID:
Software Version:
EIN: 45-5023260
Name: Park Nicollet Group Return

Form 990, Special Condition Description:

Special Condition Description

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
David Abelson MD President and CEO	55 00	X		X				0	1,037,727	204,677
Steven Connelly MD Exec VP & CMO	55 00	X		X				0	605,453	101,236
Judith Corson Secretary	3 00	X		X				0	0	0
Michael Kaupa Executive VP and COO	55 00	X		X				0	712,622	140,460
Donald Lewis JD Vice Chair	3 00	X		X				0	0	0
Sheila McMillan Sr VP & CFO	55 00	X		X				0	455,991	93,913
Richard E Struthers Treasurer	3 00	X		X				0	0	0
Kenneth L Thome Chair	3 00	X		X				0	0	0
Barbara Degnan Director	3 00	X						0	0	0
Paul Dominski Director	55 00	X						0	548,428	141,934
Bruce W Engelsma Director	3 00	X						0	0	0
Steve Frank Director	3 00	X						0	0	0
Roxanna Gapstur PhD Director	55 00	X						0	228,552	67,467
Christa Getchell Director	55 00	X						0	181,653	21,496
David Homans MD Chief of Specialty Serv	55 00	X						0	502,433	78,019
Jeffrey B Husband MD Director	55 00	X						559,721	0	47,479
Tom Jones MD Director	55 00	X						696,192	0	30,136
Charles McCoy MD Director	55 00	X						195,593	0	26,937
Ken Melrose Director	3 00	X						0	0	0
Ruth Mickelsen Director	3 00	X						0	0	0
Lee N Newcomer MD Director	3 00	X						0	0	0
James O Pohlad Director	3 00	X						0	0	0
William Richards MD Director	55 00	X						285,948	0	29,327
Janet Schaffer MD Director	55 00	X						348,834	0	44,421
Eric Schned MD Director	55 00	X						358,528	0	40,282

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Dan Schumacher Director	3 00	X						0	0	0
Janette Strathy MD Director	55 00	X						283,879	0	33,474
Katherine Tarvestad Director	55 00	X						0	40,790	17,235
Mark Wilkowske MD Chief of Oncology Serv	55 00	X						515,192	0	46,833
Susan Zwaschka VP Corp Compliance	55 00	X						0	556,458	39,930
Mary Johnson TRIA COO	55 00				X			0	310,138	20,473
Theodore Wegleitner TRIA COO	55 00				X			0	333,820	54,800
Dane Christensen MD Medical Doctor	55 00					X		813,975	0	51,166
Timothy Diegel MD Medical Doctor	55 00					X		1,067,526	0	67,063
Darin Epstein MD Medical Doctor	55 00					X		916,553	0	52,653
Steven Rakes MD Medical Doctor	55 00					X		827,746	0	51,365
Anton Willerscheidt MD Medical Doctor	55 00					X		806,752	0	67,561
Kathryn D Kallas Former VP Inpatient Care & CNO	0 00						X	0	481,623	59,060

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SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

▶ **Complete if the organization is described below.**

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

OMB No 1545-0047

2011

Open to Public Inspection

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

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

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

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

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

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

Name of the organization	Employer identification number
Park Nicollet Group Return	45-5023260

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

1 Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ $ _____

2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ $ _____

3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

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

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

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

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

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

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

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

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

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing Organization's Totals	(b) Affiliated Group Totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)		
c Total lobbying expenditures (add lines 1a and 1b)		
d Other exempt purpose expenditures		
e Total exempt purpose expenditures (add lines 1c and 1d)		
f Lobbying nontaxable amount Enter the amount from the following table in both columns		
g Grassroots nontaxable amount (enter 25% of line 1f)		
h Subtract line 1g from line 1a If zero or less, enter -0-		
i Subtract line 1f from line 1c If zero or less, enter -0-		

If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:
Not over $500,000	20% of the amount on line 1e
Over $500,000 but not over $1,000,000	$100,000 plus 15% of the excess over $500,000
Over $1,000,000 but not over $1,500,000	$175,000 plus 10% of the excess over $1,000,000
Over $1,500,000 but not over $17,000,000	$225,000 plus 5% of the excess over $1,500,000
Over $17,000,000	$1,000,000

j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? ☐ **Yes** ☐ **No**

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

Lobbying Expenditures During 4-Year Averaging Period

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

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

		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV	Yes		55,089
j	Total lines 1c through 1i			55,089
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation
Explanation of Lobbying Activities	Part II-B, Line 1	Park Nicollet reimburses certain professional membership dues of employees A portion of such membership dues are used by the professional associations for lobbying activities

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Park Nicollet Group Return

Employer identification number
45-5023260

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

		(a)Current Year	(b)Prior Year	(c)Two Years Back	(d)Three Years Back	(e)Four Years Back
1a	Beginning of year balance	22,048,592	23,127,080	40,045,623	40,780,143	
b	Contributions	1,489,934	1,474,161	3,239,794	3,726,005	
c	Investment earnings or losses	-341,465	850,097	538,558	-162,788	
d	Grants or scholarships	2,342,091	3,402,746	20,696,895	4,297,737	
e	Other expenditures for facilities and programs					
f	Administrative expenses					
g	End of year balance	20,854,970	22,048,592	23,127,080	40,045,623	

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

- a Board designated or quasi-endowment ▶ 0 %
- b Permanent endowment ▶ 43 000 %
- c Term endowment ▶ 57 000 %

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

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

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		27,670,907		27,670,907
b Buildings		445,936,748	250,225,141	195,711,607
c Leasehold improvements		50,098,266	33,571,055	16,527,211
d Equipment		426,937,522	329,991,346	96,946,176
e Other		4,314,435		4,314,435
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				341,170,336

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

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

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

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

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

(a) Description	(b) Book value
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
Capital Lease Obligation	73,179
Long-term Capital Lease Obligation	3,164,318
Securities Loan Agreement	6,174,081
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	9,411,578

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

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

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

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

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

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

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

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation
Description of Intended Use of Endowment Funds	Part V, Line 4	The Term endowment funds for use within Park Nicollet Clinic, Park Nicollet Institute and Park Nicollet Methodist Hospital are for Grants related to Education, Research and Patient Care
Description of Uncertain Tax Positions Under FIN 48	Part X	Park Nicollet Health Services and affiliates adopted the provisions of FIN 48, Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No 109, on January 1, 2007 As a result of the implementation of FIN 48, Park Nicollet Health Services and affiliates were not required to recognize a liability for unrecognized tax benefits There were no unrecognized tax benefits for the years ended December 31, 2009, 2010 and 2011

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SCHEDULE F (Form 990)

Department of the Treasury
Internal Revenue Service

Statement of Activities Outside the United States

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 14b, 15, or 16.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Park Nicollet Group Return

Employer identification number
45-5023260

Part I General Information on Activities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 14b.

1 **For grantmakers.** 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 **For grantmakers.** Describe in Part V the organization's procedures for monitoring the use of grant funds outside the United States

3 Activites per Region (Use Part V if additional space is needed)

(a) Region	(b) Number of offices in the region	(c) Number of employees or agents in region or independent contractors	(d) Activities conducted in region (by type) (e g , fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures for region/investments in region
East Asia and the Pacific	0	0	Program Services	Education	13,733
Europe (including Iceland & Greenland)	0	0	Program Services	Education	29,333
Middle East and North Africa	0	0	Program Services	Education	14,288
3a Sub-total	0	0			57,354
b Total from continuation sheets to Part I	0	0			0
c **Totals** (add lines 3a and 3b)	0	0			57,354

Part II **Grants and Other Assistance to Organizations or Entities Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 15, for any recipient who received more than $5,000. Check this box if no one recipient received more than $5,000 . . . . . ▶ ☐
Use Part V if additional space is needed.

1 (a) Name of organization	(b) IRS code section and EIN (if applicable)	(c) Region	(d) Purpose of grant	(e) Amount of cash grant	(f) Manner of cash disbursement	(g) Amount of of non-cash assistance	(h) Description of non-cash assistance	(i) Method of valuation (book, FMV, appraisal, other)

2 Enter total number of recipient organizations listed above that are recognized as charities by the foreign country, recognized as tax-exempt by the IRS, or for which the grantee or counsel has provided a section 501(c)(3) equivalency letter . . . . . ▶ _____

3 Enter total number of other organizations or entities . . . . . ▶

Part III **Grants and Other Assistance to Individuals Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 16. Use Part V if additional space is needed.

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

Part IV Foreign Forms

1	Was the organization a U S transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926 (see instructions for Form 926)*	☐ Yes	☑ No
2	Did the organization have an interest in a foreign trust during the tax year? *If " Yes," the organization may be required to file Form 3520 and/or Form 3520-A. (see instructions for Forms 3520 and 3520-A)*	☐ Yes	☑ No
3	Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons with respect to Certain Foreign Corporations. (see instructions for Form 5471)*	☐ Yes	☑ No
4	Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see instructions for Form 8621)*	☐ Yes	☑ No
5	Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons with respect to Certain Foreign Partnerships. (see instructions for Form 8865)*	☐ Yes	☑ No
6	Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see instructions for Form 5713).*	☐ Yes	☑ No

Part V Supplemental Information

Complete this part to provide the information (see instructions) required in Part I, line 2, and any additional information.

Identifier	ReturnReference	Explanation

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Park Nicollet Group Return

Employer identification number
45-5023260

Part I Charity Care and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals ☑ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☐ 200% ☑ Other 275.000000000000 %	3a	Yes	
b	Did the organization use FPG to determine eligibility for providing *discounted* care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☑ Other 275.000000000000 % ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400%	3b	Yes	
c	If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's policy provide free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a		No
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	5b		
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		
6a	Did the organization prepare a community benefit reportduring the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1)			11,580,871	165,368	11,415,503	1 010 %
b Medicaid (from Worksheet 3, column a)			105,691,914	58,427,819	47,264,095	4 180 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Charity Care and Means-Tested Government Programs			117,272,785	58,593,187	58,679,598	5 190 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)		20,072	5,144,526	441,943	4,702,583	0 420 %
f Health professions education (from Worksheet 5)			5,794,367	1,487,507	4,306,860	0 380 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)			7,176,759	4,712,706	2,464,053	0 220 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			50,000		50,000	0 %
j **Total** Other Benefits		20,072	18,165,652	6,642,156	11,523,496	1 020 %
k **Total.** Add lines 7d and 7j		20,072	135,438,437	65,235,343	70,203,094	6 210 %

Part II Community Building Activities Complete this table if the organization conducted any community building activities.

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

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense	2	16,279,755		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	0		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	220,257,408		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	260,611,957		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-40,354,549		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

☑ Cost accounting system ☐ Cost to charge ratio ☐ Other

Section C. Collection Practices

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

Part IV Management Companies and Joint Ventures (see instructions)

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

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest)

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

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	Park Nicollet Methodist Hospital 6500 Excelsior Blvd St Louis Park, MN 55426	X	X		X			X		

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

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

Park Nicollet Methodist Hospital

Name of Hospital Facility:

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

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 275 000000000000%			
If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 275 000000000000%			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☑ Asset level			
	c ☐ Medical indigency			
	d ☐ Insurance status			
	e ☑ Uninsured discount			
	f ☐ Medicaid/Medicare			
	g ☐ State regulation			
	h ☐ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☐ The policy was posted at all times on the hospital facility's web site			
	b ☐ The policy was attached to all billing invoices			
	c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☐ The policy was posted in the hospital facility's admissions offices			
	e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☐ Other (describe in Part VI)			

Billing and Collections

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

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

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

Part V Facility Information *(continued)*

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

How many non-hospital facilities did the organization operate during the tax year? **28**

	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, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

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

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

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

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

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

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

Identifier	ReturnReference	Explanation
		Part I, Line 6a Park Nicollet Foundation, a related organization of Park Nicollet Methodist Hospital, completes an organization wide annual community benefit report that includes Park Nicollet Methodist Hospital and other affiliated entities

Identifier	ReturnReference	Explanation
		Part I, Line 7 Park Nicollet Methodist Hospital uses the cost-to-charge ratio method when calculating the amounts reported on Part I, line 7 The cost-to-ratio was derived using Worksheet 2, ratio of patient care-cost-to charge, from the schedule H instructions

Identifier	ReturnReference	Explanation
		Part I, L7 Col(f) Bad Debt Expense of $26,018,410 was subtracted for purposes of calculating the percentage in Schedule H, Part I, Line 7, column (f) Part III, Line 3 Park Nicollet Methodist Hospital and its affiliates work with those qualifying for charity care along every step of the process including accepting applications for financial assistance after previous attempts to work with the patient fail Every effort is made to work with the patient to provide financial assistance when appropriate While there are people who do not cooperate with the hospital regarding payment plans, financial assistance or with those trying to help them get on government programs, it is impossible to know their reason for not cooperating and therefore know whether they may have qualified for charity care Park Nicollet doesn't have predictive software which would make assumptions based on housing situation, credit reports, etc and recommend assistance without a process for gathering income verification In light of the foregoing facts, Park Nicollet is unable to reasonably determine whether any amount of bad debt could have been classified as charity care

Identifier	ReturnReference	Explanation
		Part III, Line 4 Park Nicollet Methodist Hospital's audited financial statement do not include a footnote discussing bad debt expense, or allowance of doubtful accounts Bad debt is accounted for on the financial statements by estimating patient liability net of any charity care and then calculating what portion of that will not be collected based historical uncollectable rates When a patient meets our financial requirements it is classified as charity care, if they do not quality, their services will be written off as bad debt Park Nicollet Methodist Hospital does not include any charity care in their bad debt expense calculation

Identifier	ReturnReference	Explanation
		Part III, Line 8 Park Nicollet Methodist Hospital believes that all of the Medicare loss should be classified as a community benefit The reason is that if these services were not provided by us they would become the obligation of the federal government Based on this, Medicare losses should be included as a community benefit because the losses are incurred in performing an important public service The allowable costs in our calculation came from the Medicare Cost Report as instructed per the 990 Schedule H instructions

Identifier	ReturnReference	Explanation
		Part III, Line 9b The collection policy incorporates the requirements as stated by the Minnesota Attorney general and views account resolution through the Park Nicollet financial assistance program as an option for account resolution This option is shared with debtors via statements and as part of collection calls to debtors from Park Nicollet staff and collection agencies Park Nicollet's financial assistance is also described in pamphlets and on our website The website includes a simple interactive schedule to allow a debtor to see if they may qualify If the Debtor qualifies for financial assistance, collection efforts cease and charges are cleared from their account

Identifier	ReturnReference	Explanation
Park Nicollet Methodist Hospital		Part V, Section B, Line 19d Park Nicollet uses the discount rate associated with our "most preferred payer" which is defined as our largest commercial payer

Identifier	ReturnReference	Explanation
Park Nicollet Methodist Hospital		Part V, Section B, Line 21 Park Nicollet charges its patients gross charges if the patient has elective surgery, which is not medically necessary

Identifier	ReturnReference	Explanation
		Part VI, Line 2 Integrated in our strategic planning process, Park Nicollet Methodist Hos pital and its affiliates actively involve its patients, employees, board members and commu nity partners in identifying patient and community needs This process encourages awarenes s of changing patterns of need to improve the health of our patients and community members As part of current assessment of needs, Park Nicollet Foundation convenes patients and c ommunity partners at monthly and quarterly meetings of several Healthy Communities Collabo ratives and Advisory Groups located throughout our service area A few examples of partici pating members include 1) representatives from the school districts of St Louis Park, Hop kins, Wayzata/Plymouth, Brooklyn Center, Osseo and Burnsville/Eagan/Savage, 2) Mental heal th providers such as The Family Partnership and North Psychology, 3) Groups working with u nderserved populations such as Northwest Hennepin Family Services Collaborative, Portico H ealthNet, 360 Communities, Interfaith O utreach and providers who work with the development al needs of young children such as St David's Center In 2011, Park Nicollet continued it s joint sponsorship of the Successful Aging Initiative in St Louis Park This community b ased group meets monthly to identify and focus on the needs of senior citizens including i mproving coordination of community and health related services Sixty to eighty participan ts regularly attend these sessions which include educational and networking opportunities for seniors and those working with seniors In addition, patient advisory groups and counc ils have been established to foster collaboration between patients, families and care team s These councils focus on topics such as patient safety, facility design, clinician-patie nt communication, quality improvement, patient/family education, ethics and research Coun cils support work in the following areas - Methodist Hospital Patient Family Council - fo cusing on quality and safety - Frauenshuh Cancer Center - Health Care Home quality teams - After teams grown from four to seven "Health Care Home Patient Partner Councils" - Melros e Institute - Struthers Parkinson's CenterIn 2011, Park Nicollet Methodist Hospital began the planning and research phase for a formal Community Health Needs Assessment which will be completed in 2012 This formal assessment builds on the strength of Park Nicollet Healt h Services as a convener of the community by inviting 1100 community leaders, workers, and members of the community to participate in an online health needs survey and also conveni ng focus groups utilizing the World Cafe model of facilitation Results will be prioritize d and presented to the Board of Directors in 2012 along with recommendations for an implem entation plan to be incorporated into the strategic planning process for 2013-2015 Park Ni collet Institute participated in strategic planning in 2011 and used data gathered as part of this process to prioritize work in research and education The key to assessing the ne eds for patient education involve including patients in the assessment process Steps in t he needs assessment process include defining the community or population, followed by dete rmining what type of data is needed to complete the assessment and then collecting the dat a from a variety of sources which include but are not limited to patient and clinician sur veys, local and national statistics related to the problem that is being addressed, eviden ce-based care guidelines, quality and safety outcome reports, proprietary data sources as appropriate and published literature For professional education, understanding the gaps i n clinical practice and the educational needs of physicians is critical to the success of the overall CME program and its planned activities As part of the semi-annual review proc ess, the Medical Education Committee (MEC) and the CME team identify data sources and meth ods to review data for CME program planning We identify our learners' professional practi ce gaps and needs by reviewing one or more of the following - organizational planning sur vey of target audience, which includes e-surveys, structured interviews and biannual staff surveys - patient care audit and quality assurance reports - morbidity and mortality stat istics - peer-reviewed abstracts - faculty input - individual clinician behavior and presc ribing data - community measures quality data - clinician registries - quality outcomes re ports - dashboards - desirable patient care improvements identified from measurement of cl inical practice guidelines - literature review of recent trends in biomedical science rese arch - evaluation data from preceding CME activities - input from regional and national me dical education and research communities provided by the MEC committee, CME faculty and Pa rk Nicollet leadership - HEDIS data - Institute for Clinical Systems Improvement guideline s - focused patient and staff surveys - feedback f

Identifier	ReturnReference	Explanation
		rom planning committees and focus groups representative of the target audience - patient s urveys regarding quality of care and interaction with providers (Press Ganey reports) - to pic-specific patient surveys - annual Park Nicollet quality reports - safety tracking data base-quality tracking - physician competencies - Park Nicollet planning - maintenance of c ertification requirements - Lean results (Rapid Process Improvement Workshop)In research, clinical areas work with principal investigators to determine whether a study fills a gap in patient care If the study addresses an identified need, a feasibility checklist is rev iewed to address scientific merit, impact on patient care, mission of department and cost

Identifier	ReturnReference	Explanation
		Part VI, Line 3 Park Nicollet Methodist Hospital participates in multiple unique financial assistance programs, including our own Financial Assistance (FA) We inform our patients in multiple ways about our FA program and other financial assistance options for services received at PNHS Approximately 14 percent of hospital patients participate in state public programs and approximately 2 percent are uninsured A list of communications for patients relating to financial assistance follows - Hospital booklets given to inpatients - Website, FA information found in billing and insurance section - FAQ on FA - FA calculator - online calculator allows quick and easy estimation of eligibility under the program - FA application - application may be printed for submission - Information on Medical Assistance, including eligibility and application process - Patient statements - All balance forward statements, regardless of balance, include a financial assistance application and responses to frequently asked questions regarding FA In addition to the written material, Customer Service, Collections and hospital Patient Access Liaisons (PALs) inform patients about assistance options, including government programs and FA PALs are on-site in the hospital and can meet with patients in their rooms or prior to admission Most customer service and collections work is done though phone calls, but our main clinic has an on-site location for personal conversations Park Nicollet Methodist Hospital staff is trained in helping patients apply for Medical Assistance and has also contracted with outside services to assist patients in the application process for Medical Assistance in more complicated circumstances

Identifier	ReturnReference	Explanation
		Part VI, Line 4 Park Nicollet Health Services, through its 19 Twin Cities primary care clinics, other care locations and Methodist Hospital and specialty facilities, provides health care access to more than 1 6 million people, primarily in the western Twin Cities area The majority (75 5 percent)of this population, spread over 96 ZIP codes, is white, 7 1 percent is black, 4 2 percent is Asian, 2 5 percent is Latino , with those defining themselves as "multiracial" or "other" making up the rest of those we serve Park Nicollet clinics are strategically located in communities to provide access to care, regardless of economic status or means of transportation The socio-economics of our population served varies both between and within each community Our clinic locations span the entire west metro from Maple Grove and Brooklyn Center in the northwest to Minnetonka and St Louis Park in the central west to Shakopee and Prior Lake in the southwest, to Eagan in the southeast and to Lakeville (which opened in 2011) in the south These clinics serve communities (and individuals) across the socio-economic spectrum True to their metropolitan nature, each community served enjoys diversity within its own borders For example, in Brooklyn Center, in addition to Park Nicollet Clinic - Brookdale, Park Nicollet has set up a health clinic for school district students This clinic is located in the high school and is available to all students regardless of their ability to pay Minorities make up half of the Brooklyn Center population, and 72 percent of district students are from low-income families Three other school based or affiliated clinics operate in Wayzata, Burnsville and St Louis Park In St Louis Park, home to many of the state's 12,500 Russian immigrants, we offer services, including translation, for those whose primary language is not English

Identifier	ReturnReference	Explanation
		Part VI, Line 5 Park Nicollet Methodist Hospital is a 426-bed facility recognized as an a rea leader in cancer care, cardiovascular services, maternity care and neuro-rehabiliation medicine, located in St Louis Park, Minnesota Medical staff privileges at the hospital are extended to all qualified physicians in the community Park Nicollet Methodist Hospita l's Board of Directors is a community board with all of its independent members living in the area served by the organization Park Nicollet Methodist Hospital owns a facility in Go lden Valley, Minnesota that houses the Struthers Parkinson's Center, which is dedicated to providing comprehensive assessment, treatment, support, education and research to improve the quality of life of people touched by this disease Health professionals help patients from around the world receive specialized programs and services for Parkinson's Disease a t Struthers A national leader in the treatment of eating disorders, Park Nicollet Methodis t Hospital owns and operates the Park Nicollet Melrose Institute for eating disorders, loc ated in St Louis Park, Minnesota This facility, was specially constructed for treating t hose with eating disorders The Melrose Institute treatment model revolutionizes care, tak ing individualized treatment to a whole new level The care teams work with patients to de termine appropriate placement in inpatient, residential or one of four levels of outpatien t care, including unique specialty areas not currently found elsewhere In 2011, the Melro se Institute sponsored over 100 presentations, trainings, webinars, exhibits, and other ev ents to increase community awareness and prevention Methodist Hospital sponsors and suppor ts the Creekside Family Medicine Residency program, affiliated with the University of Minn esota This 3 year residency trains 6 new family physicians each year to work in primary c are including underserved areas In addition to its training program, the Creekside reside ncy provides vital community services for the uninsured and underinsured along with outrea ch programs to promote community health Methodist Hospital participates as a training sit e for other specialty training of residents including the areas of general surgery, ob/gyn and critical care As a part of the Emergency Management program, a Hazard Vulnerability A ssessment is completed for the Methodist Hospital Campus This survey assesses numerous ri sks in the community that may impact hospital operations Risks unique to the geographical area of Methodist Hospital include numerous industrial worksites with multiple chemicals on site and close proximity to a rail line that transports hazardous chemicals Because of these hazards in the community, Methodist Hospital plans with local first responders for the decontamination and treatment of affected community members The ongoing process for as sessing community health needs as described in Schedule H, Part VI, Q uestion 2 has enabled the entire PNHS organization to focus attention to the needs described below in addition to other health needs Park Nicollet Foundation's community connectivity model of convening on need, building relationships and raising support has brought responses in these priori ty areas 1 Healthy kids are better learners Park Nicollet Methodist Hospital, Park Nicol let Foundation and Park Nicollet Clinic partner with 21 school districts to assure that al l students are up to date with their immunizations on the first day of school each year - Four school-affiliated clinics, built, staffed and funded in partnership with Park Nicolle t Foundation, Park Nicollet Methodist Hospital and Park Nicollet Clinic provide access to no cost or low cost medical, mental health and dental care to children and youth in the co mmunity - The O phthalmology department reaches out to the schools in an effort to assure e ye health, by providing comprehensive eye exams and a prescription pair of eyewear yearly for children without health insurance - Students referred by school nurses, whose families are unable to afford medications, receive needed medications at no charge through Park Ni collet Pharmacies 2 Increasing access to care for the uninsured - In 2011, Park Nicollet Methodist Hospital, along with Park Nicollet Clinic and other affiliates provided needed c omprehensive care, including primary, specialty, hospital and pharmacy services, at no cha rge to 1,400 individuals enrolled in the St Mary's program, an innovative model of provid ing continuity of care for the uninsured - Provided 6300 prescriptions for outpatient medi cations to low income individuals and families, assuring medical treatment for acute and c hronic conditions such as asthma and diabetes - Traditional financial assistance provided to individuals and families in need who are not enrolled in the St Mary's program 3 Foc us on seniors - The Successful Aging Initiative continues to respond to the needs of senio r citizens in St Louis Park, utilizing multidisci

Identifier	ReturnReference	Explanation
		plinary work groups specifically focused on helping seniors stay safe in their homes by re ducing the risk of falls and other injuries, increasing opportunities for fitness and exer cise, improving transportation options, providing education to improve one's self-manageme nt of chronic illnesses, and encouraging completion of health care directives 4 Creating the health care home - Growing economic and ethnic diversity in our communities has widene d the gap of health disparities Increased rates of obesity and diabetes, a growth in earl y childhood mental health issues, increased numbers of new immigrants unfamiliar with acce ssing our country's model of health care delivery and still struggling with issues of war and civil strife from their countries of origin and seniors isolated in their homes are ju st a few of the challenges that threaten the health of members of our communities - Park N icollet Clinics are leading the way in developing "health care homes" that not only provid e needed medical care, but do so in a comprehensive model of support for patients and fami lies to assure that they have timely access, effective coordination of care, a personal re lationship with their physician and clinical care team, and a connection to other communit y resources - An example of a Park Nicollet Clinic that has taken the lead in creating a m odel for the Health Care Home is the Plymouth Park Nicollet Clinic In 2011 this clinic * Offered classes at the clinic on Medicare and CareNextion Participated in the Plymouth p arade annually and the Plymouth Healthy Living Fair Formed an onsite Healthy Living Suppo rt group facilitated by a Care Coordinator and a Patient Partner The clinic participates on the Plymouth Yellow Ribbon Campaign Steering Committee Established a partnership with Plymouth Community Center to work together to provide community needs * Serves clients th at come from group homes and assisted living facilities * Patients involved in the clinic 's Quality Committee * Care Coordination in place for patient care, aimed at addressing t he patient's medical and social needs and helping them navigate healthcare and community r esources This results in better patient outcomes and reduced total cost of care through r educed hospitalizations and ER visits 5 Sticking with patients when they need us most - Often the services needed to maintain one's health and wellbeing during a serious or life -threatening illness are not fully funded or reimbursed under traditional health insurance Park Nicollet Methodist Hospital and Park Nicollet Foundation strive to assure the help is there when needed * Club CREATE, a therapeutic adult day program at Struthers Parkinso n's Center, offers activities that enrich patients physically, mentally, spiritually and s ocially The program utilizes a variety of artistic and creative outlets, relaxation and m editative programs, and movement and exercise opportunities * Park Nicollet Methodist Hos pital's INSPIRE program is a unique service offering stroke survivors and their family sup port and education through seminars and support groups * Park Nicollet Methodist Hospital 's Melrose Institute offers comprehensive care, education and support through innovative c urriculum-based programs for those struggling with eating disorders * Reducing the number of "sleepless nights" while waiting for a diagnosis, helping patients conserve their ener gy by bringing services to them during treatments, offering spiritual care, social service s and financial assistance for medications, groceries and other expenses while patients re cover from their illness are commitments Frauenshuh Cancer Center at Park Nicollet Methodi st Hospital makes to its patients

Identifier	ReturnReference	Explanation
		Part VI, Line 6

Identifier	ReturnReference	Explanation
		The Park Nicollet Institute reaches thousands each year through research studies, professional and patient education, and library services In 2011, we held 223 patient education classes for 2,387 attendees We conducted more than 5,000 diabetes education visits The Health Library received 2,261 visitors We published 326 new or revised patient education materials Our Office of Continuing Medical Education granted 32,097 CME credits through 95 professional education activities Almost 500 research studies were active in 2011 at Park Nicollet and through Minnesota Metro Community Clinical Oncology Program Park Nicollet authors published 72 peer-reviewed papers, books and book chapters - Community health Throughout the year, employees participate in health fairs and screenings, most frequently in the area of diabetes and nutrition International Diabetes Center hosts a Back to School fair for children with diabetes and hosts diabetes support groups for men, women and children Numerous employees participate on national and local society and Park Nicollet committees that serve the community Rich Bergenstal, MD, serves in a leadership role for the American Diabetes Association (ADA) We also provide health education lectures and workshops, and respond to media inquiries to share expertise about diabetes and nutrition - Research Research is embedded in departments and strategies across Park Nicollet to support quality initiatives and the patient experience Research encompasses investigator-initiated studies, clinical trials, practice-based research, outcomes and quality improvement projects, data analytics, statistics, survey development and focus groups At Park Nicollet and its affiliates, more than 500 research studies are active each year Park Nicollet Institute provides the infrastructure and resources to support research and clinical quality goals of the organization, which includes the following - Needs assessment and feasibility- Mentoring and training- Scientific and humans subjects review- Regulatory compliance and reporting- Grant management, including application preparation and submission, contract and agreement negotiation, finance, budget development, identification of funding sources- Protocol development and research design- Manuscript and poster/presentation preparation- Database development, data cleaning, statistics and analytics, survey review and design, focus group facilitation- Study operations support including recruitment, consenting, enrolling, data collection/entry- Patient Education Park Nicollet Institute's Patient Education department provides educational tools to support patients in preventing and managing illness and improving health We work closely with clinicians to create programs, classes, videos, web content and decision support tools to help patients take an active role in their health These resources help patients prevent and manage common health problems, live well with chronic conditions, prepare for procedures and improve overall health and well-being Our Park Nicollet Health Library provides resources and services for patients, family and the community This includes literature searches and document delivery, as well as access to print, online and Internet resoures - Professional Education The Institute's Professional Education department provides learning activities to enhance physician knowledge, competence and performance Continuing medical education (CME) staff partners with Park Nicollet physicians and departments to manage a comprehensive educational program through activities designed to meet individual and department needs

Identifier	ReturnReference	Explanation
	Part VI, Line 6	Park Nicollet Methodist Hospital is part of Park Nicollet Health Services, an integrated health system Other affiliates include 1) Park Nicollet Clinics in 19 locations, and other care locations, 2) Park Nicollet Foundation, the philanthropic arm of Park Nicollet Health Services helping to bring resources to needs in its communities, 3) Park Nicollet Institute, focused on education and research for Park Nicollet Health Services and its community, 4)Park Nicollet Health Care Products, providing retail pharmacy and health related products through existing Park Nicollet locations All affiliates are under a common Board of Directors Park Nicollet Foundation has a separate board which is overseen by the Park Nicollet Health Services Board The communities' health needs are shared among the affiliates and decisions regarding the effective use of resources to respond to these needs are coordinated A specific example of this coordination of services to respond to community need is with the four school-affiliated community clinics Initial development, funding and ongoing facilitation is provided by the Park Nicolet Foundation, staffing through the Park Nicollet Clinics, laboratory and other diagnostic services through Park Nicollet Methodist Hospital, and outpatient medications, eye glasses, and DME supplies through Park Nicollet Health Care Products

Identifier	ReturnReference	Explanation
	Part VI, Line 7 List of States Receiving Community Benefit Report	MN

Additional Data

Software ID:
Software Version:
EIN: 45-5023260
Name: Park Nicollet Group Return

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

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? **28** Name and address	Type of Facility (Describe)
Struther's Parkinson Center 6701 Country Club Drive Golden Valley, MN 55427	Research and Treatment of Parkinson's Disease
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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Park Nicollet Group Return

Employer identification number
45-5023260

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) Park Nicollet Foundation 6500 Excelisior Blvd St Louis Park, MN 55416	23-7346465	501(c)(3)	117,777				Community Services
(2) Minnesota Medical Foundation200 Oak Street SE Suite 300 Minneapolis, MN 55455	41-6027707	501(c)(3)	50,000				Neurosurgery Fund

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

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

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

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance
(1) Individual scholarships	19	18,500			
(2) Earl Young Award	1	599			

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 Park Nicollet Service League has a student volunteer scholarship program to give financial support to student volunteers who have provided exceptional volunteer service and are interested in furthering their education Applicants must be an active student volunteer, a senior in high school and who has applied to a post-high school education program and must be dedicated volunteer at Park Nicollet Methodist Hospital Occasionally Park Nicollet Methodist Hospital grants monies to other tax-exempt organizations conducting programs and/or research that will ultimately benefit those served by Park Nicollet Health Services and affiliates During calendar year 2011, grants were made to Park Nicollet Foundation and Park Nicollet Institute for improvements to medical services and medical research These grants were made to parties related to Park Nicollet Methodist Hospital, so employees of Park Nicollet Methodist Hospital were able to verify the use of the monies contributed

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees
▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Park Nicollet Group Return

Employer identification number
45-5023260

Part I Questions Regarding Compensation

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

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

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

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

(A) Name		**(B)** Breakdown of W-2 and/or 1099-MISC compensation			**(C)** Retirement and other deferred compensation	**(D)** Nontaxable benefits	**(E)** Total of columns (B)(i)-(D)	**(F)** Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	**(ii)** Bonus & incentive compensation	**(iii)** Other reportable compensation				
See Additional Data Table								

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
	Part I, Lines 4a-b	During 2011, Park Nicollet Health Services, a related entity, terminated without cause the employment of individuals in reportable positions Severance payments were determined to be payable under the Park Nicollet Health Services Executive Management Group Severance Policy (the "Policy") The policy provides that if Park Nicollet Health Services terminates a covered individual without cause, and if the individual releases all legal claims against Park Nicollet Health Services, then Park Nicollet Health Services will provide the terminated individual severance compensation for a period of one year including salary, health, life, dental and disability benefits, as well as deferred compensation, incentive compensation, and pension plan payments Based on the foregoing, the amount of severance compensation and benefits provided to each of the individual on severance during 2011 is as follows - Kathryn D Kallas, $255,000 - Susan R Zwaschka, $240,000 Part I, Line 4B Senior leaders of Park Nicollet Health Services and affiliates are given the opportunity to participate in the Capital Accumulation Account Plan The Capital Accumulation Account Plan (CAA Plan) participation is limited to senior leaders and all the vice presidents Each participant receives an annual allowance equal to the sum of (i) a stated percent of salary, (ii) voluntary salary deferrals The allowance is credited to a bookkeeping account Earnings are credited to the account based on the performance of simulated investments Benefits vest upon the earliest of remaining employed to an elective vesting date (two years to age 68), involuntary termination without cause, disability, death, or not competing for 24 months following voluntary or for-cause termination Benefits are paid in a single lump sum upon vesting Participants are general creditors of the employer for the payment of the benefits The following participants received payouts from a related organization, Park Nicollet Health Services, related to CAA plan - David Abelson, $70,698 - Mary Johnson $32,193 - Kathryn D Kallas, $30,600 - Michael Kaupa, $47,105 - Theodore Wegleitner, $16,976 - Susan R Zwaschka, $47,651
	Part I, Line 7	All physicians, employed by and seeing patients for Park Nicollet Health Services and affiliates, are eligible for a 3% access incentive payout based on their department reaching certain goals including access for patients and quality initiatives In their roles as executives employed by Park Nicollet Health Services, the executives are eligible for incentive payouts The incentive award will be 35% of base pay compensation for the CEO, 30% for the CFO, COO, CMO and 25% for all other executives with an opportunity for incentive credit above the target level The ultimate payout includes a reduction/increase multiplier depending on whether the consolidated Park Nicollet Health Services organization reached that year's operating margin goal as set by the Board of Directors Each participant will be responsible for two financial goals, and not less than three and not more than five individual strategic objectives In their roles as management employed by Park Nicollet Health Services, certain managers are eligible for incentive payouts The incentive award will be 15% of their annual base pay compensation with an opportunity for incentive credit above the target level The ultimate payout includes a reduction/increase multiplier depending on whether the consolidated Park Nicollet Health Services organization reached that year's operating margin goal as set by the Board of Directors Incentive payments are a function of both individual and organizational performance The participant must be assigned at least three, and not more than four focused incentive objective, one of which must be financial in nature

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 45-5023260
Name: Park Nicollet Group Return

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
David Abelson MD	(I)	0	0	0	0	0	0	0
	(II)	650,840	294,551	92,336	148,500	56,177	1,242,404	70,698
Steven Connelly MD	(I)	0	0	0	0	0	0	0
	(II)	431,266	163,086	11,101	52,265	48,971	706,689	0
Michael Kaupa	(I)	0	0	0	0	0	0	0
	(II)	429,776	224,172	58,674	68,879	71,581	853,082	47,105
Sheila McMillan	(I)	0	0	0	0	0	0	0
	(II)	388,862	54,982	12,147	48,000	45,913	549,904	0
Paul Dominski	(I)	0	0	0	0	0	0	0
	(II)	328,596	180,560	39,272	25,175	116,759	690,362	0
Roxanna Gapstur PhD	(I)	0	0	0	0	0	0	0
	(II)	221,227	0	7,325	20,250	47,217	296,019	0
Christa Getchell	(I)	0	0	0	0	0	0	0
	(II)	172,981	0	8,672	13,125	8,371	203,149	0
David Homans MD	(I)	0	0	0	0	0	0	0
	(II)	485,365	6,392	10,676	40,441	37,578	580,452	0
Jeffrey B Husband MD	(I)	526,839	24,249	8,633	0	47,479	607,200	0
	(II)	0	0	0	0	0	0	0
Tom Jones MD	(I)	630,325	31,491	34,376	0	30,136	726,328	0
	(II)	0	0	0	0	0	0	0
Charles McCoy MD	(I)	182,907	8,046	4,640	0	26,937	222,530	0
	(II)	0	0	0	0	0	0	0
William Richards MD	(I)	201,183	8,992	75,773	0	29,327	315,275	0
	(II)	0	0	0	0	0	0	0
Janet Schaffer MD	(I)	328,864	9,022	10,948	0	44,421	393,255	0
	(II)	0	0	0	0	0	0	0
Eric Schned MD	(I)	295,500	14,041	48,987	0	40,282	398,810	0
	(II)	0	0	0	0	0	0	0
Janette Strathy MD	(I)	242,907	6,920	34,052	0	33,474	317,353	0
	(II)	0	0	0	0	0	0	0
Mark Wilkowske MD	(I)	473,344	32,868	8,980	0	46,833	562,025	0
	(II)	0	0	0	0	0	0	0
Susan Zwaschka	(I)	0	0	0	0	0	0	0
	(II)	117,360	99,929	339,169	5,561	34,369	596,388	47,651
Mary Johnson	(I)	0	0	0	0	0	0	0
	(II)	161,192	105,629	43,317	0	20,473	330,611	32,193

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
Theodore Wegleitner	(I)	0	0	0	0	0	0	0
	(II)	247,202	59,584	27,034	4,810	49,990	388,620	16,976
Dane Christensen MD	(I)	769,804	43,096	1,075	0	51,166	865,141	0
	(II)	0	0	0	0	0	0	0
Timothy Diegel MD	(I)	627,296	33,320	406,910	0	67,063	1,134,589	0
	(II)	0	0	0	0	0	0	0
Darin Epstein MD	(I)	878,782	36,706	1,065	0	52,653	969,206	0
	(II)	0	0	0	0	0	0	0
Steven Rakes MD	(I)	784,627	38,811	4,308	0	51,365	879,111	0
	(II)	0	0	0	0	0	0	0
Anton Willerscheidt MD	(I)	768,324	34,143	4,285	0	67,561	874,313	0
	(II)	0	0	0	0	0	0	0
Kathryn D Kallas	(I)	0	0	0	0	0	0	0
	(II)	68,383	125,336	287,904	29,713	29,347	540,683	30,600

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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
Park Nicollet Group Return

Employer identification number
45-5023260

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV **Business Transactions Involving Interested Persons.**

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Shannon Neale MD	William Richards, MD Family Member	178,230	Employment Shannon Neale is a Medical Doctor employed by Park Nicollet Clinic	Yes	
(2) RJM Construction	James Pohlad owner	5,641,005	Construction RJM Construction performed construction services for Park Nicollet Clinic		No
(3) Gregg Strathy MD	Jannette Strathy, MD Family Member	233,975	Employment Gregg Strathy, MD is a Medical Doctor employed by Park Nicollet Clinic	Yes	

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
Park Nicollet Group Return

Employer identification number
45-5023260

Identifier	Return Reference	Explanation
List of Subordinate Organizations Names, Addresses and EINs	Page 1, Line H(a)	Park Nicollet Methodist Hospital 41-0132080 6500 Excelsior Blvd, St Louis Park, MN 55426 Park Nicollet Institute 41-0961862 3800 Park Nicollet Blvd St Louis Park, MN 55416 Park Nicollet Health Care Products 01-0638901 3800 Park Nicollet Blvd St Louis Park, MN 55416 Park Nicollet Clinic 41-0834920 3800 Park Nicollet Blvd St Louis Park, MN 55416 PNMC Holdings 41-1741792 3800 Park Nicollet Blvd St Louis Park, MN 55416

Identifier	Return Reference	Explanation
	Form 990, Part IV, Line 24A	Park Nicollet Health Services, along with related organizations, is jointly liable for the tax exempt bonds held by Park Nicollet Health Services under a master trust agreement The members of the jointly liable group, which is collectively referred to as the "Obligated Group", include Park Nicollet Clinic, Park Nicollet Methodist Hospital, PNMC Holdings, Park Nicollet Institute, and Park Nicollet Health Care Products In accordance with reporting requirements for Schedule K, all outstanding tax exempt bonds are reported solely on the Schedule K of Park Nicollet Health Services Part V, Line 3a Park Nicollet Health Care Products has unrelated business gross income over $1,000

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 2	Park Nicollet Health Services and its related entities have a common board The following officers, Board Members and key employees are employees of and paid by Park Nicollet Health Services or its related organizations These employees serve together on the common board which serves Park Nicollet Health Services and its related entities David Abelson, MD Steven Connelly, MD Paul Dominski Roxanna Gapstur, PhD Christa Getchell David Homans, MD Jeffrey B, Husband, MD Tom Jones, MD Michael Kaupa Charles McCoy, MD Sheila McMillan William Richards, MD Janet Schaffer, MD Janette Strathy, MD Katherine Tarvestad Mark Wilkowske, MD Susan Zwaschka

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 6	Park Nicollet Health Services is the sole member of Park Nicollet Methodist Hospital, Park Nicollet Clinic, Park Nicollet Institute and Park Nicollet Health Care Products Park Nicollet Clinic is the sole member of PNMC Holdings

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 7a	The Board of Directors of Park Nicollet Methodist Hospital, Park Nicollet Clinic, Park Nicollet Institute, PNMC Holdings and Park Nicollet Health Care Products are those individuals who are contemporaneously members of the Board of Directors of Park Nicollet Health Services

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 7b	All decisions, including dissolution of the organization, made by the governing body of Park Nicollet Methodist Hospital, Park Nicollet Clinic, Park Nicollet Institute, PNMC Holdings and Park Nicollet Health Care Products are subject to the approval of the Board of Directors of Park Nicollet Health Services However, the Board of Directors of Park Nicollet Methodist Hospital, Park Nicollet Clinic, Park Nicollet Institute, PNMC Holdings and Park Nicollet Health Care Products are those individuals who are contemporaneously members of the Board of Directors of Park Nicollet Health Services

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 11	The Form 990 filed on behalf of the subordinate organizations (Park Nicollet Methodist Hospital, Park Nicollet Clinic, Park Nicollet Institute, PNMC Holdings and Park Nicollet Health Care Products) is prepared within the finance department at Park Nicollet Health Services with assistance from individuals in human resources, marketing, and operations Upon completion of gathering the necessary information for the return, the form was compiled by the Park Nicollet accounting firm Drafts of the form were reviewed by the Assistant Controller - Accounting Operations, Vice President of Finance, Chief Financial Officer, and the Audit and Compliance Committee After all internal reviews were complete, the final version of the Form 990 was given to each member of the Board of Directors for approval prior to filing the return

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 12c	At Park Nicollet Health Services all key employees, directors, and officers are asked to complete a conflict of interest disclosure statement each year, however the obligation to report conflicts is ongoing The Governance Committee, which meets five times per year, reviews all potential conflict disclosures and discusses the impact on the organization If a potential conflict arises during the year, it is disclosed and reviewed by the Governance Committee The Governance Committee presents the disclosure information and makes recommendations to the Board of Directors regarding management of any conflicts identified When a transaction involving a potential conflict of interest is identified, the Board of Directors may appoint a disinterested individual or committee to review that conflict and ensure discussions related to those transactions can occur separately from those individuals with potential conflicts All significant transactions include an analysis of fair market value

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15	The Board of Directors of Park Nicollet Methodist Hospital, Park Nicollet Clinic, Park Nicollet Institute, PNMC Holdings and Park Nicollet Health Care Products are those individuals who are contemporaneously members of the Board of Directors of Park Nicollet Health Services The Park Nicollet Health Services' Board of Directors is responsible for the implementation and oversight of executive compensation and benefit plans for Park Nicollet Park Nicollet uses an outside consultant to provide yearly market based indexes of salary adjustments for executives in similar leadership positions The Board of Directors reviews the salary ranges and recommends salary increases for each executive, including the CEO, based upon the Board of Directors' evaluation of job performance and experience level of the individual within the organization The average salary increases for all Park Nicollet executives cannot exceed the average market salary increase reported for executives by the consultant The compensation committee then reviews and approves compensation adjustments based on the information provided by the outside consultants and the Board of Directors' recommendations For certain physicians, the majority of pay disclosed is for his/her work as a physician for Park Nicollet A small stipend is added for serving on the Board of Directors The following is a description of how pay for physicians' patient care work is determined The Park Nicollet Health Services' Board of Directors is responsible for the implementation and oversight of the physician compensation and benefit plans for Park Nicollet The Board of Directors delegates the day-to-day administration of the physician compensation plan to the Clinical Board of Governors and the Physician Compensation and Benefits Subcommittee The purpose of the Physician Compensation and Benefits Subcommittee is to oversee physician and other clinician compensation and benefits plans and administration within the budget to ensure fairness and alignment with Park Nicollet Health Services' goals The responsibilities of this committee include Recommending of compensation policies and plan designs for physicians to the clinical board and Board of Directors, Overseeing compensation plan operation and payments to clinical departments, Evaluating compensation plan for performance on a periodic basis, Serving as final appeal process for issues unresolved by individuals, department chairs and chiefs of services Annually, information on each physician's pay and productivity is graphed against the survey results for the same year This information is presented to the compensation committee of the Park Nicollet Health Services Board of Directors for review Park Nicollet Health Services' physician pay program is designed to ensure market based pay for market based productivity standards The market is determined by the American Medical Group Association (AMGA) national physician compensation survey data, which provides market data for both compensation and productivity When appropriate, the Clinic Compensation and Benefit Subcommittee grants adjustments to these guidelines with evidence of local market data

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section C, line 19	Park Nicollet Group members' governing documents, conflict of interest policy and financial statements are available to the public upon request Park Nicollet Health Services, as the parent organization of the Park Nicollet Methodist Hospital, Park Nicollet Clinic, Park Nicollet Institute, PNMC Holdings and Park Nicollet Health Care Products, mails its consolidated audited financial statements to financial institutions, governmental institutions, board members, media representatives, vendors, and the Minnesota Hospital Association (MHA) Park Nicollet Health Services discloses quarterly consolidated financial statements to bondholders and MHA The annual consolidated audited and quarterly financial statements are also posted at emma msrb org The Forms 990 are available upon request or from the state of Minnesota or at Guidestar org Form 990, Part VII Certain board members for Park Nicollet Group also provide services as employees to Park Nicollet Health Services and its subsidiaries Hours worked are estimates and are not tracked on an entity by entity basis Therefore, these officers, directors, and key employees' hours reported on Form 990, Part VII represent aggregate hours worked per week for all Park Nicollet Health Services entities Community board members hours reported on Form 990, Part VII are an estimate and are not tracked on an entity by entity basis Therefore, these directors hours reported on Form 990, Part VII represent aggregate hours of service provided per week for all Park Nicollet Health Services entities

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Net unrealized losses on investments -10,858,332 Net Assets Released from Restrictions -70,447 Total to Form 990, Part XI, Line 5 -10,928,779

Identifier	Return Reference	Explanation
	Form 990, Part XII, Line 2C	Neither the oversight process for the audit nor the auditor selection process for Park Nicollet Health Services and affiliates' financial statements have changed during the tax year

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Park Nicollet Group Return

Employer identification number
45-5023260

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) Park Nicollet Health Services 6500 Excelsior Blvd St Louis Park, MN 55426 36-3465840	Health Care Administration	MN	501(c)(3)	11 Type III			No
(2) Park Nicollet Foundation 6500 Excelsior Blvd St Louis Park, MN 55426 23-7346465	Grants to Serve the Community	MN	501(c)(3)	7	Park Nicollet Health Services	Yes	
(3) TRIA Orthopaedic Center Research Institute 8100 Northland Drive Bloomington, MN 55431 20-0033919	Health Care Research and Education	MN	501(c)(3)	11 Type I	Park Nicollet Health Services	Yes	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) Methodist Brain Lab Leasing LLC 6500 Excelsior Blvd St Louis Park, MN 55426 20-8725994	Health Care	MN	Park Nicollet Methodist Hospital	Related	290,552	70,370		No		Yes		60 000 %
(2) Park Nicollet Health Services Investment Partnership 6500 Excelsior Blvd St Louis Park, MN 55426 41-1675033	Investment	MN	Park Nicollet Methodist Hospital	Investment	16,428,822			No		Yes		92 500 %

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) Park Nicollet Enterprises 6500 Excelsior Blvd St Louis Park, MN 55426 41-1656735	Real Estate for Related Organization	MN	Park Nicollet Health Services	C			

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

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

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

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

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

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
				Yes	No			Yes	No		Yes	No	

Schedule R (Form 990) 2011

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation	

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 45-5023260
Name: Park Nicollet Group Return

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(1) Park Nicollet Enterprises	K	166,577	Cost
(2) Park Nicollet Health Services	K	1,916,325	Cost
(3) Park Nicollet Health Services	P	20,769,628	Cost
(4) Park Nicollet Health Services	R	23,335,177	Cost
(5) Park Nicollet Health Services	Q	94,955	Cost
(6) Methodist Brain Lab Leasing LLC	J	800,854	Cost
(7) Methodist Brain Lab Leasing LLC	R	804,472	Cost
(8) Park Nicollet Foundation	C	2,149,214	Cost
(9) Park Nicollet Foundation	B	117,777	Cost
(10) TRIA Orthopaedic Research Institute	N	212,021	Cost

Park Nicollet Health Services and Controlled Affiliates

Consolidated Financial Statements as of and for the Years Ended December 31, 2011, 2010, and 2009, Consolidating Supplemental Schedules as of and for the Year Ended December 31, 2011, and Independent Auditors' Report

PARK NICOLLET HEALTH SERVICES AND CONTROLLED AFFILIATES

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Deloitte

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Park Nicollet Health Services
St Louis Park, Minnesota

We have audited the accompanying consolidated balance sheets of Park Nicollet Health Services and Controlled Affiliates (PNHS) as of December 31, 2011, 2010, and 2009, 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 PNHS' 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PNHS' internal control over financial reporting Accordingly, we express no such opinion An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation We believe that our audits provide a reasonable basis for our opinion

In our opinion, such consolidated financial statements referred to above present fairly, in all material respects, the financial position of PNHS as of December 31, 2011, 2010, and 2009 and the results of its operations, changes in its net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole The 2011 consolidating schedules as listed in the foregoing table of contents are presented for the purpose of additional analysis of the basic consolidated financial statements rather than to present the financial position and results of operations of the individual companies, and are not a required part of the basic consolidated financial statements The schedules are the responsibility of PNHS' management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements Such schedules have been subjected to the auditing procedures applied in our audit of the 2011 basic consolidated financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the basic 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, such schedules are fairly stated in all material respects in relation to the 2011 basic consolidated financial statements taken as a whole

Deloitte + Touche LLP

March 16, 2012

PARK NICOLLET HEALTH SERVICES AND CONTROLLED AFFILIATES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2011, 2010, AND 2009
(In thousands)

	2011	2010	2009
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 75,874	$ 116,700	$ 84,076
Patient accounts receivable — net of allowances for uncollectible accounts of $14,451, $9,727, and $9,994 in 2011, 2010, and 2009, respectively	132,991	109,782	118,049
Investments — limited as to use (Note 3)	15,428	15,431	12,820
Due from third-party payers	14,137	4,414	1,353
Other current assets	28,759	28,326	24,662
Total current assets	267,189	274,653	240,960
INVESTMENTS (Note 3)	305,499	277,834	238,544
INVESTMENTS — Limited as to use (Note 3)	58,915	59,875	65,821
SECURITIES LENDING — Collateral (Note 3)	34,592	42,370	31,062
LAND, BUILDINGS, AND EQUIPMENT — Net (Note 4)	366,269	369,603	372,184
OTHER ASSETS (Note 5)	46,709	47,057	51,432
TOTAL	$ 1,079,173	$ 1,071,392	$ 1,000,003
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	$ 67,547	$ 64,620	$ 62,711
Accrued compensation and related benefits	74,959	71,893	63,869
Current maturities of long-term debt (Note 8)	12,730	12,529	17,599
Accrued interest payable	10,878	11,086	5,966
Total current liabilities	166,114	160,128	150,145
LONG-TERM DEBT — Excluding current maturities (Note 8)	392,363	405,248	418,070
OBLIGATION UNDER SECURITIES LENDING AGREEMENT (Note 3)	34,745	42,568	31,320
OTHER LIABILITIES (Note 6)	29,511	25,999	24,535
Total liabilities	622,733	633,943	624,070
COMMITMENTS AND CONTINGENCIES (Notes 4, 8, 11, 12, and 15)			
NET ASSETS			
Unrestricted	434,732	414,002	352,157
Temporarily restricted	10,971	12,773	13,197
Permanently restricted	10,737	10,674	10,579
Total net assets	456,440	437,449	375,933
TOTAL	$ 1,079,173	$ 1,071,392	$ 1,000,003

See notes to consolidated financial statements

PARK NICOLLET HEALTH SERVICES AND CONTROLLED AFFILIATES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010, AND 2009
(In thousands)

	2011	2010	2009
OPERATING REVENUES			
Patient service revenue — net	$ 1,100,775	$ 1,078,083	$ 1,057,015
Medical retailing revenue	61,939	60,580	60,867
Grants and contracts revenue	13,198	11,828	11,455
Earnings on funds held by trustee under bond indenture agreement and other investments	10,613	10,739	10,103
Other revenue	18,921	15,333	19,338
Total operating revenues	1,205,446	1,176,563	1,158,778
OPERATING EXPENSES			
Salaries, wages, and employee benefits	706,827	686,000	672,280
Supplies and services	316,017	298,071	292,214
Depreciation and amortization	48,277	49,447	52,248
Cost of retail goods sold	41,214	39,961	39,299
Interest — net	23,368	23,449	18,887
Provision for uncollectible accounts	27,849	25,753	26,632
Integrated medical record and revenue cycle system implementation	17,375	5,402	5,853
Nonrecurring expenses (Note 18)		1,892	6,965
Total operating expenses	1,180,927	1,129,975	1,114,378
OPERATING INCOME	24,519	46,588	44,400
NONOPERATING (LOSS) INCOME			
Investment (loss) income and other (Note 3)	(7,112)	13,926	15,168
Loss on debt extinguishment			(966)
Minority interest loss	(110)	(135)	(74)
Change in interest rate swap valuation			19,305
Total nonoperating (loss) income — net	(7,222)	13,791	33,433
EXCESS OF REVENUES OVER EXPENSES	17,297	60,379	77,833
NET ASSETS RELEASED FROM RESTRICTIONS FOR ADDITIONS TO LAND, BUILDINGS, AND EQUIPMENT	728	313	9,493
CHANGE IN POSTRETIREMENT OBLIGATION	(277)	(227)	(346)
CHANGE IN NET UNREALIZED APPRECIATION ON INVESTMENTS	2,982	1,380	(191)
INCREASE IN UNRESTRICTED NET ASSETS	20,730	61,845	86,789
UNRESTRICTED NET ASSETS — Beginning of year	414,002	352,157	265,368
UNRESTRICTED NET ASSETS — End of year	$ 434,732	$ 414,002	$ 352,157

See notes to consolidated financial statements

PARK NICOLLET HEALTH SERVICES AND CONTROLLED AFFILIATES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010, AND 2009
(In thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
NET ASSETS — December 31, 2008	$265,368	$23,266	$10,289	$298,923
Excess of revenues over expenses	77,833			77,833
Contributions received		1,958	280	2,238
Net assets released from restrictions for additions to land, buildings, and equipment	9,493	(9,493)		-
Net assets released from restrictions used for operations		(3,538)		(3,538)
Change in beneficial interest (Note 2)		85		85
Change in postretirement obligation	(346)			(346)
Net investment income and realized gains		919	10	929
Change in net unrealized appreciation on investments	(191)			(191)
NET ASSETS — December 31, 2009	352,157	13,197	10,579	375,933
Excess of revenues over expenses	60,379			60,379
Contributions received		1,323	87	1,410
Net assets released from restrictions for additions to land, buildings, and equipment	313	(313)		-
Net assets released from restrictions used for operations		(2,511)		(2,511)
Change in beneficial interest (Note 2)		23		23
Change in postretirement obligation	(227)			(227)
Net investment income and realized gains		1,053	8	1,061
Change in net unrealized appreciation on investments	1,380	1		1,381
NET ASSETS — December 31, 2010	414,002	12,773	10,674	437,449
Excess of revenues over expenses	17,297			17,297
Contributions received		1,243	60	1,303
Net assets released from restrictions for additions to land, buildings, and equipment	728	(728)		-
Net assets released from restrictions used for operations		(1,931)		(1,931)
Change in beneficial interest (Note 2)		50		50
Change in postretirement obligation	(277)			(277)
Net investment income and realized (losses) gains		(367)	2	(365)
Change in net unrealized appreciation on investments	2,982	(69)	1	2,914
NET ASSETS — December 31, 2011	$434,732	$10,971	$10,737	$456,440

See notes to consolidated financial statements

PARK NICOLLET HEALTH SERVICES AND CONTROLLED AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010, AND 2009
(In thousands)

	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	$ 18,991	$ 61,516	$ 77,010
Adjustments to reconcile change in net assets to net cash provided by operating activities			
Depreciation and amortization	48,277	49,447	52,248
Provision for uncollectible accounts	27,849	25,753	26,632
Net unrealized and realized losses (gains) on investments	905	(19,565)	(18,154)
Restricted contributions	(1,303)	(1,410)	(2,238)
Change in interest rate swap valuation			(19,305)
Change in postretirement obligation	277	227	346
Change in beneficial interest	(50)	(23)	(85)
Loss on debt extinguishment			966
Changes in other operating elements			
Patient accounts receivable	(51,058)	(17,221)	(29,901)
Inventories, prepaid expenses, and other assets	(312)	216	(704)
Due from third-party payers	(9,723)	(3,061)	2,931
Accounts payable, accrued expenses, and other liabilities	1,627	29,740	3,897
Total adjustments	16,489	64,103	16,633
Net cash provided by operating activities	35,480	125,619	93,643
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of land, buildings, and equipment	(44,734)	(48,423)	(60,358)
Sales of investments	33,847	34,123	55,424
Purchases of investments	(53,599)	(61,821)	(37,944)
Net cash used in investing activities	(64,486)	(76,121)	(42,878)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from restricted contributions	1,303	1,410	2,238
Proceeds from borrowings of long-term debt			182,728
Payments for termination of interest rate swaps			(17,904)
Payments on long-term debt	(12,684)	(17,892)	(162,306)
Change in miscellaneous financing activities	(439)	(392)	(467)
Net cash (used in) provided by financing activities	(11,820)	(16,874)	4,289
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(40,826)	32,624	55,054
CASH AND CASH EQUIVALENTS — Beginning of year	116,700	84,076	29,022
CASH AND CASH EQUIVALENTS — End of year	$ 75,874	$116,700	$ 84,076
SUPPLEMENTAL CASH FLOW INFORMATION			
Purchase of land, buildings, and equipment in accounts payable	$ 1,830	$ 1,848	$ 3,635
Cash paid for interest	$ 24,859	$ 20,282	$ 20,317

See notes to consolidated financial statements

1. ORGANIZATION AND BASIS OF REPORTING

Organization — Park Nicollet Health Services (PNHS) is the parent company of Park Nicollet Methodist Hospital (the "Hospital"), Park Nicollet Clinic (the "Clinic"), Park Nicollet Foundation (the "Foundation"), Park Nicollet Institute ("PNI"), Park Nicollet Health Care Products ("Products"), Park Nicollet Enterprises ("Enterprises"), and Tria Orthopaedic Center, LLC ("Tria")

PNHS is a not-for-profit corporation incorporated and headquartered in Minnesota PNHS and its controlled affiliates provide care and support to the Minneapolis and surrounding communities through a 426 acute care bed hospital, 586 full-time-equivalent physicians practicing 45 specialties at 18 primary care clinics, 2 ambulatory surgery centers, 11 retail pharmacies, and 8 healthcare product retail stores In addition, Park Nicollet is a one-third owner of St Francis Regional Medical Center in Shakopee, Minnesota

Until December 31, 2010, PNHS was a 66 66% owner in the Tria Orthopaedic Center, LLC, an ambulatory surgery center Two other partners held the remaining 33 34% ownership interest On December 31, 2010, PNHS acquired 100% ownership of Tria Orthopaedic Center, LLC (formerly known as Tria Orthopaedic Center ASC, LLC) Since 2003, PNHS has consolidated Tria into its consolidated financial statements due to its ownership position

The consolidated financial statements are prepared on the accrual basis of accounting and include the accounts of PNHS and its controlled affiliates All intercompany balances and transactions have been eliminated in consolidation

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents — All investments, except those limited as to use, with original maturities of three months or less are considered to be cash equivalents and are carried at cost, which approximates fair value Cash and cash equivalent balances in financial institutions have a potential loss exposure related to amounts exceeding the federally insured limits

Inventories — Inventories consist principally of medical and surgical supplies, pharmaceuticals, and food products, and are stated at the lower of cost (principally using the average-cost method) or market

Bond Discounts and Premiums — Bond discounts and premiums are amortized over the period the obligation is outstanding using the effective interest method

Deferred Debt Issuance Costs — Deferred debt issuance costs are amortized over the period the obligation is outstanding using the effective interest method

Classification of Net Assets — PNHS classifies its assets and liabilities as unrestricted, temporarily restricted, or permanently restricted according to the existence or absence of donor-imposed restrictions on their use Unrestricted net assets represent assets, liabilities, and related revenue and expense transactions arising from patient care and other operating activities upon which there are no donor-

imposed restrictions Where there is no donor restriction for the investment income on temporarily or permanently restricted investments, the investment income is also recorded as unrestricted Temporarily restricted net assets are those whose use by PNHS has been restricted by donors to a specific purpose or time period Permanently restricted net assets have been restricted by donors to be maintained in perpetuity by PNHS The expiration of donor restrictions is recorded in the period in which the restrictions expire

Statements of Operations — Income from operations includes all unrestricted revenue and expenses, including earnings on funds held by trustee under bond indenture agreements and other investments that have been allocated to the support of current activities, the gain (loss) on sale of assets, and income (loss) of investments accounted for under the equity method Nonoperating income (loss) consists of investment income (loss), including realized gains and losses and some unrealized gains and losses, net rental income, losses on debt extinguishment, minority interest gains (losses), and changes in interest rate swap valuations

Patient Service Revenue — PNHS has agreements with third-party payers who provide payments to PNHS for health services provided at amounts different from its established prices Payment arrangements include discounts from charges, carrier fee schedules, outpatient case payments, fixed payments per day, fixed payments per stay, and also include a variety of pay for performance provisions Patient service revenue is recognized as services are provided and is reported at the estimated net realizable amounts from patients, third-party payers, and others

Patient service revenue at established rates less third-party payer contractual adjustments for the years ended December 31, 2011, 2010, and 2009, consisted of the following

	2011	2010	2009
Patient service revenue	$1,681,571	$1,643,868	$1,632,980
Allowances for contractual adjustments	(580,796)	(565,785)	(575,965)
Net patient service revenue	$1,100,775	$1,078,083	$1,057,015

Charity Care — PNHS provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates As PNHS does not pursue collection of amounts determined to qualify as charity care, these amounts are not classified as net patient revenue (See Note 13)

Medical Retailing Revenue — Products sells pharmaceuticals, medical equipment, and supplies to the patients of the Hospital and the Clinic Revenue is recognized upon delivery

Grants and Contracts Revenue — Grants and contracts revenue arise primarily under contractual agreements with government and private entities engaging PNI to conduct research and education These agreements represent exchange transactions between PNI and the grantors and, accordingly, are included in unrestricted net assets Revenues are recognized under these agreements as related services are performed As of December 31, 2011, $15,208 related to grants and contracts entered into and extending through 2021 have not been recognized in the consolidated financial statements, as the related services for these grants and contracts have not yet been performed, nor have any advance payments been received

Other Operating Revenue — Other operating revenue includes cafeteria revenue, parking ramp revenue, assets released from restrictions for operations, and investment in affiliates income Revenue is recognized upon delivery of service Investment in affiliates income is determined using the equity method

Derivative Instruments — Through 2009, PNHS used interest rate swaps to manage the risk associated with changes in the interest rates of its variable rate revenue bonds Changes in swap value were recognized in nonoperating income in the period of change The interest rate swaps held by PNHS were terminated in December 2009

Investments — Investments, with the exception of the investments in the real estate limited liability company (see Note 3), are carried at fair value, which generally equals quoted market price at December 31, 2011, 2010, and 2009 (see Note 9) PNHS accounts for its investments in the real estate limited liability company at fair value by utilizing the equity method and fair value based financial statements provided by the entity Investment income, gains, and losses are recognized in the period in which they occurred and were recorded in the consolidated statements of operations

PNHS has elected the "fair value option," in accordance with authoritative accounting guidance, for certain financial assets For those financial assets, changes in unrealized gains and losses are recorded in investment income within the consolidated statements of operations PNHS continues to elect the fair value option for newly purchased debt and equity securities, except PNHS does not elect the fair value option for certain fixed income securities for which the intent is to hold the securities to maturity For those fixed income securities, changes in unrealized gains and losses are recorded directly as changes to net assets

PNHS invests in various securities, including U S government securities and corporate stocks Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities could occur and such changes could materially affect the value of investments

Pending Investment Settlements Receivable and Payable — Purchases and sales of securities are reflected on a trade-date basis A receivable or payable is recorded for the proceeds to be paid or collected as of the settlement date of the purchase or sale of the security

Securities Lending — PNHS has executed a Securities Lending Agency Agreement with the trustee in which the trustee may engage, acting as agent for PNHS, in authorizing securities lending activities to add incremental investment income to PNHS The trustee requires government securities, letters of credit, and/or cash as collateral for the loans The collateral is shown as an asset (based on fair value) and as a liability of PNHS in the consolidated balance sheets

Contributions — PNHS records contributions upon receipt of an unconditional promise to give, less an allowance for estimated uncollectible amounts Gifts, bequests, and other promises or receipts restricted by donors as to use are recorded as increases to temporarily restricted net assets until used in the manner designated, or as increases to permanently restricted net assets if the principal is restricted in perpetuity PNHS records long-term pledges at a net present value based on an assumed interest rate of 6% for all years presented

Beneficial Interest — PNHS has recorded a beneficial interest in the assets held by the Methodist Hospital Service League and Methodist Hospital Medical Staff for the benefit of PNHS The beneficial interest recorded as of December 31, 2011, 2010, and 2009, is $499, $449, and $426, respectively Any changes in the value of beneficial interests are reflected in the statements of changes in net assets

Tax Status — The Internal Revenue Service has determined that PNHS, the Hospital, the Clinic, the Foundation, PNI, Products, and Holdings have been found to be qualified as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (the "Code"), while Enterprises is subject to

taxation under the Code Tria is a limited liability corporation and, as such, the taxable income or loss is subject to the taxation requirements of its individual owners, however, as of December 31, 2010, PNHS is the sole owner and, therefore, Tria is considered a disregarded entity for tax purposes

Concentration of Risk — PNHS has 20% of its employee population covered under labor contracts Of all employees, 7% are covered under labor contracts that are set to expire in 2012

Use of Estimates — The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements Estimates also affect the reported amounts of revenues and expenses during the reporting period Significant estimated amounts in the consolidated financial statements include accruals for general and professional liability, workers' compensation, employee health and dental insurance, postretirement health care liabilities, third-party payer settlements, contractual allowances, and allowances for uncollectible accounts receivable Ultimate results could differ from those estimates

New Accounting Pronouncements Issued — In May 2011, the Financial Accounting Standards Board (FASB) issued new guidance changing the wording used to describe many of the requirements for measuring fair value and disclosing information about fair value measurements, and clarifies the application of existing fair value measurement requirements The guidance is effective for PNHS in 2012 PNHS does not expect this to have a material impact to its consolidated financial statements

In July 2011, the FASB issued guidance to provide greater transparency about a health care entity's net patient service revenue and the related allowance for doubtful accounts Specifically, this new guidance requires certain health care entities to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts) Additionally, those health care entities are required to provide enhanced disclosures about their policies for recognizing revenue and assessing bad debts The amendments also require disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts This new guidance is effective for PNHS in 2012 PNHS does not expect this guidance to have a material impact on its consolidated financial statements

In December 2011, the FASB issued new guidance requiring an entity to enhance disclosures about offsetting (netting) assets and liabilities and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position This new guidance is effective for PNHS in 2013 PNHS does not expect this guidance to have a material impact on its consolidated financial statements

New Accounting Pronouncements Adopted — In August 2010, the FASB issued new guidance to require the disclosure of charity care to be measured on the cost basis This new guidance was effective for PNHS in 2011 There was no effect on the consolidated financial statements

In August 2010, the FASB issued new guidance to clarify the accounting by health care entities for medical professional liability claims and similar liabilities and their related anticipated insurance recoveries The new guidance was effective for PNHS in 2011 There was no effect on the consolidated financial statements

In September 2011, the FASB issued new guidance to provide greater transparency in financial reporting by requiring additional disclosures about an employer's participation in a multiemployer pension plan The additional disclosures will increase awareness about the commitments that an employer has made to a multiemployer pension plan and the potential future cash flow implications of an employer's participation in plan The new guidance was effective for PNHS in 2011 The appropriate disclosures under this guidance have been included in the notes to the consolidated financial statements

No other new accounting pronouncement issued or effective has had, or is expected to have, a material impact on the consolidated financial statements

3. INVESTMENTS

Investment income from investments and investments limited as to use where donor restriction does not extend to the income is generally recorded as unrestricted nonoperating income, while earnings from restricted investments are recorded as increases in restricted net assets as specified by donors A portion of investment income has been allocated to support current activities and is reported as operating income Investments in marketable securities are carried at fair value Unrealized gains and losses on investments for which the fair value option has been elected are reflected in investment income (loss) and other in the consolidated statements of operations Unrealized gains and losses on investments for which the fair value option was not elected are reflected as a change in net assets The investment in the real estate limited liability company is recorded at fair value by utilizing the equity method and fair value based financial statements provided by the entity

Investments limited as to use include assets held by trustees under provisions of certain bond indentures and assets related to restricted net assets

Board designated investments as of December 31, 2010 and 2009, have been reclassified as investments in the 2011 consolidated financial statements to reflect PNHS's current intent and ability to utilize those assets

Investments at December 31, 2011, 2010, and 2009, were as follows

	2011	2010	2009
Cash and cash equivalents	$ 47,192	$ 40,385	$ 55,581
Certificates of deposit	490		
U S government securities	19,135	18,604	19,411
Fixed income	193,481	163,148	110,414
Common stock	118,248	129,816	108,486
Securities lending — cash collateral	34,592	42,370	31,062
Interest and dividends receivables	1,296	1,187	922
Real estate			22,359
Other			12
Total	$414,434	$395,510	$348,247
Allocated to			
Investments limited as to use — current	$ 15,428	$ 15,431	$ 12,820
Investments	305,499	277,834	238,544
Investments limited as to use			
Held by trustee under bond indenture agreement	38,978	39,080	46,501
Restricted investments	19,937	20,795	19,320
Total noncurrent assets limited as to use	58,915	59,875	65,821
Securities lending — collateral	34,592	42,370	31,062
Total	$414,434	$395,510	$348,247

Securities Lending — Under the Securities Lending Agency Agreement with the trustee, certain PNHS marketable securities totaling $33,839, $41,446, and $30,348 as of December 31, 2011, 2010, and 2009, respectively, are loaned to designated counterparties (borrowers) in exchange for collateral Such arrangements involve risk of loss arising from the potential nonperformance of the borrowers The minimum collateral required is 102% for U S issued securities and 105% for non-U S issued securities of the market value of the securities on loan at the time of initiating the loan On a daily basis, securities on loan are marked to market and collateral levels are adjusted to maintain a minimum of 102% and 105% for the type of securities on loan A third-party agent holds the collateral in custody

Total investment return on the investments summarized above and its classification in the consolidated statements of operations and changes in net assets for the years ended December 31, 2011, 2010, and 2009, were as follows

	2011	2010	2009
Return on investments			
Operating			
Earnings on investments allocated to operations — net	$ 10,248	$ 10,189	$ 10,076
Earnings on funds held by trustee	365	550	27
Nonoperating (loss) income — investment (loss) income	(7,559)	13,118	13,938
Restricted investment (loss) gain and realized (losses) gains	(365)	1,061	929
Change in net unrealized appreciation on investments	2,914	1,381	(191)
Total return on investments	$ 5,603	$ 26,299	$ 24,779

Investment income (loss) and other at December 31, 2011, 2010, and 2009, were as follows

	2011	2010	2009
Investment (loss) income and other			
Investment (loss) income	$ (7,559)	$ 13,118	$ 13,938
Net rental income	447	808	1,230
Total investment (loss) income and other	$ (7,112)	$ 13,926	$ 15,168

Included within investment income (loss) are investment management fees of $687, $792, and $1,182 for 2011, 2010, and 2009, respectively

4. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment are stated at cost when purchased, or at estimated fair market value on the date of receipt, if donated Replacements, maintenance, and repairs that do not improve or extend the life of the asset are expensed as incurred Capitalized software consists primarily of capitalizable costs associated with various software systems, including PNHS's integrated medical record and revenue cycle system Costs are capitalized in accordance with applicable guidance Land improvements, buildings, equipment, and software are depreciated on a straight-line basis over their estimated useful lives as follows

Land improvements	10 years
Buildings and improvements	10–30 years
Equipment and capitalized software	3–7 years

Land, buildings, and equipment at December 31, 2011, 2010, and 2009, consisted of the following

	2011	2010	2009
Land and improvements	$ 34,474	$ 34,090	$ 33,202
Buildings and improvements	526,762	516,590	504,571
Equipment and capitalized software	446,190	377,661	383,010
Construction in progress	4,138	45,131	37,656
Total land, buildings, and equipment	1,011,564	973,472	958,439
Accumulated depreciation	(645,295)	(603,869)	(586,255)
Land, buildings, and equipment — net	$ 366,269	$ 369,603	$ 372,184

PNHS had depreciation expense of $48,050, $49,217, and $52,049 in 2011, 2010, and 2009, respectively

PNHS capitalized $1,109, $1,729, and $2,085 of interest in 2011, 2010, and 2009, respectively, of which $3, $1,565, and $1,541, is included in construction in progress at December 31, 2011, 2010, and 2009, respectively

Buildings and improvements financed under capital leases were $23,228 at December 31, 2011, 2010, and 2009, net of accumulated depreciation of $8,323, $7,162, and $6,001, respectively

Contracts of approximately $17,616 exist for the construction of various modernization projects and implementation of various technological systems At December 31, 2011, the remaining commitment on these contracts was approximately $2,353, of which $2,269 will be capitalized

5. OTHER ASSETS

Other assets at December 31, 2011, 2010, and 2009, consisted of the following

	2011	2010	2009
Investments in unconsolidated affiliates (Note 12)			
St Francis	$ 26,866	$ 26,396	$ 22,765
Tri-Care, Inc	5,516	5,638	7,199
Other	8,109	8,255	11,289
Cash surrender value of life insurance policies and deferred compensation	3,176	3,499	6,846
Debt issuance costs — net of accumulated amortization of $738, $576, and $343 in 2011, 2010, and 2009, respectively	3,042	3,269	3,333
Total	$ 46,709	$ 47,057	$ 51,432

6. OTHER LIABILITIES

Other liabilities at December 31, 2011, 2010, and 2009, consisted of the following

	2011	2010	2009
Professional liability claims — net of current portion (Note 15)	$17,018	$16,157	$15,292
Postretirement obligation — net of current portion (Note 11)	2,645	2,357	2,167
Deferred compensation liability	2,388	2,472	2,323
Asset retirement obligation	1,448	1,479	1,517
Deferred revenue	3,500		
Other liabilities	2,512	3,534	3,236
Total	$29,511	$25,999	$24,535

7. PATIENT ACCOUNTS RECEIVABLE

PNHS has entered into payment arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations Additionally, PNHS provides care, under various government programs, to Medicare, Medicaid, MinnesotaCare, and workers' compensation beneficiaries

The mix of net receivables from patients and third-party payers at December 31, 2011, 2010, and 2009, was as follows

	2011	2010	2009
Patient responsibility	22 %	25 %	23 %
Medicare	19	19	20
Blue Cross and Blue Shield	18	17	17
Medica	16	16	14
HealthPartners	11	10	14
Medicaid and MinnesotaCare	5	5	5
PreferredOne	3	3	3
Other	6	5	4
Total	100 %	100 %	100 %

8. LONG-TERM DEBT AND CREDIT ARRANGEMENTS

Long-term debt at December 31, 2011, 2010, and 2009, consisted of the following

	2011	2010	2009
Health Care Facilities Revenue Bonds			
Series 2009 (a)	$188,340	$188,340	$188,340
Series 2008C (b)	196,775	205,450	213,800
Capital lease obligations (c)	21,287	22,226	23,081
Tria term commitment note (d)			5,664
Medical record and revenue cycle system (e)	1,930	4,133	6,218
Meadowbrook note (f)	1,985	2,698	3,344
Bond discount	(6,644)	(7,038)	(7,431)
Bond premium	1,420	1,968	2,653
	405,093	417,777	435,669
Current maturities	(12,730)	(12,529)	(17,599)
Long-term portion	$392,363	$405,248	$418,070

a In December 2009, the City of St Louis Park, Minnesota (the "City") loaned the proceeds of the series 2009 bonds to the PNHS Obligated Group, consisting of PNHS, the Hospital, the Clinic, PNI, Products, and Holdings (collectively, the "Obligated Group") Proceeds were used to refund the series 2008A and series 2008B PNHS Obligated Group bonds Principal payments are due annually in varying amounts beginning in 2024 and running through 2039 The series 2009 bonds ($188,340) are uninsured and were issued at fixed rates ranging from 5 50% to 5 75%

b In August 2008, the City loaned the proceeds of the series 2008C bonds to the Obligated Group Proceeds were used to refund the series 2003A PNHS Obligated Group bonds Principal payments are due annually in varying amounts through 2030 The series 2008C bonds ($221,850) are uninsured and were issued at fixed rates ranging from 5 50% to 5 75%

c In 2004, Enterprises entered into a lease with 494 France Partnership, LLC for the Tria building The lease term continues through January 2025 The Clinic also has another building capital lease that continues through January 2031

d In 2004, Tria entered into a term commitment note, the proceeds of which were used for capital expenditures Borrowings totaled $29,383 at fixed interest rates ranging from 5 89% to 6 098% Interest was paid monthly Principal was paid quarterly through October 1, 2010 Final payment on the note was made October 1, 2010

e In May 2008, PNHS entered into an agreement to purchase a new electronic medical record and revenue cycle system The terms of the agreement resulted in an obligation of approximately $9 5 million and is to be paid ratably over 54 months

f In 1989, PNHS entered into a note obligation, the proceeds of which were used to construct the Meadowbrook building The Meadowbrook obligation provides for installments through June 2014 at an interest rate of 10 5%

Under terms of certain of the bond indenture agreements, the Obligated Group is required to maintain certain deposits with a trustee Under terms of the master indenture agreement, the Obligated Group has granted bondholders a security interest in the gross revenues of the Obligated Group The Obligated Group has also mortgaged and pledged certain real and personal property as security for the obligations under the series 2009 and series 2008C bonds At December 31, 2011, the Obligated Group was in compliance with all covenants

The Obligated Group consists of PNHS, the Hospital, Holdings, PNI, and Products, each a Minnesota not-for-profit corporation, and the Clinic, a Minnesota not-for-profit association

Scheduled maturities of debt, excluding capital leases and bond discount/premium, at December 31, 2011, are as follows

Years Ending December 31	
2012	$ 11,722
2013	10,205
2014	10,813
2015	11,350
2016	11,775
Thereafter	333,165
Total	$389,030

Scheduled payments on capital lease obligations at December 31, 2011, are as follows

Years Ending December 31	
2012	$ 2,530
2013	2,530
2014	2,569
2015	2,684
2016	2,707
Thereafter	23,365
	36,385
Less interest component	(15,098)
Total	$ 21,287

During 2011, PNHS entered into a one-year $50 million revolving line-of-credit agreement under the PNHS Master Trust Indenture dated November 1, 2003 The agreement expired on February 6, 2012 No draws were made on the line during the term

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

PNHS holds certain financial instruments that are required to be measured at fair value on a recurring basis Accounting guidance establishes a framework for measuring fair value, and provides for disclosures about fair value measurements The valuation techniques used to measure fair value under

the accounting guidance are based upon observable and unobservable inputs The guidance establishes a three-level valuation hierarchy for disclosure of fair value measurements The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date The three levels are defined as follows

Level 1 — Inputs represent unadjusted quoted prices for identical assets or liabilities exchanged in active markets

PNHS' Level 1 assets consist of cash equivalents, certificates of deposit, government securities, and common stock The fair value of these investments are based on quoted prices

Level 2 — Inputs include directly or indirectly observable inputs other than Level 1 inputs, such as quoted prices for similar assets or liabilities in active or inactive markets, quoted prices for identical assets or liabilities in inactive markets, and other inputs that are observable or can be corroborated by observable market data by correlation or other means

PNHS' Level 2 assets consist of money market funds, government securities, government-sponsored agency securities, fixed income securities, and securities lending collateral Fair market values for these assets are based on quoted vendor prices and broker pricing where all significant inputs are observable

Level 3 — Unobservable inputs used in the measurement of assets and liabilities that are supported by little or no market activity and that are significant to the measurement of the fair value of the assets or liabilities Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies, or similar valuation techniques, as well as significant management judgment or estimation

PNHS' Level 3 assets primarily include government-sponsored agency securities and an investment in a real estate limited liability company Fair market values for government-sponsored agency securities are based on pricing models and discounted cash flow methodologies The fair market value of the real estate limited liability company is based on PNHS' ownership interest in the net asset value of the real estate limited liability company Investments held by the real estate limited liability company consist of marketable securities, as well as investments that do not have readily determinable fair values The fair values of the investments that do not have readily determinable fair values are determined by the limited liability company and are based on historical cost, appraisals, or other estimate that require varying degrees of judgment

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement There have been no changes in the valuation methodologies at December 31, 2011, 2010, and 2009

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values Furthermore, while PNHS believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date

Financial assets and liabilities measured at fair value on a recurring basis, by type of inputs applicable to the fair value measurements, at December 31, 2011, were as follows

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Investments			
Cash equivalents — money market funds	$ 41,081	$ 6,111	$ 47,192
Certificates of deposit	490		490
U S government securities	19,135		19,135
Fixed income			
Bond mutual fund		48,229	48,229
U S government-sponsored enterprises		145,252	145,252
Common stock			
Small cap	28,994		28,994
Mid cap	29,632		29,632
Large cap	31,975		31,975
International	27,647		27,647
Securities lending — cash collateral		34,592	34,592
Interest and dividends receivable	1,296		1,296
Total investments	$180,250	$234,184	$414,434
Other assets — deferred compensation	$ 2,387	$ -	$ 2,387

During 2011, certain level 2 securities were transferred to level 1 based on a re-evaluation of the observable inputs used in the fair value calculation and the amounts reported as transfers represent fair value as of the end of the reporting period

Financial assets and liabilities measured at fair value on a recurring basis, by type of inputs applicable to the fair value measurements, at December 31, 2010, were as follows

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Investments			
Cash equivalents — money market funds	$ 110	$ 40,275	$ 40,385
U S government securities	18,604		18,604
Fixed income			
Bond mutual fund		49,385	49,385
U S government-sponsored enterprises		113,763	113,763
Common stock			
Small cap	32,331		32,331
Mid cap	32,154		32,154
Large cap	36,034		36,034
International	29,297		29,297
Securities lending — cash collateral		42,370	42,370
Interest and dividends receivable	1,187		1,187
Total investments	$149,717	$245,793	$395,510
Other assets — deferred compensation	$ 2,472	$ -	$ 2,472

Financial assets and liabilities measured at fair value on a recurring basis, by type of inputs applicable to the fair value measurements, at December 31, 2009, were as follows

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments				
Cash equivalents — money market funds	$ 99	$ 55,482	$ -	$ 55,581
U S government securities	17,739	1,672		19,411
U S government-sponsored enterprises		79,796	429	80,225
Fixed income		30,189		30,189
Common stock	108,486			108,486
Securities lending — cash collateral		31,062		31,062
Interest and dividends receivable	922			922
Investment in a real estate limited liability company			22,359	22,359
Other			12	12
Total	$ 127,246	$ 198,201	$ 22,800	$ 348,247
Other assets — deferred compensation	$ 2,323	$ -	$ -	$ 2,323

A rollforward of assets measured at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) for the years ended December 31, 2010, and 2009, are summarized in the following table (in thousands)

	2010	2009
Beginning balance	$ 22,800	$ 32,100
Net gain (loss) realized	304	(7,057)
Purchases, issuances, and settlements	(22,683)	(2,687)
Transfers (from) to Level 3	(421)	444
Ending balance	$ -	$ 22,800

PNHS had no Level 3 investments as of December 31, 2010 or during the year ended December 31, 2011

Long-Term Debt — The fair value of the long-term debt is estimated using discounted cash flow analysis, based on PNHS' current incremental borrowing rates for similar types of borrowing arrangements

The estimated fair value of long-term debt at December 31, 2011, 2010, and 2009, is summarized as follows

	2011		2010		2009	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt	$405,093	$449,076	$417,777	$418,634	$435,669	$445,740

The carrying value of financial instruments classified as current assets and current liabilities is a reasonable estimate of their fair value because of their short-term nature

10. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2011, 2010, and 2009, are available for the following purposes

	2011	2010	2009
Patient care services and purchase of equipment	$ 3,784	$ 5,008	$ 5,524
Community service	3,341	3,785	3,726
Health education and research	3,846	3,980	3,947
Total	$10,971	$12,773	$13,197

Net assets released from restrictions used for operations are included in other unrestricted revenue in the consolidated statements of operations Net assets were released from donor restrictions by incurring expenses or by making capital expenditures at December 31, 2011, 2010, and 2009, satisfying the restricted purposes of the following

	2011	2010	2009
Patient care services and purchase of equipment	$1,058	$1,219	$ 9,224
Community service	904	1,135	1,690
Health education and research	697	470	2,117
Total	$2,659	$2,824	$13,031

The income from permanently restricted net assets at December 31, 2011, 2010, and 2009, are available for the following purposes

	2011	2010	2009
Patient care services and purchase of equipment	$ 3,374	$ 3,336	$ 3,333
Community service	3,020	2,998	2,862
Health education and research	4,343	4,340	4,384
Total	$10,737	$10,674	$10,579

PNHS' endowment consists of 27 individual funds established by donors for a variety of purposes Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions

Interpretation of Relevant Law — The Board of Directors of PNHS has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation 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, PNHS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund

Changes in unrestricted, temporarily restricted, and permanently restricted endowment net assets for the years ended December 31, 2011, 2010, and 2009, are as follows

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets — January 1, 2009	$(887)	$ 1,135	$ 10,289	$ 10,537
Investment return	592	919	10	1,521
Contributions			280	280
Appropriation of endowment assets for expenditure		(79)		(79)
Endowment net assets — December 31, 2009	(295)	1,975	10,579	12,259
Investment return	256	198	8	462
Contributions			87	87
Appropriation of endowment assets for expenditure		(76)		(76)
Endowment net assets — December 31, 2010	(39)	2,097	10,674	12,732
Investment return	27	(360)	3	(330)
Contributions			60	60
Appropriation of endowment assets for expenditure		(281)		(281)
Endowment net assets — December 31, 2011	$ (12)	$ 1,456	$ 10,737	$ 12,181

Funds with Deficiencies — From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires PNHS to retain as a fund of perpetual duration Deficiencies within individual donor-restricted endowment funds that are reported in unrestricted net assets were $12, $39, and $295 as of December 31, 2011, 2010, and 2009, respectively These deficiencies resulted from unfavorable market fluctuations that occurred during 2008 and continued appropriation for certain programs that was deemed prudent by the Board of Directors

Strategy and Return Objectives and Risk Parameters — PNHS has adopted investment and spending policies for endowment assets that attempt to provide a stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is to preserve capital and to provide, at a minimum, an overall absolute return equal to the consumer price index, plus 3 5%, but not less than the cost of capital as measured over either a market cycle or over a moving three-year period PNHS targets a diversified asset allocation that places a greater emphasis on fixed income investments to achieve its long-term return objectives within prudent risk constraints

Spending Policy and How the Investment Objectives Relate to Spending Policy — PNHS has a policy of appropriating each year all available earnings in accordance with donor restrictions The endowment corpus is to be maintained in perpetuity Certain donor-restricted endowments require a portion of annual earnings to be maintained in perpetuity along with the corpus Only amounts exceeding the amounts required to be maintained in perpetuity are expended

11. RETIREMENT AND SAVINGS PLANS

Defined Contribution Pension Plan — All eligible noncontract employees participate in a defined contribution pension plan (the "Contribution Plan") under which PNHS makes contributions of 4 5% of a participant's compensation up to 80% of the social security wage base, and 9 7% of any compensation in excess of 80% of the social security wage base up to a maximum wage base of $245 Contribution Plan expense was $21,703, $21,645, and $20,241 in 2011, 2010, and 2009, respectively

Multiemployer Pension Plans — PNHS contributes to various multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover its union-represented employees The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers
- If PNHS chooses to stop participating in some of its multiemployer plans, PNHS may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability

PNHS's participation in these plans for the annual period ended December 31, 2011, is outlined in the following table Unless otherwise noted, the most recent Pension Protection Act zone status available in 2011, 2010, and 2009 is for the plan's year-end at December 31, 2011, 2010, and 2009, respectively The zone status is based on information that PNHS received from the plan and is certified by the plan's actuary Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are between 65% and 80% funded, and plans in the green zone are at least 80% funded

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status 2011	2010	2009	FIP/RP Status Pending/ Implemented	Contributions For the years ended December 31, 2011	2010	2009		Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
Twin Cities Hospitals — Minnesota Nurses Association	41-6184922	Yellow as of 1/1/2012	Yellow as of 1/1/2011	Yellow as of 1/1/2010	Yes	$5,549	$5,993	$5,785	*	Yes	6/1/2013
Twin Cities Hospital Workers Pension Plan	41-1303906	Green as of 1/1/2012	Green as of 1/1/2011	Green as of 1/1/2010	No	$ 544	$ 530	$ 514		No	3/1/2012

* Contributions amount includes a surcharge of $1,656 imposed during 2009

PNHS was listed in the Plans' Forms 5500 as providing more than 5% of the total contributions for 2011, 2010, and 2009

In addition, PNHS participates in one other multiemployer pension plan Total contributions to this plan were $120, $121, and $123 for years ended December 31, 2011, 2010, and 2009, respectively

During 2009, PNHS withdrew from the multiemployer plan that provides pension benefits to licensed practicing nurses resulting in a withdrawal payment of $1,674

Postretirement Health Care Plans — PNHS extends health insurance coverage to nurses covered by the Minnesota Nurses Association labor contract who elect to retire and begin receiving pension benefits at age 55 or older In addition, health insurance coverage is available to former employees who elected early retirement under two special early retirement programs, until such time as the retiree is eligible for Medicare A defined benefit postretirement health care plan covers certain former employees of the Clinic and PNI who satisfy certain eligibility requirements and are already part of the plan No other employees will be included in this plan

The current and long-term accumulated postretirement benefit obligation as of December 31, 2011, 2010, and 2009, was $2,827, $2,545, and $2,327, respectively, and are reflected in other liabilities and accrued compensation and related benefits in the consolidated balance sheets The postretirement health care benefit plans are unfunded

For measurement purposes, a 4 1%, 5 5%, and 6% discount rate and 7 5%, 8%, and 7 5% annual health care cost increase in 2011, 2010, and 2009, respectively, was assumed Assumed health care cost trend rates at December 31, 2011, 2010, and 2009, are 7 5%, 7 5%, and 8%, respectively Annual expected cash outflows are approximately $182

Savings Plans — In addition to the Defined Contribution Pension Plan, PNHS offers a 401(k) and a 403(b) contributory savings plan covering substantially all employees Discretionarily, PNHS matches a specified percentage of each employee's contribution up to a maximum of 4% of the individual's compensation PNHS' contribution rate is determined based on PNHS income level, as defined, with a minimum matching level of 10% of participants' contributions For 2011 and 2010, PNHS made contributory matches of 51% and 56%, respectively In 2009, the Board of Directors suspended the employee's contributory match Total expense for the savings plans was $7,451, $7,643, and $0 in 2011, 2010, and 2009, respectively

Other Plans — PNHS has other deferred compensation plans for certain executives and physicians PNHS offers its employees a deferred compensation plan created in accordance with applicable provisions of the Internal Revenue Code The plan permits employees to defer a portion of their salary until future years All amounts of compensation deferred under the plan, and all income attributable to those amounts, are (until paid or made available to the employee or other beneficiary) solely the property of PNHS, and PNHS has all the related rights of ownership (not restricted to the payment of benefits under the plan), subject only to the claim of PNHS' general creditors Participants' rights under the plan are equal to those of general creditors of PNHS in an amount equal to the fair market value of the deferred account for each participant The related assets and liabilities are reported at fair market value and are reported as other assets and other liabilities, respectively, in the consolidated balance sheets

12. RELATED PARTIES

PNHS has a one-third ownership interest in St Francis Regional Medical Center ("St Francis") PNHS' ownership interest is accounted for on the equity basis and is included in other assets in the consolidated balance sheets and in other revenue in the consolidated statements of operations In 2011, 2010, and 2009, PNHS received cash equity distributions of $2,700, $1,000, and $1,000, respectively PNHS has also guaranteed one-third of an $8,000 letter of credit that collateralizes the $8,000 City of Shakopee, Minnesota Hospital Facilities Variable Rate Demand Revenue Bonds, series 1987 The guarantee on the letter of credit matures on October 1, 2017 No amounts have been recorded in the consolidated financial statements related to this guarantee PNHS owns 33% of St Francis, and PNHS' proportionate share of income of St Francis was $3,170, $4,631, and $4,554 for the years ended December 31, 2011, 2010, and 2009, respectively, and is included in other revenue in the consolidated statements of operations

Summarized financial information for St Francis at December 31, 2011, 2010, and 2009, is as follows

	2011	2010	2009
Assets	$157,231	$155,127	$146,369
Liabilities	76,930	76,221	78,276
Equity	$ 80,301	$ 78,906	$ 68,093
Revenue	$122,616	$121,916	$122,183
Expenses	113,223	108,069	108,645
Excess of revenues over expenses	$ 9,393	$ 13,847	$ 13,538
PNHS interest in St Francis	$ 26,866	$ 26,396	$ 22,765

Tri-Care, Inc ("Tri-Care"), a Minnesota nonprofit corporation, is jointly owned by PNHS 50% and Allina Health System ("Allina") 50% The purpose of Tri-Care was to purchase and hold land for a joint venture health care delivery site Tri-Care had total assets of $15,823, $15,753, and $18,700, and total liabilities of $4,791, $4,477, and $4,303 as of December 31, 2011, 2010, and 2009, respectively Net loss for the years ended August 31, 2011, 2010, and 2009, was $354, $2,743, and $114, respectively As of December 31, 2011, 2010, and 2009, PNHS' investment in Tri-Care is $5,516, $5,638, and $7,199, respectively PNHS is accounting for Tri-Care on the equity basis and is included in other assets in the consolidated balance sheets

As of January 1, 2011, PNHS began including Tria Research Institute as a controlled affiliate due to its majority board representation At December 31, 2010 and 2009, PNHS carried a related-party receivable from Tria Research Institute in the amount of $2,136 and $1,856, respectively PNHS also recorded an allowance of $2,035 and $1,770, respectively, as of December 31, 2010 and 2009, related to the outstanding receivable As of and for the year ended December 31, 2011, PNHS has eliminated any intercompany transactions Tria Research Institute is a Minnesota not-for-profit organization, which conducts research activities at the Tria building

PNHS has a limited partnership interest in Premier Purchasing Partners, L P ("Premier") Premier provides its limited partners with purchasing discounts for medical supplies and equipment As of December 31, 2011, 2010, and 2009, PNHS' ownership interest was $767, $771, and $678, respectively The investment is accounted for on the cost basis and is included in other assets In 2011, 2010, and 2009, PNHS received cash distributions of partnership earnings of $1,602, $1,350, and $1,434, respectively, and is included in other revenue in the consolidated statements of operations

PNHS has an ownership interest in Health Systems Cooperative Laundries The ownership interest of $1,414, $1,391, and $1,391 in the cooperative in 2011, 2010, and 2009, respectively, is being accounted for on the equity basis and is included in other assets in the consolidated balance sheets

13. COMMUNITY BENEFIT PROGRAMS

PNHS has established various programs to meet the social and health care needs of the communities it serves Among the community service programs and charity care programs sponsored by PNHS are (a) services provided to the uninsured or underinsured and services provided to patients expressing a willingness to pay, but who are determined to be unable to pay because of socioeconomic factors, (b) costs of internally funded medical research, (c) health-related educational programs, such as health enhancements and wellness, (d) classes on specific conditions, (e) unreimbursed costs of medical education, (f) library and resource center services, and (g) costs related to internal and external programs designed to improve the general standards of the health of the community

PNHS also incurs costs in excess of public program payments, including (a) the difference between public program payments (primarily, Medicare, Medicaid, and MinnesotaCare) and the related costs of providing such services, (b) MinnesotaCare tax expense, which is the Minnesota state tax on health care provider revenues to fund programs for the uninsured, and (c) Medicaid surcharge expense, which is the state-mandated surcharge on hospital nongovernment patient revenues to fund programs for indigent patients

PNHS maintains records to identify and monitor the level of community benefit programs it provides These records include management's estimate of the direct and indirect cost of services and supplies furnished for community benefit programs The cost of providing charity care, and public program payment deficits are calculated using the ratio of costs to gross charges A summary of the level of community benefit programs provided during the years ended December 31, 2011, 2010, and 2009, is as follows

	2011	2010	2009
Cost of providing community service	$ 13,319	$ 14,670	$ 16,562
Charity care	12,648	12,747	10,770
Costs in excess of public program payments			
Medicare	63,367	64,561	66,118
Medicaid and MinnesotaCare	34,924	31,036	27,797
MinnesotaCare tax	15,269	14,782	14,200
Medicaid surcharge	4,427	4,024	3,893
Total	$ 143,954	$ 141,820	$ 139,340

14. INCOME TAX

Provisions for income taxes for PNHS taxable affiliates are insignificant due primarily to the net operating loss carryforwards deferred tax asset totaling approximately $16,022 as of December 31, 2011, which expire in varying amounts through 2030 and are available to offset future taxable income PNHS has recorded a valuation allowance, which reduced the deferred tax asset to zero due to uncertainty regarding the realizability of such benefits

PNHS files tax returns for its subsidiaries in the U S federal jurisdiction and the states of Minnesota, California, Illinois, and North Carolina PNHS and its subsidiaries are no longer subject to tax examinations by taxing authorities for the years ended before December 31, 2007

There were no unrecognized tax benefits or liabilities for the years ended December 31, 2011, 2010, and 2009

15. COMMITMENTS AND CONTINGENCIES

Professional Liability Insurance — PNHS, the Hospital, the Clinic, PNI, and Tria are self-insured up to $3,500 per claim and $12,000 annual aggregate self-insured retention (SIR) under a claims-made basis professional liability insurance policy PNHS also has an aggregate excess umbrella coverage limit of $50,000 annually to cover the excess of SIR, as well as the excess of PNHS' other corporate insurance programs PNHS has employed an independent actuary to assist in estimating the ultimate cost and PNHS' exposure, if any, for the settlement of such claims Such amounts are included either in accounts payable and accrued expenses or in other liabilities in the consolidated balance sheets, and in management's opinion, provide an adequate reserve for such loss contingencies The estimated loss contingencies are recorded undiscounted and are $20,018, $18,157, and $17,292 as of December 31, 2011, 2010, and 2009, respectively

Property and Casualty Insurance — PNHS is covered under a commercial insurance policy with limits of $1 billion in 2011, including business interruption for a maximum of up to 365 days

Workers' Compensation Insurance — PNHS and its controlled affiliates are self-insured for workers' compensation and have accrued for all related estimated claims costs In addition, PNHS has purchased excess reinsurance coverage with a self-insurance retention of $900 per occurrence In 2011, 2010, and 2009, PNHS obtained a surety bond totaling $6,845, $6,845, and $6,381, respectively, to fulfill collateral pledges related to its workers' compensation program PNHS has employed an independent actuary to assist in estimating the ultimate cost and PNHS' exposure, if any, of the settlement of such claims The estimated claims to be settled are recorded based on a discount rate of 4% Such amounts are included in accounts payable and accrued expenses in the consolidated balance sheets and, in management's opinion, provide an adequate reserve for such loss contingencies

Operating Leases — Rent expense under both cancelable and noncancelable operating leases was $20,804, $20,174, and $19,424 in 2011, 2010, and 2009, respectively Future minimum rental payments due under noncancelable operating leases at December 31, 2011, are as follows

Years Ending December 31	
2012	$ 12,143
2013	8,785
2014	6,412
2015	4,015
2016	2,942
Thereafter	14,077
Total	$ 48,374

Litigation — PNHS is a defendant in legal proceedings arising in the ordinary course of business Although the outcome of these proceedings cannot presently be determined, in the opinion of management, disposition of these proceedings will not have a material effect on PNHS' consolidated financial position or results of operations

Regulatory Environment — The health care industry is subject to numerous laws and regulations of federal, state, and local governments These laws and regulations include matters, such as reimbursement for patient services, Medicare, and Medicaid fraud and abuse, accreditation, etc Government activity concerning possible fraud and abuse issues involving health care providers has increased with respect to these laws and regulations, violations of which could result in expulsion penalties, as well as significant repayments for patient services previously billed Activity in this area has increased recently, but PNHS at this time is not the subject of any material active investigations or initiatives PNHS utilizes a corporate compliance program to address possible compliance issues, and management believes that PNHS is in material compliance with fraud and abuse, as well as other applicable government laws and regulations

16. FUNCTIONAL EXPENSES

PNHS provides general health care services to residents within its geographic location Expenses related to providing these services at December 31, 2011, 2010, and 2009, are as follows

	2011	2010	2009
Health care services	$1,030,426	$ 988,036	$ 964,399
General and administrative	149,912	141,326	149,142
Fundraising	589	613	837
Total	$1,180,927	$1,129,975	$1,114,378

17. CONTRIBUTIONS

The Foundation has unconditional pledges receivable at December 31, 2011, 2010, and 2009, as follows

	2011	2010	2009
Due within one year	$ 486	$ 1,257	$ 2,214
Due within one to five years	307	559	1,858
More than five years			1
Total	793	1,816	4,073
Less unamortized discount	(34)	(52)	(180)
Less allowance for uncollectible accounts	(47)	(122)	(122)
Pledges receivable	$ 712	$ 1,642	$ 3,771

These contributions are currently reported as either temporarily restricted or permanently restricted contributions based on either a time restriction or donor intent

18. NONRECURRING EXPENSES

In 2010, PNHS incurred $1,892 in costs related to a one-day strike by the Minnesota Nursing Association nurses at the Hospital and an additional strike notice

In 2009, the PNHS board of directors approved a plan to eliminate 960 positions, through layoffs and eliminating open positions and closed three clinic sites due to consolidation with other nearby sites

19. SUBSEQUENT EVENTS

PNHS has evaluated subsequent events through March 16, 2012, which is the date the consolidated financial statements were issued PNHS determined there were no additional material subsequent events requiring recognition or disclosure in the consolidated financial statements except for the above

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