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

ST. LUKE'S THE WOODLANDS HOSPITAL, SERVING ALL GOD'S CHILDREN AS THE HEALTH MINISTRY OF THE EPISCOPAL DIOCESE OF TEXAS, SEEKS TO RAISE THE QUALITY OF LIFE BY ENHANCING COMMUNITY HEALTH THROUGH THE DELIVERY OF SUPERIOR VALUE HEALTH SERVICES. IN PARTNERSHIP WITH OUR MEDICAL STAFF, WE ARE DEDICATED TO EXCELLENCE AND COMPASSION IN CARING FOR THE WHOLE PERSON - MIND, BODY, AND SPIRIT. WE ARE ALSO COMMITTED TO THE GROWTH AND DEVELOPMENT OF OUR EMPLOYEES, AND TO SECURING THE HEALTH OF FUTURE GENERATIONS BY CREATING, APPLYING, AND DISSEMINATING HEALTH KNOWLEDGE THROUGH EDUCATION AND RESEARCH.

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

If "Yes," describe these changes on Schedule O


















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| 4a | (Code) (Expenses \$ 113,260,481 including grants of \$ 487,166) (Revenue \$ 159,809,122) |
| | <p>STATS Admissions 8,866 Emergency Room Visits 32,903 Surgeries 4,820 Births 1,853 Outpatient Visits 26,849 When SLEHS decided in 2003 to offer comprehensive care beyond the Texas Medical Center, The Woodlands community was chosen. Research showed that residents were leaving the community, many driving to Texas Medical Center facilities for health services, while expressing a strong preference for quality care closer to home. SLWH provides family-centered medical care and is the only hospital in Montgomery County to have affiliations with the Texas Heart Institute, Texas Children's Hospital and The University of Texas MD Anderson Cancer Center ranked in the top ten of their specialties by U S News and World Report -all on one 64-acre medical campus. SLWH was named one of the top 25 Regional Hospitals in the Houston metro ranking by U S News & World Report. SLWH achieved accreditation as a Primary Stroke Center by DNV Healthcare as a result of its quality and competency in providing the highest level of immediate stroke emergency care. SLWH treated its first patient with the newly-acquired Gamma Knife Perfection technology. As an alternative to traditional brain surgery, Gamma Knife surgery is a well-established treatment method known as stereotactic radiosurgery, which delivers high doses of radiation to targeted areas of the brain, thereby minimizing exposure to healthy brain tissue. SLWH is the only hospital in North Harris and Montgomery County to offer the Gamma Knife technology to the local community. SLWH continued its master plan expansion with Patient Tower fourth floor build-out, adding 30 med/surg beds with telemetry capability, bringing the total to 184-more than doubling the capacity since the hospital's opening in 2003. The 21,800-square-foot addition is expected to be completed in May 2012. Construction commencing on an additional Medical Office Building on the SLWH campus. Construction of the North Garage was completed in May. The South Garage construction has begun with expected completion by mid-2012. Nine students were paired with physicians at SLWH and St. Luke's Lakeside Hospital through the Medical Mentorship program to develop future healthcare professionals. The four-week program was designed to give high school juniors and seniors, as well as college undergraduates, the opportunity to directly experience day-to-day activities in a hospital environment with a mentor physician. SLWH hosted a community educational lecture series including "Food for the Brain" for National Stroke Awareness Month and "Coffee with the Cardiologist" covering various heart topics, ranging from hypertension to heart disease in women. SLWH and SLH volunteers were honored in April at the annual Auxiliary Awards Luncheon that recognized the more than 29,000 service hours donated by volunteers at both hospitals in 2010, valued at \$600,000. Eighty-four SLWH volunteers also were recognized for reaching milestones in their hours of service. Human Performance TEKTONIC Athletic Development & Rehabilitation, a department of SLWH, provides technologically and clinically advanced physical rehabilitation in a human performance testing and training facility with specialization in sports medicine and performance training. TEKTONIC services include physical therapy, work injury rehabilitation, human performance and physical fitness testing via a human performance lab, sports performance training, nutrition counseling, strength training, and cardiac endurance conditioning. TEKTONIC Athletic Development & Rehabilitation completed a successful relocation of its core services from Legends Sports Complex in Spring, Texas, to the Medical Arts Center II Building on the SLWH campus. Tektonik also began implementation of Gym Technik, a mobile mechanism for clients to create and monitor specific fitness, sports performance and physical therapy exercise programs.</p> |

[illegible][illegible]

| | | |
|-----------|---------------------------------------|-----------------------|
| 4e | Total program service expenses | \$ 113,260,481 |
|-----------|---------------------------------------|-----------------------|

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  | Yes | |
| 2 | Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)?  | 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 | | 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 | | No |
| 5 | Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III | | |
| 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  | | 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  | | No |
| 8 | Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III  | | 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  | | 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  | Yes | |
| 11 | If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable | | |
| a | Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI.  | 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.  | | 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.  | | 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.  | | No |
| e | Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X.  | 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.  | 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  | | 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  | Yes | |
| 13 | Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E | | No |
| 14a | Did the organization maintain an office, employees, or agents outside of the United States? | | 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 | | No |
| 15 | Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S? If "Yes," complete Schedule F, Part II and IV | | 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 | | 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 | | 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 | | 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 | | No |
| 20a | Did the organization operate one or more hospitals? If "Yes," complete Schedule H  | 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  | Yes | |

Part IV

Checklist of Required Schedules (continued)

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

| | | | | | |
|------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----------|--|----|
| Part V Statements Regarding Other IRS Filings and Tax Compliance | | | | | |
| Check if Schedule O contains a response to any question in this Part V <input checked="" type="checkbox"/> | | | | | |
| | | Yes | No | | |
| 1a | Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. . | 1a | 0 | | |
| 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, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return. . | 2a | 1,032 | | |
| b | If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions). | 2b | Yes | | |
| 3a | Did the organization have unrelated business gross income of \$1,000 or more during the year? | 3a | Yes | | |
| b | If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O. | 3b | Yes | | |
| 4a | At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)? | 4a | | | No |
| b | If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts. | | | | |
| 5a | Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? | 5a | | | No |
| b | Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction? | 5b | | | No |
| c | If "Yes" to line 5a or 5b, did the organization file Form 8886-T? | 5c | | | |
| 6a | Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible? | 6a | | | No |
| b | If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? | 6b | | | |
| 7 | Organizations that may receive deductible contributions under section 170(c). | | | | |
| a | Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor? | 7a | | | No |
| b | If "Yes," did the organization notify the donor of the value of the goods or services provided? | 7b | | | |
| c | Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282? | 7c | | | No |
| d | If "Yes," indicate the number of Forms 8282 filed during the year. | 7d | | | |
| e | Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? | 7e | | | No |
| f | Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? | 7f | | | No |
| g | If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required? | 7g | | | |
| h | If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C? | 7h | | | |
| 8 | Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year? | 8 | | | |
| 9 | Sponsoring organizations maintaining donor advised funds. | | | | |
| a | Did the organization make any taxable distributions under section 4966? | 9a | | | |
| b | Did the organization make a distribution to a donor, donor advisor, or related person? | 9b | | | |
| 10 | Section 501(c)(7) organizations. Enter | | | | |
| a | Initiation fees and capital contributions included on Part VIII, line 12. | 10a | | | |
| b | Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities. | 10b | | | |
| 11 | Section 501(c)(12) organizations. Enter | | | | |
| a | Gross income from members or shareholders. | 11a | | | |
| b | Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them). | 11b | | | |
| 12a | Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041? | 12a | | | |
| b | If "Yes," enter the amount of tax-exempt interest received or accrued during the year. | 12b | | | |
| 13 | Section 501(c)(29) qualified nonprofit health insurance issuers. | | | | |
| a | Is the organization licensed to issue qualified health plans in more than one state? Note. All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state. | 13a | | | |
| b | Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans. | 13b | | | |
| c | Enter the aggregate amount of reserves on hand. | 13c | | | |
| 14a | Did the organization receive any payments for indoor tanning services during the tax year? | 14a | | | No |
| b | If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O. | 14b | | | |

Part VI

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

Section A. Governing Body and Management

| | | | |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-----|
| | | Yes | No |
| 1a | Enter the number of voting members of the governing body at the end of the tax year | | |
| 1a | 11 | | |
| b | Enter the number of voting members included in line 1a, above, who are independent | 1b | 9 |
| 2 | Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? | 2 | No |
| 3 | Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? | 3 | No |
| 4 | Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? | 4 | No |
| 5 | Did the organization become aware during the year of a significant diversion of the organization's assets? | 5 | No |
| 6 | Did the organization have members or stockholders? | 6 | Yes |
| 7a | Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body? | 7a | 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 | No |
| b | If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements? | 16b | |

Section C. Disclosure

| | |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 17 | List the States with which a copy of this Form 990 is required to be filed ▶ |
| 18 | Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request |
| 19 | Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table. |
| 20 | State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶ STEPHEN PICKETT 3100 MAIN HOUSTON, TX 77002 (832) 355-2042 |

Part VII

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

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

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

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

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

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

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

| (A) Name and Title | (B) Average hours per week (describe hours for related organizations in Schedule O) | (C) Position (do not check more than one box, unless person is both an officer and a director/trustee) | | | | | | (D) Reportable compensation from the organization (W-2/1099-MISC) | (E) Reportable compensation from related organizations (W-2/1099-MISC) | (F) Estimated amount of other compensation from the organization and related organizations |
|----------------------------------------------------|----------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|-----------------------|---------|--------------|------------------------------|--------|----------------------------------------------------------------------|---------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| | | Individual trustee or director | Institutional Trustee | Officer | Key employee | Highest compensated employee | Former | | | |
| (1) DAVID J FINE treasurer SECRETARY & director | 6 0 | X | | X | | | | 0 | 1,773,018 | 418,140 |
| (2) MICHAEL RICHMOND CHAIRMAN & director | 2 0 | X | | X | | | | 0 | 0 | 0 |
| (3) RALPH MCINGVALE VICE CHAIRMAN & Director | 2 0 | X | | X | | | | 0 | 0 | 0 |
| (4) CHARLES HANKINS md DIRECTOR | 2 0 | X | | | | | | 0 | 0 | 0 |
| (5) STEPHEN PICKETT asst secretary | 2 0 | X | | X | | | | 0 | 985,303 | 159,584 |
| (6) JEFY M MATHEW md DIRECTOR EX OFFICIO | 2 0 | X | | | | | | 0 | 36,248 | 0 |
| (7) THE REVEREND GARY H JONES DIRECTOR | 2 0 | X | | | | | | 0 | 27,648 | 3,556 |
| (8) chester jones director | 2 0 | X | | | | | | 0 | 0 | 0 |
| (9) gary whitlock director | 2 0 | X | | | | | | 0 | 0 | 0 |
| (10) brad beers director | 2 0 | X | | | | | | 0 | 0 | 0 |
| (11) gerald glenn director | 2 0 | X | | | | | | 0 | 0 | 0 |
| (12) gerry sevick director | 2 0 | X | | | | | | 0 | 0 | 0 |
| (13) ann snyder director | 2 0 | X | | | | | | 0 | 0 | 0 |
| (14) DEBRA F SUKIN SR V P AND CEO WOODLANDS | 43 0 | | | X | | | | 342,747 | 0 | 87,866 |
| (15) Brian e Doyle Assistant Treasurer | 2 0 | | | X | | | | 0 | 141,673 | 27,174 |
| (16) Margaret A REITER AVP PATIENT CARE SLTWH | 43 0 | | | | X | | | 182,776 | 0 | 28,069 |
| (17) Mary Sue Lipham AVP & cfo | 43 0 | | | | X | | | 179,166 | 0 | 35,398 |

Part VII

| | | | | | |
|-----------|------------------------------------------------------------------------|----------|-----------|-----------|---------|
| 1b | Sub-Total | ▼ | | | |
| c | Total from continuation sheets to Part VII, Section A | ▼ | | | |
| d | Total (add lines 1b and 1c) | ▼ | 1,500,246 | 2,963,890 | 853,724 |

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: 28

| | | Yes | No |
|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-----|
| 3 | Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i> | 3 | No |
| 4 | For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i> | 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? <i>If "Yes," complete Schedule J for such person</i> | 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 |
|-----------------------------------------------------------------------------------|--------------------------------|---------------------|
| RRC Medical Real Estate 9303 Pinecroft Drive suite 300 SHENANDOAH, TX 77380 | construction service | 3,210,265 |
| aramark corporation 12483 collections center drive CHICAGO, IL 60693 | food & environmental | 2,610,386 |
| comprehensive pharmacy services 6409 quail hollow road MEMPHIS, TN 38120 | pharmacy mgmt staff | 1,877,429 |
| GE medical systems po box 843553 DALLAS, TX 752843553 | consulting services | 919,574 |
| hunton trane services 5622 luce st HOUSTON, TX 77087 | HVAC maintenance | 901,370 |

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 ►28

Part VIII

Statement of Revenue

| | | | | (A) | (B) | (C) | (D) |
|-----------------------------------------------------------|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------|----------------|---------------|---------------------------------------------|----------------------------------|--------------------------------------------------------------------------|
| | | | | Total revenue | Related or exempt function revenue | Unrelated business revenue | Revenue excluded from tax under sections 512, 513, or 514 |
| Contributions, gifts, grants and other similar amounts | 1a | Federated campaigns . . . | 1a | | | | |
| | b | Membership dues | 1b | | | | |
| | c | Fundraising events | 1c | | | | |
| | d | Related organizations | 1d | | | | |
| | e | Government grants (contributions) | 1e | | | | |
| | f | All other contributions, gifts, grants, and similar amounts not included above | 1f | 100,000 | | | |
| | g | Noncash contributions included in lines 1a-1f \$ _____ | | | | | |
| | h | Total. Add lines 1a-1f | | 100,000 | | | |
| Program Service Revenue | | | Business Code | | | | |
| | 2a | NET PATIENT REVENUE | 900099 | 159,514,660 | 159,281,106 | 233,554 | |
| | b | HEALTH EDUCATION/WOMEN'S SERVICES | 900099 | 28,553 | 28,553 | | |
| | c | INSTITUTIONAL REVENUE | 900099 | 265,909 | 9,325 | 256,584 | |
| | d | | | | | | |
| | e | | | | | | |
| | f | All other program service revenue | | | | | |
| | g | Total. Add lines 2a-2f | | 159,809,122 | | | |
| Other Revenue | 3 | Investment income (including dividends, interest and other similar amounts) | | -2,848,069 | | | -2,848,069 |
| | 4 | Income from investment of tax-exempt bond proceeds . . | | 0 | | | |
| | 5 | Royalties | | 0 | | | |
| | 6a | Gross rents | (i) Real | | | | |
| | | | (ii) Personal | | | | |
| | | | 32,003 | | | | |
| | | | 644,302 | | | | |
| | b | Less rental expenses | 0 | | | | |
| | c | Rental income or (loss) | 32,003 | | | | |
| | d | Net rental income or (loss) | | 146,614 | | 114,611 | 32,003 |
| | 7a | Gross amount from sales of assets other than inventory | (i) Securities | | | | |
| | | | (ii) Other | | | | |
| | | | | | | | |
| | | | | | | | |
| | b | Less cost or other basis and sales expenses | | | | | |
| | c | Gain or (loss) | | | | | |
| | d | Net gain or (loss) | | 0 | | | |
| | 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 . . | | 0 | | | |
| | 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 . . | | 0 | | | |
| | 10a | Gross sales of inventory, less returns and allowances | a | | | | |
| | b | Less cost of goods sold | b | | | | |
| | c | Net income or (loss) from sales of inventory . . | | 142,139 | | | 142,139 |
| | Miscellaneous Revenue | | Business Code | | | | |
| | 11a | FOOD SERVICES | 900099 | 21,630 | | | 21,630 |
| | b | MEDICAL RECORDS | 900099 | 72,691 | | | 72,691 |
| | c | MISCELLANEOUS | 900099 | 3,881 | | | 3,881 |
| | d | All other revenue | | | | | |
| | e | Total. Add lines 11a-11d | | 98,202 | | | |
| | 12 | Total revenue. See Instructions | | 157,448,008 | 159,318,984 | 604,749 | -2,575,725 |

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 | 174,250 | 174,250 | | |
| 2 | Grants and other assistance to individuals in the United States See Part IV, line 22 | 312,916 | 312,916 | | |
| 3 | Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16 | 0 | | | |
| 4 | Benefits paid to or for members | 0 | | | |
| 5 | Compensation of current officers, directors, trustees, and key employees | 869,997 | 0 | 869,997 | 0 |
| 6 | Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) | 0 | | | |
| 7 | Other salaries and wages | 42,433,827 | 38,686,195 | 3,747,632 | |
| 8 | Pension plan contributions (include section 401(k) and section 403(b) employer contributions) | 2,295,946 | 2,054,391 | 241,555 | |
| 9 | Other employee benefits | 4,405,823 | 3,973,551 | 432,272 | |
| 10 | Payroll taxes | 3,309,647 | 2,988,243 | 321,404 | |
| 11 | Fees for services (non-employees) | | | | |
| a | Management | 487,218 | 453,430 | 33,788 | |
| b | Legal | 83,347 | | 83,347 | |
| c | Accounting | 0 | | | |
| d | Lobbying | 0 | | | |
| e | Professional fundraising See Part IV, line 17 | 0 | | | |
| f | Investment management fees | 0 | | | |
| g | Other | 905,649 | 899,699 | 5,950 | |
| 12 | Advertising and promotion | 128,026 | 64,774 | 63,252 | |
| 13 | Office expenses | 30,424,613 | 30,105,801 | 318,812 | |
| 14 | Information technology | 676,056 | 24,390 | 651,666 | |
| 15 | Royalties | 0 | | | |
| 16 | Occupancy | 2,417,570 | 646,257 | 1,771,313 | |
| 17 | Travel | 37,098 | 12,626 | 24,472 | |
| 18 | Payments of travel or entertainment expenses for any federal, state, or local public officials | 0 | | | |
| 19 | Conferences, conventions, and meetings | 351 | | 351 | |
| 20 | Interest | 385,611 | 385,611 | | |
| 21 | Payments to affiliates | 0 | | | |
| 22 | Depreciation, depletion, and amortization | 8,075,215 | 4,451,203 | 3,624,012 | |
| 23 | Insurance | 4,702,936 | | 4,702,936 | |
| 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 | BAD DEBT | 19,774,880 | 19,774,880 | 0 | |
| b | EQUIPMENT AND FACILITY MAINTEN | 3,715,414 | 1,799,596 | 1,915,818 | |
| c | OTHER OUTSIDE SERVICES | 15,273,867 | 5,581,941 | 9,691,926 | |
| d | LAUNDRY & LINEN | 648,384 | 483,721 | 164,663 | |
| e | | | | | |
| f | All other expenses | 2,604,149 | 387,006 | 2,217,143 | |
| 25 | Total functional expenses. Add lines 1 through 24f | 144,142,790 | 113,260,481 | 30,882,309 | 0 |
| 26 | Joint costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation | | | | |

Part X

Balance Sheet

| | | | | | (A) | | (B) |
|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-------------|-------------------|-----|-------------|
| | | | | | Beginning of year | | End of year |
| Assets | 1 | Cash—non-interest-bearing | | | 17,372,166 | 1 | 8,592,333 |
| | 2 | Savings and temporary cash investments | | | 0 | 2 | 0 |
| | 3 | Pledges and grants receivable, net | | | 0 | 3 | 0 |
| | 4 | Accounts receivable, net | | | 22,977,364 | 4 | 18,548,074 |
| | 5 | Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L | | | 0 | 5 | 0 |
| | 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 | | | 0 | 6 | 0 |
| | 7 | Notes and loans receivable, net | | | 0 | 7 | 0 |
| | 8 | Inventories for sale or use | | | 1,872,660 | 8 | 1,881,307 |
| | 9 | Prepaid expenses and deferred charges | | | 117,975 | 9 | 159,176 |
| | 10a | Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D | 10a | 200,611,578 | | | |
| | b | Less: accumulated depreciation | 10b | 61,328,326 | 137,564,102 | 10c | 139,283,252 |
| | 11 | Investments—publicly traded securities | | | 0 | 11 | 0 |
| | 12 | Investments—other securities. See Part IV, line 11 | | | 0 | 12 | 0 |
| | 13 | Investments—program-related. See Part IV, line 11 | | | 0 | 13 | 0 |
| | 14 | Intangible assets | | | 65,850 | 14 | 59,038 |
| | 15 | Other assets. See Part IV, line 11 | | | 7,116,323 | 15 | 675,709 |
| | 16 | Total assets. Add lines 1 through 15 (must equal line 34) | | | 187,086,440 | 16 | 169,198,889 |
| Liabilities | 17 | Accounts payable and accrued expenses | | | 9,117,645 | 17 | 9,527,500 |
| | 18 | Grants payable | | | 0 | 18 | 0 |
| | 19 | Deferred revenue | | | 41,826 | 19 | 40,679 |
| | 20 | Tax-exempt bond liabilities | | | 0 | 20 | 0 |
| | 21 | Escrow or custodial account liability. Complete Part IV of Schedule D | | | 0 | 21 | 0 |
| | 22 | Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L | | | 0 | 22 | 0 |
| | 23 | Secured mortgages and notes payable to unrelated third parties | | | 0 | 23 | 0 |
| | 24 | Unsecured notes and loans payable to unrelated third parties | | | 0 | 24 | 0 |
| | 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 | | | 191,446,908 | 25 | 159,845,431 |
| | 26 | Total liabilities. Add lines 17 through 25 | | | 200,606,379 | 26 | 169,413,610 |
| Net Assets or Fund Balances | Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34. | | | | | | |
| | 27 | Unrestricted net assets | | | -13,519,939 | 27 | -214,721 |
| | 28 | Temporarily restricted net assets | | | 0 | 28 | 0 |
| | 29 | Permanently restricted net assets | | | 0 | 29 | 0 |
| | Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34. | | | | | | |
| | 30 | Capital stock or trust principal, or current funds | | | | 30 | |
| | 31 | Paid-in or capital surplus, or land, building or equipment fund | | | | 31 | |
| | 32 | Retained earnings, endowment, accumulated income, or other funds | | | | 32 | |
| | 33 | Total net assets or fund balances | | | -13,519,939 | 33 | -214,721 |
| | 34 | Total liabilities and net assets/fund balances | | | 187,086,440 | 34 | 169,198,889 |

Part XI Reconciliation of Net Assets

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

| | | | |
|---|---------------------------------------------------------------------------------------------------------------|---|-------------|
| 1 | Total revenue (must equal Part VIII, column (A), line 12) | 1 | 157,448,008 |
| 2 | Total expenses (must equal Part IX, column (A), line 25) | 2 | 144,142,790 |
| 3 | Revenue less expenses Subtract line 2 from line 1 | 3 | 13,305,218 |
| 4 | Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) | 4 | -13,519,939 |
| 5 | Other changes in net assets or fund balances (explain in Schedule O) | 5 | |
| 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 | -214,721 |

Part XII Financial Statements and Reporting

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

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

SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public
Inspection

| | |
|----------------------------------------------------------------|----------------------------------------------|
| Name of the organization ST LUKES COMMUNITY HEALTH SERVICES | Employer identification number 76-0536234 |
|----------------------------------------------------------------|----------------------------------------------|

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

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

1

☐

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

2

☐

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

3

☒

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

4

☐

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

5

☐

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

6

☐

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

7

☐

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

8

☐

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

9

☐

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

10

☐

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

11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

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

f

☐

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

g

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

| Section A. Public Support | | | | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|----------|----------|----------|----------|-----------|
| Calendar year | (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 | (a) 2007 | (b) 2008 | (c) 2009 | (d) 2010 | (e) 2011 | (f) Total |
| 7 Amounts from line 4 | | | | | | |
| 8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources | | | | | | |
| 9 Net income from unrelated business activities, whether or not the business is regularly carried on | | | | | | |
| 10 Other income (Explain in Part IV) Do not include gain or loss from the sale of capital assets | | | | | | |
| 11 Total support (Add lines 7 through 10) | | | | | | |
| 12 Gross receipts from related activities, etc (See instructions) | | | | | 12 | |
| 13 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here | | | | | | |

| Section C. Computation of Public Support Percentage | | | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|----|--|--|--|--|
| 14 Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f)) | | 14 | | | | |
| 15 Public Support Percentage for 2010 Schedule A, Part II, line 14 | | 15 | | | | |
| 16a 33 1/3% support test—2011. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization | | | | | | |
| b 33 1/3% support test—2010. If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization | | | | | | |
| 17a 10%-facts-and-circumstances test—2011. If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization | | | | | | |
| b 10%-facts-and-circumstances test—2010. If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization | | | | | | |
| 18 Private Foundation If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions | | | | | | |

Part IIIPart III

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

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

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

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

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

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

| |
|------------------------------|
| Facts And Circumstances Test |
| |

| |
|-------------|
| Explanation |
| |
| |
| |
| |

Additional Data

Software ID:

Software Version:

EIN: 76-0536234

Name: ST LUKES COMMUNITY HEALTH SERVICES

Form 990, Special Condition Description:

| |
|--------------------------------------|
| Special Condition Description |
|--------------------------------------|

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
ST LUKES COMMUNITY HEALTH SERVICES

Employer identification number
76-0536234

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

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

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

1

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

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

2

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

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

3

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

4

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

5

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

☐ Yes ☐ No

6

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

7

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

8

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

☐ Yes ☐ No

9

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

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

1a

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

b

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

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

► \$ _____

(ii) Assets included in Form 990, Part X

► \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

► \$ _____

b

Assets included in Form 990, Part X

► \$ _____

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

Cat No 52283D

Schedule D (Form 990) 2011

Part III

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

(continued)

3

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

a

☐ Public exhibition

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations

4

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

5

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

☐ Yes

☐ No

Part IV

Escrow and Custodial Arrangements.

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

1a

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

☐ Yes

☐ No

b

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

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

| | |
|----|--------|
| | Amount |
| 1c | |
| 1d | |
| 1e | |
| 1f | |

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

Endowment Funds.

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

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

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

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

(i)

unrelated organizations

(ii)

related organizations

3a(i)

Yes

No

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 | | 11,787,902 | | 11,787,902 |
| b Buildings | | 125,467,096 | 15,435,189 | 110,031,907 |
| c Leasehold improvements | | 1,684,938 | 1,516,423 | 168,515 |
| d Equipment | | 54,480,102 | 44,376,714 | 10,103,388 |
| e Other | | 7,191,540 | | 7,191,540 |
| Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶ | | | | 139,283,252 |

| 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 |
|------------------------------------------|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| FORM 990, SCHEDULE D, PART V, QUESTION 4 | Part V Endowment funds | st luke's community health services does not have an endowment fund However, st luke's episcopal hospital, a related organization, does hold endowment funds |
| FORM 990, SCHEDULE D, PART X | Part XIV Supplemental information | 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 there were no uncertain tax positions recorded in the consolidated financial statements at december 31, 2011 or 2010 |

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
ST LUKES COMMUNITY HEALTH SERVICES

Employer identification number
76-0536234

Part I

Charity Care and Certain Other Community Benefits at Cost

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

| 7 Charity Care and Certain Other Community Benefits at Cost | | | | | | |
|-------------------------------------------------------------------------------------------------------|-------------------------------------------------|-------------------------------|-------------------------------------|-------------------------------|-----------------------------------|------------------------------|
| Charity Care and Means-Tested Government Programs | (a) Number of activities or programs (optional) | (b) Persons served (optional) | (c) Total community benefit expense | (d) Direct offsetting revenue | (e) Net community benefit expense | (f) Percent of total expense |
| a Charity care at cost (from Worksheet 1) | | | 3,605,457 | | 3,605,457 | 2 900 % |
| b Medicaid (from Worksheet 3, column a) | | | 11,014,814 | 10,304,970 | 709,844 | 0 570 % |
| c Costs of other means-tested government programs (from Worksheet 3, column b) | | | | | | |
| d Total Charity Care and Means-Tested Government Programs | | | 14,620,271 | 10,304,970 | 4,315,301 | 3 470 % |
| Other Benefits | | | | | | |
| e Community health improvement services and community benefit operations (from Worksheet 4) | | | | | | |
| f Health professions education (from Worksheet 5) | | | | | | |
| g Subsidized health services (from Worksheet 6) | | | | | | |
| h Research (from Worksheet 7) | | | | | | |
| i Cash and in-kind contributions for community benefit (from Worksheet 8) | | | 174,250 | | 174,250 | 0 140 % |
| j Total Other Benefits | | | 174,250 | | 174,250 | 0 140 % |
| k Total. Add lines 7d and 7j | | | 14,794,521 | 10,304,970 | 4,489,551 | 3 610 % |

Part II

Community Building Activities

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

| | (a) Number of activities or programs (optional) | (b) Persons served (optional) | (c) Total community building expense | (d) Direct offsetting revenue | (e) Net community building expense | (f) Percent of total expense |
|----|-----------------------------------------------------------|-------------------------------|--------------------------------------|-------------------------------|------------------------------------|------------------------------|
| 1 | Physical improvements and housing | | | | | |
| 2 | Economic development | | | | | |
| 3 | Community support | | | | | |
| 4 | Environmental improvements | | | | | |
| 5 | Leadership development and training for community members | | | | | |
| 6 | Coalition building | | | | | |
| 7 | Community health improvement advocacy | | | | | |
| 8 | Workforce development | | | | | |
| 9 | Other | | | | | |
| 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 | 19,774,880 |
| 3 | Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy | 3 | |
| 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 | 31,545,769 |
| 6 | Enter Medicare allowable costs of care relating to payments on line 5 | 6 | 36,788,347 |
| 7 | Subtract line 6 from line 5. This is the surplus or (shortfall) | 7 | -5,242,578 |
| 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: <input checked="" type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input type="checkbox"/> 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 | | | | |

Section A. Hospital Facilities

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

Name and address

[illegible]

Part V Facility Information (continued)

Section B. Facility Policies and Practices.

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

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

Part V

Facility Information (continued)

| | | Yes | No | |
|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-----|--|
| 10 | Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>400</u> % If "No," explain in Part VI the criteria the hospital facility used | 10 | Yes | |
| 11 | Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input checked="" type="checkbox"/> Income level b <input checked="" type="checkbox"/> Asset level c <input checked="" type="checkbox"/> Medical indigency d <input checked="" type="checkbox"/> Insurance status e <input checked="" type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input checked="" type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI) | 11 | Yes | |
| 12 | Explained the method for applying for financial assistance? | 12 | Yes | |
| 13 | Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input checked="" type="checkbox"/> Other (describe in Part VI) | 13 | Yes | |

Billing and Collections

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

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

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

Part V

Facility Information (continued)

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

(list in order of size from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? 3

| Name and address | | Type of Facility (Describe) |
|------------------|-------------------------------------------------------------------------------------------------|------------------------------------------|
| 1 | St Luke's Sleep Disorders Lab 17350 St Lukes Way Suite 460 The Woodlands, TX 77384 | Sleep Clinic |
| 2 | Community Emergency Center-The Woodlands 10710 Kuykendahl Suite A The Woodlands, TX 77381 | emergency clinic closed May, 2011 |
| 3 | Tektonic Athletic Development & Rehab 17350 St Lukes Way The Woodlands, TX 77384 | Sports Rehabilitation moved in Fall 2011 |
| 4 | | |
| 5 | | |
| 6 | | |
| 7 | | |
| 8 | | |
| 9 | | |
| 10 | | |

Part VI Supplemental Information

Complete this part to provide the following information

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

| Identifier | ReturnReference | Explanation |
|--------------|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| charity care | Schedule H, Part I, Line 7 | The cost to charge ratio method was utilized to determine financial assistance at cost, however, St Luke's internal cost accounting system was used to determine unreimbursed Medicaid costs Total expenses per Form 990, Part IX, line 25 (a) were reduced by bad debt expense in the amount of \$19,774,880 to determine the percentage in schedule H, Part I, line 7(f) If the percentage reported in part i, line 7, financial assistance and certain other community benefits at cost, were to be calculated on a system-wide basis, the combined percentage for all of the hospital facilities of the st luke's episcopal health system would be approximately 7 045% St Luke's Community Health Services d/b/a St Luke's The Woodlands Hospital received supplemental medicaid payments of \$1,119,569 during 2011 These payments were included in the direct offsetting revenue amounts found in Schedule H, Part I, line 7b column d These supplemental medicaid payments resulted in a reduction in net community benefit expense and percentages found in columns(e)and (f) If the direct offsetting revenue found in column (d) was not subtracted from total community benefit expense, the percentage in column (f) would be 11 90% |

| Identifier | ReturnReference | Explanation |
|-------------------------------|-----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| FOOTNOTE FOR BAD DEBT EXPENSE | SCHEDULE H, PART III, SECTION A, LINE 4 | Text in footnotes that describes bad debt expense "Management regularly reviews collections data by major payor sources in evaluating the sufficiency of the allowance for uncollectible accounts. On the basis of historical experience, a significant portion of the Systems' self-pay patients will be unable or unwilling to pay for the service provided. Thus the System records a provision for uncollectible accounts in the period services are provided related to self-pay patients. Unpaid accounts are written off as bad debts upon reaching delinquent status." |

| Identifier | ReturnReference | Explanation |
|--------------------------------------------------------|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| RATIONALE FOR INCLUDING BAD DEBTS AS COMMUNITY BENEFIT | SCHEDULE H, PART III, SECTION A, LINE 4 | Although St Lukes Community Health Services d/b/a St Luke's The Woodlands Hospital strives to identify eligible candidates for patient assistance and/or charity care, there are circumstances in which the candidate does not assist in the determination process, and patient assistance/charity care guidelines cannot be met, therefore the accounts become a bad debt expense for the hospital records. It is difficult to accurately determine how many of these accounts would have met the patient assistance/charity care guidelines had the candidate cooperated with the application process. |

| Identifier | ReturnReference | Explanation |
|-----------------------------------------------------------------------|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| RATIONALE FOR INCLUDING MEDICARE SHORTFALL AS COMMUNITY BENEFIT | SCHEDULE h, pART III, SECTION B, LINE 8 | St Luke's COMMUNITY HEALTH SERVICES D/B/A ST LUKE'S THE WOODLANDS Hospital has adopted the community benefit and charity care policies of the St Luke's Episcopal Health System, which require it to provide care to all patients who present themselves for care Medicare patients receive the same high quality care as patients that have other forms of payment As Medicare reimbursements do not fully cover the cost of the healthcare provided, St Luke's COMMUNITY HEALTH SERVICES D/B/A ST LUKE'S THE WOODLANDS Hospital considers the shortfall amount as an additional community benefit to the elderly members of the community it serves, and the community enjoys high quality healthcare from St Luke's COMMUNITY HEALTH SERVICES D/B/A ST LUKE'S THE WOODLANDS Hospital for all its citizens, regardless of method of payment St Luke's internal cost accounting methodology has been utilized to estimate costs the overall ratio of total costs to total charges is computed and the ratio applied to medicare patient charges to compute medicare costs |

| Identifier | ReturnReference | Explanation |
|-------------------|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| COLLECTION POLICY | SCHEDULE H, PART III, LINE 9B | St Luke's COMMUNITY HEALTH SERVICES D/B/A ST LUKE'S THE WOODLANDS Hospital has adopted the debt collection policy of the St Luke's Episcopal Health System ("System") The System's policy states that St Luke's COMMUNITY HEALTH SERVICES D/B/A ST LUKE'S THE WOODLANDS Hospital will not pursue collection practices against patients who have qualified for charity care or other financial assistance once the account has received the charity adjustment For those patients who have qualified for partial assistance, an adjustment is posted to the charity allowance and the remaining balance may be pursued as directed by our collection policy In certain cases, a patient's qualification for charity care or financial assistance may not be readily determined, however, if after collection practices have begun it later becomes known that a person qualifies, the collection efforts will immediately cease for the charity care patient or be pursued at the lower partially adjusted amount |

| Identifier | ReturnReference | Explanation |
|---------------------------------------------------|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Measures to publicize financial assistance policy | Part V, Line 13g | St Luke's community Health Services d/b/a St Luke's The Woodlands Hospital provides financial counseling and screening for Medicaid eligibility. If an uninsured patient is admitted to a facility, the patient/guarantor is visited by a counselor who will first screen for Medicaid eligibility. If patient does not qualify for governmental assistance, the counselor reviews St Luke's Patient Financial Assistance Program and assists the patient with completing the appropriate document(s). The document(s) are then forwarded for evaluation and qualification for financial assistance. |

| Identifier | ReturnReference | Explanation |
|-----------------------------------------------|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Individuals Eligible for Financial Assistance | Part V, line 19d | Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charge to PFAP-eligible individuals for emergency or other medically necessary care. Patient responsibility is based on total charges less an automatic uninsured discount of 40% after which a charity adjustment is applied. The charity adjustment for individuals with household income at or below 200% of the Federal Poverty Level (FPL) is the full amount of medically necessary charges. Individuals with household income in excess of 200% of FPL and below 400% of FPL are considered for charity assistance on a sliding scale. Balances remaining after the application of both the uninsured discount of 40% and the charity adjustment are considered the responsibility of the patient. Patients discharged from the emergency department without hospital admission will be expected to pay a fee of \$100 per emergency department visit. Payment arrangements are available. |

| Identifier | ReturnReference | Explanation |
|------------------|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Needs Assessment | SCHEDULE H, PART VI, LINE 2 and Part II | St Luke's Community Health Services d/b/a St Luke's The Woodlands Hospital meets the needs of the community through its education, outreach programs and services in the communities it serves St Luke's Community Health Services d/b/a St Luke's The Woodlands Hospital sponsors a variety of programs identified through community needs assessments, including health and wellness fairs, "safety" days, educational lecture series, economic outlook conferences, and local chapter fundraisers for national causes |

| Identifier | ReturnReference | Explanation |
|-------------------------------------------------|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Patient education of eligibility for Assistance | SCHEDULE H, PART VI, LINE 3 | As a part of its mission, St Luke's Episcopal Health System provides care to patients without financial means to pay for hospital services Charity care will be provided to all patients who present themselves for care at St Luke's COMMUNITY HEALTH SERVICES D/B/A ST LUKE'S THE WOODLANDS Hospital or related entities without regard to race, creed, color, or national origin and who are classified as financially or medically indigent St Luke's will provide partial or full financial assistance for medically necessary care in accordance with Texas law and hospital eligibility guidelines to patients who require hospital care or medical services and cannot afford such care or services because of limitations in their health insurance or personal finances St Luke's works collaboratively with our partners at firstsource to ensure all self pay and underinsured patients are screened for the appropriate governmental assistance prior to qualifying them for charity Once firstsource screens a patient and determines he/she does not qualify for any third party funding, the patient is verbally educated and additional screening takes place by a St Luke's employee to determine if the patient is eligible for charity service prior to discharge Patients that have been discharged prior to charity screening, such as emergency room patients, receive a notification of charity services Once a patient has been screened for charity services, a notice is sent out informing the patient if they qualify for FULL, partial, or NO CHARITY CARE SERVICES |

| Identifier | ReturnReference | Explanation |
|-----------------------|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| community information | SCHEDULE H, PART VI, LINE 4 | St Luke's COMMUNITY HEALTH SERVICES D/B/A ST LUKE'S THE WOODLANDS Hospital defines the community it serves broadly to include Montgomery County, north Harris County, and the greater Houston area The Woodlands and south Montgomery County have experienced 83% population growth since 2000 St Luke's Community Health Services d/b/a St Luke's The Woodlands Hospital WAS BUILT TO SERVE THE GROWING NEEDS OF THE WOODLANDS AREA, MONTGOMERY COUNTY, AND NORTHERN REGIONS OF HARRIS COUNTY NEAR HOUSTON, TEXAS WITH THE SAME HIGH QUALITY MEDICAL CARE THAT IS PROVIDED BY THE ST LUKE'S Episcopal HOSPITAL IN THE TEXAS MEDICAL CENTER |

| Identifier | ReturnReference | Explanation |
|-------------------------------|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Promotion of community health | SCHEDULE H, PART VI, LINE 5 and Part II | St Luke's Community Health Services d/b/a St Luke's The Woodlands Hospital addresses various community concerns, including health improvement, education, and access to health care St Luke's Community Health Services d/b/a St Luke's The Woodlands Hospital directs leadership time and talent to serve on community collaboration boards and health advocacy programs to promote the health of the community the Hospital serves St Luke's Community Health Services d/b/a St Luke's The Woodlands Hospital works with neighborhood resources (e g schools, businesses, community organizations) to promote health, wellness, and disease prevention During 2011, St Luke's Community Health Services d/b/a St Luke's The Woodlands Hospital participated in four community health fairs with various corporations along with the provision of first aid support for charity events held in The Woodlands area St Luke's Community Health Services d/b/a St Luke's The Woodlands Hospital also provided community education events to highlight health concerns such as cardiology and heart problems, pediatric care, neuroscience innovations, stroke care, breast cancer, and brain awareness |

| Identifier | ReturnReference | Explanation |
|-------------------------------|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Affiliated Health Care system | SCHEDULE H, PART VI, LINE 6 | St Luke's Community Health Services d/b/a St Luke's The Woodlands Hospital, AS AN INTEGRAL PART OF THE ST LUKE'S EPISCOPAL HEALTH SYSTEM IN HOUSTON, TX, CONTRIBUTES TO ENHANCING COMMUNITY HEALTH BY DELIVERING SUPERIOR VALUE IN HIGH-QUALITY, COST-EFFECTIVE ACUTE CARE IN COLLABORATION WITH ITS MEDICAL STAFF, St Luke's Community Health Services d/b/a St Luke's The Woodlands Hospital IS DEDICATED TO EXCELLENCE AND COMPASSION IN CARING FOR THE WHOLE PERSON - BODY, MIND AND SPIRIT SLWH ALSO IS COMMITTED TO THE GROWTH AND DEVELOPMENT OF ITS EMPLOYEES AND TO SECURING THE HEALTH OF FUTURE GENERATIONS BY CREATING, APPLYING, AND DISSEMINATING HEALTH KNOWLEDGE THROUGH EDUCATION and research |

| Identifier | ReturnReference | Explanation |
|--------------------------------|-------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| State Community Benefit Report | schedule H, Part I, line 6a and Part VI, line 7 | COMMUNITY BENEFIT REPORTS FOR ST LUKE'S EPISCOPAL HEALTH SYSTEM, INCLUDING ST LUKE'S COMMUNITY HEALTH SERVICES D/B/A ST LUKE'S THE WOODLANDS HOSPITAL, ARE PREPARED FOR THE STATE OF TEXAS AND ARE AVAILABLE TO THE PUBLIC UPON REQUEST |

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2011

Open to Public
Inspection

Name of the organization
ST LUKES COMMUNITY HEALTH SERVICES

Employer identification number
76-0536234

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) american heart association - south central affilpo box 4002903 des moines,IA 503402903 | 75-2634623 | 501(c)(3) | 25,000 | | | | HEART BALL SPONSOR 2011 - FOR THE FIGHT AGAINST CARDIOVASCULAR DISEASE & Heart walk |
| (2) INTERFAITH OF THE WOODLANDS4242 INTERFAITH WAY THE WOODLANDS,TX 77381 | 74-1804123 | 501(C)(3) | 12,500 | | | | SPONSORSHIP - SUPPORT OF THE WOODLANDS 2011 FIVE WHO SHARE SPRING LUNCHEON and Hometown Heroes |
| (3) THE COMMUNITY CLINIC101 PINE MANOR DRIVE OAK RIDGE North,TX 77385 | | | 100,000 | | | | SUPPORT FOR THE COMMUNITY CLINIC AND THE MONTGOMERY COUNTY WOMENS CENTER |
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2

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

3

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 indigent healthcare | 1177 | 159,391 | | | |
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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 |
|------------------------------------------|---------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| FORM 990, SCHEDULE I, PART I, QUESTION 2 | FORM 990, SCHEDULE I, PART IV, SUPPLEMENTAL INFORMATION | Organizations seeking grants ARE MONITORED TO ENSURE THAT THEY HAVE 501(C)(3) STATUS AND THAT GRANT FUNDS ARE FOR REASONABLE PURPOSES Individuals seeking funds for medical services provided by outside medical groups are screened for eligibility using the charity care guidelines of the hospital |

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization
ST LUKES COMMUNITY HEALTH SERVICES

Employer identification number
76-0536234

Part I

Questions Regarding Compensation

| | Yes | No |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|
| <div>1a</div> <div>Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items</div> <div><div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div></div><div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div></div> | | |
| <div>b</div> <div>If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain</div> | | |
| <div>2</div> <div>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?</div> | | |
| <div>3</div> <div>Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply</div> <div><div><div><input type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Form 990 of other organizations</div></div><div><div><input type="checkbox"/> Written employment contract</div><div><input type="checkbox"/> Compensation survey or study</div><div><input type="checkbox"/> Approval by the board or compensation committee</div></div></div> | | |
| <div>4</div> <div>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</div> | | |
| <div>a</div> <div>Receive a severance payment or change-of-control payment?</div> | | No |
| <div>b</div> <div>Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div> | Yes | |
| <div>c</div> <div>Participate in, or receive payment from, an equity-based compensation arrangement?</div> | | No |
| <div></div> <div>If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III</div> | | |
| <div>Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.</div> | | |
| <div>5</div> <div>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</div> | | |
| <div>a</div> <div>The organization?</div> | | No |
| <div>b</div> <div>Any related organization?</div> | | No |
| <div></div> <div>If "Yes," to line 5a or 5b, describe in Part III</div> | | |
| <div>6</div> <div>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</div> | | |
| <div>a</div> <div>The organization?</div> | | No |
| <div>b</div> <div>Any related organization?</div> | | No |
| <div></div> <div>If "Yes," to line 6a or 6b, describe in Part III</div> | | |
| <div>7</div> <div>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</div> | | No |
| <div>8</div> <div>Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III</div> | | No |
| <div>9</div> <div>If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?</div> | | |

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

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

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

| (A) Name | | (B) Breakdown of W-2 and/or 1099-MISC compensation | | | (C) Retirement and other deferred compensation | (D) Nontaxable benefits | (E) Total of columns (B)(i)-(D) | (F) Compensation reported in prior Form 990 or Form 990-EZ |
|--------------------------|------|----------------------------------------------------|-------------------------------------|-------------------------------------|------------------------------------------------|-------------------------|---------------------------------|------------------------------------------------------------|
| | | (i) Base compensation | (ii) Bonus & incentive compensation | (iii) Other reportable compensation | | | | |
| (1) DAVID J FINE | (i) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (ii) | 1,020,838 | 670,737 | 81,443 | 383,821 | 34,319 | 2,191,158 | 0 |
| (2) STEPHEN PICKETT | (i) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (ii) | 621,258 | 353,907 | 10,138 | 146,779 | 12,805 | 1,144,887 | 0 |
| (3) DEBRA F SUKIN | (i) | 266,897 | 67,205 | 8,645 | 69,647 | 18,219 | 430,613 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (4) Margaret A REITER | (i) | 168,457 | 12,744 | 1,575 | 16,856 | 11,213 | 210,845 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (5) Mary Sue Lipham | (i) | 164,829 | 12,308 | 2,029 | 20,356 | 15,042 | 214,564 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (6) Brian e Doyle | (i) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (ii) | 141,216 | 457 | 0 | 16,006 | 11,168 | 168,847 | 0 |
| (7) TANA ELLIOTT | (i) | 131,941 | 2,653 | 0 | 9,372 | 14,270 | 158,236 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (8) andrew starr | (i) | 126,889 | 26,250 | 12,169 | 3,850 | 9,623 | 178,781 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (9) flordevic p lagrimas | (i) | 127,789 | 2,689 | 0 | 10,246 | 13,607 | 154,331 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (i) | | | | | | | |
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Part IIISupplemental 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, QUESTIONS REGARDING COMPENSATION, QUESTION 3 | compensation of the ceo/executive director | St. Luke's Community Health Services d/b/a St. Luke's The Woodlands Hospital does not provide compensation to its chief executive officer. St. Luke's Episcopal Health System, a related exempt organization, provides compensation to this officer and relies upon an organized compensation committee, compensation studies, and an independent compensation consultant to establish proper compensation levels. Executive compensation is approved by the compensation committee and becomes part of a written employment contract for that executive. |
| Part I, Questions Regarding Compensation, line 4b | SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN | THE INDIVIDUALS LISTED BELOW PARTICIPATED IN A SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN WITH THE FOLLOWING AMOUNTS CREDITED TO THEIR ACCOUNTS: DAVID J FINE \$364,116.00; STEPHEN PICKETT \$129,499.00; Debra f Sukin \$ 49,999.92. |

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

**Open to Public
Inspection**

| | |
|----------------------------------------------------------------|---------------------------------------------------------|
| Name of the organization ST LUKES COMMUNITY HEALTH SERVICES | Employer identification number 76-0536234 |
|----------------------------------------------------------------|---------------------------------------------------------|

| Identifier | Return Reference | Explanation |
|-----------------------------------------------------------------------|---------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| FORM 990, PART IV, QUESTION 12a & 12b, FORM 990, PART XI, QUESTION 2D | CHECK LIST OF REQUIRED SCHEDULES, FINANCIAL STATEMENT AND REPORTING | did the organization obtain separate, independent audited financial statements for the tax year? was the organization included in consolidated, independent audited financial statements for the tax year? ST LUKES EPISCOPAL HEALTH SYSTEM CORPORATION AND ITS RELATED ENTITIES WERE AUDITED AS A CONSOLIDATED GROUP IN ACCORDANCE WITH GAAP. THUS, THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS DO NOT PROVIDE AN ENTITY BY ENTITY REPORTING FOR CALENDAR YEAR 2011 |

| Identifier | Return Reference | Explanation |
|--------------------------------------|----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| FORM 990, PART V, QUESTIONS 1 AND 2a | STATEMENT REGARDING OTHER IRS FILINGS AND TAX COMPLIANCE | ENTER THE NUMBER REPORTED IN BOX 3 OF FORM 1096, ANNUAL SUMMARY AND TRANSMITTAL OF U S INFORMATION RETURNS ST LUKE'S EPISCOPAL HEALTH SY STEM CORPORATION REMITS ALL VENDORS PAYMENTS AND ISSUES FORM 1099 ON BEHALF OF ITS RELATED ORGANIZATIONS individual entities of st luke's episcopal health system corporation do not file forms 1096 for this reason 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 THE EMPLOYEES OF ST LUKE'S COMMUNITY HEALTH SERVICES ARE PAID BY A COMMON PAYMASTER, ST LUKE'S EPISCOPAL HEALTH SY STEM CORPORATION, (76-0536232) THEREFORE, NO FORM W-3 OR 941S WERE FILED BY ST LUKE'S COMMUNITY HEALTH SERVICES AS ALL PAYROLL INFORMATION RElaTED TO THESE EMPLOYEES WAS INCLUDED IN THE FORM W-3 AND 941S FILED BY ST LUKE'S EPISCOPAL HEALTH SY STEM CORPORATION |

| Identifier | Return Reference | Explanation |
|------------------------------------------------------------------|--------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| FORM 990, PART VI, SECTION A, QUESTIONS 6, 7a AND 7b | SECTION A GOVERNING BODY AND MANAGEMENT | <p>Did THE ORGANIZATION HAVE MEMBERS OR STOCKHOLDERS? THE SOLE MEMBER OF ST LUKE'S COMMUNITY HEALTH SERVICES SHALL BE ST LUKE'S EPISCOPAL HEALTH SYSTEM CORPORATION 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? THE MANAGEMENT OF THE AFFAIRS OF THE CORPORATION SHALL BE VESTED IN A BOARD OF DIRECTORS THE BOARD OF DIRECTORS SHALL CONSIST OF MEMBERS ELECTED BY THE ST LUKE'S EPISCOPAL HEALTH SYSTEM CORPORATION UPON NOMINATION OF THE BISHOP OF THE DIOCESE OF TEXAS AS THE CHAIRMAN OF THE BOARD OF DIRECTORS OF ST LUKE'S EPISCOPAL HEALTH SYSTEM CORPORATION ARE ANY governance DECISIONS OF THE organization reserved to (or SUBJECT TO APPROVAL BY) MEMBERS, STOCKHOLDERS, OR PERSONS other than the governing body? THE BOARD OF DIRECTORS SHALL HAVE FULL POWER AND AUTHORITY TO MANAGE THE BUSINESS, OPERATIONS AND AFFAIRS OF THE CORPORATION IN ACCORDANCE WITH (a) THE BYLAWS WHICH THE BOARD OF DIRECTORS SHALL ADOPT, (b) THE GOALS OF ST LUKE'S EPISCOPAL HEALTH SYSTEM CORPORATION AND (c) THE CANONS OF THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF TEXAS AS FROM TIME TO TIME IN FORCE</p> |

| Identifier | Return Reference | Explanation |
|-------------------------------------------------------------|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| FORM 990, PART VI, SECTION b, QUESTION 11 & 11a | SECTION b policies | has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? Describe in Schedule O the process, if any, used by the organization to review this Form 990 The St Luke's Community Health Services FORM 990 WAS PREPARED BY THE TAX DEPARTMENT OF ITS PARENT, ST LUKE'S EPISCOPAL HEALTH SYSTEM (SLEHS), UTILIZING INFORMATION PROVIDED BY THE REPORTING ENTITY'S MANAGEMENT, OFFICERS, AND DIRECTORS COLLABORATIVE REVIEW OF THE RETURN BY THE ORGANIZATION'S EXTERNAL ADVISORS, EXECUTIVE MANAGEMENT AND THE SLEHS TAX DIRECTOR WAS CONDUCTED, and the return was made available to the officers and directors before filing |

| Identifier | Return Reference | Explanation |
|--------------------------------------------------------|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| FORM 990, PART VI, SECTION B, QUESTION 12c | SECTION B POLICIES | Did THE ORGANIZATION REGULARLY AND CONSISTENTLY MONITOR AND ENFORCE COMPLIANCE WITH THE WRITTEN CONFLICT OF INTEREST POLICY? PRIMARY MONITORING OF CONFLICT OF INTEREST IS DONE THROUGH ANNUAL POLLING OF OFFICERS, DIRECTORS, AND KEY EMPLOYEES FOR POTENTIAL CONFLICTS CONFLICT OF INTEREST SUBMISSIONS ARE REVIEWED BY THE CORPORATE COMPLIANCE OFFICER AND SENIOR COUNSEL WHO BRING ACTIONABLE ITEMS TO THE BOARD IF THE INSTITUTION DETERMINES THAT A SIGNIFICANT POSSIBILITY EXISTS THAT THERE IS A CONFLICT OF INTEREST, THE INDIVIDUALS INVOLVED WILL BE REQUIRED TO REFRAIN FROM MAKING A DECISION OR TAKING ANY ACTION UNTIL THE MATTER CAN BE FULLY INVESTIGATED AND A DECISON MADE AS TO WHETHER A CONFLICT EXISTS IF A CONFLICT IS CONFIRMED, A PLAN FOR ALLEVIATION OR MANAGING THE CONFLICT IS IMPLEMENTED INDIVIDUALS WITH POTENTIAL CONFLICTS MAY BE ASKED TO RECUSE AND ABSENT THEMSELVES FROM MEETINGS IN WHICH AN ALLEGED CONFLICT IS DISCUSSED IF SO DOING WOULD BETTER ASSURE THE INTEGRITY OF THE PROCESS |

| Identifier | Return Reference | Explanation |
|-------------------------------------------|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| FORM 990, PART VI, SECTION B, QUESTION 14 | SECTION B POLICIES | Did THE ORGANIZATION HAVE A WRITTEN DOCUMENT RETENTION AND DESTRUCTION POLICY? st luke's episcopal health system corporation and related entities have a w ritten general policy related to document retention and destruction DOCUMENTS AND RECORDS ARE RETAINED FOR VARIOUS FEDERAL, STATE OR OTHER JURISDICTION STATUTES FOR MEDICAL OR FINANCIAL REVIEW ON A DEPARTMENT BY DEPARTMENT BASIS |

| Identifier | Return Reference | Explanation |
|-------------------------------------------------------|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| FORM 990, PART VI, SECTION B, QUESTION 15 | SECTION B POLICIES | <p>DID THE PROCESS FOR DETERMINING COMPENSATION OF THE FOLLOWING PERSONS INCLUDE A REVIEW AND APPROVAL BY INDEPENDENT PERSONS, COMPARABILITY DATA, AND CONTEMPORANEOUS SUBSTANTITATION OF THE DELIBERATION AND DECISION FOR</p> <p>a) THE ORGANIZATIONS CEO, EXECUTIVE DIRECTOR, OR TOP MANAGEMENT OFFICIAL?</p> <p>b) OTHER OFFICERS OR KEY EMPLOYEES OF THE ORGANIZATION?</p> <p>DESCRIBE THE PROCESS IN SCHEDULE O</p> <p>THE ORGANIZATION'S COMPENSATION COMMITTEE MEETS AS NEEDED, BUT AT LEAST ONE TIME PER YEAR</p> <p>THIS COMMITTEE CONSISTS OF THREE OUTSIDE DIRECTORS</p> <p>ITS FUNCTION IS TO MAKE RECOMMENDATIONS/DECISIONS ON SALARY AND BENEFITS FOR KEY EXECUTIVES</p> <p>VARIOUS DATA IS UTILIZED IN DECISION-MAKING INCLUDING COMPENSATION CONSULTANTS, MANAGEMENT'S LEVEL OF ACHIEVMENT OF STIPULATED PERFORMANCE TARGETS, EXTERNAL SURVEYS, AND LOCAL MARKET CONDITIONS</p> <p>PERMANENT MINUTES ARE PREPARED AND REVIEWED BY COMPENSATION COMMITTEE MEMBERS PRIOR TO THEIR RATIFICATION</p> <p>THESE MINUTES ARE SUFFICIENTLY DETAILED TO PROVIDE SUBSTANTIATION OF THE DECISIONS MADE BY THE COMMITTEE WITH REGARD TO EACH KEY EXECUTIVE'S COMPENSATION AND BENEFITS</p> <p>A REPORT IS MADE TO THE FULL BOARD BY THE COMPENSATION COMMITTEE CHAIR AT WHICH TIME RATIFICATION OF COMMITTEE ACTION IS VOTED BY THE BOARD</p> |

| Identifier | Return Reference | Explanation |
|-------------------------------------------|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| FORM 990, PART VI, SECTION C, QUESTION 19 | Section c disclosure | DESCRIBE IN SCHEDULE O WHETHER (AND IF SO, HOW) THE ORGANIZATION MAKES IT GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS AVAILABLE TO THE PUBLIC ST LUKE'S EPISCOPAL HEALTH SYSTEM CORPORATION AND ITS RELATED ENTITIES HAVE NOT CREATED A GENERAL POLICY PROVIDING FOR THE DISCLOSURE OF CERTAIN DOCUMENTS in practice, these documents have been made available to the public upon written request only |

| Identifier | Return Reference | Explanation |
|----------------------------------------|-------------------|--------------------------------------------------------------------|
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME DAVID J FINE TITLE treasurer SECRETARY & director HOURS 39 |

| Identifier | Return Reference | Explanation |
|----------------------------------------|-------------------|-------------------------------------------------------|
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME MICHAEL RICHMOND TITLE CHAIRMAN & director HOURS |

| Identifier | Return Reference | Explanation |
|----------------------------------------|-------------------|-----------------------------------------------------------|
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME RALPH MCINGVALE TITLE VICE CHAIRMAN & Director HOURS |

| Identifier | Return Reference | Explanation |
|----------------------------------------|-------------------|------------------------------------------------|
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME CHARLES HANKINS, m d TITLE.DIRECTOR HOURS |

| Identifier | Return Reference | Explanation |
|----------------------------------------|-------------------|----------------------------------------------------|
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME STEPHEN PICKETT TITLE.asst secretary HOURS 43 |

| Identifier | Return Reference | Explanation |
|----------------------------------------|-------------------|-----------------------------------------------------------|
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME JEFY M MATHEW, m d TITLE DIRECTOR EX OFFICIO HOURS 2 |

| Identifier | Return Reference | Explanation |
|----------------------------------------|-------------------|-----------------------------------------------------|
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME THE REVEREND GARY H JONES TITLE.DIRECTOR HOURS |

| Identifier | Return Reference | Explanation |
|----------------------------------------|-------------------|------------------------------------------|
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAMEchester jones TITLEdirector HOURS 15 |

| Identifier | Return Reference | Explanation |
|----------------------------------------|-------------------|---------------------------------------|
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAMEgary whitlock TITLEdirector HOURS |

| Identifier | Return Reference | Explanation |
|----------------------------------------|-------------------|--------------------------------------|
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME brad beers TITLE director HOURS |

| Identifier | Return Reference | Explanation |
|----------------------------------------|-------------------|--------------------------------------|
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAMEgerald glenn TITLEdirector HOURS |

| Identifier | Return Reference | Explanation |
|----------------------------------------|-------------------|-------------------------------------|
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAMEgerry sevic TITLEdirector HOURS |

| Identifier | Return Reference | Explanation |
|----------------------------------------|-------------------|------------------------------------|
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAMEann snyder TITLEdirector HOURS |

| Identifier | Return Reference | Explanation |
|----------------------------------------|-------------------|-----------------------------------------------------------|
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME DEBRA F SUKIN TITLE SR V P AND CEO WOODLANDS HOURS 2 |

| Identifier | Return Reference | Explanation |
|----------------------------------------|-------------------|-------------------------------------------------------|
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME:Brian e Doyle TITLE:Assistant Treasurer HOURS 43 |

| Identifier | Return Reference | Explanation |
|----------------------------------------|-------------------|----------------------------------------------------------------|
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME Margaret A REITER TITLE AVP PATIENT CARE SLTWH HOURS 2 |

| Identifier | Return Reference | Explanation |
|----------------------------------------|-------------------|----------------------------------------------|
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME Mary Sue Lipham TITLE AVP & cfo HOURS 2 |

| Identifier | Return Reference | Explanation |
|----------------------------------------|-------------------|------------------------------------------------|
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAMEandrew starr TITLEavp & coo sltw h HOURS 2 |

| Identifier | Return Reference | Explanation |
|----------------------------------------|-------------------|----------------------------------------------|
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME Erica A Stuckey TITLE STAFF NURSE HOURS |

| Identifier | Return Reference | Explanation |
|----------------------------------------|-------------------|---------------------------------------------------------|
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME mona j tucker TITLE Human Resources Director HOURS |

| Identifier | Return Reference | Explanation |
|----------------------------------------|-------------------|---------------------------------------------------------|
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME TANA ELLIOTT TITLE supervisor emergency dept HOURS |

| Identifier | Return Reference | Explanation |
|----------------------------------------|-------------------|---------------------------------------------------|
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME flordevic p lagrimas TITLE staff nurse HOURS |

| Identifier | Return Reference | Explanation |
|----------------------------------------|-------------------|--------------------------------------------------|
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME robyn s james TITLE director tektonic HOURS |

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
ST LUKES COMMUNITY HEALTH SERVICES

Employer identification number
76-0536234

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 |
|-----------------------------------------------------|-------------------------|--------------------------------------------------|---------------------|---------------------------|----------------------------------|
| | | | | | |
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Part II

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

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

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

| (a) Name, address, and EIN of related organization | (b) Primary activity | (c) Legal domicile (state or foreign country) | (d) Direct controlling entity | (e) Predominant income (related, unrelated, excluded from tax under sections 512-514) | (f) Share of total income | (g) Share of end-of-year assets | (h) Disproportionate allocations? | | (i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065) | (j) General or managing partner? | | (k) Percentage ownership |
|----------------------------------------------------------------------------------------------------|-------------------------|--------------------------------------------------|----------------------------------|------------------------------------------------------------------------------------------|------------------------------|------------------------------------|--------------------------------------|----|----------------------------------------------------------------|-------------------------------------|----|-----------------------------|
| | | | | | | | Yes | No | | Yes | No | |
| (1) ST LUKES SUGAR LAND PARTNERSHIP LLP 3100 MAIN HOUSTON, TX 77002 20-4325467 | dissolved | TX | na | | | | | | 0 | | | |
| (2) ST LUKES LAKESIDE HOSPITAL LLC 3100 MAIN HOUSTON, TX 77002 30-0427437 | HOSPITAL | TX | na | | | | | | 0 | | | |
| (3) ST LUKES HOSPITAL AT THE VINTAGE LLC 3100 MAIN HOUSTON, TX 77002 26-3734616 | HOSPITAL | TX | na | | | | | | 0 | | | |
| (4) PMC Hospital LLC 3100 Main houston, TX 77003 27-3280598 | hospital | TX | na | | | | | | 0 | | | |
| (5) HC SL vintage I LLC 18000 West Sarah Land Ste 250 brookfield, WI 53045 27-0453767 | property hold | WI | na | | | | | | 0 | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |

Part IV

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

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

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

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

1

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

a

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

b

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

c

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

d

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

e

Loans or loan guarantees by related organization(s)

f

Sale of assets to related organization(s)

g

Purchase of assets from related organization(s)

h

Exchange of assets with related organization(s)

i

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

j

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

k

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

l

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

m

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

n

Sharing of paid employees with related organization(s)

o

Reimbursement paid to related organization(s) for expenses

p

Reimbursement paid by related organization(s) for expenses

q

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

r

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

No

Yes

No

No

No

No

No

No

Yes

No

No

No

Yes

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) | | | |
| (2) | | | |
| (3) | | | |
| (4) | | | |
| (5) | | | |
| (6) | | | |

Schedule R (Form 990) 2011

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

[illegible]

Part VII

Supplemental Information

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

| Identifier | Return Reference | Explanation |
|----------------------|-------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| form 990, Schedule R | Part V, Transactions with related organizations | St Luke's Episcopal Health System Corporation remits all vendor payments on behalf of its related organizations, including St Luke's Community Health services D/b/a/ St Luke's the Woodlands Hospital st Luke's episcopal health system corporation also provides administrative and financial services as well as cash management on behalf of its related organizations, including St Luke's Community Health services D/b/a/ St Luke's the Woodlands Hospital and is reimbursed for expenses incurred |

Software ID:

Software Version:

EIN: 76-0536234

Name: ST LUKES COMMUNITY HEALTH SERVICES

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

| (a) Name, address, and EIN of related organization | (b) Primary Activity | (c) Legal Domicile (State or Foreign Country) | (d) Exempt Code section | (e) Public charity status (if 501(c)(3)) | (f) Direct Controlling Entity | g Section 512 (b)(13) controlled organization | |
|------------------------------------------------------------------------------------------------------------|-------------------------|--------------------------------------------------|----------------------------|---------------------------------------------|----------------------------------|--------------------------------------------------|----|
| ST LUKES EPISCOPAL HEALTH SYSTEM CORP 6624 FANNIN HOUSTON, TX 77030 76-0536232 | PARENT CORP | TX | 501(c)(3) | 11a | EPIS DIOCESE | | No |
| ST LUKES EPISCOPAL HOSPITAL 6720 BERTNER HOUSTON, TX 77030 74-1161938 | HOSPITAL | TX | 501(c)(3) | 3 | SYSTEM CORP | | No |
| ST LUKES EPISCOPAL HEALTH SYSTEM FOUNDA PO BOX 20269 HOUSTON, TX 77225 76-0127715 | invest mgmt | TX | 501(c)(3) | 11a | SYSTEM CORP | | No |
| ST LUKES EPISCOPAL PROPERTIES CORP 6624 FANNIN HOUSTON, TX 77030 76-0531716 | prop mgmt | TX | 501(c)(3) | 11a | SYSTEM CORP | | No |
| ST LUKES MEDICAL TOWER CORPORATION 6624 FANNIN HOUSTON, TX 77030 76-0531713 | med offices | TX | 501(c)(3) | 11a | properties | | No |
| ST LUKES EPISCOPAL HEALTH CHARITIES 6624 FANNIN HOUSTON, TX 77030 76-0531710 | grant support | TX | 501(c)(3) | 11a | SYSTEM CORP | | No |
| GREATER HOUSTON HEALTH NETWORK 6624 FANNIN HOUSTON, TX 77030 76-0458535 | CLINIC | TX | 501(c)(3) | 3 | sleh | | No |
| SL AUGUSTA CORPORATION 6624 FANNIN HOUSTON, TX 77030 76-0226623 | title holding | TX | 501(c)(2) | N/A | properties | | No |
| ST LUKES COMMUNITY DEVELOPMENT CORP 3100 MAIN STREET HOUSTON, TX 77002 26-0274448 | mgmt support | TX | 501(c)(3) | 11a | SYSTEM CORP | | No |
| ST LUKES COMMUNITY DEV CORP SUGAR LAND 3100 MAIN STREET HOUSTON, TX 77002 26-1947374 | HOSPITAL | TX | 501(c)(3) | 3 | System Corp | | No |
| ST LUKES COMMUNITY DEV CORP THE WOODLAND 3100 MAIN STREET HOUSTON, TX 77002 26-0335902 | HOSPITAL | TX | 501(c)(3) | 3 | SL CDC | | No |
| ST LUKES COMMUNITY DEV CORP THE VINTAGE 3100 MAIN STREET HOUSTON, TX 77002 26-3734606 | HOSPITAL | TX | 501(c)(3) | 3 | SL CDC | | No |
| Woodlands Doctor Group 17200 st Lukes way the woodlands, TX 77384 27-4499340 | clinic | TX | pending | 9 | SL CHS | Yes | |
| St Luke's Community Dev Corp - PMC 3100 Main houston, TX 77002 27-3733278 | hospital | TX | pending | 3 | SL CDC | | No |
| Sugar land doctor group 6624 fannin st ste 1100 houston, TX 770302323 45-4270163 | clinic | TX | pending | 9 | SL CDC - SL | | No |
| St Luke's Foundation 3100 main st st 672 houston, TX 770029325 45-3811485 | grants | TX | pending | 7 | system corp | | No |
| st Luke's Sugar Land Properties Corpora 3100 main st ste 672 houston, TX 770029325 45-4120549 | prop mgmt | TX | pending | 11a | sl cdc -sl | | No |

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

| (a) Name, address, and EIN of related organization | (b) Primary activity | (c) Legal Domicile (State or Foreign Country) | (d) Direct Controlling Entity | (e) Type of entity (C corp, S corp, or trust) | (f) Share of total income (\$) | (g) Share of end-of-year assets (\$) | (h) Percentage ownership |
|------------------------------------------------------------------------------------------------------|-------------------------|--------------------------------------------------------------|----------------------------------------|--------------------------------------------------------------|-----------------------------------------|--------------------------------------------------|--------------------------------|
| ST LUKES MEDICAL ARTS CENTER I CONDO ASS 6624 FANNIN HOUSTON, TX 77030 30-0355518 | CONDOMINIUM A | TX | NA | c | | | |
| ST LUKES MEDICAL TWR CONDO ASSOCIATION 6624 FANNIN HOUSTON, TX 77030 76-0298751 | CONDOMINIUM A | TX | NA | c | | | |
| ST LUKES 6620 MAIN CONDO ASSOCIATION 6624 FANNIN HOUSTON, TX 77030 30-0355517 | CONDOMINIUM A | TX | NA | c | | | |
| THE THI AT SLEH DAC BLDG CONDO ASSOC 6624 FANNIN HOUSTON, TX 77030 90-0064009 | CONDOMINIUM A | TX | NA | c | | | |
| SLEHS HOLDINGS INC AND SUBSIDIARIES 6624 FANNIN HOUSTON, TX 77030 76-0637138 | HOLDING COMPA | TX | NA | c | | | |
| ST LUKES EPISCOPAL HOSP PHYSICIAN HOSP O 6720 BERTNER HOUSTON, TX 77030 76-0377932 | PHO | TX | NA | c | | | |
| ALL SAINTS INSURANCE COMPANY SPC LTD PO BOX 69 GT Georgetown, GRAND CAYMAN Ky-1102 CJ | SELF INSURANC | CJ | NA | N/A | | | |
| St Luke's Properties Corp - Sugar Land 3100 Main Houston, TX 77002 27-1303416 | dissolved | TX | na | C | | | |

CONSOLIDATED FINANCIAL STATEMENTS

St. Luke's Episcopal Health System
Years Ended December 31, 2011 and 2010
With Report of Independent Auditors

Ernst & Young LLP



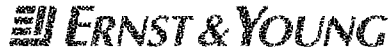
St. Luke’s Episcopal Health System

Consolidated Financial Statements

Years Ended December 31, 2011 and 2010

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www.ey.com

Report of Independent Auditors

The Board of Directors
St. Luke's Episcopal Health System

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

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

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

Ernst & Young LLP

April 27, 2012

St. Luke's Episcopal Health System

Consolidated Statements of Financial Position

| | December 31 | |
|----------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------|
| | 2011 | 2010 |
| | <i>(In Thousands)</i> | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 70,620 | \$ 123,042 |
| Restricted cash | 101,085 | 28,898 |
| Patient accounts receivable, net of allowance for uncollectible amounts of \$47,290 and \$47,755 at December 31, 2011 and 2010, respectively | 162,637 | 146,512 |
| Inventory | 16,109 | 13,941 |
| Due from Texas Heart Institute | 9,477 | 3,180 |
| Other current assets | 33,932 | 34,406 |
| Total current assets | 393,860 | 349,979 |
| Assets limited as to use | 147,879 | 154,580 |
| Investments | 795,533 | 827,941 |
| Property and equipment, net | 1,002,689 | 965,327 |
| Note receivable from Kelsey-Seybold Medical Group | — | 50,560 |
| Goodwill | 19,208 | 19,208 |
| Other assets | 43,006 | 49,041 |
| Total assets | \$ 2,402,175 | \$ 2,416,636 |
| Liabilities and net assets | | |
| Current liabilities: | | |
| Accrued salaries, wages, and benefits | \$ 42,651 | \$ 40,048 |
| Accounts payable and other accrued expenses | 171,750 | 188,286 |
| Lines of credit | 40,000 | 12,000 |
| Current portion of long-term debt | 34,016 | 26,873 |
| Total current liabilities | 288,417 | 267,207 |
| Long-term debt, less current portion | 854,303 | 770,761 |
| Accrued pension costs | 28,172 | 27,975 |
| Other long-term obligations | 266,885 | 254,163 |
| Total liabilities | 1,437,777 | 1,320,106 |
| Net assets: | | |
| Unrestricted: | | |
| Attributable to controlling interests | 863,381 | 999,342 |
| Attributable to noncontrolling interests | 16,628 | 11,827 |
| Total unrestricted | 880,009 | 1,011,169 |
| Temporarily restricted | 67,490 | 67,449 |
| Permanently restricted | 16,899 | 17,912 |
| Total net assets | 964,398 | 1,096,530 |
| Total liabilities and net assets | \$ 2,402,175 | \$ 2,416,636 |

See accompanying notes

St. Luke's Episcopal Health System

Consolidated Statements of Operations

| | Year Ended December 31 | |
|--------------------------------------------------------------------------------|-------------------------------|--------------|
| | 2011 | 2010 |
| | <i>(In Thousands)</i> | |
| Unrestricted revenues: | | |
| Patient service revenues | \$ 1,268,984 | \$ 1,157,791 |
| Rental and parking revenues | 27,932 | 28,219 |
| Other revenue | 25,168 | 28,360 |
| Net assets released from restrictions for operations | 4,194 | 3,151 |
| Total unrestricted revenues | 1,326,278 | 1,217,521 |
| Expenses: | | |
| Personnel costs | 553,856 | 513,823 |
| Supplies and pharmaceuticals | 255,449 | 233,185 |
| Services and other expenses | 257,629 | 220,044 |
| Depreciation and amortization | 88,725 | 78,030 |
| Interest | 34,644 | 28,112 |
| Provision for uncollectible amounts | 82,743 | 85,489 |
| Contributions to other organizations | 7,369 | 2,061 |
| Total expenses | 1,280,415 | 1,160,744 |
| Operating income | 45,863 | 56,777 |
| Nonoperating (losses) gains: | | |
| Investment (loss) income, net | (47,043) | 80,532 |
| Change in interest rate swap valuations | (85,321) | (23,957) |
| Community outreach | (5,388) | (5,433) |
| Partnership restructuring <i>(Note 18)</i> | (35,265) | — |
| Sugar Land acquisition settlement <i>(Note 17)</i> | (2,215) | — |
| Other, net | (20,799) | 3,139 |
| Total nonoperating (losses) gains, net | (196,031) | 54,281 |
| Revenues in (deficit) excess of expenses | (150,168) | 111,058 |
| Revenues in deficit of expenses attributable to noncontrolling interests | (20,517) | (12,119) |
| Revenues in (deficit) excess of expenses attributable to controlling interests | \$ (129,651) | \$ 123,177 |

See accompanying notes

St. Luke's Episcopal Health System

Consolidated Statements of Changes in Net Assets

| | Year Ended December 31 | |
|-----------------------------------------------------------------------------------------|-------------------------------|---------------------|
| | 2011 | 2010 |
| | <i>(In Thousands)</i> | |
| Revenues in (deficit) excess of expenses attributable to controlling interests | \$ (129,651) | \$ 123,177 |
| Other changes in unrestricted net assets: | | |
| Pension liability adjustments | (7,122) | (4,283) |
| Net assets released from restrictions for purchase of property and equipment | — | 11,900 |
| Change in interest rate swap valuation, net | 812 | 249 |
| (Decrease) increase in unrestricted net assets attributable to controlling interests | (135,961) | 131,043 |
| Increase (decrease) in unrestricted net assets attributable to noncontrolling interests | 4,801 | (3,964) |
| Temporarily restricted net assets: | | |
| Gifts, grants, bequests, and other | 4,333 | 3,562 |
| Investment (loss) income | (98) | 3,953 |
| Net assets released from restriction for purchase of property, plant, and equipment | — | (11,900) |
| Net assets released from restrictions for operations | (4,194) | (3,151) |
| Increase (decrease) in temporarily restricted net assets | 41 | (7,536) |
| Permanently restricted net assets: | | |
| Gifts, grants, bequests, transfers, and other | (1,013) | (1,201) |
| Decrease in permanently restricted net assets | (1,013) | (1,201) |
| (Decrease) increase in net assets | (132,132) | 118,342 |
| Net assets at beginning of year | 1,096,530 | 978,188 |
| Net assets at end of year | \$ 964,398 | \$ 1,096,530 |

See accompanying notes

St. Luke's Episcopal Health System

Consolidated Statements of Cash Flows

| | Year Ended December 31 | |
|--------------------------------------------------------------------------------------------------------------------|-------------------------------|-------------|
| | 2011 | 2010 |
| | <i>(In Thousands)</i> | |
| Operating activities | | |
| (Decrease) increase in net assets | \$ (132,132) | \$ 118,342 |
| Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 88,725 | 78,030 |
| (Gain) loss on disposal of assets | (4,101) | 627 |
| Change in interest rate swap valuations | 83,444 | 23,708 |
| Adjustment to recognize increase in pension liability | 7,122 | 4,283 |
| Adjustment to recognize settlement of claims in Sugar Land acquisition | 7,000 | — |
| Sugar Land Partnership restructuring | 9,667 | — |
| Adjustment to recognize noncontrolling interests issued in acquisition of Patients Medical Center | — | (8,935) |
| Provision for uncollectible amounts | 82,743 | 85,489 |
| Unrealized loss (gain) on marketable securities and alternative investments, net | 66,454 | (65,773) |
| Realized gain on marketable securities and alternative investments, net | (21,942) | (14,835) |
| (Increase) decrease, net of acquisitions, in: | | |
| Restricted cash | (72,187) | (18,588) |
| Patient accounts receivable | (98,868) | (94,324) |
| Inventory | (2,168) | (820) |
| Due from Texas Heart Institute | (6,297) | 4,115 |
| Other current assets | 474 | (2,006) |
| Investments | (12,104) | (9,732) |
| Other assets | 7,668 | 3,331 |
| Increase (decrease), net of acquisitions, in: | | |
| Accrued salaries, wages, and benefits | 2,603 | 1,007 |
| Accounts payable and other accrued expenses | (16,772) | 53,930 |
| Accrued pension obligations | (6,925) | (4,662) |
| Other long-term obligations | 10,875 | 50,748 |
| Net cash (used in) provided by operating activities | (6,721) | 203,935 |

St. Luke's Episcopal Health System

Consolidated Statements of Cash Flows (continued)

| | Year Ended December 31 | |
|-------------------------------------------------------------------------------------------------------------------|-------------------------------|--------------|
| | 2011 | 2010 |
| | <i>(In Thousands)</i> | |
| Investing activities | | |
| Acquisition of property and equipment | \$ (59,216) | \$ (198,682) |
| Note receivable payment | 50,560 | 1,109 |
| Proceeds from sale of property | — | 33,694 |
| Decrease in assets limited as to use | 6,701 | 74,599 |
| Sugar Land asset acquisition | (46,656) | — |
| Patients Medical Center acquisition, net of cash acquired | — | (9,250) |
| Net cash used in investing activities | (48,611) | (98,530) |
| Financing activities | | |
| Payments on long-term debt | (28,057) | (24,493) |
| Proceeds from long-term debt | 12,634 | 105,800 |
| Lines of credit activity, net | 28,000 | (125,000) |
| Sugar Land Partnership restructuring | (9,667) | — |
| Net cash provided by (used in) financing activities | 2,910 | (43,693) |
| Net (decrease) increase in cash and cash equivalents | (52,422) | 61,712 |
| Cash and cash equivalents at beginning of year | 123,042 | 61,330 |
| Cash and cash equivalents at end of year | \$ 70,620 | \$ 123,042 |
| Supplemental cash flow information | | |
| Cash paid during the year for interest, net of interest rate swap activity | \$ 15,935 | \$ 14,491 |
| Cash paid (received) during the year for federal income taxes | \$ 1,458 | \$ (6,105) |
| Supplemental information for noncash activities | | |
| Additions to property and equipment and long-term debt under Sugar Land acquisition (<i>Note 17</i>) | \$ 106,108 | \$ — |
| Additions to property and equipment and other long-term obligations under development agreement (<i>Note 4</i>) | \$ 6,581 | \$ 79,100 |

See accompanying notes

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements

December 31, 2011

1. Description of Organization

St. Luke's Episcopal Health System (the System or St. Luke's) is a Texas nonprofit tax-exempt corporation and a 501c(3) organization organized to enable the Episcopal Diocese of Texas to carry out its health care mission of directly providing health care and related education and research services.

The accompanying consolidated financial statements include the accounts of each of the following entities of the System:

St. Luke's Episcopal Hospital (the Hospital or SLEH) is an 864-bed general acute care hospital providing health care services to residents of the Houston metropolitan area as well as patients from national and international markets. Education and research are also conducted at the Hospital. The Hospital's activities are directed by its management, subject to the policies determined by the System's Board of Directors (the Board), which is elected by the Episcopal Diocese of Texas. SLEH is a 501c(3) organization. Greater Houston Health Network serves to promote access to health services by providing physicians to practice at SLEH.

St. Luke's Community Health Services d/b/a St. Luke's The Woodlands Hospital (Woodlands or SLWH) is a 150-bed general acute care hospital that provides health care services to residents of all ages of northern Harris and Montgomery counties. Pediatric and neonatal intensive care is provided at the campus through a management affiliation with Texas Children's Hospital. The Woodlands is a member of the System and, as such, abides by policies determined by the System's Board. The Woodlands is a 501c(3) organization.

The Woodlands Doctor Group d/b/a Woodlands Health Network serves to promote access to health services by providing physicians to practice at Woodlands.

St. Luke's Episcopal Health System Foundation (the Foundation) provides financial support to the exempt hospitals and the System and is a 501c(3) organization.

St. Luke's Episcopal Properties Corporation holds title to and provides management services for certain real estate assets, including 6620 Main, and certain Kelsey-Seybold clinics, and the medical office building on The Woodlands campus, and is a 501c (3) organization.

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

1. Description of Organization (continued)

St. Luke's Episcopal Health Charities is a grant-making public charity devoted exclusively to assessing and enhancing the health status of the Houston community and the 57-county Episcopal Diocese of Texas and is a 501c(3) organization. It seeks funding from various philanthropic entities for these purposes and also receives annual support from the Foundation.

SLEHS Holdings, Inc. (SLEHS Holdings) and subsidiaries are an affiliated group of taxable entities that were formed to carry on certain taxable business activities, such as parking.

St. Luke's Community Development Corporation, a Texas not-for-profit corporation and a 501c(3) organization, was established May 25, 2007, to acquire ownership interest in the real estate and joint operating companies relating to hospital joint ventures between the System and physicians. St. Luke's Community Development Corporation includes the consolidated financial position and results of operations of St. Luke's Community Development Corporation – The Woodlands, St. Luke's Community Development Corporation – Sugar Land, St. Luke's Community Development Corporation – The Vintage, St. Luke's Community Development Corporation PMC, and St. Luke's Sugar Land Properties.

St. Luke's Sugar Land Partnership, L.L.P. (the Sugar Land Partnership or SLSLH), a Texas limited liability partnership, doing business as St. Luke's Sugar Land Hospital, was formed on February 14, 2006, to organize and operate a general acute care medical facility in Sugar Land, Texas. The facility commenced operations in October 2008. From commencement of operations through June 30, 2011, the managing partner of the Sugar Land Partnership was St. Luke's Community Development Corporation – Sugar Land, with a 51% ownership interest. Effective June 30, 2011, the Sugar Land Partnership presented a rescission motion to the third-party investors holding 49% of the ownership interest (see Note 18). As a result of the rescission, the hospital activities resided in the remaining majority partner, St. Luke's Community Development Corporation – Sugar Land. Limited partnership interests owned by third parties were reflected as noncontrolling interests in the accompanying consolidated statements of financial position for 2010 and the first six months of 2011. After the rescission, St. Luke's Community Development Corporation – Sugar Land continues to operate St. Luke's Sugar Land Hospital.

The Sugar Land Doctor Group serves to promote access to health services by providing physicians to practice at St. Luke's Sugar Land Hospital.

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

1. Description of Organization (continued)

St. Luke's Lakeside Hospital, L.L.C. (the Lakeside Corporation or SLLSH), a Texas limited liability corporation, was formed on May 29, 2007, to organize and operate an acute care medical facility in The Woodlands, Texas. The managing member is St. Luke's Community Development Corporation – The Woodlands, with a 51% ownership interest. The facility commenced operations in October 2009. Limited membership interests owned by third parties are reflected as noncontrolling interests in the accompanying consolidated statements of financial position.

St. Luke's Hospital at The Vintage, L.L.C. (the Vintage Corporation or SLHV), a Texas limited liability corporation, was formed on January 8, 2008, to organize and operate an acute care medical facility in Houston, Texas. The managing member is St. Luke's Community Development Corporation – The Vintage, with a 51% ownership interest. The facility commenced operations on December 1, 2010. Limited membership interests owned by third parties are reflected as noncontrolling interests in the accompanying consolidated statements of financial position.

HC SL Vintage I, L.L.C. (the Vintage Real Estate Venture) is a Wisconsin limited liability corporation formed on February 9, 2009. The System holds a 51% interest in this real estate joint venture, which is associated with St. Luke's Hospital at The Vintage, through its subsidiary, St. Luke's Community Development Corporation – The Vintage. Limited membership interests owned by third parties are reflected as noncontrolling interests in the accompanying consolidated statements of financial position.

PMC Hospital, L.L.C. d/b/a St. Luke's Patients Medical Center (Patients Medical Center), a Texas limited liability corporation, was formed on August 18, 2010, to organize and operate an acute care medical facility in Pasadena, Texas. The managing member is St. Luke's Community Development Corporation – PMC, with a 51% ownership interest acquired effective October 29, 2010. Limited membership interests owned by third parties are reflected as noncontrolling interests in the accompanying consolidated statements of financial position.

All Saints Insurance Company, SPC, Ltd. (All Saints) operates under the Segregated Portfolio Companies Law of the Cayman Islands. The System owns all its issued and outstanding shares. All Saints issues indemnity contracts providing professional malpractice, property, and general liability coverage to the System. All Saints, which contracts with an independent insurance management company in the Cayman Islands to manage its business affairs, is subject to regulation by the Cayman Islands Monetary Authority.

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

1. Description of Organization (continued)

SL Augusta is a title holding corporation that assists in real estate holdings and is a 501c(2) organization.

SL Medical Tower Corporation holds certain real estate activities in the Texas Medical Center, including the O'Quinn Medical Tower, and is a 501c(3) organization.

St. Luke's Foundation was formed in October 2011 to promote health care and research throughout the exempt hospitals of the System.

St. Luke's Sugar Land Properties (SL Properties) was formed on December 21, 2011, for the purpose of acquiring and managing the real estate assets for St. Luke's Sugar Land Hospital.

All significant intercompany accounts have been eliminated upon consolidation.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses (including estimated retroactive settlements under the Medicare and Medicaid programs), and requires disclosure of contingent assets and liabilities at the date of the financial statements. Because of the subjectivity inherent in this process, actual results may differ from those estimates.

Cash Equivalents

Cash equivalents held in reserve for working capital include certain investments in highly liquid instruments with maturities of three months or less at the time of purchase.

Investments

Investments are composed of a professionally managed, diversified portfolio of financial assets. Historically, the System has maintained investments in the domestic equity, debt securities, and international equity asset classes, utilizing securities managed in separate accounts, mutual funds

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

and investments in alternative asset classes, including ownership interests in certain limited liability partnerships and corporations that hold investments in hedge funds, hedge funds-of-funds, managed futures, and real estate.

Investments are reflected as investments or assets limited as to use in the consolidated statements of financial position. Assets limited as to use include investments and other assets over which the Board retains control and may, at its discretion, subsequently use for other purposes, funds restricted by donors or grantors, statutory requirements, and borrowing proceeds limited as to use. Investments and assets limited as to use are classified as noncurrent assets, except for assets limited as to use that are required to meet current liabilities (\$5.0 million at December 31, 2011 and 2010), which have been classified as other current assets in the consolidated statements of financial position.

Investment income or loss (including realized and unrealized gains and losses on investments, equity earnings in alternative investments, interest, and dividends) is recorded as a nonoperating gain (loss) and included in unrestricted revenues, gains, and other support in excess of expenses, unless the income or loss is restricted by donor or law.

Purchases and sales of actively traded investment securities are reported as a component of net cash (used in) provided by operating activities.

Interest Rate Swaps

The System utilizes interest rate swap agreements to manage interest rate exposure. Changes in the fair values of the System's swaps are recorded as nonoperating gains (losses) except for one interest rate swap agreement entered into by St. Luke's Sugar Land Hospital, which has been designated as a cash flow hedge (see Note 6). Changes in the fair value of this swap agreement are recorded as a component of other changes in unrestricted net assets.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided on the straight-line method based on the estimated useful lives of the assets, ranging from 10 to 40 years for buildings and improvements, and 3 to 20 years for furniture, fixtures, and equipment. Leasehold improvements are amortized over the shorter of the asset life or lease term, which generally ranges from 5 to 15 years. Equipment under capital lease obligations is amortized on

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated statements of operations. Routine maintenance and repairs are charged to expense as incurred, while major renewals or improvements are capitalized. Interest cost incurred on borrowed funds during the period of construction of capital assets is included as a component of the cost of acquiring those assets.

Deferred Financing Costs

Costs associated with the issuance of revenue bonds have been capitalized and included with other assets and are amortized over the relevant terms of the respective bond issues. Deferred financing costs, net of accumulated amortization, were \$3.3 million and \$3.8 million as of December 31, 2011 and 2010, respectively.

Inventory

Inventory is carried at the lower of cost or market and consists primarily of medical supplies and drugs. Cost is determined based on a first-in, first-out method.

Long-Lived Assets

When events or changes in circumstances indicate that the carrying amount of property and equipment and identifiable intangible assets or other long-lived assets related to specifically acquired assets may not be recoverable, an evaluation of the recoverability of assets is performed. When an evaluation is performed, the estimated undiscounted future net cash flows associated with the asset is compared to the asset's carrying value to determine if an impairment should be recorded. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. There were no impairment losses recognized in 2011 or 2010.

Noncontrolling Interests

The interests held by third parties in subsidiaries owned or controlled by the System are reported on the consolidated statements of financial position as noncontrolling interests. Noncontrolling interests reported in the consolidated statements of operations reflect the respective interests in the revenues in excess (deficit) of expenses of the subsidiaries attributable to the other parties, the effect of which is removed from the System's unrestricted net assets.

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Net Assets and Contributions

Net assets included in the consolidated statements of financial position include both unrestricted and restricted net assets. Temporarily restricted net assets are those assets whose use by the System has been limited by donors to a specific time period or purpose. When a donor restriction expires (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are transferred to unrestricted net assets and reported in the consolidated statements of operations. Permanently restricted net assets have been restricted by donors to be maintained by the System in perpetuity.

Unrestricted contributions are recorded as revenue, and restricted contributions are recorded in temporarily or permanently restricted net assets at the present value of estimated future cash flows when the unconditional promise is received. Pledges receivable are recorded as assets limited as to use in the consolidated statements of financial position. At December 31, 2011 and 2010, the System had \$4.9 million in pledges receivable (\$3.0 million and \$3.1 million, net of discount and allowance for uncollectible pledges at December 31, 2011 and 2010, respectively), reflected in assets limited as to use in the consolidated statements of financial position. The discount on those amounts is computed using a risk-free interest rate of 4% at December 31, 2011. Such pledges are due as follows: \$0.9 million in the 12 months ending December 31, 2012, and \$4.0 million thereafter.

Patient Service Revenue and Patient Accounts Receivable

The System has agreements with third-party payors that provide for payments to the System at varying rates. Patient service revenue is recognized in the period that services are provided and reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Patient accounts receivable are reported net of estimated allowances for contractual allowances, uncollectible accounts, and other discounts. These allowances are based on management's assessment of historical experience and expected net collections for each major payor source, considering business and economic conditions, trends in health care coverage and other collection indicators. Management regularly reviews collections data by major payor sources in evaluating the sufficiency of the allowance for uncollectible accounts. On the basis of historical experience, a significant portion of the Systems' self-pay patients will be unable or unwilling to pay for the service provided. Thus the System records a provision for uncollectible accounts in the period services are provided related to self-pay patients. Unpaid accounts are written off as bad debts upon reaching delinquent status.

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

The Medicare and Medicaid programs accounted for approximately 37% of the System's patient service revenues for each of the years ended December 31, 2011 and 2010. Federal regulations require the submission of annual cost reports covering medical costs and expenses associated with services provided to program beneficiaries. Medicare and Medicaid cost report settlements are estimated in the period that services are provided to beneficiaries. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is a reasonable possibility that recorded estimates may change by a material amount as interpretations are clarified. These initial amounts are revised as needed until the final cost report is settled. Medicare contracts with other third parties, such as recovery audit contractors and program integrity contractors, to perform post-payment reviews and audits. These contractors typically request copies of patient charts and review appropriateness of services. The System believes it complies with payor requirements at the time of billing. However, the System cannot predict whether future billing reviews or similar audits by these contractors will result in material recoupments. At December 31, 2011 and 2010, the System has accrued net third-party payor liabilities of \$32.3 million and \$29.9 million, respectively.

Charity Care

The System provides financial assistance for medically necessary care to patients who require hospital care or medical services and cannot afford such care because of their personal financial situation. In assessing a patient's ability to pay, the System utilizes generally recognized poverty income levels and the patient's resources. An uninsured or underinsured patient whose catastrophic illness or injury results in an obligation that exceeds a specified percentage of the patient's income is also eligible for financial assistance. Charity care is not reported as revenue in the consolidated statement of operations and the consolidated statement of changes in net assets. The cost of charity care provided by the System was approximately \$32.3 million and \$24.9 million in 2011 and 2010, respectively. The cost is calculated by multiplying the ratio of operating expenses to gross charges for the Hospital by the gross uncompensated charges associated with providing care to the charity patients. The System also participates in the Medicaid program for indigent patients. The estimated cost of providing services, in excess of reimbursement, related to the Medicaid program totaled \$27.7 million and \$27.3 million in 2011 and 2010, respectively, and is estimated in the same manner.

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Goodwill

Goodwill arises as the difference between the purchase price of an acquisition and the fair value at the date of acquisition. Goodwill has an indefinite life and as such is not amortized but is reviewed annually for impairment. In September 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-08, *Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment*. This ASU amends existing guidance by modifying the impairment test for goodwill and indefinite-lived intangibles so that the fair value is no longer required to be calculated unless the System believes, based on qualitative factors, that it is more likely than not that the indefinite lived intangible asset's fair value is less than its carrying value. This new guidance is effective for annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The System has elected to early-adopt ASU 2011-08 and, as such, performed a qualitative assessment as of the annual measurement date of September 30, 2011. Based on the qualitative assessment, the System determined it was not necessary to perform the two-step goodwill impairment test. There were no impairment losses recognized in 2011 or 2010.

Recent Accounting Pronouncements

In January 2010, the FASB issued ASU No. 2010-06, which clarifies certain existing fair value measurement disclosure requirements of Accounting Standards Codification (ASC) Topic 820 (formerly Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*) and also requires additional fair value measurement disclosures. Specifically, ASU 2010-06 clarifies that assets and liabilities must be categorized by major class, or level, of asset or liability, and provides guidance regarding the identification of such major classes. Additionally, disclosures are required about valuation techniques and the inputs to those techniques for those assets or liabilities designated as Level 2 or Level 3 instruments. Disclosures regarding transfers between Level 1 and Level 2 assets and liabilities are required, as well as a deeper level of disaggregation of activity within existing rollforwards of the fair value of Level 3 assets and liabilities. See Note 7 for fair value measurement disclosures. The adoption of this guidance did not have a significant impact on the System's consolidated financial statements for the year ended December 31, 2011.

In August 2010, the FASB issued ASU 2010-23, *Health Care Entities (Topic 954): Measuring Charity Care for Disclosure*. ASU 2010-23 is intended to reduce the diversity in practice regarding the measurement basis used in the disclosure of charity care. ASU 2010-23

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

requires that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct and indirect costs of providing the charity care, and requires disclosure of the method used to identify or determine such costs. This ASU was effective for the System on January 1, 2011, and the required disclosures are included in Note 2 to the consolidated financial statements.

In August 2010, the FASB issued ASU 2010-24, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries*. The amendments in this ASU clarify that a health care entity may not net insurance recoveries against related claim liabilities. In addition, the amount of the claim liability must be determined without consideration of insurance recoveries. This ASU was effective for the System on January 1, 2011. The adoption of ASU 2010-24 did not have a material impact on the System's consolidated results of operations, cash flows, or financial position.

In July 2011, the FASB issued ASU 2011-07, *Health Care Entities (Topic 954): Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. The amendments in this ASU require the System to change the presentation of its consolidated statements of operations and changes in net assets 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, the ASU requires enhanced disclosure about the System's policies for recognizing revenue and assessing bad debts, patient service revenue (net of contractual allowances and discounts), and qualitative and quantitative information about changes in the allowance for doubtful accounts. This ASU is effective for the System on January 1, 2012, with early adoption permitted. The System is currently evaluating the impact on its consolidated financial position, results of operations, and disclosures from the adoption of this pronouncement.

Reclassifications

Certain prior-year amounts have been reclassified to conform to the current-year presentation.

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

3. Assets Limited as to Use and Investments

Assets Limited as to Use

The composition of assets limited as to use as of December 31, 2011 and 2010, is set forth in the following table (in thousands):

| | <u>2011</u> | <u>2010</u> |
|----------------------------------------------------------------------------------------------|-------------------|-------------------|
| Borrowing proceeds limited as to use: | | |
| Cash and cash equivalents | \$ 4,650 | \$ 18,411 |
| Designated by statute or the Board for payment of professional and general liability claims: | | |
| Debt securities | 37,591 | 34,053 |
| Funds restricted by the Board, donors, grantors, or other external parties: | | |
| Cash and cash equivalents | 56,125 | 51,299 |
| Debt securities | 24,111 | 24,982 |
| Domestic equity | 12,870 | 14,392 |
| International equity | 6,134 | 7,808 |
| Alternative investments | 7,364 | 4,128 |
| Other, including pledges receivable | 4,034 | 4,507 |
| | <u>110,638</u> | <u>107,116</u> |
| Total assets limited as to use | 152,879 | 159,580 |
| Less amount required to meet current obligations | (5,000) | (5,000) |
| | <u>\$ 147,879</u> | <u>\$ 154,580</u> |

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

3. Assets Limited as to Use and Investments (continued)

Investments

The composition of investments as of December 31, 2011 and 2010, is set forth in the following table (in thousands):

| | 2011 | 2010 |
|----------------------------|-------------------|-------------------|
| Domestic equity | \$ 213,712 | \$ 250,494 |
| International equity | 26,526 | 42,823 |
| Domestic mutual funds | 31,293 | 54,402 |
| International mutual funds | 66,469 | 58,294 |
| Corporate bonds | 135,097 | 134,413 |
| U.S. government securities | 9,693 | 25,682 |
| U.S. agency securities | 77,324 | 43,348 |
| Real estate and other | 31,238 | 29,104 |
| Alternative investments | 204,181 | 189,381 |
| | \$ 795,533 | \$ 827,941 |

Domestic and international equities consist of publicly traded securities. Domestic and international mutual funds consist of mutual funds that are professionally managed. Debt securities are primarily composed of corporate bonds, mortgage-backed securities, U.S. government securities, and U.S. government agency securities.

As of December 31, 2011 and 2010, alternative investments include ownership interests in certain limited liability partnerships and corporations that hold investments in hedge funds (\$61.7 million and \$44.4 million, respectively), hedge funds-of-funds (\$53.6 million and \$50.5 million, respectively), a managed futures fund (\$44.5 million and \$44.2 million, respectively), real estate (\$21.2 million and \$29.9 million, respectively), and private equity funds-of-funds (\$23.2 million and \$20.4 million, respectively). The hedge funds and hedge funds-of-funds, each organized as a non-U.S. corporation, utilize long/short equity, equity market neutral, arbitrage, distressed, and global macro investment strategies. The managed futures fund, organized as a U.S. limited partnership, invests in futures, options, and forwards on commodities, financial instruments, and currencies. Real estate consists of private real estate funds-of-funds, each organized as a U.S. limited partnership, and publicly traded real estate investment trust securities. The private equity funds-of-funds, each organized as a U.S. limited

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

3. Assets Limited as to Use and Investments (continued)

partnership, utilize large leveraged buy-out, small/mid-leveraged buy-out, and venture capital investment strategies. Risk in certain of the System's alternative investments includes limited transparency, where funds are not required to disclose the holdings in their portfolios to the System, and limitations on liquidity, as many funds impose lock-up periods or hold-back provisions that limit the System's ability to redeem these investments.

Investment Income

Investment income and losses related to unrestricted net assets is comprised of the following for the years ended December 31, 2011 and 2010 (in thousands):

| | 2011 | 2010 |
|---------------------------------------------------------|--------------------|------------------|
| Interest and dividend income, net of amortization | \$ 19,399 | \$ 21,103 |
| Realized gains, net | 23,770 | 15,697 |
| Unrealized (losses) gains, net | (59,047) | 56,651 |
| Equity in (deficit) earnings of alternative investments | (7,407) | 9,785 |
| Net interest rate swap settlement payments | (21,227) | (20,800) |
| | (44,512) | 82,436 |
| Less fund manager and other investment expenses | (2,531) | (1,904) |
| | <u>\$ (47,043)</u> | <u>\$ 80,532</u> |

Cash Collateral

Under the terms of the interest rate swap agreements, each party is obligated to post cash or securities with the other party from time to time equal to the portion of its settlement obligation in excess of a threshold amount. At December 31, 2011 and 2010, the System has posted cash collateral of \$101.1 million and \$28.9 million, respectively, which is reflected as restricted cash.

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

4. Property and Equipment

A summary of property and equipment as of December 31, 2011 and 2010, is as follows (in thousands):

| | <u>2011</u> | <u>2010</u> |
|------------------------------------------------|---------------------|-------------------|
| Land and land improvements | \$ 106,704 | \$ 91,808 |
| Buildings and improvements | 1,119,088 | 1,047,953 |
| Leasehold improvements | 16,497 | 19,095 |
| Furniture, fixtures, and equipment | 621,485 | 580,187 |
| Construction in progress | 19,911 | 33,188 |
| | <u>1,883,685</u> | <u>1,772,231</u> |
| Less accumulated depreciation and amortization | (880,996) | (806,904) |
| | <u>\$ 1,002,689</u> | <u>\$ 965,327</u> |

The System has capitalized costs associated with computer software developed or obtained for internal use. For the years ended December 31, 2011 and 2010, total capitalized labor was \$1.6 million and \$2.8 million, respectively.

In February 2010, the Lakeside facility was sold to HC SL Lakeside I, LLC for approximately \$33.5 million. The System, through St. Luke's – The Woodlands Hospital, obtained a 9% interest in HC SL Lakeside I, LLC, with an initial investment of \$3.3 million. The investment percentages in the real estate joint venture are as follows: third-party developer – 89%, physicians – 2%, and the System – 9%. The Lakeside Corporation leases the facility from HC SL Lakeside I, LLC under a capital lease arrangement. Under the provisions of ASC Topic 360-20, *Real Estate Sales*, the System is required to continue to capitalize the facility and to recognize an obligation for the sales proceeds received. A gain on the sale of \$1.4 million has been deferred until specified forms of continuing involvement have ceased. The consolidated statement of financial position as of December 31, 2011, includes \$29.7 million of property and equipment, net and \$34.1 million in other long-term obligations related to this transaction.

In 2007, the System sold a medical office building on the Woodlands campus for approximately \$15 million and leased it back. Under the provisions of ASC Topic 840-40, *Leases – Sale-Leaseback Transactions*, the System is required to continue to capitalize the medical office building and to recognize an obligation for the sales proceeds received. A gain on the sale of

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

4. Property and Equipment (continued)

\$3.9 million has been deferred until specified forms of continuing involvement have ceased. The consolidated statements of financial position as of December 31, 2011 and 2010 include \$7.5 million and \$7.7 million, respectively, of property and equipment, net, and \$13.6 million and \$13.6 million, respectively, in other long-term obligations related to this transaction.

The Effect of Lessee Involvement in Asset Construction

Under the provisions of ASC Topic 840-40 related to development agreements, the Vintage Corporation is considered the accounting owner of its hospital facility built in 2010 and its medical office building built in 2011. On December 30, 2011, the System acquired assets in Sugar Land including the previously leased hospital building, a medical office building, land and garage recorded in property and equipment for \$146 million (see Note 17). During the year ended December 31, 2010 and up to the date of Purchase, the Sugar Land hospital facility had been recorded under the provision of ASC Topic 840-40. Accordingly, as of December 31, 2011 and 2010, the following amounts are recorded in property and equipment, net of accumulated depreciation, as building and improvements. The related obligations are recorded in other long-term obligations.

| | Property and Equipment | | Other Long-Term Obligations | |
|------------------------------------------|-------------------------------|-------------------|------------------------------------|-------------------|
| | 2011 | 2010 | 2011 | 2010 |
| | <i>(In Thousands)</i> | | | |
| Hospital facilities and improvements | \$ 97,320 | \$ 173,800 | \$ 106,415 | \$ 182,500 |
| Medical office building and improvements | 6,471 | — | 6,487 | — |
| | <u>\$ 103,791</u> | <u>\$ 173,800</u> | <u>\$ 112,902</u> | <u>\$ 182,500</u> |

The related property and equipment are depreciated over their economic lives when placed in service. The related obligation is amortized over the term of the facility lease agreements. The Vintage Corporation has a 25-year lease agreement with two 5-year renewal options for the hospital facility and a 10-year lease with two 5-year renewal options for the medical office building.

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

5. Debt

A summary of long-term debt as of December 31, 2011 and 2010, is as follows (in thousands):

| | 2011 | 2010 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Series 2009 revenue bonds, coupon rates ranging from 3.00% to 5.63%, interest payable semiannually, with final maturity in February 2025 | \$ 152,716 | \$ 161,474 |
| Series 2008 revenue bonds, bearing interest at a variable rate established by a major financial institution, 0.14 % at December 31, 2011, determined weekly, with final maturity in February 2041 | 100,000 | 100,000 |
| Series 2005 revenue bonds, bearing interest at a variable rate established by a major financial institution, 0.10% at December 31, 2011, determined weekly, with final maturity in February 2032 | 145,820 | 145,820 |
| Series 2002 revenue bonds, coupon rates ranging from 4.00% to 5.00%, interest payable semiannually, with final maturity in February 2012 | 811 | 1,588 |
| Series 2001A revenue bonds, coupon rates ranging from 5.25% to 5.50%, interest payable semiannually, with final maturity in February 2011 | — | 4,143 |
| Series 2001B revenue bonds, bearing interest at a variable rate established by a major financial institution, 0.14 % at December 31, 2011, payable monthly, with final maturity in February 2031 | 150,220 | 150,220 |
| Unsecured note with a bank, with a variable interest rate of LIBOR +0.50% (0.73% at December 31, 2011) and with final maturity in February 2014 | 8,212 | 8,831 |
| Unsecured note with a bank, with a variable interest rate of LIBOR +1.50% (1.95% at December 31, 2011) and with final maturity in May 2017 | 96,352 | 98,908 |
| Secured note with a bank, with a variable interest rate of 0.76% at December 31, 2011, and final maturity in December 2014 | 17,500 | 23,333 |
| Secured note with a fixed interest rate of 5.29% and with final maturity in August 2019 | 11,616 | 12,824 |
| Secured note with a fixed interest rate of 5.73% and with final maturity in April 2028 | 76,519 | — |
| Secured note with a fixed interest rate of 5.73% and with final maturity in April 2028 | 29,589 | — |

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

5. Debt (continued)

| | 2011 | 2010 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Secured note with a bank, with a variable interest rate of LIBOR +1.00% (1.29% at December 31, 2011) and with final maturity in September 2016. This is a direct obligation of PMC Hospital LLC. A System affiliate is the majority member, with a 51% ownership interest. | \$ 4,500 | \$ — |
| Secured line of credit with a bank, with a variable interest rate of LIBOR +0.90% (1.212% at December 31, 2011) and with final maturity in September 2014. This is a direct obligation of PMC Hospital LLC. A System affiliate is the majority member, with a 51% ownership interest. | 3,100 | — |
| Secured note with financing company, with a fixed interest rate of 3.90% and with final maturity in March 2014. This is a direct obligation of PMC Hospital LLC. A System affiliate is the majority member, with a 51% ownership interest. | 1,501 | — |
| Secured note with financing company, with a fixed interest rate of 4.00% and with final maturity in March 2016. This is a direct obligation of PMC Hospital LLC. A System affiliate is the majority member, with a 51% ownership interest. | 2,308 | — |
| Secured note with a bank, with a fixed interest rate of 5.50% and with final maturity in October 2016. This is a direct obligation of the Lakeside Corporation. A System affiliate is the majority member, with a 51% ownership interest. | 13,543 | 15,800 |
| HC SL Vintage I, LLC construction loan, with a fixed interest rate of 7.45% and with final maturity in July 2036. This is a direct obligation of the Vintage Real Estate Venture. The System is the majority member, with a 51% ownership interest. | 73,237 | 73,900 |
| Other notes payable, at varying interest rates, with final maturity by 2015 | 775 | 793 |
| Long-term debt, less current portion | 888,319 | 797,634 |
| Less current portion | (34,016) | (26,873) |
| | <u>\$ 854,303</u> | <u>\$ 770,761</u> |

The System, the Hospital, and Woodlands are members of the Obligated Group and are obligors under each of the System's bond issues. The Foundation, St. Luke's Episcopal Properties Corporation, and SL Medical Tower Corporation are Designated Affiliates under the master trust indenture. Together, the Obligated Group members and the Designated Affiliates form the

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

5. Debt (continued)

Combined Group. Obligated Group members are jointly and severally obligated to pay the notes issued under the master trust indenture. Designated Affiliates are obligated to transfer to their controlling Obligated Group member any funds necessary to pay principal and interest on the notes. Notes issued under the master trust indenture are equally and ratably secured by a pledge of the accounts receivable of the Hospital and Woodlands.

The System issued its Series 2009 revenue refunding bonds through the Harris County Cultural Education Facilities Finance Corporation and its Series 2008, Series 2005, Series 2002, and Series 2001 revenue bonds through the Harris County Health Facilities Development Corporation in connection with various financing and construction projects. Payments to bondholders are funded by the System under a master trust indenture with the trustee of the respective bond issues. Under the related indentures and agreements, the System is required to satisfy and abide by certain measures of financial and operating performance. The System is in compliance with the related indentures and agreements at December 31, 2011.

A bank group is committed to provide liquidity support for the Series 2008 variable rate refunding bonds equal to 100% of the aggregate principal amount of the bonds (plus accrued interest) under a standby bond purchase agreement dated May 15, 2008. This agreement, which requires satisfaction of certain measures of financial performance, expires March 31, 2016. The liquidity facility would require semiannual repayment of bonds held by the bank beginning 367 days after the date purchased by the bank, on February 15 and August 15, over a five-year period.

A bank group is committed to provide liquidity support for the Series 2005 variable rate refunding bonds equal to 100% of the aggregate principal amount of the bonds (plus accrued interest) under a standby bond purchase agreement dated August 1, 2005. This agreement, which requires satisfaction of certain measures of financial performance, expires March 31, 2015. Per the terms of the agreement, any amounts held by the bank would require semiannual repayment beginning 367 days after the date purchased by the bank, on February 15 and August 15, over a five-year period.

A bank group is committed to provide liquidity support for the Series 2001B variable rate refunding bonds equal to 100% of the aggregate principal amount of the bonds (plus accrued interest) under a standby bond purchase agreement dated August 1, 2001. This agreement, which requires satisfaction of certain measures of financial performance, expires January 28, 2013. Per

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

5. Debt (continued)

the terms of the agreement, the System would be required to repay amounts funded in quarterly installments over a two-year period beginning at the end of the current agreement (two years beginning January 28, 2013).

In 2005, the System defeased approximately \$99.1 million of callable Series 2001A fixed rate bonds and \$29.4 million of callable Series 2002 fixed rate bonds. U.S. government securities sufficient to fund the scheduled principal and interest payments of the defeased bonds were purchased and placed in irrevocable trusts, and the System was legally released as primary obligor. The defeased bonds and the assets placed in trust were removed from the consolidated statement of financial position. Approximately \$0.8 million of noncallable bonds remain outstanding from the Series 2002 bonds at December 31, 2011.

In May 2010, the System entered into an agreement with a bank whereby the bank will provide general purpose financing in the amount of \$100 million. The proceeds were used to repay short-term debt. The note is a seven-year floating rate term loan priced at the three-month LIBOR rate plus 150 basis points. At December 31, 2011 and 2010, the balance outstanding was \$96.4 million and \$98.9 million, respectively.

The System has an agreement with a bank whereby the bank will provide a revolving line of credit to the System in an amount up to \$75.0 million. At December 31, 2011 and 2010, the System had drawn down \$40.0 million and \$0, respectively. The line of credit expires on August 12, 2012.

In December 2007, St. Luke's Sugar Land Hospital entered into an agreement with a bank whereby the bank will provide equipment financing in the amount of \$35.0 million and a revolving line of credit in the amount of \$12 million. The equipment loan is secured by assets of the St. Luke's Sugar Land Hospital. The equipment loan is a seven-year floating rate term loan, maturing in December 2014, priced at LIBOR plus 48 basis points. The floating rate was swapped to a fixed rate of 5.94% via an interest rate swap (see Note 6). At December 31, 2011 and 2010, the balance outstanding was \$17.5 million and \$23.3 million, respectively. At December 31, 2010, St. Luke's Sugar Land Hospital had drawn down \$12 million on the line of credit. The line of credit was paid off and the balance was \$0 at December 31, 2011. In September 2009, St. Luke's Sugar Land Hospital entered into a note agreement for \$15.3 million with a bank to provide financing for leasehold improvements and equipment for medical office space leased from a third party. The Sugar Land Partnership subsequently subleased the finished space to M.D. Anderson Cancer Center (see Note 11). The note is for a term of ten years with an

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

5. Debt (continued)

interest rate of 5.29% and principal and interest due monthly, with final maturity in August 2019. At December 31, 2011 and 2010, the balance outstanding was \$11.6 million and \$12.8 million, respectively. The note agreement requires the related sublease payments to be paid directly to the bank to service St. Luke's Sugar Land Hospital's note.

On December 30, 2011, SL Properties entered into an agreement to assume two mortgage loans for the purchase of a hospital building and a medical office building (see Note 17.) At December 31, 2011, the balances outstanding were \$76.5 million and \$29.6 million, respectively.

The Lakeside Corporation entered into an agreement with a bank to provide equipment financing in the amount of \$15.8 million. The equipment loan is secured by Lakeside Corporation's assets and guaranteed by the System. The equipment loan is a seven-year 5.50% fixed rate term loan with principal and interest payments due quarterly, beginning March 2011, with final maturity in October 2016. At December 31, 2011 and 2010, the balance outstanding is \$13.5 million and \$15.8 million, respectively.

The Vintage Real Estate Venture entered into a construction loan in 2009 to finance the construction of the hospital to be operated by the Vintage Corporation. The loan is secured by Vintage Real Estate Venture assets and a lease support agreement by the System. The construction loan is a 27-year 7.45% fixed rate term loan with principal and interest payments due quarterly and final maturity in 2036. At December 31, 2011 and 2010, the balance outstanding is \$73.2 million and \$73.9 million, respectively.

Scheduled principal payments on long-term debt are as follows (in thousands):

| | |
|--------------------------|-------------------|
| Year ending December 31: | |
| 2012 | \$ 34,016 |
| 2013 | 35,211 |
| 2014 | 38,947 |
| 2015 | 31,100 |
| 2016 | 31,055 |
| Thereafter | 717,990 |
| | <u>\$ 888,319</u> |

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

6. Interest Rate Swaps

The System has entered into various interest rate swap agreements to achieve specified objectives consistent with the overall debt and investment management policy of the System, and not for purpose of speculation. Objectives include managing the exposure related to variable rate debt.

During 2007, the System entered into two floating-to-fixed interest rate swap agreements, each with notional amounts of \$100.0 million.

During 2005, the System entered into three floating-to-fixed interest rate swap agreements, with notional amounts totaling \$488.4 million. The System also entered into two knockout agreements whereby two of the floating-to-fixed interest rate swap agreements were cancelable by the counterparty at par if certain requirements are met. In October 2011, the System terminated the two knockout agreements and recorded a realized gain of \$5.8 million from the fair value at December 31, 2010.

The fair value of these swaps at December 31, 2011 and 2010, was a liability of approximately \$171.4 million and \$87.1 million, respectively, and is included in other long-term obligations on the consolidated statements of financial position. The System elected not to use hedge accounting for the swaps, and therefore the change in fair value is reported as other nonoperating (losses) gains on the consolidated statements of operations. For the years ended December 31, 2011 and 2010, the change in fair value was an unrealized loss of \$88.9 million and \$22.7 million, respectively.

The System's swap agreements outstanding at December 31, 2011, are summarized in the following table:

| Related Bonds | Initial Notional Amount | Final Date | Interest Rates | | Counterparty |
|------------------|-------------------------------|---------------|----------------|-------------------|----------------|
| | | | Payable | Receivable | |
| (In Thousands) | | | | | |
| Series 2001B | \$ 152,475 | 2031 | 3.230% | 66% x 1-mo. LIBOR | JPMorgan Chase |
| Series 2001B | 152,475 | 2031 | 3.116 | 66% x 1-mo. LIBOR | Citibank, N.A. |
| Series 2005A | 145,820 | 2032 | 3.353 | 66% x 1-mo. LIBOR | JPMorgan Chase |
| Series 2008A | 100,000 | 2047 | 4.043 | 68% x 1-mo. LIBOR | JPMorgan Chase |
| Series 2008B | 100,000 | 2047 | 4.043 | 68% x 1-mo. LIBOR | Morgan Stanley |

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

6. Interest Rate Swaps (continued)

The System or the counterparty may terminate the swap transaction if the other party (or one of the specified affiliates) commits an event of default (including under other specified transactions and indebtedness) or certain acts of insolvency, or merges with a materially weaker entity, or may not legally (or, in the case of the Citibank transaction, practically) perform its obligations under the agreement, or, in the case of the Citibank transaction, if the Obligated Group's or Citibank's credit ratings are withdrawn or decline below specified levels (Baa3/BBB). The Obligated Group consists of certain entities of the System as defined in the Master Trust Indenture for the System's bonds payable. If either party terminates a transaction, the terminating party must pay or be paid a termination settlement based on quotations of the value of the transaction by leading dealers, regardless of which party was the defaulting or affected party. In addition, each party is obligated to post cash or securities with the other party equal to the portion of its settlement obligation from time to time in excess of a threshold amount that varies with its credit ratings (the threshold amount is currently \$25.0 million per transaction for the Hospital and the System combined, with respect to each swap counterparty).

During 2007, St. Luke's Sugar Land Hospital entered into a floating-to-fixed interest rate swap agreement with a notional amount of \$35.0 million. The swap agreement effectively fixed the rate at 5.94%. The swap agreement matures on December 15, 2014. The fair value of the swap at December 31, 2011 and 2010, was a liability of approximately \$1.3 million and \$2.1 million, respectively, and is included in other long-term obligations on the consolidated statements of financial position. The System has elected to use hedge accounting to record the changes in the fair value of this derivative. The change in fair value is recognized as a component of other changes in unrestricted net assets. For the years ended December 31, 2011 and 2010, the change in fair value was a gain of \$0.8 million and \$0.2 million.

7. Fair Value of Financial Instruments

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Authoritative guidance establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

7. Fair Value of Financial Instruments (continued)

Certain of the System's financial assets and financial liabilities are measured at fair value on a recurring basis, including cash equivalents, money market, debt securities and equity instruments, and interest rate swap agreements. The three levels of the fair value hierarchy and a description of the valuation methodologies used for instruments measured at fair value are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date. Level 1 primarily consists of financial instruments such as cash equivalents, exchange traded domestic and international equities, domestic and international mutual funds, and certain real estate funds.

Level 2 – Pricing inputs, other than quoted prices included in Level 1, that are either directly observable or that can be derived or supported from observable data as of the reporting date. The fair values of Level 2 investments were determined through evaluated bid prices provided by third-party pricing services where quoted market values are not available, or through inputs that are observable for the asset, either directly or indirectly, including investments measured at net asset values. Instruments in this category include certain U.S. government and U.S. government agency securities, certain corporate bonds, and certain real estate funds. Instruments in this category in the Pension Plan disclosed in Note 9 include certain U.S. government and U.S. government agency securities, certain corporate bonds, and certain alternative investments.

The fair values of the System's interest rate swaps disclosed in Note 6 are derived using mid-market estimates of each applicable market data parameter (e.g., interest rates, foreign exchange rates, volatilities) and generally accepted valuation methodologies. Also, expected cash flows are discounted at a discount rate that assumes that the parties are AA-rated.

Level 3 – Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

7. Fair Value of Financial Instruments (continued)

The value of financial assets and financial liabilities measured at fair value on a recurring basis was determined using the following inputs at December 31, 2011 and 2010 (in thousands):

| | December 31, 2011 | | | |
|----------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Investments included in assets limited as to use, excluding those accounted for under the equity method: | | | | |
| Cash and cash equivalents | \$ 60,775 | \$ — | \$ — | \$ 60,775 |
| Domestic equity | 12,870 | — | — | 12,870 |
| International equity | 6,134 | — | — | 6,134 |
| Debt securities | — | 61,702 | — | 61,702 |
| | <u>79,779</u> | <u>61,702</u> | <u>—</u> | <u>141,481</u> |
| Investments, excluding those accounted for under the equity method: | | | | |
| Domestic equity | 213,712 | — | — | 213,712 |
| International equity | 26,526 | — | — | 26,526 |
| Domestic mutual funds | 31,293 | — | — | 31,293 |
| International mutual funds | 66,469 | — | — | 66,469 |
| Corporate bonds | — | 135,097 | — | 135,097 |
| U.S. government securities | — | 9,693 | — | 9,693 |
| U.S. agency securities | — | 77,324 | — | 77,324 |
| Real estate and other | 13,825 | 17,413 | — | 31,238 |
| | <u>\$ 351,825</u> | <u>\$ 239,527</u> | <u>\$ —</u> | <u>\$ 591,352</u> |
| Liabilities | | | | |
| Interest rate swaps | \$ — | \$ (171,401) | \$ — | \$ (171,401) |

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

7. Fair Value of Financial Instruments (continued)

| | December 31, 2010 | | | |
|----------------------------------------------------------------------------------------------------------|-------------------|-------------|---------|-------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Investments included in assets limited as to use, excluding those accounted for under the equity method: | | | | |
| Cash and cash equivalents | \$ 69,710 | \$ — | \$ — | \$ 69,710 |
| Domestic equity | 14,392 | — | — | 14,392 |
| International equity | 7,808 | — | — | 7,808 |
| Debt securities | — | 59,035 | — | 59,035 |
| | 91,910 | 59,035 | — | 150,945 |
| Investments, excluding those accounted for under the equity method: | | | | |
| Domestic equity | 250,494 | — | — | 250,494 |
| International equity | 42,823 | — | — | 42,823 |
| Domestic mutual funds | 54,402 | — | — | 54,402 |
| International mutual funds | 58,294 | — | — | 58,294 |
| Corporate bonds | — | 134,413 | — | 134,413 |
| U.S. government securities | — | 25,682 | — | 25,682 |
| U.S. agency securities | — | 43,348 | — | 43,348 |
| Real estate and other | — | 29,104 | — | 29,104 |
| | \$ 406,013 | \$ 232,547 | \$ — | \$ 638,560 |
| Liabilities | | | | |
| Interest rate swaps | \$ — | \$ (89,251) | \$ — | \$ (89,251) |

Financial Instruments Not Measured at Fair Value – Long-Term Debt

The Hospital's variable rate bonds are valued at the par amount outstanding. The remarketing agent for the 2001B variable bonds sets the interest rate daily at a rate that would result in a sale of the bonds at par value. The remarketing agent for the 2005 and 2008 variable bonds sets the interest rate weekly at a rate that would result in a sale of the bonds at par value. The Hospital's fixed rate bonds (Series 2009, Series 2002, and Series 2001A) have a fair market value of \$153.5 million and \$171.1 million at December 31, 2011 and 2010, respectively, which was determined using price quotes based on current market conditions.

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

8. Income Taxes

The System, excluding SLEHS Holdings and other taxable joint ventures, is a nonprofit corporation and has been recognized as tax-exempt pursuant to Section 501(a) of the Internal Revenue Code, as an entity described in Section 501(c)(3). The System is subject to federal and state income tax on any taxable income generated from unrelated business activities and on activities conducted by its taxable entities, such as SLEHS Holdings.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The tax effects of temporary differences for components of net deferred tax assets at December 31, 2011 and 2010, are as follows (in thousands):

| | December 31 | |
|---------------------------------------------|--------------------|-----------------|
| | 2011 | 2010 |
| Deferred tax (liabilities) assets – current | \$ (210) | \$ (144) |
| Deferred tax assets – noncurrent | 1,191 | 1,393 |
| Deferred tax assets | 981 | 1,249 |
| Less valuation allowance | 183 | 166 |
| Net deferred tax assets | <u>\$ 798</u> | <u>\$ 1,083</u> |

The deferred tax assets and liabilities result from timing differences associated with amortization of intangible assets and deferred revenue relating to a license agreement. ASC Topic 740 requires a valuation allowance to reduce the deferred tax assets reported if, based on the weight of evidence, it is more likely than not that some portion or all of the deferred tax assets may not be realized.

The components of the System's income tax expense (benefit) for the years ended December 31, 2011 and 2010, are as follows:

| | 2011 | 2010 |
|----------|-----------------|-------------------|
| Current | \$ 2,896 | \$ (2,848) |
| Deferred | 241 | 189 |
| | <u>\$ 3,137</u> | <u>\$ (2,659)</u> |

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

8. Income Taxes (continued)

ASC Topic 740-10-25 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. There were no uncertain tax positions recorded in the consolidated financial statements at December 31, 2011 or 2010.

During 2009, the Internal Revenue Service (IRS) began examinations of the federal income tax returns of SLEHS Holdings, for the year ended December 31, 2007. During 2010, the IRS expanded the examination of the federal income tax return of SLEHS Holdings for the year ended December 31, 2007, to include some portions of the 2008 return for SLEHS Holdings. An accrual for the 2008 adjustments was recorded in 2010 and paid in 2011. SLEHS Holdings has received final notice that the examinations for both the 2007 and 2008 years have been closed and settled in 2011.

9. Employee Benefit Plans

Pension Plan

The System has a noncontributory, defined benefit pension plan (the Pension Plan) covering substantially all employees, except for those employed by other taxable business activities. The System makes annual contributions to the Pension Plan in excess of minimum funding requirements of the Employee Retirement Income Security Act of 1974, as amended.

The Pension Plan was amended and restated effective October 1, 1998, to convert from a traditional defined benefit plan to a cash balance defined benefit pension plan. The Pension Plan has a favorable determination letter from the IRS regarding the Pension Plan's tax-exempt status.

An amendment to the Pension Plan was adopted effective October 1, 2011. As part of the amendment, certain benefits were frozen and future benefits were no longer earned. The remeasurement of the plan as of the effective date resulted in a decrease of the projected benefit obligation of \$7.4 million.

The System recognizes the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligation) of the Pension Plan in the accompanying consolidated statements of financial position, with a corresponding adjustment to unrestricted net assets. The

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

9. Employee Benefit Plans (continued)

assumptions used in calculating the pension amounts recognized in the System's consolidated financial statements include discount rates, interest costs, expected return on plan assets, retirement and mortality rates, inflation rates, salary growth, and other factors. While the System believes the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect future pension obligations and expense.

The following tables set forth the Pension Plan's funded status as of the measurement date (December 31), amounts recognized in the consolidated financial statements, and assumptions used.

| | 2011 | 2010 |
|---------------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------|
| | <i>(In Thousands)</i> | |
| Change in projected benefit obligation: | | |
| Projected benefit obligation, beginning of period | \$ 247,354 | \$ 219,489 |
| Service cost | 12,313 | 12,852 |
| Interest cost | 13,053 | 13,088 |
| Actuarial losses, net | 11,673 | 16,510 |
| Benefits paid | (22,661) | (13,130) |
| Administrative expenses paid | (1,868) | (1,455) |
| Plan amendment | (7,356) | — |
| Projected benefit obligation (including \$232,711 and \$218,713, respectively, in accumulated benefit obligation) at measurement date | <u>\$ 252,508</u> | <u>\$ 247,354</u> |
| Change in plan assets: | | |
| Fair value of assets, beginning of period | \$ 223,989 | \$ 196,898 |
| Employer contributions | 18,000 | 18,000 |
| Return on plan assets | 9,312 | 23,676 |
| Benefits paid | (22,661) | (13,130) |
| Administrative expenses paid | (1,867) | (1,455) |
| Fair value of assets at measurement date | <u>\$ 226,773</u> | <u>\$ 223,989</u> |
| Funded status: | | |
| Unfunded projected benefit obligation | <u>\$ (25,735)</u> | <u>\$ (23,365)</u> |
| Amount recorded in other long-term obligations in the consolidated statements of financial position | <u>\$ (25,735)</u> | <u>\$ (23,365)</u> |

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

9. Employee Benefit Plans (continued)

| | 2011 | 2010 |
|--------------------------------------------------------------------------------------------|-----------------------|------------------|
| | <i>(In Thousands)</i> | |
| Components of net periodic cost: | | |
| Service cost | \$ 12,313 | \$ 12,852 |
| Interest cost | 13,053 | 13,088 |
| Expected return on plan assets | (16,314) | (14,917) |
| Amortization of prior service cost | (867) | (531) |
| Amortization of losses, net | 3,861 | 3,710 |
| Net periodic cost included in personnel costs in the consolidated statements of operations | <u>\$ 12,046</u> | <u>\$ 14,202</u> |
| Weighted-average assumptions for determining: | | |
| Projected benefit obligation at the measurement date: | | |
| Discount rates | 5.2% | 5.7% |
| Rates of increase in future compensation levels | 3.3 | 4.0 |
| Net periodic costs for the year: | | |
| Discount rates | 5.7% | 6.3% |
| Rates of increase in future compensation levels | 3.3 | 4.3 |
| Expected long-term rate of return on Pension Plan assets | 7.5 | 7.8 |

The Pension Plan's expected return on assets is derived from a review of the Pension Plan's asset allocation strategy, anticipated long-term performance of individual asset classes, risks and correlations of asset classes, and general economic conditions of the investment marketplace.

The assets of the Pension Plan by weighted-average asset allocation categories are set forth in the following table at the measurement date:

| | 2011 Target | 2011 | 2010 Target | 2010 |
|---------------------------|------------------------|---------------|------------------------|---------------|
| Asset category: | | | | |
| Cash and cash equivalents | —% | 1.0% | —% | 1.3% |
| Debt securities | 63.0 | 63.1 | 54.0% | 54.6 |
| Equity securities | 17.0 | 16.8 | 26.0% | 25.7 |
| Alternative investments | 20.0 | 19.1 | 20.0% | 18.4 |
| | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> |

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

9. Employee Benefit Plans (continued)

The value of the plan assets measured at fair value on a recurring basis was determined using the following inputs, as described in Note 7, at December 31, 2011 and 2010 (in thousands):

| | December 31, 2011 | | | |
|----------------------------------|-------------------|-------------------|-------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Asset category: | | | | |
| Cash and cash equivalents | \$ 2,499 | \$ — | \$ — | \$ 2,499 |
| Domestic equity | 14,977 | — | — | 14,977 |
| International equity | 6,777 | — | — | 6,777 |
| Domestic mutual fund | 3,502 | — | — | 3,502 |
| International mutual fund | 12,858 | — | — | 12,858 |
| Corporate bonds | — | 85,080 | — | 85,080 |
| Mortgage-backed securities | — | 2,101 | — | 2,101 |
| U.S. government securities | — | 9,995 | — | 9,995 |
| Alternative investment and other | — | 88,984 | — | 88,984 |
| | <u>\$ 40,613</u> | <u>\$ 186,160</u> | <u>\$ —</u> | <u>\$ 226,773</u> |

| | December 31, 2010 | | | |
|----------------------------------|-------------------|-------------------|-------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Asset category: | | | | |
| Cash and cash equivalents | \$ 2,956 | \$ — | \$ — | \$ 2,956 |
| Domestic equity | 22,857 | — | — | 22,857 |
| International equity | 8,968 | — | — | 8,968 |
| Domestic mutual fund | 4,028 | — | — | 4,028 |
| International mutual fund | 21,790 | — | — | 21,790 |
| Corporate bonds | — | 102,636 | — | 102,636 |
| U.S. government securities | — | 1,069 | — | 1,069 |
| Alternative investment and other | — | 59,685 | — | 59,685 |
| | <u>\$ 60,599</u> | <u>\$ 163,390</u> | <u>\$ —</u> | <u>\$ 223,989</u> |

The Pension Plan's general investment objective is to achieve attractive long-term total return from income and growth of capital over a full market cycle with a low-to-moderate level of risk, emphasizing, primarily, the preservation of principal and, secondarily, the real purchasing power of assets over the long term, while maintaining adequate liquidity to meet benefits and expense cash flow requirements when due. The Pension Plan also has adopted a liability-driven component to its several investment objectives. It is the objective of the fixed income portion of the Plan's investments to partially offset the interest rate exposure that the Plan has with its liabilities.

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

9. Employee Benefit Plans (continued)

The alternative investments held by the Pension Plan are investments in hedge funds and hedge funds-of-funds, each organized as a non-U.S. corporation. The hedge funds and hedge funds-of-funds utilize long/short equity, equity market neutral, arbitrage, distressed, and global macro investment strategies (see Note 7).

The benefits expected to be paid in the next five fiscal years are as follows (in thousands):

| | |
|--------------------------|-------------------|
| Year ending December 31: | |
| 2012 | \$ 20,454 |
| 2013 | 21,539 |
| 2014 | 22,506 |
| 2015 | 23,176 |
| 2016 | 24,131 |
| | <u>\$ 111,806</u> |

Total contributions of \$18.0 million are expected to be paid to the Pension Plan during 2012.

Defined Contribution Plans

The System has two tax-deferred savings plans (the MATCH Plans) that cover substantially all of the System's employees, except for Patients Medical Center. A separate plan (the PMC Plan) covers employees of Patients Medical Center. The plans are designed in conformity with Section 403(b) and Section 401(k) of the Internal Revenue Code. Under the terms of the MATCH Plans and the PMC Plan, funding is by voluntary salary reductions of the System's employees in varying amounts not to exceed annual limits established by the IRS. The System's Section 403(b) Plan includes participants under its not-for-profit entities, while the Section 401(k) Plan includes participants under its affiliated taxable entities. The PMC Plan is a Section 401(k) Plan.

In the MATCH Plans, the System matches 50% of employees' contributions up to a maximum of 3% of pay, except for residents, fellows, and ICU house physicians. Each employee is immediately vested in their own voluntary contributions. The employee becomes 100% vested in the System's matching contributions after completing three years of service. Vested service is based on 1,000 or more hours worked for each 12 month computation of pay period ending dates between October 1 and September 30 of each year.

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

9. Employee Benefit Plans (continued)

The PMC Plan matches one third of the employees' contributions up to a maximum of 2% of pay. Each employee is immediately vested in their own voluntary contributions. The employee becomes 100% vested in the PMC Plan matching contributions after completing five years of service.

During the years ended December 31, 2011 and 2010, the System recognized expenses of approximately \$9.7 million and \$9.1 million, respectively, for the plans.

10. Concentration of Credit Risk

The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31, 2011 and 2010, was as follows:

| | 2011 | 2010 |
|--------------------------|------|------|
| Managed care | 54% | 57% |
| Governmental | 26 | 26 |
| Patients | 7 | 8 |
| Other third-party payors | 13 | 9 |
| | 100% | 100% |

11. Direct Financing Lease

During 2009, St. Luke's Sugar Land Hospital entered into an agreement to lease two floors of a medical office building from a third party. The lease was accounted for as an operating lease. Subsequently, St. Luke's Sugar Land Hospital subleased the space to M.D. Anderson Cancer Center (MDACC) and committed to acquire equipment and make certain leasehold improvements. The sublease agreement with MDACC, which has a term of 10 years, was accounted for as a direct financing lease. St. Luke's Sugar Land Hospital has a rent receivable of \$15.5 million and \$17.4 million and unearned interest income of \$4.3 million and \$5.3 million recorded at December 31, 2011 and 2010, respectively, related to the sublease of the equipment and build-out of the space. These amounts are recorded net in other assets in the consolidated statements of financial position. Unearned interest income on the direct financing lease is being amortized over the lease term on a straight-line basis and is included in other revenues in the

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

11. Direct Financing Lease (continued)

consolidated statements of operations. The portion of the sublease attributable to the building space is accounted for as an operating lease, and rental income is recorded straight-line over the lease term.

The following represents future minimum rental receipts under the direct financing lease for each of the next five years ending December 31 (in thousands):

| | |
|------------|------------------|
| 2012 | \$ 1,911 |
| 2013 | 1,949 |
| 2014 | 1,988 |
| 2015 | 2,028 |
| 2016 | 2,068 |
| Thereafter | 5,574 |
| | <u>\$ 15,518</u> |

12. Commitments and Contingencies

Operating Leases

The System leases various equipment and facilities under noncancelable operating leases expiring at various dates through 2020, with renewal options extending certain leases to 2030. See Note 4 for discussion of the Vintage Corporation hospital facility leases, which are excluded from the table below. Total rental expense in 2011 and 2010 for all operating leases was \$14.9 million and \$12.1 million, respectively. Rental expense, including the impact of escalation and deferrals, is recognized straight-line over the term of the lease.

Future minimum lease payments under operating leases as of December 31, 2011, that have initial or remaining lease terms in excess of one year, are as follows (in thousands):

| | |
|--------------------------|------------------|
| Year ending December 31: | |
| 2012 | \$ 17,292 |
| 2013 | 15,834 |
| 2014 | 13,299 |
| 2015 | 10,899 |
| 2016 | 8,541 |
| Thereafter | 20,435 |
| | <u>\$ 86,300</u> |

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

12. Commitments and Contingencies (continued)

Support by the System

The Vintage Corporation commenced operations in December 2010 and has experienced operating losses. The System supported the activities of the corporation since inception and will continue to do so for at least the next 12 months.

Litigation

During the normal course of business, the System has been named in various lawsuits, primarily alleging professional liability. In the opinion of management, the ultimate liability, if any, of the System will not exceed the System's insurance coverage and/or self-insurance reserves, and will not have a material effect on the System's consolidated financial statements.

Self-Insurance Program for Professional and General Liability

The System, excluding St. Luke's Sugar Land Hospital, the Lakeside Corporation, the Vintage Corporation, and Patients Medical Center, is self-insured for general and professional liability, and purchases reinsurance coverage above the self-retained levels. Provisions for estimated losses, such as estimated amounts for asserted claims, incidents for which a claim has not been asserted, claims incurred but not reported, and expenses not covered by insurance are based on loss estimates calculated by both the System's management and by an independent actuary using the System's and similar health care providers' experiences.

All Saints, a wholly owned subsidiary, is a captive insurance company that provides self-insured professional liability and general liability for the System and the System's affiliates, excluding St. Luke's Sugar Land Hospital, the Lakeside Corporation, the Vintage Corporation, and Patients Medical Center. The System funds All Saints' required insurance reserves based on actuarial recommendations. The assets of All Saints and the established liability for self-funded losses are reported in the consolidated statements of financial position. Investment income from assets and the provision for estimated self-funded losses and administrative costs are reported in the consolidated statements of operations and consolidated statements of changes in net assets.

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

12. Commitments and Contingencies (continued)

St. Luke's Sugar Land Hospital, the Lakeside Corporation, the Vintage Corporation, and Patients Medical Center have contracted with an insurance provider for general and professional liability coverage.

Health Benefits Program

The health benefits program is funded by the System and employee contributions. The System has contracted with several major medical insurance companies and a major dental insurance company for administration of the program. The insurance companies' responsibilities include the processing and payment of claims. Except for Patients Medical Center, stop-loss coverage is provided for annual losses in excess of \$450,000 per individual. Patients Medical Center employees are covered by a separate self-insured health benefits program with a stop-loss of \$75,000 per member.

Workers' Compensation Program

Except for Patients Medical Center, the System has contracted with three major insurance companies to cover losses in accordance with Texas workers' compensation law. The insurance companies provided coverage for per-accident losses in excess of \$500,000 in both 2011 and 2010. The System has contracted with a third party for the administration of claim payments. The System had outstanding letters of credit totaling approximately \$5.3 million as of December 31, 2011 and 2010, which secure the System's workers' compensation insurance. Patients Medical Center has contracted with a major insurance company to cover losses in accordance with Texas workers' compensation law. The limit of liability per the policy is \$1.0 million.

Other

As discussed at Note 15, the System has commitments under agreements with Texas Heart Institute and Baylor College of Medicine.

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

13. Functional Expenses

Operating expenses by function for the years ended December 31, 2011 and 2010, are as follows (in thousands):

| | 2011 | 2010 |
|----------------------------------------------|---------------------|---------------------|
| Nursing services | \$ 473,287 | \$ 401,731 |
| Management and administrative services | 271,262 | 288,178 |
| Ancillary services | 354,023 | 315,210 |
| Support services | 169,347 | 148,168 |
| Rental property | 5,127 | 5,396 |
| Contributions to other health care providers | 7,369 | 2,061 |
| | <u>\$ 1,280,415</u> | <u>\$ 1,160,744</u> |

14. Endowment

The System's endowment consists of approximately 23 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The System has interpreted the Texas State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the System classifies as permanently net restricted assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (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, and (d) absent explicit donor stipulations to the contrary, annual inflation-based increases according to St. Luke's long-standing practice and policy. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified in temporarily restricted net assets until those amounts are

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

14. Endowment (continued)

released from restrictions as expenditures in accordance with the purposes specified by the donor are made. In accordance with SPMIFA, the System considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

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

The System has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the System must hold in perpetuity or for a donor-specific period(s), as well as Board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended (1) to provide a source of income to support teaching, research, and other special projects; (2) to preserve the purchasing power of the principal; and (3) to optimize the long-term growth of the principal. The current target asset allocation is expected to produce a real return, net of inflation and investment management costs, of at least 5% over the long term. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the System relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

14. Endowment (continued)

Changes in Endowment Net Assets

| | Temporarily Restricted | Permanently Restricted | Total |
|------------------------------------------------------|---------------------------|---------------------------|------------------|
| Endowment net assets, January 1, 2010 | \$ 12,881 | \$ 19,113 | \$ 31,994 |
| Investment return | 3,406 | — | 3,406 |
| Contributions | 1,027 | 57 | 1,084 |
| Rent | 332 | — | 332 |
| Transfers | 2,270 | (1,258) | 1,012 |
| Appropriation of endowment assets for expenditure | (453) | — | (453) |
| Endowment net assets, December 31, 2010 | 19,463 | 17,912 | 37,375 |
| Investment return | (460) | — | (460) |
| Contributions | 5 | 75 | 80 |
| Rent | 332 | — | 332 |
| Transfers | (290) | (1,088) | (1,378) |
| Appropriation of endowment assets for expenditure | (957) | — | (957) |
| Endowment net assets, December 31, 2011 | <u>\$ 18,093</u> | <u>\$ 16,899</u> | <u>\$ 34,992</u> |

15. Affiliated Organizations

Texas Heart Institute

Texas Heart Institute (THI) is a separate legal entity affiliated with the System and the Hospital that was formed as a Texas nonprofit corporation to conduct research and education in various cardiovascular disciplines under policies and procedures determined by a separate Board of Trustees. The System contributed approximately \$7.9 million and \$6.3 million in 2011 and 2010, respectively, in support of medical research and education and other related programs carried out by THI. Contributions for the year ended December 31, 2012, are expected to approximate \$9.4 million.

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

15. Affiliated Organizations (continued)

Baylor College of Medicine

Baylor College of Medicine (Baylor) is a separate legal entity and is a Texas nonprofit medical education corporation under the direction of a separate Board of Directors. Baylor and the Hospital have been contractually affiliated for the purposes of patient care, medical education, and research since 1961. The System's affiliation agreement with Baylor was restructured in November 2008 and will expire in June 2018. Under the terms of the restructured affiliation, the System was obligated to provide cash support to Baylor over a defined period that ended in 2010, although many joint programs and ongoing collaboration continue. The System recognized expenses of approximately \$11.3 million in 2010. Additionally, during 2011 and 2010, approximately \$12.2 million and \$14.8 million, respectively, were incurred for salaries and insurance costs of Baylor medical students receiving training at the Hospital, and other contractual expenses. These amounts are included in operating expenses in the consolidated statements of operations. Baylor leases facilities at 6620 Main from the System under an operating lease expiring in June 2015. Under the terms of the lease, rental revenue earned was approximately \$3.1 million and \$4.0 million in 2011 and 2010, respectively. Amounts due to Baylor of approximately \$2.9 million and \$11.2 million are included in accounts payable and other accrued expenses in the consolidated statements of financial position at December 31, 2011 and 2010, respectively.

Kelsey-Seybold Medical Group

In 2009, St. Luke's Episcopal Properties Corporation entered into agreements to lease clinic facilities to the Kelsey - Seybold Medical Group (Medical Group). Also in 2009, SLEHS Holdings entered into a long-term agreement with the Medical Group for the naming rights to *Kelsey-Seybold Clinic*, requiring annual payments of \$1.2 million per year for a term of 17 years. The System received \$8.5 million in cash and a note from the Medical Group of approximately \$53 million. The note was paid in full in 2011.

Other

With a 13% ownership, the System is a participant in the Texas Medical Center Central Heating and Cooling Services Cooperative Association (the Cooperative). The System purchased approximately \$6.7 million and \$7.1 million of services from the Cooperative in 2011 and 2010, respectively.

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

15. Affiliated Organizations (continued)

Included among the System's directors are business leaders, clergy, and members of the legal community who provide assistance in the development of System policies and programs. In the opinion of management, all System transactions with organizations with which Board members are affiliated have been entered into in the normal course of business at prevailing rates.

16. Changes in Consolidated Unrestricted Net Assets

Changes in consolidated unrestricted net assets that are attributable to the System and the noncontrolling interests in subsidiaries are as follows:

| | Controlling Interest | Noncontrolling Interest | Total |
|---------------------------------------------------------------------------------------|---------------------------------|------------------------------------|-------------------|
| Balance, January 1, 2010 | \$ 868,299 | \$ 15,791 | \$ 884,090 |
| Unrestricted revenues, gains, and other support in excess (deficit) of expenses | 123,177 | (12,119) | 111,058 |
| Contributions | — | 8,935 | 8,935 |
| Distributions | — | (900) | (900) |
| Other activity | 7,866 | 120 | 7,986 |
| Balance, December 31, 2010 | 999,342 | 11,827 | 1,011,169 |
| Unrestricted revenues, gains, and other support in deficit of expenses | (129,651) | (20,517) | (150,168) |
| Distributions | — | (577) | (577) |
| Partnership restructuring (<i>Note 18</i>) | — | 25,895 | 25,895 |
| Other activity | (6,310) | — | (6,310) |
| Balance, December 31, 2011 | <u>\$ 863,381</u> | <u>\$ 16,628</u> | <u>\$ 880,009</u> |

17. Acquisitions

Effective December 30, 2011, the System acquired assets in Sugar Land, including a hospital building, medical office building, garage and land, for \$46.7 million in cash and assumption of debt of \$106.1 million. The primary reason for the acquisition was to obtain control of the real estate assets utilized by St. Luke's Sugar Land Hospital. The transaction was accounted for as a

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

17. Acquisitions (continued)

business combination under relevant accounting guidance. The purchase price amounts have been allocated to the related assets acquired and liabilities assumed based on their respective fair values. The amounts recognized as of the acquisition date were (in thousands):

| | |
|--------------------|------------|
| Real estate assets | \$ 139,626 |
| Intangible assets | 6,374 |
| Assumed debt | 106,108 |

Prior to the acquisition, the hospital building was leased by St. Luke's Sugar Land Hospital, and under the provisions of ASC Topic 840-40 related to development agreements, St. Luke's Sugar Land Hospital was considered the accounting owner of the hospital facility. The hospital building and the related long-term obligation was recorded by St. Luke's Sugar Land Hospital (see Note 4). At the date of acquisition of the hospital building, a gain of \$4.8 million was recognized due to the elimination of the hospital lease in consolidation and is reflected in nonoperating (losses) gains in the consolidated statement of operations. An additional \$7.0 million loss is reflected in nonoperating (losses) gains in the consolidated statement of operations due to the settlement of all outstanding claims between the parties and related parties involved in the acquisition.

Effective October 29, 2010, PMC Hospital, LLC (PMC), owned 51% by the System, acquired Patients Medical Center hospital from Patients Medical Center Ltd. for the following consideration: \$9.3 million in cash, assumption of \$21.4 million in liabilities, and a 51% ownership interest (valued at \$8.9 million) in PMC. Subsequent to the transaction, the hospital name was changed to St. Luke's Patients Medical Center (SLPMC). The transaction was accounted for as a business combination under relevant accounting guidance. Purchase price amounts have been allocated to the related assets acquired and liabilities assumed based upon their respective fair values. The purchase price paid in excess of the fair value of identifiable net assets acquired was \$19.2 million, which is recorded as goodwill in the accompanying consolidated statement of financial position. Net operating revenues attributable to SLPMC that are included in the accompanying consolidated statement of operations since the acquisition date through December 31, 2010, totaled \$10.9 million. Changes in unrestricted net assets attributable to PMC that are included in the accompanying consolidated statement of changes in net assets since the acquisition date through December 31, 2010, totaled \$1.1 million. The pro forma effects of the acquired entity on the System's consolidated results of operations for periods prior to the acquisition date were not significant.

St. Luke's Episcopal Health System

Notes to Consolidated Financial Statements (continued)

18. Sugar Land Partnership Restructuring

In May 2011, the Sugar Land Partnership presented a rescission motion to the physician investors holding 49% of the ownership interest. The motion was passed by the investors to offer a rescission, whereby the physician investors could elect to rescind their purchase of partnership units and recover the amount they paid for the acquired units, plus interest at the legal rate. The physician investors were paid \$9.7 million in cash, and a loss of \$35.3 million is reflected in the accompanying consolidated statement of operations in nonoperating losses. This loss represents the cash paid to the physician investors as well as the accumulated net deficit attributable to noncontrolling interests, which was absorbed by the Sugar Land Partnership upon rescission. As a result of the rescission, the hospital activities resided in the remaining majority partner, St. Luke's Community Development Corporation – Sugar Land. The Sugar Land Partnership formally withdrew its registration from the state of Texas on December 29, 2011. St. Luke's Community Development Corporation – Sugar Land continues to operate St. Luke's Sugar Land Hospital.

19. Subsequent Events

The System evaluated events and transactions occurring subsequent to December 31, 2011 through April 27, 2012, the date of issuance of the accompanying consolidated financial statements. During this period, there were no subsequent events requiring recognition in the consolidated financial statements.

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