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Form **990**  
 Department of the Treasury  
 Internal Revenue Service

**Return of Organization Exempt From Income Tax**  
**Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)**

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

OMB No 1545-0047  
**2011**  
**Open to Public Inspection**

**A For the 2011 calendar year, or tax year beginning 07-01-2011 and ending 06-30-2012**

<b>B</b> Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input checked="" type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	<b>C</b> Name of organization LORETTO HOSPITAL  Doing Business As	<b>D</b> Employer identification number 36-2200248
	Number and street (or P O box if mail is not delivered to street address) Room/suite 645 S CENTRAL AVE	<b>E</b> Telephone number (773) 626-4300
	City or town, state or country, and ZIP + 4 CHICAGO, IL 60644	<b>G</b> Gross receipts \$ 62,944,759
	<b>F</b> Name and address of principal officer DR SONIA MEHTA 645 S CENTRAL AVE CHICAGO, IL 60642	<b>H(a)</b> Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  <b>H(b)</b> Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions)  <b>H(c)</b> Group exemption number ▶

**I** Tax-exempt status  501(c)(3)  501(c) ( ) (Insert no )  4947(a)(1) or  527

**J Website:** ▶ WWW LORETTOHOSPITAL ORG

**K** Form of organization  Corporation  Trust  Association  Other ▶ **L** Year of formation 1939 **M** State of legal domicile IL

**Part I Summary**

<b>Activities &amp; Governance</b>	<b>1</b> Briefly describe the organization's mission or most significant activities LORETTO HOSPITAL IS A NOT-FOR-PROFIT COMMUNITY BASED ORGANIZATION, WHICH PARTNERS WITH ITS PHYSICIANS, EMPLOYEES AND THE COMMUNITIES IT SERVES, TO PROVIDE QUALITY PATIENT CENTERED CARE AND PROMOTE WELLNESS AND EDUCATION		
	<b>2</b> Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	<b>3</b> Number of voting members of the governing body (Part VI, line 1a)	<b>3</b>	6
	<b>4</b> Number of independent voting members of the governing body (Part VI, line 1b)	<b>4</b>	4
	<b>5</b> Total number of individuals employed in calendar year 2011 (Part V, line 2a)	<b>5</b>	534
	<b>6</b> Total number of volunteers (estimate if necessary)	<b>6</b>	13
	<b>7a</b> Total unrelated business revenue from Part VIII, column (C), line 12	<b>7a</b>	0
<b>b</b> Net unrelated business taxable income from Form 990-T, line 34	<b>7b</b>	0	
<b>Revenue</b>	<b>8</b> Contributions and grants (Part VIII, line 1h)	<b>Prior Year</b>	<b>Current Year</b>
	<b>9</b> Program service revenue (Part VIII, line 2g)	17,546,251	19,398,747
	<b>10</b> Investment income (Part VIII, column (A), lines 3, 4, and 7d)	0	0
	<b>11</b> Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	643,004	1,555,071
	<b>12</b> Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	68,860,362	62,944,759
	<b>Expenses</b>	<b>13</b> Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0
<b>14</b> Benefits paid to or for members (Part IX, column (A), line 4)		0	0
<b>15</b> Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)		34,541,308	36,982,911
<b>16a</b> Professional fundraising fees (Part IX, column (A), line 11e)		0	0
<b>b</b> Total fundraising expenses (Part IX, column (D), line 25) ▶ <sup>0</sup>			
<b>17</b> Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)		32,046,327	32,585,536
<b>18</b> Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)		66,587,635	69,568,447
<b>19</b> Revenue less expenses Subtract line 18 from line 12	2,272,727	-6,623,688	
<b>Net Assets or Fund Balances</b>	<b>20</b> Total assets (Part X, line 16)	<b>Beginning of Current Year</b>	<b>End of Year</b>
	<b>21</b> Total liabilities (Part X, line 26)	50,512,046	51,932,209
	<b>22</b> Net assets or fund balances Subtract line 21 from line 20	16,773,056	17,709,444
		33,738,990	34,222,765

**Part II Signature Block**

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

<b>Sign Here</b>	Signature of officer	2013-02-07
	Sonia Mehta CEO/CMO Type or print name and title	Date

<b>Paid Preparer's Use Only</b>	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's taxpayer identification number (see instructions)
	Firm's name (or yours if self-employed), address, and ZIP + 4			EIN ▶ Phone no ▶

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

**Part III Statement of Program Service Accomplishments**

Check if Schedule O contains a response to any question in this Part III  Yes  No

**1** Briefly describe the organization's mission  
LORETTO HOSPITAL IS A NOT-FOR-PROFIT COMMUNITY BASED ORGANIZATION, WHICH PARTNERS WITH ITS PHYSICIANS, EMPLOYEES AND THE COMMUNITIES IT SERVES, TO PROVIDE QUALITY PATIENT CENTERED CARE AND PROMOTES WELLNESS AND EDUCATION

**2** Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?  Yes  No  
If "Yes," describe these new services on Schedule O

**3** Did the organization cease conducting, or make significant changes in how it conducts, any program services?  Yes  No  
If "Yes," describe these changes on Schedule O

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

**4a** (Code ) (Expenses \$ 65,447,928 including grants of \$ 0 ) (Revenue \$ 0 )  
N/A

**4b** (Code ) (Expenses \$ including grants of \$ ) (Revenue \$ )  
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**4c** (Code ) (Expenses \$ including grants of \$ ) (Revenue \$ )  
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**4d** Other program services (Describe in Schedule O )  
(Expenses \$ 0 including grants of \$ 0 ) (Revenue \$ 0 )

**4e Total program service expenses** \$ 65,447,928

**Part IV Checklist of Required Schedules**

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

**Part IV Checklist of Required Schedules** (continued)

<b>21</b>	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> . . . . .	<b>21</b>		No
<b>22</b>	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> . . . . .	<b>22</b>		No
<b>23</b>	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> . . . . .	<b>23</b>	Yes	
<b>24a</b>	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> . . . . .	<b>24a</b>		No
<b>b</b>	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . . .	<b>24b</b>		
<b>c</b>	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .	<b>24c</b>		
<b>d</b>	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . . .	<b>24d</b>		
<b>25a</b>	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	<b>25a</b>		No
<b>b</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> . . . . .	<b>25b</b>		No
<b>26</b>	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> . . . . .	<b>26</b>		No
<b>27</b>	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> . . . . .	<b>27</b>		No
<b>28</b>	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)			
<b>a</b>	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	<b>28a</b>		No
<b>b</b>	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	<b>28b</b>		No
<b>c</b>	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> . . . . .	<b>28c</b>		No
<b>29</b>	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	<b>29</b>		No
<b>30</b>	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .	<b>30</b>		No
<b>31</b>	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .	<b>31</b>		No
<b>32</b>	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> . . . . .	<b>32</b>		No
<b>33</b>	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> . . . . .	<b>33</b>		No
<b>34</b>	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> . . . . .	<b>34</b>	Yes	
<b>35a</b>	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	<b>35a</b>		No
<b>b</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> . . . . .	<b>35b</b>		No
<b>36</b>	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	<b>36</b>		No
<b>37</b>	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>	<b>37</b>		No
<b>38</b>	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . . . .	<b>38</b>	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

Table with columns for question number, question text, and Yes/No columns. Rows include questions 1a-14a regarding Form 1096, W-2G forms, employee reporting, foreign accounts, prohibited transactions, and charitable trusts.

**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
<b>1a</b>	Enter the number of voting members of the governing body at the end of the tax year . . . . .		
<b>1b</b>	Enter the number of voting members included in line 1a, above, who are independent . . . . .		
<b>2</b>	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? . . . . .		No
<b>3</b>	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? . . . . .	Yes	
<b>4</b>	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? . . . . .		No
<b>5</b>	Did the organization become aware during the year of a significant diversion of the organization's assets? . . . . .		No
<b>6</b>	Did the organization have members or stockholders? . . . . .		No
<b>7a</b>	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? . . . . .		No
<b>7b</b>	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? . . . . .		No
<b>8</b>	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
<b>8a</b>	The governing body? . . . . .	Yes	
<b>8b</b>	Each committee with authority to act on behalf of the governing body? . . . . .	Yes	
<b>9</b>	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 . . . . .	Yes	

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

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

**Section C. Disclosure**

<b>17</b>	List the States with which a copy of this Form 990 is required to be filed <input checked="" type="checkbox"/> IL
<b>18</b>	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 checked="" type="checkbox"/> Own website <input checked="" type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request
<b>19</b>	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.
<b>20</b>	State the name, physical address, and telephone number of the person who possesses the books and records of the organization <input checked="" type="checkbox"/> DR SONIA MEHTA 645 S CENTRAL AVE CHICAGO, IL 60644 (773) 854-5000

**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) RUBY ISOM AVP HUMAN RESOURCES	40	X						110,654	0	1,383
(2) DENISE SEAMAN PATIENT FINANCIAL SVC DIRECTOR	40	X						117,524	0	1,366
(3) PAULA CROSSEN COMPLIANCE OFFICER	40	X						118,456	0	888
(4) ROSE GEARY AVP BEHAVIORIAL HEALTH	40	X						121,642	0	879
(5) JOHN PAPPONE AVP SUPPORT SERVICES	40 0	X						110,131	0	0
(6) JAMES WALLER VP MARKETING	40	X						132,314	0	0
(7) EDWARD HOGAN BOARD MEMBER	0		X					0	0	0
(8) JAMES MONTGOMERY BOARD MEMBER	0		X					0	0	0
(9) KIMBERLY LIGHTFORD BOARD MEMBER	0		X					0	0	0
(10) MICHELLE COLLINS BOARD MEMBER	0		X					0	0	0
(11) STEVE DRUCKER BOARD MEMBER/CEO	40			X				307,600	0	2,307
(12) JOHN VALLES CFO	40 0			X				221,200	0	1,659
(13) MARC TRZNADEL CNO	40			X				103,099	0	0
(14) DEENADAYAL GADDAM PHYSICIAN	40					X		262,357	0	3,935
(15) BELA NAND PHYSICIAN	40 00					X		407,877	0	3,123
(16) HARI PAUDEL PHYSICIAN	40 0					X		159,768	0	0
(17) TILAK JOSHI PHYSICIAN	40					X		169,488	0	0



**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	
<b>Contributions, gifts, grants and other similar amounts</b>	<b>1a</b>	Federated campaigns . . . . . <b>1a</b>	0				
	<b>b</b>	Membership dues . . . . . <b>1b</b>	0				
	<b>c</b>	Fundraising events . . . . . <b>1c</b>	0				
	<b>d</b>	Related organizations . . . . . <b>1d</b>	0				
	<b>e</b>	Government grants (contributions) <b>1e</b>	11,196,773				
	<b>f</b>	All other contributions, gifts, grants, and similar amounts not included above <b>1f</b>	8,201,974				
	<b>g</b>	Noncash contributions included in lines 1a-1f \$ <sup>0</sup>					
	<b>h</b>	<b>Total.</b> Add lines 1a-1f . . . . . ▶	19,398,747				
<b>Program Service Revenue</b>	<b>2a</b>	PATIENT REVENUE	622000	86,117,703	86,117,703	0	
	<b>b</b>	CONTRACTUAL ALLOWANCE	622000	-44,126,762	-44,126,762	0	
	<b>c</b>						
	<b>d</b>						
	<b>e</b>						
	<b>f</b>	All other program service revenue		0	0	0	
	<b>g</b>	<b>Total.</b> Add lines 2a-2f . . . . . ▶		41,990,941			
<b>Other Revenue</b>	<b>3</b>	Investment income (including dividends, interest and other similar amounts) . . . . . ▶		0	0	0	
	<b>4</b>	Income from investment of tax-exempt bond proceeds . . ▶		0	0	0	
	<b>5</b>	Royalties . . . . . ▶		0	0	0	
	<b>6a</b>	Gross rents	(i) Real				
			(ii) Personal				
	<b>b</b>	Less rental expenses					
	<b>c</b>	Rental income or (loss)	0	0			
	<b>d</b>	Net rental income or (loss) . . . . . ▶					
	<b>7a</b>	Gross amount from sales of assets other than inventory	(i) Securities				
			(ii) Other				
	<b>b</b>	Less cost or other basis and sales expenses					
<b>c</b>	Gain or (loss)	0	0				
<b>d</b>	Net gain or (loss) . . . . . ▶						
<b>8a</b>	Gross income from fundraising events (not including \$ <sup>0</sup> of contributions reported on line 1c) See Part IV, line 18 . . . . . <b>a</b>						
<b>b</b>	Less direct expenses . . . . . <b>b</b>						
<b>c</b>	Net income or (loss) from fundraising events . . ▶						
<b>9a</b>	Gross income from gaming activities See Part IV, line 19 . . . . . <b>a</b>						
<b>b</b>	Less direct expenses . . . . . <b>b</b>						
<b>c</b>	Net income or (loss) from gaming activities . . ▶						
<b>10a</b>	Gross sales of inventory, less returns and allowances . . . . . <b>a</b>						
<b>b</b>	Less cost of goods sold . . . . . <b>b</b>						
<b>c</b>	Net income or (loss) from sales of inventory . . ▶						
	Miscellaneous Revenue	Business Code					
<b>11a</b>	CAFETERIA	722110	166,059	166,059	0		
<b>b</b>	RENTAL INCOME	531120	4,860	4,860	0		
<b>c</b>	INVESTMENTS	900001	1,895,282	1,895,282	0		
<b>d</b>	All other revenue . . . . .		-511,130	-511,130	0		
<b>e</b>	<b>Total.</b> Add lines 11a-11d . . . . . ▶		1,555,071				
<b>12</b>	<b>Total revenue.</b> See Instructions . . . . . ▶		62,944,759	43,546,012	0		

**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

<b>Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.</b>		<b>(A)</b> Total expenses	<b>(B)</b> Program service expenses	<b>(C)</b> Management and general expenses	<b>(D)</b> Fundraising expenses
<b>1</b>	Grants and other assistance to governments and organizations in the United States See Part IV, line 21				
<b>2</b>	Grants and other assistance to individuals in the United States See Part IV, line 22				
<b>3</b>	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
<b>4</b>	Benefits paid to or for members				
<b>5</b>	Compensation of current officers, directors, trustees, and key employees . . . . .	2,489,236	2,489,236		
<b>6</b>	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . . . . .				
<b>7</b>	Other salaries and wages	29,740,879	28,253,835	1,487,044	
<b>8</b>	Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . .	111,669	106,086	5,583	
<b>9</b>	Other employee benefits . . . . .	2,418,422	2,297,501	120,921	
<b>10</b>	Payroll taxes . . . . .	2,222,705	2,111,570	111,135	
<b>11</b>	Fees for services (non-employees)				
<b>a</b>	Management . . . . .	5,449,138	5,176,681	272,457	
<b>b</b>	Legal . . . . .	750,733	0	750,733	
<b>c</b>	Accounting . . . . .	250,110	0	250,110	
<b>d</b>	Lobbying . . . . .				
<b>e</b>	Professional fundraising See Part IV, line 17 . . . . .				
<b>f</b>	Investment management fees . . . . .				
<b>g</b>	Other . . . . .				
<b>12</b>	Advertising and promotion . . . . .				
<b>13</b>	Office expenses . . . . .	2,036,415	1,934,594	101,821	
<b>14</b>	Information technology . . . . .	522,487	522,487	0	
<b>15</b>	Royalties . . . . .				
<b>16</b>	Occupancy . . . . .	1,201,999	1,201,999	0	
<b>17</b>	Travel . . . . .				
<b>18</b>	Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .				
<b>19</b>	Conferences, conventions, and meetings . . . . .				
<b>20</b>	Interest . . . . .	121	0	121	
<b>21</b>	Payments to affiliates . . . . .				
<b>22</b>	Depreciation, depletion, and amortization . . . . .	3,106,453	2,951,130	155,323	
<b>23</b>	Insurance . . . . .	1,962,662	1,962,662	0	
<b>24</b>	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 )				
<b>a</b>	PHYSICIAN FEES	2,366,874	2,248,530	118,344	0
<b>b</b>	PHARMACEUTICALS	1,686,237	1,601,925	84,312	0
<b>c</b>	PROVISIONS FOR UNCOLLECTIBLE ACCOUNTS	2,176,789	2,067,950	108,839	0
<b>d</b>	MISCELLANEOUS	11,075,518	10,521,742	553,776	0
<b>e</b>					
<b>f</b>	All other expenses				
<b>25</b>	<b>Total functional expenses.</b> Add lines 1 through 24f	69,568,447	65,447,928	4,120,519	0
<b>26</b>	<b>Joint costs.</b> 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
<b>Assets</b>	<b>1</b> Cash—non-interest-bearing . . . . .	1,484,195	<b>1</b>	294,547
	<b>2</b> Savings and temporary cash investments . . . . .	0	<b>2</b>	
	<b>3</b> Pledges and grants receivable, net . . . . .	0	<b>3</b>	
	<b>4</b> Accounts receivable, net . . . . .	4,154,066	<b>4</b>	4,408,739
	<b>5</b> Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L . . . . .	0	<b>5</b>	
	<b>6</b> 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	<b>6</b>	
	<b>7</b> Notes and loans receivable, net . . . . .	0	<b>7</b>	3,500,346
	<b>8</b> Inventories for sale or use . . . . .	438,019	<b>8</b>	453,481
	<b>9</b> Prepaid expenses and deferred charges . . . . .	414,766	<b>9</b>	397,913
	<b>10a</b> Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	62,279,168		
	<b>b</b> Less accumulated depreciation . . . . .	38,316,739		
	<b>11</b> Investments—publicly traded securities . . . . .		<b>11</b>	
	<b>12</b> Investments—other securities See Part IV, line 11 . . . . .		<b>12</b>	
	<b>13</b> Investments—program-related See Part IV, line 11 . . . . .	23,715,330	<b>13</b>	18,914,754
	<b>14</b> Intangible assets . . . . .		<b>14</b>	
	<b>15</b> Other assets See Part IV, line 11 . . . . .		<b>15</b>	
<b>16 Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . .	50,512,046	<b>16</b>	51,932,209	
<b>Liabilities</b>	<b>17</b> Accounts payable and accrued expenses . . . . .	7,776,854	<b>17</b>	9,044,150
	<b>18</b> Grants payable . . . . .	0	<b>18</b>	
	<b>19</b> Deferred revenue . . . . .	0	<b>19</b>	
	<b>20</b> Tax-exempt bond liabilities . . . . .	0	<b>20</b>	
	<b>21</b> Escrow or custodial account liability Complete Part IV of Schedule D . . . . .	0	<b>21</b>	
	<b>22</b> Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L . . . . .	0	<b>22</b>	
	<b>23</b> Secured mortgages and notes payable to unrelated third parties . . . . .	0	<b>23</b>	
	<b>24</b> Unsecured notes and loans payable to unrelated third parties . . . . .	0	<b>24</b>	
	<b>25</b> 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 . . . . .	8,996,202	<b>25</b>	8,665,294
	<b>26 Total liabilities.</b> Add lines 17 through 25 . . . . .	16,773,056	<b>26</b>	17,709,444
<b>Net Assets or Fund Balances</b>	<b>Organizations that follow SFAS 117, check here</b> <input checked="" type="checkbox"/> <b>and complete lines 27 through 29, and lines 33 and 34.</b>			
	<b>27</b> Unrestricted net assets . . . . .	33,232,345	<b>27</b>	26,926,614
	<b>28</b> Temporarily restricted net assets . . . . .	506,645	<b>28</b>	7,296,151
	<b>29</b> Permanently restricted net assets . . . . .	0	<b>29</b>	0
	<b>Organizations that do not follow SFAS 117, check here</b> <input type="checkbox"/> <b>and complete lines 30 through 34.</b>			
	<b>30</b> Capital stock or trust principal, or current funds . . . . .		<b>30</b>	
	<b>31</b> Paid-in or capital surplus, or land, building or equipment fund . . . . .		<b>31</b>	
	<b>32</b> Retained earnings, endowment, accumulated income, or other funds . . . . .		<b>32</b>	
<b>33</b> Total net assets or fund balances . . . . .	33,738,990	<b>33</b>	34,222,765	
<b>34</b> Total liabilities and net assets/fund balances . . . . .	50,512,046	<b>34</b>	51,932,209	

**Part XI Reconciliation of Net Assets**

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

<b>1</b>	Total revenue (must equal Part VIII, column (A), line 12)	<b>1</b>	62,944,759
<b>2</b>	Total expenses (must equal Part IX, column (A), line 25)	<b>2</b>	69,568,447
<b>3</b>	Revenue less expenses Subtract line 2 from line 1	<b>3</b>	-6,623,688
<b>4</b>	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	<b>4</b>	33,738,990
<b>5</b>	Other changes in net assets or fund balances (explain in Schedule O)	<b>5</b>	7,107,463
<b>6</b>	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	<b>6</b>	34,222,765

**Part XII Financial Statements and Reporting**

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

		Yes	No
<b>1</b>	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
<b>2a</b>	Were the organization's financial statements compiled or reviewed by an independent accountant?	Yes	
<b>2b</b>	Were the organization's financial statements audited by an independent accountant?	Yes	
<b>2c</b>	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O		No
<b>3a</b>	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		No
<b>3b</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)

**Public Charity Status and Public Support**

**2011**

**Open to Public Inspection**

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.

Department of the Treasury  
Internal Revenue Service

Name of the organization  
LORETTO HOSPITAL

Employer identification number

36-2200248

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

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

- 1  A church, convention of churches, or association of churches **section 170(b)(1)(A)(i).**
- 2  A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E )
- 3  A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4  A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state
  
- 5  An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II )
- 6  A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7  An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II )
- 8  A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II )
- 9  An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III )
- 10  An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**
- 11  An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h  
 a  Type I      b  Type II      c  Type III - Functionally integrated      d  Type III - Other
- e  By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
- f  If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box
- g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?  
 (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
<b>11g(i)</b>		
<b>11g(ii)</b>		
<b>11g(iii)</b>		

(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	
<b>Total</b>									

**Part II Support Schedule for Organizations Described in IRC 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

**Section A. Public Support**

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
<b>1</b> Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
<b>2</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
<b>3</b> The value of services or facilities furnished by a governmental unit to the organization without charge						
<b>4 Total.</b> Add lines 1 through 3						
<b>5</b> 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)						
<b>6 Public Support.</b> Subtract line 5 from line 4						

**Section B. Total Support**

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
<b>7</b> Amounts from line 4						
<b>8</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
<b>9</b> Net income from unrelated business activities, whether or not the business is regularly carried on						
<b>10</b> Other income (Explain in Part IV.) Do not include gain or loss from the sale of capital assets						
<b>11 Total support</b> (Add lines 7 through 10)						
<b>12</b> Gross receipts from related activities, etc (See instructions)					<b>12</b>	

**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**

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

**Part III Support Schedule for Organizations Described in IRC 509(a)(2)**

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

**Section A. Public Support**

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
<b>1</b> Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
<b>2</b> 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						
<b>3</b> Gross receipts from activities that are not an unrelated trade or business under section 513						
<b>4</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
<b>5</b> The value of services or facilities furnished by a governmental unit to the organization without charge						
<b>6 Total.</b> Add lines 1 through 5						
<b>7a</b> Amounts included on lines 1, 2, and 3 received from disqualified persons						
<b>b</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						
<b>c</b> Add lines 7a and 7b						
<b>8 Public Support</b> (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
<b>9</b> Amounts from line 6						
<b>10a</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
<b>b</b> Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
<b>c</b> Add lines 10a and 10b						
<b>11</b> Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
<b>12</b> Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
<b>13 Total support</b> (Add lines 9, 10c, 11 and 12.)						
<b>14 First Five Years</b> If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and <b>stop here</b> <input type="checkbox"/>						

**Section C. Computation of Public Support Percentage**

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

**Section D. Computation of Investment Income Percentage**

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

- 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).

<b>Facts And Circumstances Test</b>
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<b>Explanation</b>
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SCHEDULE D (Form 990)

OMB No 1545-0047

Supplemental Financial Statements

2011

Open to Public Inspection

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.

Department of the Treasury Internal Revenue Service

Name of the organization LORETTO HOSPITAL

Employer identification number 36-2200248

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.

Table with 2 columns: (a) Donor advised funds, (b) Funds and other accounts. Rows 1-4: Total number at end of year, Aggregate contributions to (during year), Aggregate grants from (during year), 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?
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?

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)
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

Table with 2 columns: Held at the End of the Year. Rows 2a-2d: Total number of conservation easements, Total acreage restricted by conservation easements, Number of conservation easements on a certified historic structure included in (a), 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?
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)?
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
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

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

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

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

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

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

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

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

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

	Amount
<b>1c</b>	
<b>1d</b>	
<b>1e</b>	
<b>1f</b>	

**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
<b>1a</b> Beginning of year balance . . . . .					
<b>b</b> Contributions . . . . .					
<b>c</b> Investment earnings or losses . . . . .					
<b>d</b> Grants or scholarships . . . . .					
<b>e</b> Other expenditures for facilities and programs . . . . .					
<b>f</b> Administrative expenses . . . . .					
<b>g</b> End of year balance . . . . .					

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

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

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

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

**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
<b>1a</b> Land . . . . .	0	429,028		429,028
<b>b</b> Buildings . . . . .	0	33,960,417	21,293,020	12,667,397
<b>c</b> Leasehold improvements . . . . .	0	197,413	197,413	0
<b>d</b> Equipment . . . . .	0	21,175,462	15,402,465	5,772,997
<b>e</b> Other . . . . .	0	6,516,848	1,423,841	5,093,007
<b>Total.</b> Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) . . . . .				23,962,429

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

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

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

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) LH FOUNDATION	614,108	C
(2) MERRILL LYNCH AND BOARD DESIGNATED	3,930,774	C
(3) WESTSIDE INSURANCE	14,369,872	C
<b>Total.</b> (Column (b) should equal Form 990, Part X, col (B) line 13 )	18,914,754	

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

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

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
ASSET RETIREMENT OBLIGATION	2,467,317
SELF INSURANCE	5,824,402
EST SETTLEMENTS DUE TO THIRD-PARTY	373,575
<b>Total.</b> (Column (b) should equal Form 990, Part X, col (B) line 25 )	8,665,294

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

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

<b>1</b>	Total revenue (Form 990, Part VIII, column (A), line 12)	<b>1</b>	62,944,759
<b>2</b>	Total expenses (Form 990, Part IX, column (A), line 25)	<b>2</b>	69,568,447
<b>3</b>	Excess or (deficit) for the year Subtract line 2 from line 1	<b>3</b>	-6,623,688
<b>4</b>	Net unrealized gains (losses) on investments	<b>4</b>	0
<b>5</b>	Donated services and use of facilities	<b>5</b>	0
<b>6</b>	Investment expenses	<b>6</b>	0
<b>7</b>	Prior period adjustments	<b>7</b>	0
<b>8</b>	Other (Describe in Part XIV)	<b>8</b>	0
<b>9</b>	Total adjustments (net) Add lines 4 - 8	<b>9</b>	0
<b>10</b>	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	<b>10</b>	-6,623,688

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

<b>1</b>	Total revenue, gains, and other support per audited financial statements . . . . .	<b>1</b>	62,944,759
<b>2</b>	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
<b>a</b>	Net unrealized gains on investments . . . . .	<b>2a</b>	0
<b>b</b>	Donated services and use of facilities . . . . .	<b>2b</b>	0
<b>c</b>	Recoveries of prior year grants . . . . .	<b>2c</b>	0
<b>d</b>	Other (Describe in Part XIV) . . . . .	<b>2d</b>	0
<b>e</b>	Add lines <b>2a</b> through <b>2d</b> . . . . .	<b>2e</b>	0
<b>3</b>	Subtract line <b>2e</b> from line <b>1</b> . . . . .	<b>3</b>	62,944,759
<b>4</b>	Amounts included on Form 990, Part VIII, line 12, but not on line <b>1</b>		
<b>a</b>	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	<b>4a</b>	0
<b>b</b>	Other (Describe in Part XIV) . . . . .	<b>4b</b>	0
<b>c</b>	Add lines <b>4a</b> and <b>4b</b> . . . . .	<b>4c</b>	0
<b>5</b>	Total Revenue Add lines <b>3</b> and <b>4c</b> . (This should equal Form 990, Part I, line 12 ) . . . . .	<b>5</b>	62,944,759

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

<b>1</b>	Total expenses and losses per audited financial statements . . . . .	<b>1</b>	69,568,447
<b>2</b>	Amounts included on line 1 but not on Form 990, Part IX, line 25		
<b>a</b>	Donated services and use of facilities . . . . .	<b>2a</b>	0
<b>b</b>	Prior year adjustments . . . . .	<b>2b</b>	0
<b>c</b>	Other losses . . . . .	<b>2c</b>	0
<b>d</b>	Other (Describe in Part XIV) . . . . .	<b>2d</b>	0
<b>e</b>	Add lines <b>2a</b> through <b>2d</b> . . . . .	<b>2e</b>	0
<b>3</b>	Subtract line <b>2e</b> from line <b>1</b> . . . . .	<b>3</b>	69,568,447
<b>4</b>	Amounts included on Form 990, Part IX, line 25, but not on line <b>1</b> :		
<b>a</b>	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	<b>4a</b>	0
<b>b</b>	Other (Describe in Part XIV) . . . . .	<b>4b</b>	0
<b>c</b>	Add lines <b>4a</b> and <b>4b</b> . . . . .	<b>4c</b>	0
<b>5</b>	Total expenses Add lines <b>3</b> and <b>4c</b> . (This should equal Form 990, Part I, line 18 ) . . . . .	<b>5</b>	69,568,447

**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
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SCHEDULE H (Form 990)

Hospitals

OMB No 1545-0047

2011

Open to Public Inspection

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

Department of the Treasury Internal Revenue Service

Name of the organization LORETTO HOSPITAL

Employer identification number 36-2200248

Part I Charity Care and Certain Other Community Benefits at Cost

1a Did the organization have a charity care policy? 1b If "Yes," is it a written policy? 2 If the organization had multiple hospitals... 3 Answer the following based on the charity care eligibility criteria... 3a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility... 3b Did the organization use FPG to determine eligibility for providing discounted care? 4 Did the organization's policy provide free or discounted care to the "medically indigent"? 5a Did the organization budget amounts for free or discounted care... 5b If "Yes," did the organization's charity care expenses exceed the budgeted amount? 5c If "Yes" to line 5b, as a result of budget considerations... 6a Did the organization prepare a community benefit report during the tax year? 6b If "Yes," did the organization make it available to the public?

7 Charity Care and Certain Other Community Benefits at Cost

Table with 6 columns: (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. Rows include Charity Care and Means-Tested Government Programs (a-d) and Other Benefits (e-k).

**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 Healthcare Financial Management Association Statement No. 15?	Yes	
2	Enter the amount of the organization's bad debt expense		2,176,789
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy		1,088,395
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	19,209,070
6	Enter Medicare allowable costs of care relating to payments on line 5	6	19,209,070
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	0
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 type="checkbox"/> Cost accounting system <input checked="" 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?	Yes	
9b	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	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 Renaissance Hospital Management	Healthcare Management	0 %	19 %	0 %
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

**Part V Facility Information**

**Section A. Hospital Facilities**

(list in order of size from largest to smallest)

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

Name and address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	Loretto Hospital 645 S Central Ave Chicago, IL 60642	X	X		X			X		

**Part V Facility Information** *(continued)*

**Section B. Facility Policies and Practices.**

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

Loretto Hospital

**Name of Hospital Facility:** \_\_\_\_\_

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

	Yes	No
<b>Community Health Needs Assessment</b> (Lines 1 through 7 are optional for 2011)		
<b>1</b> 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)	<b>1</b>	No
<b>a</b> <input type="checkbox"/> A definition of the community served by the hospital facility		
<b>b</b> <input type="checkbox"/> Demographics of the community		
<b>c</b> <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
<b>d</b> <input type="checkbox"/> How data was obtained		
<b>e</b> <input type="checkbox"/> The health needs of the community		
<b>f</b> <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
<b>g</b> <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs		
<b>h</b> <input type="checkbox"/> The process for consulting with persons representing the community's interests		
<b>i</b> <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
<b>j</b> <input type="checkbox"/> Other (describe in Part VI)		
<b>2</b> Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
<b>3</b> 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	<b>3</b>	
<b>4</b> 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 . . . . .	<b>4</b>	
<b>5</b> 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)	<b>5</b>	
<b>a</b> <input type="checkbox"/> Hospital facility's website		
<b>b</b> <input type="checkbox"/> Available upon request from the hospital facility		
<b>c</b> <input type="checkbox"/> Other (describe in Part VI)		
<b>6</b> If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)		
<b>a</b> <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community		
<b>b</b> <input type="checkbox"/> Execution of the implementation strategy		
<b>c</b> <input type="checkbox"/> Development of a community-wide community benefit plan for the facility		
<b>d</b> <input type="checkbox"/> Participation in community-wide community benefit plan		
<b>e</b> <input type="checkbox"/> Inclusion of a community benefit section in operational plans		
<b>f</b> <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
<b>g</b> <input type="checkbox"/> Prioritization of health needs in the community		
<b>h</b> <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
<b>i</b> <input type="checkbox"/> Other (describe in Part VI)		
<b>7</b> 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	<b>7</b>	
<b>Financial Assistance Policy</b>		
<b>8</b> Did the hospital facility have in place during the tax year a written financial assistance policy that explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	<b>8</b>	Yes
<b>9</b> 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 <u>300%</u> If "No," explain in Part VI the criteria the hospital facility used	<b>9</b>	Yes

**Part V Facility Information** *(continued)*

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

**Billing and Collections**

<b>14</b> 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? . . . . .	<b>14</b>	Yes	
<b>15</b> 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			
<b>a</b> <input checked="" type="checkbox"/> Reporting to credit agency			
<b>b</b> <input type="checkbox"/> Lawsuits			
<b>c</b> <input type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments or arrests			
<b>e</b> <input type="checkbox"/> Other similar actions (describe in Part VI)			
<b>16</b> 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? . . . . .	<b>16</b>	Yes	
If "Yes," check all actions in which the hospital facility or a third party engaged			
<b>a</b> <input checked="" type="checkbox"/> Reporting to credit agency			
<b>b</b> <input type="checkbox"/> Lawsuits			
<b>c</b> <input type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments			
<b>e</b> <input type="checkbox"/> Other similar actions (describe in Part VI)			
<b>17</b> Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
<b>a</b> <input checked="" type="checkbox"/> Notified patients of the financial assistance policy upon admission			
<b>b</b> <input checked="" type="checkbox"/> Notified patients of the financial assistance policy prior to discharge			
<b>c</b> <input checked="" type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
<b>d</b> <input checked="" type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
<b>e</b> <input type="checkbox"/> Other (describe in Part VI)			

**Part V Facility Information** *(continued)*

**Policy Relating to Emergency Medical Care**

**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

- a**  The hospital facility did not provide care for any emergency medical conditions
- b**  The hospital facility's policy was not in writing
- c**  The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- d**  Other (describe in Part VI)

	Yes	No
<b>18</b>	Yes	

**Individuals Eligible for Financial Assistance**

**19** Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care

- a**  The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- b**  The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- c**  The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d**  Other (describe in Part VI)

**20** Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? . . . . .

If "Yes," explain in Part VI

**21** Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient?

. . . . .

If "Yes," explain in Part VI

<b>20</b>		No
<b>21</b>		No

**Part V Facility Information** *(continued)*

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

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

Name and address	Type of Facility (Describe)
<b>1</b>	
<b>2</b>	
<b>3</b>	
<b>4</b>	
<b>5</b>	
<b>6</b>	
<b>7</b>	
<b>8</b>	
<b>9</b>	
<b>10</b>	

**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
SchH_P01_S00_L07	Schedule H, Part I, Line 7	The costing methodology used is the Cost-to-Charge Ratio

Identifier	ReturnReference	Explanation
SchH_P01_S00_L072f	Schedule H, Part I, Line 7, Column f	The bade debt expense that is included in Part IX, Line 25 is \$2,176,789

Identifier	ReturnReference	Explanation
SchH_P03_S0A_L04	Schedule H, Part III, Section A, Line 4	Bad debt expense is the result of patients having the ability to pay, but choosing not to pay. The costing methodology used to determine bad debt expense is cost to charge ratio.

Identifier	ReturnReference	Explanation
SchH_P03_S0B_L08	Schedule H, Part III, Section B, Line 8	The source for the Medicare allowable cost if from the Provider Statistical & Reimbursement Report (PSR)

Identifier	ReturnReference	Explanation
SchH_P03_S0C_L09b	Schedule H, Part III, Section C, Line 9b	The policy of Loretto is to provide charity care to patients whose financial status makes it impossible or impractical to pay for medial services, all patients requesting treatment will be given written notification of Loretto Hospital's financial assistance program This notification is given to the patients or represenative during the registration process when the notice of privacy practises is explained

Identifier	ReturnReference	Explanation
SchH_P05_S0B_L19	Schedule H, Part V, Section B, Line 19	The hospital facility used the Medicaid rate for those services

Identifier	ReturnReference	Explanation
SchH_P06_S00_L02	Schedule H, Part VI, Line 2	The health care needs of the community is assessed by PHI's. We may use your PHI to provide, coordinate or manage your in-patient, out-patient, or post-hospital care. We may disclose your PHI to doctors, nurses, hospitals and other healthcare facilities who become involved in your care. In the course of your treatment here, your PHI may be disclosed to indirect healthcare providers such as our independent contractor radiologist and pathologists. Similarly, we may refer you to another healthcare provider and as part of the referral process share your PHI with that provider. An example of this would be if you were being treated for a broken leg, and the physician needed to know if you had diabetes, because diabetes may slow the healing process. So the physician treating your leg may refer to another physician who specializes in treating diabetic patients and in doing so, will share your PHI with that physician. Additionally, if you have diabetes, the physician will share your PHI with a dietitian so we can arrange for appropriate meals for you.

Identifier	ReturnReference	Explanation
SchH_P06_S00_L03	Schedule H, Part VI, Line 3	All patients requesting treatment will be given notification of Loretto Hospital's financial assistance program. The notification is given to the patient or representative during the registration process when the notice of privacy is explained. The patient or representative will be asked to sign, acknowledging receipt of a copy of the notice of our privacy practices and a notification of Loretto Hospital's financial assistance program.

Identifier	ReturnReference	Explanation
SchH_P06_S00_L04	Schedule H, Part VI, Line 4	Austin community is located on the West Side of Chicago, Illinois, and it is the largest (by population) of the city's 77 officially defined community areas (neighborhoods), followed by Lake View. Its eastern boundary is Cicero Avenue. Its northernmost border is the Milwaukee District/West Line. Its southernmost border is at Roosevelt Road from Cicero Avenue west to Austin Boulevard. The northernmost portion, north of North Avenue, extends west to Harlem Avenue, abutting Elmwood Park. Other suburbs bordering Austin are Cicero and Oak Park. Also nearby is Berwyn. The demographics of the Austin area is 90% African-American community.

Identifier	ReturnReference	Explanation
SchH_P06_S00_L07	Schedule H, Part VI, Line 7	Illinois is the only state that we file a community benefit report

**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.

Department of the Treasury  
Internal Revenue Service

Name of the organization  
LORETTO HOSPITAL

Employer identification number  
36-2200248

**Part I Questions Regarding Compensation**

- 1a** Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.
- |  |   |
|--|---|
| <input type="checkbox"/> First-class or charter travel             | <input type="checkbox"/> Housing allowance or residence for personal use          |
| <input type="checkbox"/> Travel for companions                     | <input type="checkbox"/> Payments for business use of personal residence          |
| <input type="checkbox"/> Tax indemnification and gross-up payments | <input checked="" type="checkbox"/> Health or social club dues or initiation fees |
| <input type="checkbox"/> Discretionary spending account            | <input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)          |

**b** If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain

**2** Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?

**3** Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director. Check all that apply.

- |  |   |
|--|---|
| <input type="checkbox"/> Compensation committee              | <input type="checkbox"/> Written employment contract                                |
| <input type="checkbox"/> Independent compensation consultant | <input type="checkbox"/> Compensation survey or study                               |
| <input type="checkbox"/> Form 990 of other organizations     | <input checked="" type="checkbox"/> Approval by the board or compensation committee |

**4** During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization:

- a** Receive a severance payment or change-of-control payment?
- b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?
- c** Participate in, or receive payment from, an equity-based compensation arrangement?  
If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III

**Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.**

**5** For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:

- a** The organization?
- b** Any related organization?  
If "Yes," to line 5a or 5b, describe in Part III

**6** For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:

- a** The organization?
- b** Any related organization?  
If "Yes," to line 6a or 6b, describe in Part III

**7** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III

**8** Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs. section 53.4958-4(a)(3)? If "Yes," describe in Part III

**9** If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

	Yes	No
<b>1b</b>	Yes	
<b>2</b>	Yes	
<b>4a</b>		No
<b>4b</b>		No
<b>4c</b>		No
<b>5a</b>		No
<b>5b</b>		No
<b>6a</b>		No
<b>6b</b>		No
<b>7</b>		No
<b>8</b>		No
<b>9</b>		

**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) STEVE DRUCKER	(i)	307,600	0	2,307	0	0	309,907	309,907
	(ii)	0	0	0	0	0	0	0
(2) JOHN VALLES	(i)	221,200	0	1,659	0	0	222,859	222,859
	(ii)	0	0	0	0	0	0	0
(3) DEENADAYAL GADDAM	(i)	262,357	0	3,935	0	0	266,292	303,010
	(ii)	0	0	0	0	0	0	0
(4) BELA NAND	(i)	407,877	0	3,123	0	0	411,000	371,556
	(ii)	0	0	0	0	0	0	0
(5) TILAK JOSHI	(i)	169,488	0	0	0	0	169,488	0
	(ii)	0	0	0	0	0	0	0
(6) HARI PAUDEL	(i)	159,768	0	0	0	0	159,768	152,450
	(ii)	0	0	0	0	0	0	0

**Part III Supplemental Information**

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

Identifier	Return Reference	Explanation
SchJ_P01_S00_L01a	Schedule J, Part I, Line 1a	Determined by the Management Firm. Reviewed and approved/disapproved by the board.
SchJ_P01_S00_L03	Schedule J, Part I, Line 3	Determined by the management firm. Reviewed and approved/disapproved by the board.

**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  
LORETTO HOSPITAL

**Employer identification number**

36-2200248

Identifier	Return Reference	Explanation
F990_P06_S0A_L03	Form 990, Part VI, Section A, Line 3	Renaissance Hospital Management, Inc
F990_P06_S0A_L09	Form 990, Part VI, Section A, Line 9	Edward Hogan, 321 North Clark Street, Suite 1301, Chicago, IL 0654/Michelle Collins, Urban Partnership Bank, 3401 S King Drive, Chicago, IL 60612/Kimberly Lightford, 4th District, 10001 S Roosevelt Road, Suite 202, Westchester, IL 60154/Jim Montgomery, Sr, Cochran, Cherry, Givens, Smith & Montgomery Law Office, 1 North LaSalle, Suite 2450, Chicago, IL 60602/Dr Amjad Khan, 7435 W Madison Street, Forest Park, IL 60181
F990_P06_S0B_L11b	Form 990, Part VI, Section B, Line 11b	A draft of the 990 is initially presented to the board of trustees for review by its finance sub-committee. The final version of form 990 is then presented to the board for approval prior to filing.
F990_P06_S0B_L12c	Form 990, Part VI, Section B, Line 12c	The compliance policy is presented at the new orientation. Also it is reviewed and discussed at department head meetings. The compliance Officer routinely audits the compliance policy.
F990_P06_S0B_L15	Form 990, Part VI, Section B, Line 15	THE CEO and Executive Management compensation is presented and reviewed by the management company. Recommendations and findings are presented for review and approval by the compensation committee of the board of trustees prior to presentation for approval by the board.
F990_P06_S0C_L19	Form 990, Part VI, Section C, Line 19	The financial statements are made available via website, public newsletter, and upon request.
F990_P11_S00_L05	Form 990, Part XI, Line 5	Changes in net assets are contributions for specific purpose and investment income.

**SCHEDULE R  
(Form 990)**

**Related Organizations and Unrelated Partnerships**

OMB No 1545-0047

**2011**

**Open to Public Inspection**

▶ **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.**

Department of the Treasury  
Internal Revenue Service

**Name of the organization**  
LORETTO HOSPITAL

**Employer identification number**

36-2200248

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) Loretto Hospital Foundation 645 S Central Ave Chicago, IL 60642 36-2200248	Fundraising	IL	501(c)3		N/A		No

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

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

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

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

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

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

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

- a** Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity
- b** Gift, grant, or capital contribution to related organization(s)
- c** Gift, grant, or capital contribution from related organization(s)
- d** Loans or loan guarantees to or for related organization(s)
- e** Loans or loan guarantees by related organization(s)

- f** Sale of assets to related organization(s)
- g** Purchase of assets from related organization(s)
- h** Exchange of assets with related organization(s)
- i** Lease of facilities, equipment, or other assets to related organization(s)
- j** Lease of facilities, equipment, or other assets from related organization(s)
- k** Performance of services or membership or fundraising solicitations for related organization(s)
- l** Performance of services or membership or fundraising solicitations by related organization(s)
- m** Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)
- n** Sharing of paid employees with related organization(s)

- o** Reimbursement paid to related organization(s) for expenses
- p** Reimbursement paid by related organization(s) for expenses

- q** Other transfer of cash or property to related organization(s)
- r** Other transfer of cash or property from related organization(s)

	Yes	No
<b>1a</b>		No
<b>1b</b>		No
<b>1c</b>		No
<b>1d</b>		No
<b>1e</b>	Yes	
<b>1f</b>		No
<b>1g</b>		No
<b>1h</b>		No
<b>1i</b>		No
<b>1j</b>		No
<b>1k</b>		No
<b>1l</b>		No
<b>1m</b>		No
<b>1n</b>	Yes	
<b>1o</b>		No
<b>1p</b>		No
<b>1q</b>		No
<b>1r</b>		No

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
<b>(1)</b> Loretto Hospital Foundation	n	25,000	The percentage of time that is shared between the hospital and the foundation
<b>(2)</b>			
<b>(3)</b>			
<b>(4)</b>			
<b>(5)</b>			
<b>(6)</b>			



**Part VII Supplemental Information**

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

**Identifier****Return Reference****Explanation****Schedule R (Form 990) 2011**

## Additional Data

**Software ID:** 11000129

**Software Version:** v1.00

**EIN:** 36-2200248

**Name:** LORETTO HOSPITAL

**Form 990, Special Condition Description:**

**Special Condition Description**



**LORETTO HOSPITAL**

Consolidated Financial Statements

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)



KPMG LLP  
Aon Center  
Suite 5500  
200 E Randolph Drive  
Chicago IL 60601-6436

## Independent Auditors' Report

The Board of Trustees  
Loretto Hospital:

We have audited the accompanying consolidated balance sheets of Loretto Hospital (the Hospital) as of June 30, 2012 and 2011, 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 Hospital's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Loretto Hospital as of June 30, 2012 and 2011, and the results of its operations, changes in net assets, and cash flows for the years then ended, in conformity with U S generally accepted accounting principles.

KPMG LLP

December 20, 2012

**LORETTO HOSPITAL**  
Consolidated Balance Sheets  
June 30, 2012 and 2011

<b>Assets</b>	<u><b>2012</b></u>	<u><b>2011</b></u>
Current assets:		
Cash and cash equivalents	\$ 294,547	1,484,195
Assets whose use is limited or restricted	1,087,937	1,198,258
Patient accounts receivable, less allowance for uncollectible accounts of approximately \$1,186,000 and \$1,127,000 in 2012 and 2011, respectively	4,408,739	4,154,066
Grant receivable	3,500,000	—
Supplies, prepaid expenses, and other	851,740	852,785
Total current assets	<u>10,142,963</u>	<u>7,689,304</u>
Assets whose use is limited or restricted, net of amounts required for current liabilities	17,212,709	22,010,427
Land, building, and equipment, net	23,962,429	20,305,670
Interest in net assets of the Foundation	614,108	506,645
Total assets	<u>\$ 51,932,209</u>	<u>50,512,046</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 5,230,397	3,698,012
Accrued expenses and other liabilities	3,813,753	4,078,842
Estimated settlements due to third-party payors	373,575	501,225
Current portion of self-insurance reserve	1,087,937	1,198,258
Total current liabilities	<u>10,505,662</u>	<u>9,476,337</u>
Self-insurance reserve, less current portion	4,736,465	4,896,227
Asset retirement obligation	2,467,317	2,400,492
Total liabilities	<u>17,709,444</u>	<u>16,773,056</u>
Net assets:		
Unrestricted	26,926,614	33,232,345
Temporarily restricted	7,296,151	506,645
Total net assets	<u>34,222,765</u>	<u>33,738,990</u>
Total liabilities and net assets	<u>\$ 51,932,209</u>	<u>50,512,046</u>

See accompanying notes to consolidated financial statements

**LORETTO HOSPITAL**  
Consolidated Statements of Operations  
Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenues.		
Net patient service revenue	\$ 61,389,688	68,217,359
Other revenue	1,555,071	643,003
Total revenues	<u>62,944,759</u>	<u>68,860,362</u>
Expenses:		
Salaries and wages	36,982,911	34,541,308
Physician fees	2,366,874	2,352,562
Supplies	4,969,651	5,166,180
Purchased services	6,927,468	5,832,582
Provision for uncollectible accounts	2,176,789	2,263,796
Insurance	1,962,662	2,382,833
Depreciation and amortization	3,106,453	3,125,489
Interest	121	306
Medicaid tax assessment	6,279,735	6,279,735
Other	4,795,783	4,642,844
Total expenses	<u>69,568,447</u>	<u>66,587,635</u>
Revenues (deficient) in excess of expenses	(6,623,688)	2,272,727
Other changes in unrestricted net assets:		
Net assets released from restrictions used for purchase of buildings and equipment	<u>317,957</u>	<u>27,748</u>
Change in unrestricted net assets	<u>\$ (6,305,731)</u>	<u>2,300,475</u>

See accompanying notes to consolidated financial statements.

**LORETTO HOSPITAL**

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Unrestricted net assets:		
Revenues (deficient) in excess of expenses	\$ (6,623,688)	2,272,727
Other changes in unrestricted net assets:		
Net assets released from restrictions used for purchase of buildings and equipment	<u>317,957</u>	<u>27,748</u>
Change in unrestricted net assets	<u>(6,305,731)</u>	<u>2,300,475</u>
Temporarily restricted net assets:		
Contributions for specific purposes	7,107,112	83,038
Investment income	351	5,518
Net assets released from restriction used for purchase of buildings and equipment	<u>(317,957)</u>	<u>(27,748)</u>
Change in temporarily restricted net assets	<u>6,789,506</u>	<u>60,808</u>
Change in net assets	483,775	2,361,283
Net assets at beginning of year	<u>33,738,990</u>	<u>31,377,707</u>
Net assets at end of year	<u><u>\$ 34,222,765</u></u>	<u><u>33,738,990</u></u>

See accompanying notes to consolidated financial statements.

**LORETTO HOSPITAL**  
Consolidated Statements of Cash Flows  
Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ 483,775	2,361,283
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Provision for uncollectible accounts	2,176,789	2,263,796
Depreciation and amortization	3,106,453	3,125,489
Restricted contributions and investment return	(7,107,463)	(88,556)
Change in net unrealized gains and losses on trading securities	(235,044)	(691,290)
Realized (gains) and losses on investments, net	(391,293)	63,416
Changes in assets and liabilities:		
Patient accounts receivable	(2,431,462)	(1,656,423)
Supplies, prepaid expenses, and other	1,045	1,162,579
Accounts payable	1,532,385	795,886
Accrued expenses and other liabilities and self-insurance reserve	(468,347)	1,374,578
Estimated settlements due to third-party payors	(127,650)	(461,419)
Net cash provided by (used in) operating activities	<u>(3,460,812)</u>	<u>8,249,339</u>
Cash flows from investing activities:		
Purchases of assets limited or restricted as to use	(8,126,483)	(13,049,417)
Proceeds from sale or maturities of assets limited or restricted as to use	13,660,859	9,562,844
Change in interest in net assets of the Foundation	(107,463)	(60,808)
Purchases of property, plant, and equipment	(6,763,212)	(3,677,992)
Net cash used in investing activities	<u>(1,336,299)</u>	<u>(7,225,373)</u>
Cash flows from financing activity:		
Restricted contributions and investment return	3,607,463	88,556
Net change in cash and cash equivalents	(1,189,648)	1,112,522
Cash and cash equivalents at beginning of year	1,484,195	371,673
Cash and cash equivalents at end of year	<u>\$ 294,547</u>	<u>1,484,195</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 121	306

See accompanying notes to consolidated financial statements.

## LORETTO HOSPITAL

### Notes to Consolidated Financial Statements

June 30, 2012 and 2011

#### (1) Organization and Basis of Presentation

Loretto Hospital (the Hospital) is an Illinois not-for-profit corporation, which provides inpatient and outpatient services to local area residents. In May 1994, the Hospital formed Westside Insurance Company (Westside), a wholly owned captive insurance company held in the Cayman Islands, which is consolidated with the Hospital for financial reporting purposes. Significant intercompany balances and transactions have been eliminated in consolidation. Westside was formed to meet the funding requirements of the self-insured retention on the Hospital's professional liability coverage. The Hospital is managed pursuant to the terms of a management agreement as described in note 2(g).

The Hospital is also related to the Loretto Hospital Foundation, Inc (the Foundation), an entity whose purpose is to solicit and administer philanthropic funds. The Hospital records the net assets of the Foundation as a component of interest in net assets of the Foundation in the accompanying consolidated balance sheets and the interest and contributions and related investment income as components of temporarily restricted net assets until such time the Foundation transfers the funds to the Hospital.

#### (2) Summary of Significant Accounting Policies

##### (a) Use of Estimates

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

##### (b) Supplies

Supplies are stated at the lower of cost or market value, as determined by specific identification, and consist of various pharmaceutical, medical, and food service items.

##### (c) Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted include all assets in Westside and assets set aside by the board of trustees (the Board) for future capital improvements, over which the Board retains control and may, at its discretion, subsequently use for other purposes. Assets whose use is limited or restricted are classified as current assets to the extent they are required to satisfy obligations classified as current liabilities in the accompanying consolidated balance sheets.

##### (d) Investments

Investments are measured at fair value on the consolidated balance sheet

Cash and cash equivalents include money market funds and investment in highly liquid debt instruments with a maturity of three months or less when purchased, excluding assets whose use is limited or restricted.

Investment income or loss (including realized gains and losses on investments, changes in unrealized gains and losses on trading securities, interest, and dividends) is included in the revenues (deficient)

## LORETTO HOSPITAL

### Notes to Consolidated Financial Statements

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in excess of expenses unless the income or loss is restricted by donor or by law. Unrestricted investment income is reported as other revenue. Unrealized gains and losses of temporarily restricted investments are recorded directly to temporarily restricted net assets and investments are classified as trading securities.

**(e) Fair Value of Financial Instruments**

Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, defines fair value 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. ASC Subtopic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements (note 6).

ASC Subtopic 820-10-65-6 allows the use of a practical expedient in determining fair value. During 2012, Westside elected to use a practical expedient for determination of the fair value of its fixed income and equity mutual funds. Westside can redeem its shares in these funds at the net asset value (NAV) per share as reported by the fund. Accordingly, Westside has recorded these fixed income and equity mutual funds within Level 2 in the fair value hierarchy during the year ended June 30, 2012 as nonexchange traded funds. Investment managers consider subscription and redemption rights, including any restrictions on the disposition of the interest in its determination of fair value.

**(f) Land, Building, and Equipment**

Land, building, and equipment are recorded at cost and are depreciated over their estimated useful lives using the straight-line method for all assets acquired prior to fiscal year 1983, and an accelerated method for all assets acquired thereafter.

Long-lived assets (including property and equipment) are periodically assessed for recoverability based on the occurrence of a significant adverse event or change in the environment in which the Hospital operates or if the expected future cash flows (undiscounted and without interest) would become less than the carrying amount of the asset. An impairment loss would be recorded in the period such determination is made based on the fair value of the related entity. No impairments were recorded for the years ended June 30, 2012 and 2011.

**(g) Estimated Self-Insured Costs**

The provision for estimated self-insured medical malpractice and employee healthcare claims includes estimates of the ultimate costs, for both reported claims and claims incurred but not reported as of the respective consolidated balance sheet dates. Management believes the estimated self-insured medical malpractice and employee healthcare liabilities at June 30 are adequate to cover the ultimate liabilities; however, such estimates may be more or less than the amounts ultimately paid when claims are recorded. The hospital adopted Accounting Standards Update (ASU) 2010-24, *Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries*, in 2012. ASU 2012-24 clarifies that healthcare entities should not net insurance recoveries against the related claim liabilities and that the claim liability amount should be determined without consideration of insurance recoveries. Adoption of ASU 2010-24 had no significant impact on the accompanying 2012 consolidated balance sheet.

## LORETTO HOSPITAL

### Notes to Consolidated Financial Statements

June 30, 2012 and 2011

**(h) Management Fees**

The Hospital has an agreement with a management company through December 31, 2014, whereby the management company manages the operations of the Hospital providing strategic planning, marketing, administrative, and financial management. The agreement provides for an annual management fee, which was approximately \$1,910,000 and \$1,787,000 for the years ended June 30, 2012 and 2011, respectively, and is included in purchased services in the accompanying consolidated statements of operations.

**(i) Revenues (Deficient) in Excess of Expenses**

The consolidated statements of operations include revenues (deficient) in excess of expenses. For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenues and expenses. Changes in unrestricted net assets that are excluded from revenues (deficient) in excess of expenses, consistent with industry practice, include contributions of property, plant, and equipment (including assets acquired using contributions, which by donor restrictions, were to be used for the purpose of acquiring such assets)

**(j) Income Taxes**

The Hospital and the Foundation are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Westside does not consider itself to be engaged in a United States trade or business and therefore, is not considered subject to United States income taxes. If Westside should be considered to be engaged in a United States trade or business, it could be subject to federal income tax, federal alternative minimum tax, and branch profits tax. Under the Cayman Islands Tax Concessions Law, the Governor in Cabinet issued an undertaking to Westside on September 13, 1994 exempting it from all local income, profit, or capital gains taxes. The undertaking has been issued for a period of 20 years and, at the present time, no such taxes are levied in the Cayman Islands. Accordingly, no provisions for taxes are made in these financials.

ASC Subtopic 740-10, *Income Taxes*, addresses the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under ASC Subtopic 740-10, the Hospital must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. ASC Subtopic 740-10 also provides guidance on derecognition, classification, interest and penalties on income taxes, and accounting in interim periods and requires increased disclosures. As of June 30, 2012 and 2011, the Hospital, Foundation, and Westside do not have a liability for unrecognized tax benefits.

**(k) Gifts, Bequests, and Grants**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished,

## LORETTO HOSPITAL

### Notes to Consolidated Financial Statements

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temporarily restricted net assets are reclassified as unrestricted net assets and reported as net asset released from restriction. The receipt of gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net assets. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed into service.

ASC Topic 958, *Not-for-Profit Entities*, requires that a specified beneficiary recognize its rights to assets held by a recipient organization as an asset unless the donor has explicitly granted the recipient organization variance power, that is, the unilateral power to redirect the use of the assets. Those rights are either an interest in the net assets of the recipient organization, a beneficial interest, or a receivable. Because the Foundation was structured to operate exclusively for the benefit of the Hospital and since variance power from the donors does not exist, the Hospital is required to record the net assets of the Foundation. As of June 30, 2012 and 2011, the Hospital has recorded \$614,108 and \$506,645, respectively, as its interest in the net assets of the Foundation.

#### **(l) Temporarily Restricted Net Assets**

Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specific time period or purpose and principally represent amounts restricted for the purpose of acquiring and renovating long-lived assets or for specific operating purposes. The Hospital was approved for a \$7,000,000 grant from the State of Illinois in fiscal 2012 to renovate facilities on the Hospital campus, of which \$3,500,000 was received in October 2011 and \$3,500,000 was received in October 2012. The \$3,500,000 received in October 2012 has been recorded as a grant receivable within the accompanying June 30, 2012 consolidated balance sheet. The Hospital expended \$3,424,726 of the grant funds in 2012, \$317,957 of which were assets placed into service and released into unrestricted net assets in 2012. The Hospital's temporarily restricted net assets outstanding at June 30, 2012 comprise the net assets of the Foundation of \$614,108, net assets awaiting release from restriction upon such assets being placed into service of \$3,106,769, grant receivable of \$3,500,000, and unspent grant funds from the grant funds of \$75,274. The Hospital's temporarily restricted net assets outstanding at June 30, 2011 comprise the net asset of the Foundation of \$506,645.

#### **(m) Other**

The Hospital incurs expenses for the provision of healthcare services and related general and administrative activities.

Certain 2011 amounts have been reclassified to conform to the 2012 consolidated financial statement presentation.

Other significant accounting policies are set forth in the accompanying consolidated financial statements and in the following notes

#### **(3) Net Patient Service Revenue**

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined

## LORETTO HOSPITAL

### Notes to Consolidated Financial Statements

June 30, 2012 and 2011

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

**(a) Medicare**

The Hospital is paid for inpatient acute care services rendered to Medicare program beneficiaries at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services and certain outpatient services related to Medicare beneficiaries are paid based upon either a cost reimbursement method, prospectively determined rates, established fee screens, or a combination thereof. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. Certain outpatient services performed by the Hospital are reimbursed at a prospectively determined rate per service based upon their ambulatory payment classification. The prospectively determined rates are not subject to retroactive adjustment. The Hospital's classification of patients under the Medicare prospective payment system and the appropriateness of patient admissions are subject to validation reviews.

The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2007.

**(b) Medicaid**

The Hospital is paid at prospectively determined rates for each Medicaid inpatient discharge. The prospectively determined rates are not subject to retroactive adjustments. Outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon fee schedules or per visit rates. Medicaid payment methodologies and rates for services are subject to change based on the amount of funding available to the State of Illinois Medicaid Program, and any such changes could have a significant effect on the Hospital's revenues.

The State of Illinois (the State) enacted an assessment program to assist in the financing of its Medicaid program through June 30, 2013. Pursuant to this program, hospitals within the State are required to remit payment to the State Medicaid program under an assessment formula approved by the Centers for Medicare and Medicaid Services (CMS). The Hospital has included its related assessments of \$6,279,735 as Medicaid tax assessment expense in the accompanying 2012 and 2011 consolidated statements of operations. The assessment program also provides hospitals within the State with additional Medicaid reimbursement based on funding formulas also approved by CMS. The Hospital has included its additional 2012 and 2011 related reimbursement of \$14,481,708 in 2012 and 2011 within net patient service revenues in the accompanying consolidated statements of operations. In 2011 and 2012, the State accelerated the program's payment schedule, which required fiscal year 2012 and 2011 payments through June 30, 2012 and 2011 to be paid by October 2011 and 2010. Additionally, a one-time economic stimulus payment was received by the hospital from CMS totaling \$1,741,822, which is included within net patient service revenue in 2011.

The Hospital also qualified for the Safety Net Adjustment Payments program (SNAP) to provide additional funding to providers based on funding formulas approved by the State for State fiscal

## LORETTO HOSPITAL

### Notes to Consolidated Financial Statements

June 30, 2012 and 2011

years ended June 30, 2012 and 2011. The Hospital has included its related prorated SNAP reimbursement of \$747,576 in 2012 and 2011, within net patient service revenue in the accompanying 2012 and 2011 consolidated statements of operations. Additionally, the Hospital qualified for the Outpatient Assistance Adjustment program to provide additional funding to providers based on funding formulas approved by the State for State fiscal years ended June 30, 2012 and 2011. The Hospital has included its related prorated Outpatient Assistance Adjustment reimbursement of \$3,792,696 in 2012 and 2011, respectively, within net patient service revenues in the accompanying consolidated statements of operations. Additionally, the Hospital qualified for the Critical Hospital Adjustment Payments program (CHAP) to provide additional funding to providers based on funding formulas approved by the State for State fiscal years ended June 30, 2012 and 2011. The Hospital has included its related prorated CHAP reimbursement of \$3,062,184 in 2012 and 2011, respectively, within net patient service revenues in the accompanying consolidated statements of operations.

**(c) Blue Cross**

Inpatient services rendered to Blue Cross subscribers are reimbursed at a tentative reimbursement rate and final reimbursement for these services is determined after the submission of an annual cost report, which is reviewed by Blue Cross. The Blue Cross cost reports have been reviewed by Blue Cross through June 30, 2011

**(d) Other**

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

For the years ended June 30, 2012 and 2011, the consolidated statements of operations included unfavorable adjustments to revenues of \$65,002 in 2012 and favorable adjustments to revenue of \$403,726 in 2011, related to retroactive settlements and changes in prior year estimates for third-party settlements.

**(4) Charity Care**

The Hospital's policy is to treat patients in immediate need of medical services without regard to their ability to pay for such services. Because amounts determined to qualify as charity care are not pursued for collection, they are not reported as net patient service revenue. The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy as well as the estimated cost of services and supplies.

During the years ended June 30, 2012 and 2011, the following levels of charity care were provided at cost:

	<u>2012</u>	<u>2011</u>
Charity care	\$ 4,632,199	4,336,668

**LORETTO HOSPITAL**

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

**(5) Investments**

A summary of the composition of the Hospital's consolidated investment portfolio at June 30, 2012 and 2011 is as follows.

	<u>2012</u>	<u>2011</u>
Assets whose use is limited or restricted:		
Assets held by captive insurance company:		
Cash and cash equivalents	\$ 1,701,595	639,421
Mutual funds	12,462,134	12,227,090
Deferred reinsurance premium ceded	192,000	192,000
Other	14,144	5,544
Total assets held by captive insurance company	<u>14,369,873</u>	<u>13,064,055</u>
Board designated for capital acquisitions:		
Cash and cash equivalents	<u>3,930,773</u>	<u>10,144,630</u>
Total assets whose use is limited or restricted	<u>\$ 18,300,646</u>	<u>23,208,685</u>

The composition of investment return (loss) on the Hospital's consolidated investment portfolio for the years ended June 30, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Interest and dividend income	\$ 40,267	12,359
Change in net unrealized gains and losses on trading securities	235,044	691,290
Net realized gains (losses) on sale of investments	<u>391,293</u>	<u>(63,416)</u>
	<u>\$ 666,604</u>	<u>640,233</u>

Investment gains are included in the accompanying consolidated financial statements for the years ended June 30, 2012 and 2011 as follows:

	<u>2012</u>	<u>2011</u>
Other revenue	\$ 666,253	634,715
Temporarily restricted net assets:		
Investment income	<u>351</u>	<u>5,518</u>
	<u>\$ 666,604</u>	<u>640,233</u>

## LORETTO HOSPITAL

### Notes to Consolidated Financial Statements

June 30, 2012 and 2011

#### (6) Fair Value Measurement

##### (a) Fair Value of Financial Instruments

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

- The carrying amount reported in the consolidated balance sheets for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, supplies, prepaid expenses and other, accounts receivable, deferred reinsurance premiums ceded, other assets whose use is limited, accounts payable, accrued expenses and other liabilities, and estimated settlements due to third-party payors.
- Assets whose use is limited or restricted are estimated based on prices provided by its investment managers and its custodian bank. Fair value for cash and cash equivalents is measured using quoted market prices at the reporting date multiplied by the quantity held.
- Fixed income and equity mutual funds held by Westside are nonexchange traded funds. The estimated fair value of the fixed income and equity mutual funds is based on the NAV per share as calculated by each respective investment manager. The funds do not impose redemption penalties and do not have redemption noticed periods, with the exception of a 0.40% redemption fee on any redemption that represents 5% or more of the NAV or one of their equity fund holdings.

##### (b) Fair Value Hierarchy

The Hospital adopted ASC Topic 820 on July 1, 2008 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Hospital has the ability to access at the measurement date.
- Level 2 inputs are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 inputs are unobservable inputs for the asset or liability.

**LORETTO HOSPITAL**

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

The following table presents the Hospital's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2012.

	<u>Total fair value</u>	<u>Fair value measurements at June 30, 2012 using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets				
Cash and cash equivalents	\$ 294,547	294,547	—	—
Assets whose use is limited or restricted, excluding deferred reinsurance premium ceded of \$192,000 and other of \$14,144				
Cash and cash equivalents	\$ 5,632,368	5,632,368	—	—
Fixed income funds	10,006,855	—	10,006,855	—
Equity funds	2,455,279	—	2,455,279	—
Total	<u>\$ 18,094,502</u>	<u>5,632,368</u>	<u>12,462,134</u>	<u>—</u>

The following table presents the Hospital's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2011:

	<u>Total fair value</u>	<u>Fair value measurements at June 30, 2011 using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:				
Cash and cash equivalents	\$ 1,484,195	1,484,195	—	—
Assets whose use is limited or restricted, excluding deferred reinsurance premium ceded of \$192,000 and other of \$5,544.				
Cash and cash equivalents	\$ 10,784,051	10,784,051	—	—
Fixed income funds	7,342,337	—	7,342,337	—
Equity funds	4,884,753	—	4,884,753	—
Total	<u>\$ 23,011,141</u>	<u>10,784,051</u>	<u>12,227,090</u>	<u>—</u>

## LORETTO HOSPITAL

### Notes to Consolidated Financial Statements

June 30, 2012 and 2011

#### (7) **Employee Pension Plan**

The Hospital maintains a defined contribution plan covering substantially all full-time employees of the Hospital. Participants may contribute a percentage of their salary up to the Internal Revenue Service limits. The Hospital may contribute a specified part of employer deferrals into participant plan records. Hospital employer matching cost recognized in the consolidated financial statements pursuant to the terms of the defined contribution plan totaled approximately \$111,700 and \$118,900 for the years ended June 30, 2012 and 2011, respectively, and is reflected as employee benefits expense in the accompanying consolidated statements of operations. The Plan is funded on a current basis.

#### (8) **Self-Insured Risks**

##### *(a) Professional and General Liability*

The Hospital is self-insured for general public liability and professional liability claims up to certain specified deductible limits, as specified in commercial insurance policies, arising from incidents occurring after July 17, 1985. The Hospital's reported self-insurance reserve represents the estimated liability for asserted and unasserted professional malpractice and patient general liability claims as of each consolidated balance sheet date, which is reported at the 75% confidence level and has been discounted at 3.5%, which approximates the undiscounted central point estimate at June 30, 2012 and 2011. An estimate of claims to be paid within one year of the consolidated balance sheet date is shown as current portion of self-insurance reserve in the accompanying consolidated balance sheets.

##### *(b) Healthcare*

The Hospital also has a program of self-insurance for employee health coverage. In January 2010, the Hospital began prepaying at the beginning of each month for estimated health claims, which are offset by actual claims occurring during the month. Provisions for self-insured employee healthcare claims amounted to approximately \$1,868,185 and \$1,452,469 for the years ended June 30, 2012 and 2011, respectively, and are included with salaries and wages in the accompanying consolidated statements of operations.

The Hospital maintains various levels of excess and stop-loss commercial insurance coverage as part of its employee health self-insurance program. There are no assurances that the Hospital will be able to renew existing policies or procure coverage on similar terms in the future.

**LORETTO HOSPITAL**

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

**(9) Concentration of Credit Risk**

The Hospital grants credit without collateral to its patients, most of who are local residents and are generally insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of June 30, 2012 and 2011 was as follows:

	<b>2012</b>	<b>2011</b>
Medicare	40%	45%
Medicaid	37	33
Blue Cross	1	2
Managed care	8	7
Commercial	6	5
Patients	5	5
Other	3	3
	100%	100%

**(10) Land, Building, and Equipment**

Land, building, and equipment at June 30, 2012 and 2011 are stated at cost, less accumulated depreciation and amortization, as follows:

	<b>2012</b>	<b>2011</b>
Land	\$ 429,028	429,028
Building and improvements	35,614,310	34,320,292
Equipment	19,943,041	18,553,283
Construction in progress	6,292,790	2,320,213
	62,279,169	55,622,816
Accumulated depreciation and amortization	(38,316,740)	(35,317,146)
	\$ 23,962,429	20,305,670

Construction in progress at June 30, 2012 relates primarily to costs of renovation on the emergency room department at the Hospital and will be funded by Hospital operations, grants, and board-designated funds. There were no significant contractual commitments as of June 30, 2012. Interest cost is capitalized as a component cost of significant capital projects to the extent that such interest expense exceeds interest income earned on any project-specific borrowed funds. During 2012 and 2011, the Hospital did not capitalize any interest cost.

**(11) Asbestos Removal Costs**

According to ASC Topic 410, *Asset Retirement and Environmental Obligations*, the Hospital is required to recognize a liability when a legal obligation exists to perform an asset retirement obligation (ARO) in

## LORETTO HOSPITAL

### Notes to Consolidated Financial Statements

June 30, 2012 and 2011

which the timing or method of settlement is conditional on a future event that may or may not be under the control of the entity.

ASC Topic 410 requires ARO liability be recorded at its net present value with recognition of a related long-lived asset in a corresponding amount. The ARO liability is accreted through periodic charges to depreciation expense.

The Hospital is legally liable to remove asbestos from existing buildings prior to future remodeling or demolishing of the existing hospital buildings. The estimated asbestos removal cost at June 30, 2012 and 2011 is \$2,467,317 and \$2,400,492, respectively.

#### (12) Commitments and Contingencies

##### (a) *Regulatory Investigations*

The healthcare industry is subject to extensive federal, state, and local regulation relating to licensure, conduct of operations, ownership of facilities, physician relationships, addition of facilities and services, and reimbursement rates for services. The laws, rules, and regulations governing the healthcare industry are complex and evolving, with limited regulatory or judicial interpretation for guidance in certain areas. The U.S. Department of Justice and other federal agencies routinely conduct regulatory investigations and compliance audits. The Hospital is subject to these regulatory efforts.

On November 3, 2011, the Hospital received notice from Telligen-IL, LLC (Telligen), a quality improvement organization for the State of Illinois, stating that the Hospital violated its obligations under Section 1156 of the Social Security Act to assure the services provided to program beneficiaries were of a quality that meets professionally recognized standards of health care and supported by the appropriate evidence of medical necessity and quality of the services in a form and fashion and at such time as may be required. Telligen identified 12 violations that were operational in nature within the Hospital's mental health department. The Hospital and Telligen agreed to a corrective action plan on May 16, 2012, which provides for 4 quarterly monitoring reports to be provided to Telligen. The first monitoring report was provided by the Hospital on September 7, 2012 for the period April 1, 2012 through June 30, 2012 and the second monitoring report was provided on October 17, 2012 for the period July 1, 2012 through September 30, 2012. Both reports were accepted by Telligen. If the corrective action plan is not successfully completed, the Hospital may be fined up to \$10,000 per violation, coupled with sanctions up to and including disqualification from the Medicare program on a probationary period. No amounts have been accrued at June 30, 2012 for potential fines and penalties associated with these violations

Additionally, based on a patient safety incident that occurred on June 17, 2012, the Illinois Department of Public Health required an immediate jeopardy sanction, resulting in the closing of the Hospital's 3 East and 3 West psychiatric departments on June 29, 2012, until various operational and infrastructure issues were remediated. On July 18, 2012, the sanctions were lifted and the 3 East department was reopened on July 26, 2012. All remaining units were reopened on December 1, 2012.

## LORETTO HOSPITAL

### Notes to Consolidated Financial Statements

June 30, 2012 and 2011

**(e) *Charity Care Legislation***

Effective June 14, 2012, the Governor of Illinois signed into law, *Public Act 97-0688*, which creates new standards for state income tax and property tax exemptions in Illinois. The law establishes new standards for the issuance of charity exemptions, including requirements for a nonprofit hospital to certify annually that in the prior year, it provided an amount of qualified services and activities to low-income and underserved individuals with a value at least equal to the hospital's estimated property tax liability. The Hospital will begin certifying in 2013 and has not recorded a liability for related property taxes based upon management's current determination of qualified services provided.

**(f) *Subsequent Events***

In connection with the preparation of the consolidated financial statements and in accordance with the recently issued ASC Topic 855, *Subsequent Events*, the Hospital evaluated subsequent events after the balance sheet date of June 30, 2012 through December 20, 2012, which was the date the financial statements were available to be issued.