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Part III

Statement of Program Service Accomplishments

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

1

Briefly describe the organization’s mission

TO PARTICIPATE IN THE HEALTH CARE MINISTRY OF THE CHURCH AND PROVIDE A FAMILY-CENTERED APPROACH IN MEETING THE COMMUNITY'S HEALTH CARE NEEDS REGARDLESS OF ABILITY TO PAY

2

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

If “Yes,” describe these new services on Schedule O

3

Did the organization cease conducting, or make significant changes in how it conducts, any program services?

If “Yes,” describe these changes on Schedule O

4

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

4a

(Code) (Expenses \$ 90,928,390 including grants of \$) (Revenue \$ 138,284,968)

SEE SCHEDULE O - Statement of Program Service Accomplishments

4b

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

4c

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

4d

Other program services (Describe in Schedule O)

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

4e

Total program service expenses \$ 90,928,390

Part IV

Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

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

Part V Statements Regarding Other IRS Filings and Tax Compliance						
Check if Schedule O contains a response to any question in this Part V ☐						
		Yes	No			
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .	1a	75			
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0			
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes			
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	2a	1,362			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes			
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes			
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	Yes			
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?	4a				No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a				No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b				No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c				
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a				No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b				
7	Organizations that may receive deductible contributions under section 170(c).					
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a				No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b				
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c				No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e				No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f				No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g				
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h				
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8				
9	Sponsoring organizations maintaining donor advised funds.					
a	Did the organization make any taxable distributions under section 4966?	9a				
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b				
10	Section 501(c)(7) organizations. Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b				
11	Section 501(c)(12) organizations. Enter					
a	Gross income from members or shareholders.	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b				
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a				
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b				
13	Section 501(c)(29) qualified nonprofit health insurance issuers.					
a	Is the organization licensed to issue qualified health plans in more than one state? Note. All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state.	13a				
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b				
c	Enter the aggregate amount of reserves on hand.	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a				No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b				

Part VI

Governance, Management, and Disclosure

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

Section A. Governing Body and Management

			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	11	
b	Enter the number of voting members included in line 1a, above, who are independent	1b	8	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	Yes	
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5		No
6	Did the organization have members or stockholders?	6	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	8a	Yes	
b	Each committee with authority to act on behalf of the governing body?	8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9		No

Section B. Policies

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. ☐ Own website ☐ Another's website ☒ Upon request	
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.	
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization.	
	REBECCA COLKER 1800 E LAKE SHORE DRIVE DECATUR, IL 62521 (217) 464-2970	

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) SR HELEN MARIE PLUMMER OSF BOARD MEMBER	1 0	X								
(2) SR MARYBETH CULNAN OSF BOARD MEMBER	1 0	X						0	0	0
(3) KEVIN KAST CHIEF EXECUTIVE Officer	60 0	X		X				0	403,490	180,530
(4) JOHN SKEFFINGTON SECRETARY	1 0	X		X				0	0	0
(5) KEVIN BREHENY CHAIRPERSON	1 0	X		X				0	0	0
(6) JON ROBINSON VICE-CHAIRPERSON	1 0	X		X				0	0	0
(7) MARK CHEVIRON BOARD MEMBER	1 0	X						0	0	0
(8) PAT DAWSON BOARD MEMBER	1 0	X						0	0	0
(9) Fr JOE MOLLOY BOARD MEMBER	1 0	X						0	0	0
(10) BOB WIESEMANN BOARD MEMBER	1 0	X						0	0	0
(11) CLAUDIA MADDING BOARD MEMBER	1 0	X						0	0	0
(12) THERESA J RUTHERFORD COO	60 0			X				193,218	0	67,784
(13) ANN M CARR TREASURER	25			X				0	225,813	215,561
(14) REBECCA COLKER CHIEF FINANCIAL OFFICER	60 0			X				249,415	0	55,116
(15) MARIA GRANZOTTI CHIEF MEDICAL OFFICER	20 0				X			402,647	0	45,023
(16) MARK DABBS CNO	40 0				X			172,777	0	12,006
(17) MARY HARTMAN CRNA	40 0					X		214,043	0	103,558

Part VII

1b	Sub-Total	▼			
c	Total from continuation sheets to Part VII, Section A	▼			
d	Total (add lines 1b and 1c)	▼	2,021,628	629,303	1,057,215

2 Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 9

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
WALSH CONSTRUCTION 929 WEST ADAMS CHICAGO, IL 60607	CONTRACTOR	15,837,085
sodexo 488 paysphere circle DECATUR, IL 60674	cafeteria management	1,450,964
Central IL Emergency Physicians PO Box 793 TRAVERSE CITY, MI 496850793	Emergency Dept Mgmt	1,022,559
REHAB CARE 7733 FORSYTH BOULEVARD ST LOUIS, MO 63105	CONTRACTOR	787,692
central il associates 1800 e lake shore dr DECATUR, IL 62521	anesthesia phy serv	775,345

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ►19

Part VIII

Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d	8,923,897			
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f				
	g	Noncash contributions included in lines 1a-1f \$ _____					
	h	Total. Add lines 1a-1f		8,923,897			
Program Service Revenue	2a	NET PATIENT SERVICE REVENUE	Business Code 900099	138,284,968	138,284,968		
	b						
	c						
	d						
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f		138,284,968			
	Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		185,678		
4		Income from investment of tax-exempt bond proceeds . .		0			
5		Royalties		0			
6a		(i) Real					
		1,438,943					
		(ii) Personal					
		2,768,796					
b		Less rental expenses					
c		Rental income or (loss)		-1,329,853			
d		Net rental income or (loss)		-1,329,853			-1,329,853
7a		(i) Securities					
		431,705					
		(ii) Other					
		1,510					
b		Less cost or other basis and sales expenses					
c		Gain or (loss)		431,705			
d		Net gain or (loss)		431,956			431,956
8a		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18					
		a					
b		Less direct expenses					
c		Net income or (loss) from fundraising events . .		0			
9a		Gross income from gaming activities See Part IV, line 19					
		a					
b	Less direct expenses						
c	Net income or (loss) from gaming activities . .		0				
10a	Gross sales of inventory, less returns and allowances						
	a						
b	Less cost of goods sold						
c	Net income or (loss) from sales of inventory . .		0				
	Miscellaneous Revenue		Business Code				
11a	CAFETERA/CAFE		722210	31,165			31,165
b	REFERENCE LAB		621500	38,482		38,482	
c	PHYSICIAN ANSWERING SERVICES		900099	33,876		33,876	
d	All other revenue			2,445,562			2,445,562
e	Total. Add lines 11a-11d			2,549,085			
12	Total revenue. See Instructions			149,045,731	138,284,968	72,358	1,764,508

Part IX

Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns

All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D)

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	0			
2	Grants and other assistance to individuals in the United States See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	449,855		449,855	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	43,328,883	38,661,637	4,667,246	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	2,508,307	2,303,623	204,684	
9	Other employee benefits	8,058,102	7,097,576	960,526	
10	Payroll taxes	3,206,261	2,799,452	406,809	
11	Fees for services (non-employees)				
a	Management	181,615	52,243	129,372	
b	Legal	974,840	625	974,215	
c	Accounting	238		238	
d	Lobbying	36,000		36,000	
e	Professional fundraising See Part IV, line 17	0			
f	Investment management fees	25,668		25,668	
g	Other	27,860,989	18,164,489	9,696,500	
12	Advertising and promotion	621,757		621,757	
13	Office expenses	433,531	306,537	126,994	
14	Information technology	0			
15	Royalties	0			
16	Occupancy	1,693,701	1,422,286	271,415	
17	Travel	49,458	24,133	25,325	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	156,209	116,185	40,024	
20	Interest	342,362	5,124	337,238	
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	7,448,276	177,024	7,271,252	
23	Insurance	2,147,410	168,682	1,978,728	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	SUPPLIES	18,716,795	18,624,261	92,534	
b	BAD DEBTS	15,177,828		15,177,828	
c	MEDICAID TAX ASSESSMENT	3,817,944		3,817,944	
d	OTHER	1,982,825	1,004,513	978,312	
e					
f	All other expenses				
25	Total functional expenses. Add lines 1 through 24f	139,218,854	90,928,390	48,290,464	0
26	Joint costs. Check here ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			284,136	1	1,461,109
	2	Savings and temporary cash investments			660,147	2	0
	3	Pledges and grants receivable, net			0	3	0
	4	Accounts receivable, net			19,847,632	4	24,231,183
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L			0	5	0
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L			0	6	0
	7	Notes and loans receivable, net			0	7	0
	8	Inventories for sale or use			3,133,264	8	3,180,631
	9	Prepaid expenses and deferred charges			1,006,726	9	1,089,972
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a	221,373,719			
	b	Less: accumulated depreciation	10b	123,950,348	78,623,403	10c	97,423,371
	11	Investments—publicly traded securities			35,519,441	11	8,461,915
	12	Investments—other securities. See Part IV, line 11			0	12	0
	13	Investments—program-related. See Part IV, line 11			0	13	0
	14	Intangible assets			0	14	0
	15	Other assets. See Part IV, line 11			448,248	15	310,394
	16	Total assets. Add lines 1 through 15 (must equal line 34)			139,522,997	16	136,158,575
Liabilities	17	Accounts payable and accrued expenses			21,288,344	17	30,968,876
	18	Grants payable			0	18	0
	19	Deferred revenue			95,538	19	97,809
	20	Tax-exempt bond liabilities			28,956,551	20	0
	21	Escrow or custodial account liability. Complete Part IV of Schedule D			0	21	0
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L			0	22	0
	23	Secured mortgages and notes payable to unrelated third parties			0	23	0
	24	Unsecured notes and loans payable to unrelated third parties			0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D			22,054,615	25	53,751,728
	26	Total liabilities. Add lines 17 through 25			72,395,048	26	84,818,413
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here ☒ and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets			53,667,061	27	45,135,891
	28	Temporarily restricted net assets			12,259,905	28	5,003,264
	29	Permanently restricted net assets			1,200,983	29	1,201,007
	Organizations that do not follow SFAS 117, check here ☐ and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds				30	
	31	Paid-in or capital surplus, or land, building or equipment fund				31	
	32	Retained earnings, endowment, accumulated income, or other funds				32	
	33	Total net assets or fund balances			67,127,949	33	51,340,162
	34	Total liabilities and net assets/fund balances			139,522,997	34	136,158,575

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	149,045,731
2	Total expenses (must equal Part IX, column (A), line 25)	2	139,218,854
3	Revenue less expenses Subtract line 2 from line 1	3	9,826,877
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	67,127,949
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-25,614,664
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	51,340,162

Part XII Financial Statements and Reporting

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

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

SCHEDULE A

(Form 990 or 990EZ)

Department of the Treasury

Internal Revenue Service

Public Charity Status and Public Support

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

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

Name of the organization ST MARY'S HOSPITAL SISTERS OF THE THIRD ORDER OF ST FRANCIS	Employer identification number 37-0661244
--	--

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
11g(i)		
11g(ii)		
11g(iii)		

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

Part II

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

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

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

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

Part IIIPart III

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

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

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

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

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

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

Facts And Circumstances Test

Explanation

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

▶ Complete if the organization is described below.

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

OMB No 1545-0047

2011

Open to Public Inspection

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

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

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

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

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

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

Name of the organization ST MARY'S HOSPITAL SISTERS OF THE THIRD ORDER OF ST FRANCIS	Employer identification number 37-0661244
--	--

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

- 1

Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV
- 2

Political expenditures ▶ \$
- 3

Volunteer hours

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

- 1

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

Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ \$
- 3

If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No
- 4a

Was a correction made? ☐ Yes ☐ No
- b

If "Yes," describe in Part IV

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

- 1

Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ \$
- 2

Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities ▶ \$
- 3

Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b ▶ \$
- 4

Did the filing organization file Form 1120-POL for this year? ☐ Yes ☐ No
- 5

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

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

Part II-A

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

- A
- Check
- ☐
- if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B
- Check
- ☐
- if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing Organization's Totals	(b) Affiliated Group Totals												
1a	Total lobbying expenditures to influence public opinion (grass roots lobbying)														
b	Total lobbying expenditures to influence a legislative body (direct lobbying)														
c	Total lobbying expenditures (add lines 1a and 1b)														
d	Other exempt purpose expenditures														
e	Total exempt purpose expenditures (add lines 1c and 1d)														
f	Lobbying nontaxable amount Enter the amount from the following table in both columns														
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g	Grassroots nontaxable amount (enter 25% of line 1f)														
h	Subtract line 1g from line 1a If zero or less, enter -0-														
i	Subtract line 1f from line 1c If zero or less, enter -0-														

j

If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?

☐ Yes

☐ No

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

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

Part II-B

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

		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
	a Volunteers?		No	
	b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
	c Media advertisements?		No	
	d Mailings to members, legislators, or the public?		No	
	e Publications, or published or broadcast statements?		No	
	f Grants to other organizations for lobbying purposes?		No	
	g Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
	i Other activities? If "Yes," describe in Part IV	Yes		60,610
	j Total lines 1c through 1i			60,610
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
DESCRIPTION OF OTHER LOBBYING ACTIVITIES	SCHEDULE C, PART II B, QUESTION 1I	ST MARY'S HOSPITAL ("THE HOSPITAL") IS A MEMBER OF THE CATHOLIC HEALTH, ILL ASSOCIATION ("CHA"), THE ILLINOIS HEALTH ASSOCIATION ("IHA"), THE NATIONAL ASSOCIATION FOR HOME CARE AND HOSPICE, AND THE AMERICAN HEALTH ASSOCIATION ("AHA") AS A MEMBER OF THESE ORGANIZATIONS, THE HOSPITAL PAYS DUES. A PART OF THESE DUES IS ATTRIBUTABLE TO LOBBYING FEES PAID BY THE ORGANIZATIONS. \$24,610 OF THE AMOUNT LISTED ABOVE IS THE AMOUNT ATTRIBUTABLE TO THE HOSPITAL FROM ITS DUES PAID. The hospital paid \$36,000 during the year to Julie Curry, a professional lobbyist through its legal counsel.

SCHEDULE D
(Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2011

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ **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.**

Name of the organization ST MARY'S HOSPITAL SISTERS OF THE THIRD ORDER OF ST FRANCIS	Employer identification number 37-0661244
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Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? YesNo	
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? YesNo	

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

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

☐ Preservation of land for public use (e g , recreation or pleasure)

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

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

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

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

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

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

YesNo

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)?

YesNo

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

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

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

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

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

▶ \$

(ii) Assets included in Form 990, Part X

▶ \$

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

a Revenues included in Form 990, Part VIII, line 1

▶ \$

b Assets included in Form 990, Part X

▶ \$

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

Cat No 52283D

Schedule D (Form 990) 2011

Part III

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

3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

5

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

☐ Yes

☐ No

Part IV

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

1a

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

☐ Yes

☐ No

b

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

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

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

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

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

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

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

4

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

Part VI

Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		3,295,160		3,295,160
b Buildings		82,818,377	29,526,259	53,292,118
c Leasehold improvements		87,345,616	69,532,350	17,813,266
d Equipment		40,892,927	24,891,739	16,001,188
e Other		7,021,639	0	7,021,639
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				97,423,371

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

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

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

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation
ASC SUBTOPIC 740-10		HSBS has adopted ASC Subtopic 740-10, Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109. ASC Subtopic 740-10 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 Obligated Group 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 Obligated Group does not have a liability for unrecognized tax benefits.

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
ST MARY'S HOSPITAL SISTERS OF THE
THIRD ORDER OF ST FRANCIS

Employer identification number

37-0661244

Part I

Charity Care and Certain Other Community Benefits at Cost

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

7 Charity Care and Certain Other Community Benefits at Cost						
Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1)	1	6,152	3,574,563	0	3,574,563	2 990 %
b Medicaid (from Worksheet 3, column a)	1	24,250	8,187,934		8,187,934	6 850 %
c Costs of other means-tested government programs (from Worksheet 3, column b)	1	2,008	336,770	265,478	71,292	0 060 %
d Total Charity Care and Means-Tested Government Programs	3	32,410	12,099,267	265,478	11,833,789	9 900 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	60		650,730	2,181	648,549	0 540 %
f Health professions education (from Worksheet 5)	5	1,975	165,124	24,731	140,393	0 120 %
g Subsidized health services (from Worksheet 6)			44,959,031	43,681,864	1,277,167	1 070 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)	5	10,363	163,060		163,060	0 140 %
j Total Other Benefits	70	12,338	45,937,945	43,708,776	2,229,169	1 870 %
k Total. Add lines 7d and 7j	73	44,748	58,037,212	43,974,254	14,062,958	11 770 %

Part IICommunity Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development						
3Community support	3	3,778	56,835		56,835	0.050 %
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development						
9Other						
10Total	3	3,778	56,835		56,835	0.050 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1	Yes	
2Enter the amount of the organization's bad debt expense	2	15,177,828	
3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	5,061,806	
4Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.			

Section B. Medicare

5Enter total revenue received from Medicare (including DSH and IME)	5	47,018,572	
6Enter Medicare allowable costs of care relating to payments on line 5	6	43,879,830	
7Subtract line 6 from line 5. This is the surplus or (shortfall).	7	3,138,742	
8Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: ☐ Cost accounting system ☒ Cost to charge ratio ☐ Other			

Section C. Collection Practices

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

Part IVManagement Companies and Joint Ventures (see instructions)

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

Section A. Hospital Facilities

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

Name and address

[illegible]

Part V

Facility Information (continued)

Section B. Facility Policies and Practices.

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

ST MARY'S HOSPITAL

Name of Hospital Facility:

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

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 If "Yes," indicate what the Needs Assessment describes (check all that apply) a ☒ A definition of the community served by the hospital facility b ☒ Demographics of the community c ☒ Existing health care facilities and resources within the community that are available to respond to the health needs of the community d ☒ How data was obtained e ☒ The health needs of the community f ☒ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g ☒ The process for identifying and prioritizing community health needs and services to meet those needs h ☒ The process for consulting with persons representing the community's interests i ☒ Information gaps that limit the hospital facility's ability to assess the community's health needs j ☒ Other (describe in Part VI)	1	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 11		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	Yes
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	No
5 Did the hospital facility make its Needs Assessment widely available to the public? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a ☒ Hospital facility's website b ☒ Available upon request from the hospital facility c ☐ Other (describe in Part VI)	5	Yes
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a ☒ Adoption of an implementation strategy to address the health needs of the hospital facility's community b ☐ Execution of the implementation strategy c ☒ Development of a community-wide community benefit plan for the facility d ☐ Participation in community-wide community benefit plan e ☒ Inclusion of a community benefit section in operational plans f ☒ Adoption of a budget for provision of services that address the needs identified in the CHNA g ☒ Prioritization of health needs in the community h ☒ Prioritization of services that the hospital facility will undertake to meet health needs in its community i ☐ Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	No
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 150 % If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

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

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a ☐ Reporting to credit agency b ☐ Lawsuits c ☐ Liens on residences d ☐ Body attachments or arrests e ☐ Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged a ☐ Reporting to credit agency b ☐ Lawsuits c ☐ Liens on residences d ☐ Body attachments e ☐ Other similar actions (describe in Part VI)	16		
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a ☐ Notified patients of the financial assistance policy upon admission b ☐ Notified patients of the financial assistance policy prior to discharge c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e ☐ Other (describe in Part VI)			

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

19 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b ☐ The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d ☐ Other (describe in Part VI)		
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? If "Yes," explain in Part VI	20	No
21 Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? If "Yes," explain in Part VI	21	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)
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

Part VI

Supplemental Information

Complete this part to provide the following information

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

Identifier	ReturnReference	Explanation
PART I, LINE 3C		The organization does follow FPG to determine eligibility for providing charity and discounted care to low-income uninsured and underinsured individuals

Identifier	ReturnReference	Explanation
PART I, LINE 6A		The hospitals community benefit report can be accessed at www.stmarysdecatur.com

Identifier	ReturnReference	Explanation
PART I, LINE 7G		The organization provides numerous clinical services despite the fact services yield a net financial loss to the organization. Subsidized health services provided by the organization include the service lines of emergency services, obstetrics/nursery, observation, and behavioral health.

Identifier	ReturnReference	Explanation
PART I, LINE 7 COLUMN (F)		The percent of charity care and certain other benefits at cost as a percent of total expenses less bad debt is 11.77%. The amount of bad debt expense removed when calculating the percentages in Part I, Line 7, column (F) was \$15,177,828.

Identifier	ReturnReference	Explanation
PART I, LINE 7		Costing methodology for amounts reported in table The common method for estimating the true economic cost of medical services is to adjust the charges through the use of cost-to-charge ratios. Cost-to-charge ratios convert charges for medical services to their true economic costs. Applying cost-to-charge ratios to medical service charges produces average estimates of true costs. The cost-to-charge ratio represents total hospital operating costs divided by total gross billed charges. The exception to the costing methodology described in the preceding paragraph is for the amount for subsidized services on line 7g, for which a costing information system was utilized. More accurate allocations of direct costs are available through the use of that system, and were applied for the subsidized health services. a For FY2012, total charity care written off was \$10,716,961 as reported on the income statement. The net community benefit cost, after applying the cost-to-charge ratio of 33.35%, was \$3,574,564. b For FY2012, estimated cost of Medicaid was \$21,373,640. The net community benefit cost, after applying the cost-to-charge ratio of 33.35%, was \$8,187,935. c The estimated cost is calculated using the cost-to-charge ratio. Actual cost can be traced directly to (or identified with) a specific cost center or cost object such as a department, process, or product. The following other benefits are calculated from the income statement: For FY2012, unreimbursed cost from other means tested government programs realized revenue of \$265,478 and expenses \$336,770. The net community benefit expense was \$71,292. d Total of line 7a through 7c. e For FY2012, community health improvement services and benefit operations realized revenue of \$2,181 and expenses \$650,730. The net community benefit expense was \$648,549. f For FY2012, health professions education realized revenues of \$24,731 and expense of \$165,124. The net community benefit expense was \$140,393. g For FY2012 there were no subsidized health services costs attributed to community benefit. h For FY2012, there was no research costs attributed to community benefit. i For FY2012, cash and in-kind contributions realized expenses of \$163,060. The net community benefit expense was \$163,060. Actual cash contributions of \$160,393 are included and consist of charitable contributions made to organizations in the community. j Total of lines 7e through 7i. k Total of lines 7d and 7j. NHLBI Partnership and Decatur Health Coalition. St Mary's Hospital partners with the National Heart, Lung and Blood Institute (NHLBI) on the Learn More Breathe Better campaign to educate the community about COPD and other breathing issues, and promote behaviors that improve health. On a local level, Decatur Health Coalition is working toward the same goals. It is made up of representatives from American Lung Association, Community Health Improvement Center, Decatur Memorial Hospital, Decatur Community Partnership, Macon County Health Department and St Mary's Hospital and its creation was a result of our organization reaching out to the community as part of the COPD Project. This group is responsible for organizing two major community health events each year that provides free community health education and screenings. Due to the large manufacturing industry in Macon County and the poor air quality that results from the toxic agents released, breathing issues are prevalent in our community. St Mary's has researched admissions data related to COPD and has increased education and changed processes within the hospital to promote improved health of community members with breathing issues and reduce readmissions. The model for COPD core measures was shared at national best-practice seminars in order to benefit other communities as well. Obesity Coalition. St Mary's staff participates on the local Obesity Coalition to help raise awareness and take action in lowering the number of Illinoisans that are considered obese. The Obesity Prevention Coalition began in 2008 through a grant from the American Academy of Pediatrics to focus on the issue of childhood obesity in Decatur. Since its inception, the group has grown in members, scope and area. The mission of the OPC is to decrease and prevent obesity in both children and adults throughout Macon County. In 2011, the OPC sponsored community-wide wellness events including the Macon County Wellness Challenge, the Decatur Celebration Fun Run and Healthfest 2011. Obesity has reached epidemic proportions in Illinois - 62% of Illinois adults are overweight or obese. One in five children are obese, the fourth worst rate in the nation. Given that obesity and overweight are primary determinants of cardiovascular diseases, cancer, respiratory diseases, and diabetes - already leading causes of death in Illinois - the implications of this epidemic for the health of our state are staggering. Eisenhower High School HUB Initiative. Eisenhower High School is located

Identifier	ReturnReference	Explanation
PART I, LINE 7		d adjacent to the St. Mary's Hospital Campus. The majority of students attending the school are low-income, minority students. The school received a HUB Grant to assist not only in renovating the school, but to help build a strong neighborhood hub. St. Mary's staff has been involved in the planning phases and has identified opportunities to contribute our expertise and resources by providing various health, behavioral, and health career education. An example of planned services are family workshops which focus on substance abuse issues. The goal of this initiative is to improve the neighborhood community by providing safe and fun evening activities, offer events that promote family involvement, and offer education on healthy habits and career choices for the children and families who live there.

Identifier	ReturnReference	Explanation
PART II		The organization provides a senior center and language translation service to the community. The Lake Shore Connection program is focused on individuals age 55 and over. Participants in the program can obtain courtesy transportation to and from any health related appointments in the community. The organization also offers participants free quarterly health screenings, discounts on monthly lunch and learn programs, and other resources to assist participants in staying productive, healthy and independent. Spectra Corp and Language Service. The language translation service provides assistance to patients who do not speak English. Language Service provides assistance to patients who are unable to hear. The organization believes that providing this service is essential to making sure that all members of the community have access to excellent health care.

Identifier	ReturnReference	Explanation
PART III, LINE 4		The footnote text related to bad debt expense from the audited financial statements reads as follows "The Obligated Group also provides a significant amount of uncompensated care for patients, which is not included above, but is reported in the consolidated statements of operations as a provision for uncollectible accounts Many of those patients are uninsured or underinsured, but did not apply for, or qualify for, charity care " Please note that reference is made to the "Obligated Group", of which this organization is a member The organization strongly believes that its charity care, and the related community benefit obtained from such care, is understated because of those patients that potentially qualify for charity care but do not wish to apply for it In addition, some care is not classified as charity due to missing documentation on patient resources Thus, the organization's bad debt includes a portion that could be classified as charity care if application for such care was sought and/or completed The organization is in the process of implementing processes, procedures, and systems to more effectively determine charity care that will reduce a patient's documentation requirements when applying for charity care This will provide a more accurate reporting of charity care services provided by the organization Actual bad debt expense was \$15,177,828 as reported on the income statement After applying the cost-to-charge ratio of 33 35%, the estimated cost of accounts turned to bad debt was \$5,061,806 There were patients who qualified under the Hospital's Charity Care Policy and also had accounts written off to bad debt expense The amount that was written off to bad debt expense for these patients was \$222,760 After applying the cost-to-charge ratio of 33 35%, the cost of bad debt was \$74,290 A system report was created showing patient accounts written off to bad debt A second report was created that showed accounts with charity adjustments during fiscal year ended June 30, 2012 The two reports were compared to determine if any patients who qualified to charity had accounts written off to bad debt

Identifier	ReturnReference	Explanation
PART III, LINE 8		The hospital continually strives to provide excellent patient care in the most cost effective fashion. Nonetheless, the Medicare program, in many cases, does not provide payment that covers the full cost of the care provided. Since it is the mission of the hospital to respond to community need, hospital management continually advocates for improved Medicare payment so that the cost of quality care to those patients that are not able to afford it is not compromised and is fairly subsidized by all payers. While this shortfall in Medicare payments is not classified as community benefit by the IRS, we nonetheless believe it is an important contribution made by the hospital to the health and well-being of the community. The hospital Medicare shortfall at cost for fiscal year 2012 was \$3,138,742. The shortfall is figured by netting reimbursement against cost. The information is taken from the FY12 cost report. For FY12, reimbursement totaled \$47,018,572 and cost totaled \$43,879,830 for Inpatient Hospital, Outpatient Hospital, Rehab, and Skilled.

Identifier	ReturnReference	Explanation
PART III, LINE 9(B)		EVERY EFFORT IS MADE PRIOR TO , DURING AND AFTER PROVISION OF MEDICAL SERVICES TO DETERMINE WHETHER A PATIENT IS ELIGIBLE FOR CHARITY/COMMUNITY CARE AND TO ASSIST THE PATIENT IN COMPLETING THE APPLICATION AND PROVIDING ADEQUATE DOCUMENTATION IF THE PATIENT QUALIFIED FOR CHARITY/COMMUNITY CARE FOR THE FULL BALANCE OF THEIR ACCOUNT, THE ENTIRE AMOUNT IS WRITTEN OFF TO CHARITY/COMMUNITY CARE AND HENCE NO DEBT COLLECTION IS PURSUED IF THE PATIENT QUALIFIED FOR CHARITY/COMMUNITY CARE FOR A PORTION OF THEIR ACCOUNT BALANCE, THAT PORTION IS WRITTEN OFF TO CHARITY/COMMUNITY CARE, WITH THE PATIENT BEING RESPONSIBLE FOR THE REMAINDER OF THE BALANCE ADDITIONALLY, REASONABLE EFFORT WILL BE MADE TO OBTAIN THIRD-PARTY OR GOVERNMENT PAYER REIMBURSEMENT ON BEHALF OF THE PATIENT IF THOSE EFFORTS ARE NOT FRUITFUL, AN OFFER WILL BE EXTENDED TO THE PATIENT TO MAKE INSTALLMENT PAYMENTS ON THEIR BALANCE ONLY AT SUCH POINT THAT THE PATIENT DEFAULTS ON INSTALLMENT PAYMENTS OR REFUSES TO COOPERATE WITH THE HOSPITAL'S EFFORTS TO BE REIMBURSED WILL THE ACCOUNT BE SENT TO COLLECTIONS FOR ADDITIONAL INFORMATION, SEE RESPONSE TO QUESTION VI, 3

Identifier	ReturnReference	Explanation
PART V		The organization does not have any healthcare facilities that are not registered as a healthcare facility under State law

Identifier	ReturnReference	Explanation
Part V, Section B, Line 1		During fiscal year 2012, St Mary's Hospital conducted a health needs assessment of the facility's service area. Macon County makes up the majority of the St Mary's Hospital primary service area, with surrounding counties comprising much of the secondary and tertiary areas. St Mary's Hospital, which is affiliated with Hospital Sisters Health Systems, is one of two acute care hospitals serving this area. St Mary's Hospital first participated with the Macon County Health Department and other community health providers as part of the Community Health Committee for completion of the Illinois Project for Local Assessment of Needs (IPLAN). St Mary's Hospital then supplemented the IPLAN data with primary data from 400 telephone surveys, conducted by Leede Research, to the primary service area.

Identifier	ReturnReference	Explanation
Part V, Section B, LINE 3		Assessing the health needs of the community began with the collaboration of health professionals on the Community Health Committee, which was organized by the Macon County Health Department. This committee of 19 members was led by Brandi Binkley, Director of Health Promotion. In addition to 8 representatives from St. Mary's Hospital, members of this committee include representatives from United Way, Decatur Memorial Hospital, Macon County Mental Health Board, Decatur Housing Authority, Decatur Community Partnership, Community Health Improvement Center, Dove Retired Senior Volunteer Program, American Cancer Society, and a Parish Nurse. These community partners bring special knowledge and expertise in the areas of public health, underserved, low-income and minority populations, and chronic disease. The Community Health Plan (IPLAN) for Macon County was created as a result of this group's research. To supplement the work of the Community Health Committee, St. Mary's Hospital sought additional primary data. In November 2011, along with other hospitals in the Hospital Sisters Health System, St. Mary's Hospital contracted with Leede Research to conduct telephone interviews in each local service area. The study consisted of 400 completed telephone interviews utilizing a questionnaire designed by Leede in cooperation with hospital leadership. A proportionate stratified sample was used to provide equal input from all geographic areas. Weighting by age and income was used to more accurately represent the actual population in the area. The goal was to give the survey an accurate representation of the actual service area. Analysis showed that results from Leede survey process aligned with IPLAN data. Since the data was mutually supportive with similar findings, St. Mary's chose to utilize the primary data set for our prioritization process and implementation planning. The facility's parent organization, Hospital Systems Health Systems, has formed a Community Benefit Planning Team that has developed guidelines for consistency in community health needs assessments, implementation planning and guidelines for reporting community benefit. St. Mary's Hospital formed an internal Community Benefit Team consisting of hospital colleagues. The purpose of this group is to provide input, monitor the progress of our community benefit initiative and implementation plan, as well as assist in identifying additional opportunities for addressing the needs of the community. Since December 2009, the St. Mary's Strategic Planning Committee, comprised of hospital leadership, local physicians, community leaders and local Board Members, has been instrumental in examining the St. Mary's Ministry from every vantage point. They provide valuable input on an ongoing basis on the community's healthcare needs. The hospital's Strategic Plan is built from the work of this group, and is updated yearly based on the identified service gaps and needs of our community. Members of our community-based Strategic Planning Committee, hospital volunteers, and our Community Benefit Team were asked to participate in the prioritization process for identified health needs from the Community Health Needs Assessment. In addition, St. Mary's participation in Grow Decatur, a community-based group working toward building a healthier community, lends further perspective into the needs of the community and presents further opportunities for service collaboration among local businesses and service providers. St. Mary's Hospital Representative worked with the group to analyze and prioritize the data gleaned from the group's community assessment and will continue to participate in the improvement process. Input is continuously obtained from the patients we serve through patient satisfaction surveys. Input provided through some of these surveys was taken into consideration in the development of the hospital's master facility plan, which resulted in the major Emergency Room capital project.

Identifier	ReturnReference	Explanation
Part V, Section B, LINE 7		The Hospital's Community Health Needs Assessment and associated implementation strategy were completed in FY2012, the reporting year. However, the implementation strategy had not yet been executed, so this question will need to be answered in the filing for FY2013. Access to Healthcare * Increase access to medication and effective discharge instructions through partnership with local Pharmacist * Increase access to home health infusion through partnership with a local home health infusion company * Improve access to mental health services through collaboration with other health providers to establish the Macon County Care Coordination to build an integrated health care delivery system for residents with behavioral needs. Cardiovascular/Women's Health * In partnership with Prairie Cardiovascular on St. Mary's campus, we will be developing programs that focus on education, awareness and screenings for women's cardiovascular health. Women's Health * St. Mary's nurses will receive Sexual Assault Nurse Examiner (SANE) certification training in order to preserve the dignity of and be attentive to the emotional needs of women who have been the victim of an assault. * Through our support and participation in the Come Together Let's Walk Event, St. Mary's Hospital was awarded a grant for expanded programs in cancer diagnosis and/or treatment. With the high instances of breast, cervical, and ovarian cancer in our area, we plan to focus these funds on women's health. Obesity * St. Mary's Dietitians designed a Nutrition Fair for at-risk Decatur Public School students to provide education on eating healthy, encourage healthy food and exercise choices, and provide a fun summer learning opportunity for community youth. This aligns with the education efforts of the Obesity Coalition. While the issue of affordable housing was identified in the Community Health Needs Assessment, St. Mary's Hospital is not directly involved in addressing that issue, as this is outside our area of focus or expertise. The Decatur Housing Authority, Energy Assistance Foundation, and Community Investment Corporation of Decatur are all offices in Macon County that offer housing assistance. Previously implemented and ongoing programs that address the areas of focus from the Community Health Needs Assessment are: * Access to Healthcare Through our mission to serve all regardless of ability to pay, we continue to address this need. St. Mary's Hospital is dedicated to another aspect of affordable healthcare, which is acquiring employment that offers health insurance. As one of the largest employers in the city, we are pleased to partner with the local high schools to offer job preparation training and job fairs for students. * Women's Health St. Mary's Hospital is committed to promoting women's health through our Prenatal Clinic which provides early and adequate prenatal care to new mothers who may not otherwise get the proper care. Through our Baby-Friendly Initiative, St. Mary's Hospital aims to improve the care of pregnant mothers and newborns by protecting, promoting and supporting breastfeeding. Studies have shown that breastfed babies are less likely to suffer from serious illnesses and as adults, are less likely to develop risk factors for heart disease such as obesity and high blood pressure. Benefits for mothers are a lower risk of developing breast or ovarian cancer. * Obesity St. Mary's Hospital has two representatives on the Obesity Coalition: a Dietician and our Director of Maternal Child Services. Through this group, we will assist in building programs and activities in our community to address this health concern. This will allow us to combine resources and potentially make a greater difference. St. Mary's Hospital will also continue to partner with other local service providers in addressing the top concerns for our community. part v, section b, line 19(d) WE ASK EACH PATIENT TO FILL OUT A FORM IN ORDER TO DETERMINE THEIR ELIGIBILITY UNDER THE ILLINOIS UNINSURED ACT. IF THE PATIENT FAILS TO FILL OUT THE FORM, FINANCIAL COUNSELORS WILL SEEK TO DETERMINE PATIENT ELIGIBILITY BY SEEKING APPROPRIATE INFORMATION IN THE SEARCH AMERICA PROGRAM. WE ALSO REVIEW THE PATIENTS' ACCOUNTS TO ENSURE THEY ARE NOT CHARGED MORE THAN 25% OF THEIR ANNUAL GROSS INCOME. ONCE THE CHARGES FOR A SELF-PAY BALANCE EXCEED 25% OF THE PATIENTS' ANNUAL GROSS INCOME, THE REMAINING BALANCE IS ADJUSTED OFF TO CHRISTIAN CARE.

Identifier	ReturnReference	Explanation
Needs Assessment		An integral part of the mission of St Mary's Hospital is the commitment to meet the health care needs of all in the community, regardless of the ability to pay. St Mary's participated in a Needs Assessment process during FY2012 that culminated in an Implementation Strategy approved by the St Mary's Board at the end of the fiscal year. The Community Health Needs and associated implementation strategy will be used to guide our efforts in 2013. For prior years, we collaborated with the Macon County Health Department in their Health Needs Assessment and the creation of their Community Health Plan. We have also collaborated with United Way, other non-profit organizations, and local community groups in conducting a community health needs assessment survey. In addition, we listened to the voice of our community through patient surveys and our community-based councils to identify community needs. The community needs assessment is available online at https://www.stmarysdecaturn.com/About/Community.aspx. Patient education of eligibility for assistance. The Registration Department provides brochures to patients upon registration regarding the payment assistance programs available to them at St Mary's Hospital. The brochures are also supplied in waiting and ancillary areas for easy access by the patient. Contact numbers for several agencies are listed in the brochure, as well as information about how to read and understand the bill. Information on payment assistance, billing procedures and explanations of Medicare forms are available on the organization's website. The organization has a representative on site to assist patients who may be eligible for Medicaid assistance through the Illinois Department of Public Assistance. They work with patients to determine if they may be eligible, and if so, assist in pulling together the necessary application for submission. Patients are also provided a Fair Billing Act Notification at the point of registration regarding separate physician billing they can expect to receive, plus information about the patient's financial responsibility if their insurance plan is out of network. One on one conversation to educate patients about financial assistance often stem from patients receiving a statement or a pre-collection letter. At that point, the customer service representative or cashier, or other qualified staff, will inform/educate the caller about financial assistance options. The first pre-collection letter reminds the patient their account is in delinquent status. It also informs them they may be eligible for financial assistance through the organization's Charity Care program. The letter provides direct contact information to begin the application process for Charity Care. A system called Search America is now being utilized after failed attempts made by the hospital and by our law firm to work out payment arrangements. That system accesses credit and other information and allows us to see the probability of a patient being able to pay their bill. After assessing that information, the hospital makes a determination whether to grant charity or continue collection efforts. Community Information Community Served The population of Macon County, based on the 2010 U.S. Census Bureau, is 110,768, which represents a decrease of 3.4% since the 2000 census. The county median household income, as reported in 2010 is \$44,337, with a poverty rate for the same period at 15.7%. Decatur's median family income is \$49,562, which is the lowest compared to the surrounding major cities. The racial makeup of the county in 2010 was 79.3% White, 16.3% African American, with other races comprising the remaining 4.4%. 15.7% of the county lives in poverty, which is 3.1% above the Illinois figure and 1.9% above the national figure. 69% of children in Decatur Public Schools live in poverty. Macon County's adult obesity rate, at 33%, greatly exceeds the Illinois rate of 20%, and the national rate of 14%. The unemployment rate (not seasonally adjusted) as of February 2012 was 11.0%, up from a rate of 10.1% in December 2011. In 2010, educational services/health care/ social assistance was the largest major sector, representing 23.1% of all jobs in the county. Manufacturing comprised the next largest sector, representing 17.3%. Macon County has 580 square miles in land area and a population density of 190.8 per square mile. The town of Decatur, which is where St Mary's Hospital is located, is the county seat and also the largest city in Macon County. Promotion of Community health St Mary's Hospital offers hope to our community in the tradition of the Hospital Sisters of St Francis. As a healing ministry of the Catholic Church and an affiliate of the Hospital Sisters Health System (HS/HS), St Mary's is committed to delivering high quality, compassionate, and cost-effective health care services to all. The hospital was founded over 135 years ago to bring a healing presence and improve the health of our community.

Identifier	ReturnReference	Explanation
Needs Assessment		y, especially for people who are sick, poor, and disadvantaged Because of the hospital's purpose and tradition, it is organized to promote the health of Macon County and surrounding areas The hospital is governed by a Board of Directors, the majority of which is comprised of persons who reside in the organization's primary service area and who are neither employees nor contractors of the hospital (nor family members thereof) The Board ensures that St Mary's Hospital is responding to community need During the last year, for example, the Board reviewed the Community Health Needs Assessment and approved an implementation strategy for addressing selected needs Also consistent with its exempt purpose, St Mary's has an open medical staff with privileges available to all qualified physicians in the area In addition, the hospital operates an emergency department that is open 24 hours to all persons regardless of their ability to pay As a not-for-profit hospital, St Mary's reinvests surplus funds into the mission of the organization and health of the community rather than distributing them as profits to shareholders or individuals Funds not committed to ongoing operations are generally used to upgrade facilities, secure new technologies, improve patient care, and support initiatives designed to promote health and ensure access for all For example, St Mary's is currently working with its parent organization, Hospital Sisters Health System, to continuously enhance quality and improve coordination of care both inside the hospital and with a growing number of physician partners Supported by investments in information technology, this "care integration" strategy is designed to better coordinate care, improve health outcomes, create new efficiencies, and help ensure that patients (especially those with chronic conditions) get well and stay well St Mary's also devotes significant resources to access for patients who cannot afford care, along with other community benefits In fiscal year 2012, St Mary's provided over \$12 million in community benefit services, including charity care at cost, unpaid costs of Medicaid and other public programs, and a range of diverse programs designed to enhance access and improve community health Additionally, during this period, St Mary's provided \$4.6 million (at cost) in uncompensated care to patients that did not qualify for charity care or public assistance and over \$15 million (at cost) in excess of Medicare payment for health care services The range of benefits provided by St Mary's flows from our mission and long-standing commitment to our community In many cases, these programs would be unlikely to exist without the leadership role played by St Mary's, and they often relieve a burden that would otherwise be carried by government Based on the assessment of community needs described under #2 above, St Mary's has focused on the following priorities Access to Services Prenatal Clinic The prenatal clinic serves uninsured and underinsured mothers It provides both prenatal and postnatal care Each year, the clinic cares for approximately 250 women and babies, with an estimated 3,500 visits The clinic is unique in that each woman has her own physician, ensuring comprehensive and consistent prenatal care In addition, community resources are invited to participate in the clinic, giving patients full exposure to options available to them Adult Day Services The organization operates an adult day care program for adults unable to totally care for themselves and who do not have home assistance during the day This program provides a safe, caring environment for participants, while providing respite for caregivers To increase accessibility, transportation is available Lakeshore Connection Keeping Seniors in a Healthy State of Mind One of the defining characteristics of St Mary's Hospital is its emphasis on holistic care-serving the physical, spiritual and emotional needs of the Deca

Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE SYSTEM		ST MARY'S HOSPITAL DECATUR is an affiliate of Hospital Sisters Health System (HSHS), a health care ministry that includes 13 hospitals, scores of community-based health centers and clinics, and hundreds of physician partners across Illinois and Wisconsin. The Mission of HSHS is to reveal and embody Christ's healing love for all people through our high quality Franciscan health care ministry. We live our Mission by healing those who seek our care, as well as through our Community Benefit initiatives. Working collaboratively with others in the 12 communities we serve, our Community Benefit efforts are successfully expanding access to care, improving the health status of residents, and furthering medical education and knowledge. Across HSHS, we collectively provided \$174.2 million in Community Benefits (or 9.7% of total hospital expenses) in FY2012. Included in this amount was \$43.1 million provided for Charity Care and \$97.9 million for unreimbursed care provided under the Medicaid program. In addition, HSHS hospitals committed significant resources to care for Medicaid patients. The cost of providing services to primarily elderly beneficiaries of the Medicaid program - in excess of governmental and managed care contract payments - was \$168.4 million. HSHS hospitals also recorded \$106.6 million in uncollectible accounts. Beyond the dollars invested in our Community Benefit programs, HSHS also continues to reinvest any surplus revenue from operations and investments into new medical technology, facility infrastructure and health care services in our communities. By doing so, we ensure we are able to meet the ongoing demand for high quality, efficient and easily accessible health care. Recognizing that the health care delivery model in the U.S. is evolving, HSHS remains focused on implementing our Care Integration strategy. Care Integration coordinates the delivery of care around the needs of each patient. During FY2012, we made significant progress with this strategy as we further implemented interoperable health information technologies, expanded the number of Medical Homes, and strengthened our alignment with physicians. Greater access to care. As a Franciscan health care ministry, HSHS is deeply committed to serving those who are most in need. We not only provide care to every patient who walks through our doors, but also reach out beyond the walls of our hospitals and clinics to care for the individual. Our efforts to ensure residents in the communities we serve receive the right care at the right time often involve partnering with others to achieve this goal. Across our two-state system, there are numerous examples of HSHS collaborating with other organizations to enhance access to care for those in need. In western Wisconsin, St. Joseph's Hospital in Chippewa Falls works closely with the Chippewa Health Improvement Partnership (CHIP) to support the Open Door Clinic. The free medical clinic provides health care for those without insurance coverage. This past year, the clinic received a total of 2,216 patient visits, a 25% increase from the prior year. With more than 150 individuals volunteering, the clinic provided over 6,500 hours (including 700 physician hours and 1,500 nursing hours) of service to individuals. The Open Door Clinic is an example of HSHS providing leadership and support to a community-based program designed to meet the needs of those less fortunate. In northeastern Wisconsin, St. Vincent Hospital in Green Bay supports patient care for the uninsured at the NEW Community Clinic by paying a nurse's salary and offering free and discounted laboratory and radiology services. More than 70% of patients who use the clinic report the care they received helped keep them out of the Emergency Department. St. Nicholas Hospital in Sheboygan proactively reaches out to local Hmong and Hispanic organizations to ensure these populations can participate in free screenings and health education programs. Through this ongoing outreach initiative, St. Nicholas engaged more than 350 people last year, and in many cases was able to identify critical health conditions early and provide appropriate follow-up care. A Woman's Place at St. Mary's Hospital Medical Center in Green Bay reaches out to Hispanic neighbors to provide health and wellness education, health screenings, resources and referral services. Last year A Woman's Place touched the lives of more than 7,000 women through health screenings, educational events, classes and its resource center. In southeast Illinois, area residents can get help filling a prescription through the long-term collaboration between St. Anthony's Memorial Hospital in Effingham and Catholic Charities. Last year, St. Anthony's helped underwrite the cost of prescription medications for more than 430 residents. In southwest Illinois, St. Joseph's Hospital in Highland recognized many rural residents did not have a reliable means of transportation and partnered with generous individuals in the

Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE SYSTEM		community to offer a free transportation service. The Friends Van, fully supported by the Friends of St. Joseph's Hospital, provides free rides to medical, dental and other personal appointments within a 20-mile radius of Highland. In FY2012, the Friends Van transported 2,050 individuals for a total of 12,561 miles. In addition to programs such as these, HSHS makes sure that those who need financial assistance for care receive it. Our Charity Care program covers 100% of hospital charges for individuals and families who earn less than 200% of the federal poverty level. HSHS Charity Care programs have a sliding scale, in some instances providing up to a 60% discount on charges for those earning up to 600% of the federal poverty level. Counselors are available in our hospitals to explain our charity care policies to patients, provide them with assistance in filling out a simple application form, or help them enroll in publicly funded health care programs. Better community health. As part of our mission to embody Christ's healing love, we understand that we have a responsibility to improve the overall quality of life in our communities by supporting initiatives that promote health and wellness. We recognize we are most successful when we work together with a wide array of public and private organizations that share our commitment to improving lives. By doing so, we maximize our efforts and reduce the duplication of services. HSHS hospitals also understand we need to listen closely to the residents of the communities we serve to ensure the health care needs of all are being met. To that end, each of our 13 hospitals completed Community Health Needs Assessments (CHNA) during FY2012. The information gathered from these assessments is being used to help us develop new, and enhance existing, programs and services that best address the needs of the community. Among the many priority needs identified from the CHNAs include metabolic and cardiovascular disease management, adequate food and nutrition, and mental health. HSHS hospitals are addressing these and other needs by proactively offering educational opportunities, preventative screenings, and new or enhanced clinical services. To address metabolic disease management, St. Francis Hospital in Litchfield, Illinois, partners with Montgomery County Health Department to provide screening for diabetes and renal disease. St. Francis Hospital teams up with Macoupin County Health Department to provide Diabetes Self-Management classes. St. Joseph's Hospital in Breese, Illinois coordinates several community education seminars and health fairs on cardiovascular disease and healthy eating each year. Over 3,000 residents participated in these health events last year. Recognizing the importance of proper food and nutrition to overall health, St. Johns Hospital in Springfield initiated the Destination Dinner program which teaches families how to cook healthy, from-scratch meals, and eat together as a family. Families meet quarterly to learn new cooking skills. They also learn how to prepare a meal for a family of four on a budget of \$8.00. In addition to raising awareness about how to eat healthy on a limited budget, the program brings families together around the dinner table, which research shows promotes healthy relationships, increased academic performance and decreased risk for substance abuse and risky sexual behavior. Sacred Heart Hospital in Eau Claire, Wisconsin addressed the need for access to mental health services for children and adolescents by opening an outpatient behavioral health clinic. Sacred Heart has also adopted screening tools for behavioral and mental health risk factors for use at affiliated clinics. The goal is to better identify mental health issues and provide earlier intervention. Sacred Heart Hospital is also working with the Chippewa Valley Free Clinic (CVFC) to develop expanded provider coverage for CVFC patients who require mental health services. St. Mary's Hospital in

Identifier	ReturnReference	Explanation
STATE FILING OF COMMUNITY BENEFIT REPORT	990 SCHEDULE H, PART VI	IL,

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization

ST MARY'S HOSPITAL SISTERS OF THE THIRD ORDER OF ST FRANCIS

Employer identification number

37-0661244

Part I

Questions Regarding Compensation

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

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) KEVIN KAST	(i)	0	0	0	0	0	0	0
	(ii)	368,854	0	34,636	158,181	23,169	584,840	40,460
(2) THERESA J RUTHERFORD	(i)	192,434	0	784	53,902	13,925	261,045	0
	(ii)	0	0	0	0	0	0	0
(3) ANN M CARR	(i)	0	0	0	0	0	0	0
	(ii)	180,383	0	45,430	197,622	18,662	442,097	15,440
(4) REBECCA COLKER	(i)	249,306	0	109	41,234	14,702	305,351	254,463
	(ii)	0	0	0	0	0	0	0
(5) MARY HARTMAN	(i)	212,064	0	1,979	89,676	14,633	318,352	242,419
	(ii)	0	0	0	0	0	0	0
(6) BETH MCCOY	(i)	190,896	0	8,818	76,925	19,415	296,054	220,380
	(ii)	0	0	0	0	0	0	0
(7) ROBERTA MCBRIDE	(i)	198,425	0	0	0	0	198,425	216,113
	(ii)	0	0	0	0	0	0	0
(8) MARIA GRANZOTTI	(i)	386,866	15,480	301	38,416	7,410	448,473	351,938
	(ii)	0	0	0	0	0	0	0
(9) SARAH STAMBAUGH	(i)	188,980	0	4,666	72,185	19,252	285,083	0
	(ii)	0	0	0	0	0	0	0
(10) MARK DABBS	(i)	164,172	8,415	190	0	12,693	185,470	0
	(ii)	0	0	0	0	0	0	0
(11) sheila hollinden	(i)	197,403	0	340	0	0	197,743	0
	(ii)	0	0	0	0	0	0	0
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							

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
ANN M CARR	SCHEDULE J, PART I, LINE 4B	ANN M CARR PARTICIPATED IN A SERP PLAN DURING THE YEAR IN THE AMOUNT OF \$33,655
KEVIN KAST	SCHEDULE J, PART I, LINE 4B	KEVIN KAST PARTICIPATED IN A SERP PLAN DURING THE YEAR IN THE AMOUNT OF \$79,410

Schedule L
(Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
ST MARY'S HOSPITAL SISTERS OF THE
THIRD ORDER OF ST FRANCIS

Employer identification number

37-0661244

Part I

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

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

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

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

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

Part II

Loans to and/or From Interested Persons.

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

(a) Name of interested person and purpose	(b) Loan to or from the organization?		(c)Original principal amount	(d)Balance due	(e) In default?		(f) Approved by board or committee?		(g)Written agreement?	
	To	From			Yes	No	Yes	No	Yes	No
Total ▶ \$					0					

Part III

Grants or Assistance Benefitting Interested Persons.

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

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

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Bolen Robinson Ellis	Board Member	261,958	legal services		No

Part V Supplemental Information
Complete this part to provide additional information for responses to questions on Schedule L (see instructions)

Identifier	Return Reference	Explanation
BUSINESS TRANSACTIONS INVOLVING INTERESTED PERSONS	FORM 990 SCHEDULE L, PART IV	BOARD MEMBER, JON ROBINSON, IS A 50% PARTNER IN THE BOLEN, ROBINSON LAW FIRM THE FIRM PROVIDES LEGAL SERVICES TO THE ORGANIZATION AND ALL SERVICES WERE CONSIDERED TO BE ARMS-LENGTH TRANSACTIONS

SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

Open to Public
Inspection

Name of the organization ST MARY'S HOSPITAL SISTERS OF THE THIRD ORDER OF ST FRANCIS	Employer identification number 37-0661244
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Identifier	Return Reference	Explanation
STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS		ST MARY'S HOSPITAL PROVIDES QUALITY MEDICAL HEALTHCARE REGARDLESS OF RACE, CREED, SEX NATIONAL ORIGIN, HANDICAP, AGE, OR ABILITY TO PAY ALTHOUGH REIMBURSEMENT FOR SERVICES RENDERED IS CRITICAL TO THE OPERATION AND STABILITY OF ST MARY'S HOSPITAL, IT IS RECONGNIZED THAT NOT ALL INDIVIDUALS POSSESS THE ABILITY TO PURCHASE NECESSARY MEDICAL SERVICES INHERENT TO OUR MISSION, WE PROVIDE CARE TO THE POOR, THE ELDERLY, AND THE NEEDY OF THE COMMUNITY THROUGH VARIOUS PROGRAMS AND SERVICES THESE ACTIVITIES INCLUDE COMMUNITY EDUCATION PROGRAMS, WELLNESS PROGRAMS, AND SPECIAL PROGRAMS FOR THE ELDERLY, HANDICAPPED, MEDICALLY UNDERSERVED, AND A VARIETY OF BROAD COMMUNITY SUPPORT ACTIVITIES DURING FICAL YEAR 2012, ST MARY'S HOSPITAL PROVIDED 43,452 ADULT AND PEDIATRIC DAYS OF CARE AND 166,148 OUTPATIENT VISITS DURING THE SAME TIME PERIOD ST MARY'S HOSPITAL PROVIDES BOTH BENEFITS TO THE POOR AND TO THE BROADER COMMUNITY BENEFITS TO THE POOR ARE PROVIDED ON THE FORM OF TRADITIONAL CHARITY CARE FOR THOSE WHO CANNOT AFFORD TO PAY, UNPAID COSTS OF PUBLIC PROGRAMS SUCH AS MEDICAID AND GENERAL RELIEF, NONBILLED SERVICES FOR THE POOR AND MANY IN-KIND DONATIONS THE TOTAL VALUES OF THESE UNREIMBURSED BENEFITS FOR THE POOR WERE \$11,836,333 IN FISCAL YEAR 2012 ST MARY'S HOSPITAL PROVIDES NUMEROUS BENEFITS TO THE BROADER COMMUNITY THIS IS CARRIED OUT THROUGH OUR PARTICIPATION IN THE MEDICARE PROGRAM, PROVIDING MANY PROGRAMS AND SERVICES FREE OR AT A REDUCED PRICE, AND PROVIDING SERVICES THAT BENEFIT THE COMMUNITY BUT HAVE A NEGATIVE MARGIN TOTALED \$15,293,725 DURING FISCAL YEAR 2012 ALL OTHER NONBILLED SERVICES PROVIDED TO THE COMMUNITY AND SERVICES PROVIDED AT LOW OR NEGATIVE MARGINS TOTALED \$908,038 FOR THE YEAR ENDED 6/30/2012 BELOW ARE SPECIFIC EXAMPLES OF SERVICES INCLUDED IN THE ABOVE FIGURES THROUGH THE OPERATION OF ITS PRENATAL CLINIC, THE HOSPITAL PROVIDES BOTH PRE AND POST NATAL CARE TO THE POOR THE HOSPITAL ROUTINELY DONATES FOOD TO LOCAL FOOD PANTRIES OBSOLETE EQUIPMENT IS ALSO OCCASIONALLY DONATED TO LOCAL AGENCIES PROVIDE TRAINING TO THE LOCAL PARAMEDICS, FIRST RESPONDER GROUPS, AND FIRE DEPARTMENTS IN ADDITIONA, AREA ORGANIZATIONS RECEIVE CPR TRAINING THROUGH THE HOSPITAL'S EMS DEPARTMENT the HOSPITAL PARTICIPATES IN THE SECONDARY TRANSITIONAL EXPERIENCE PROGRAM BY PROVIDING EMPLOYMENT OPPORTUNITIES TO HANDICAPPED STUDENTS PASTORAL CARE AND SOCIAL SERVICE DEPARTMENTS PROVIDE ASSISTANCE FOR PATIENT AND FAMILY NEEDS PROVIDED LIFELINE VOICE COMMUNICATORS TO ELDERLY PATIENTS WITH SPECIAL NEEDS EMPLOYEES SERVE AS SPEAKERS AT HEALTH FAIRS, SCHOOLS, AND A VARIETY OF AREA ORGANIZATIONS ASSIST THE UNITED WAY CAMPAIGN BY HAVING STAFF MEMBERS ORGANIZE THE HOSPITAL'S ANNUAL FUND DRIVE PROVIDE A VARIETY OF HEALTH SCREENINGS TO THE PUBLIC IN DIFFERENT LOCATIONS THROUGHOUT THE COMMUNITY TAX EXEMPT BONDS FORM 990, PART IV, QUESTION 24 St Mary's Decatur HOLDS A LIABILITY ON ITS BOOKS FOR TAX-EXEMPT BONDS, WHICH IS AN ALLOCATION FROM ITS SOLE CORPORATE MEMBER, HOSPITAL SISTERS SERVICES, INC AS A RESULT, THIS QUESTION WAS ANSWERED NO, AND SCHEDULE K WILL BE COMPLETED ON THE HOSPITAL SISTERS SERVICES, INC FORM 990 Delegation of management Form 990, Part VI, Line 2 St Mary's Hospital outsources management of the Rehab department to better facilitate the health needs of its patients In doing so, St Mary's hospital is able to focus its efforts in other areas, improving the already exceptional quality provided in those areas

Identifier	Return Reference	Explanation
RIGHTS OF MEMBERS TO ELECT GOVERNING BODY	FORM 990, PART VI, LINES 6 & 7A	THE SENIOR GOVERNING BODY OF ST Mary's HOSPITAL (THE "CORPORATION") IS THE MEMBER OF THE CORPORATION, WHICH IS HOSPITAL SISTERS SERVICES, INC ("HSSI"), AN ILLINOIS NOT FOR PROFIT CORPORATION EXEMPT FROM FEDERAL TAXATION UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE PURSUANT TO SECTION 2.3 OF THE CORPORATION'S BYLAWS, HSSI HAS THE RIGHT TO APPOINT AND REMOVE THE CORPORATION'S BOARD OF DIRECTORS, CHAIRPERSON OF THE BOARD AND PRESIDENT

Identifier	Return Reference	Explanation
MEMBER RESERVED POWERS	FORM 990, PART VI, LINE 7B	Responsibility for the policy and operations of St Mary's Hospital (the "Corporation") is vested in its Board of Directors, except with respect to specific powers reserved in the Corporation's Bylaws to the Corporation's Member, Hospital Sisters Services, Inc ("HSSI"), an Illinois not for profit corporation exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code The member of HSSI is Hospital Sisters Health System ("HSBS"), an Illinois not for profit corporation exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code The members of HSBS are the individual sisters who, from time to time, are the duly elected Provincial Superior and Provincial Councilors, respectively of the American Province of the Hospital Sisters of St Francis ("American Province") The American Province is the United States organization of the Congregation of the Hospital Sisters of the Third Order Regular of St Francis, a religious institute of the Roman Catholic Church The governance and operations of the Corporation are subject to HSSI's right to exercise these reserved powers with respect to the Corporation and organizations of which the Corporation is either, directly or indirectly, a controlling member or a controlling shareholder ("Affiliates") HSSI's right to exercise certain of these reserved powers is, in turn, subject to the approval of HSBS and HSBS' members The reserved powers include all rights granted to HSSI by law and the right to (a) Adopt, approve amendments to, or amend any statement of philosophy, mission, mission integration or values, or any name, logo, or mark of the Corporation or of any Affiliate, (b) Adopt, approve amendments to, or amend the Articles of Incorporation of the Corporation or of any Affiliate, (c) Adopt, approve amendments to, or amend the Bylaws of the Corporation or of any Affiliate, (d) Appoint and remove the Board of Directors, any one or more of the Directors of the Corporation or of any Affiliate, and the Chairperson and President of the Corporation or of any Affiliate, (e) Approve the recommendation of the Board of Directors to appoint or remove the Board of Directors, any one or more Directors of the Corporation or of any Affiliate, or the Chairperson and President of the Corporation or of any Affiliate (f) With respect to the Corporation or any Affiliate, approve the purchase, sale, alienation, exchange, lease, or encumbrance of any real property of the Corporation or of any Affiliate, which property has a value in excess of limits set from time to time by HSSI, (g) Approve the operating and capital budgets of the Corporation or of any Affiliate, and any deviations by the Corporation or of any Affiliate from such budgets in an amount or percentage specified by HSSI from time to time, (h) Approve the strategic plan and goals of the Corporation or of any Affiliate, (i) Approve the sale of substantially all of the assets of the Corporation or of any Affiliate, (j) Approve the merger or dissolution of the Corporation or of any Affiliate, (k) Adopt or amend the plan for ministry education and governance for the Corporation and its Affiliates, (l) Approve the Corporation's Mission Accountability Reports and those of any Affiliate, (m) Approve the financial policies and procedures of the Corporation or of any Affiliate, and approve any deviations from such policies and procedures by the Corporation or any Affiliate, and (n) Adopt policies to implement the Reserved Powers of HSSI

Identifier	Return Reference	Explanation
FORM 990 REVIEW PROCESS	FORM 990, PART VI, LINE 11B	The hospital employs KPMG to assist in the overall review and electronic submission of its Form 990. KPMG provides guidance in identifying critical errors in the return submission, and feedback on quantitative and qualitative responses. Additionally, the hospital CFO performs a thorough review of the return and reviews it with the hospital CEO and/or senior leaders before presenting it in its entirety to the hospital Board for questioning and review prior to the return's signing and submission to the IRS.

Identifier	Return Reference	Explanation
CONFLICT OF INTEREST POLICY	FORM 990, PART VI, LINE 12C	The organization is subject to the corporate compliance program and conflict of interest policy ("policy") of Hospital Sisters Health System, an Illinois not for profit corporation exempt from federal taxation under section 501(c)(3) of the internal revenue code. A REVISED CORPORATE COMPLIANCE PROGRAM AND CONFLICT OF INTEREST POLICY HAVE BEEN IMPLEMENTED SINCE JANUARY, 2009 TO MANAGE CONFLICTS OF INTEREST USING A SYSTEM-WIDE PROTOCOL FOR DISCLOSURE STATEMENTS. IN ACCORDANCE WITH the organization's CONFLICT OF INTEREST POLICY, ALL COVERED PERSONS HAVE A DUTY TO COMPLY WITH THE CONFLICT OF INTEREST POLICY FOR ANY CONTRACT, TRANSACTION, RELATIONSHIP, OR ACTIVITY CONTEMPLATED, ENTERED INTO, OR CONDUCTED AT HSHS OR ITS AFFILIATES. THE POLICY DEFINES COVERED PERSONS AS BOARD MEMBERS, BOARD COMMITTEE MEMBERS, OFFICERS, BOARD DESIGNEES, SENIOR MANAGEMENT, MEMBERS OF ANY COMMITTEE THAT OVERSEES THE APPROVAL OF PHARMACEUTICALS AND MEDICAL DEVICES, and ANY OTHER INDIVIDUAL WHO HOLDS A POSITION OF TRUST. ON AN ANNUAL BASIS, HSHS DISCLOSES A COPY OF THE CONFLICT OF INTEREST POLICY (AND ALL CORRESPONDING PROCEDURES, GUIDELINES, FORMS, AND TOOLS) TO ALL COVERED PERSONS, AND ADVISES ALL COVERED PERSONS IN WRITING OF ANY SUBSTANTIVE CHANGES TO THIS POLICY AND SUCH RELATED MATERIALS. COVERED PERSONS ARE REQUIRED TO REVIEW AND COMPLETE THE CORRESPONDING CONFLICT OF INTEREST STATEMENT. THE SYSTEM OFFICE VICE PRESIDENT - SYSTEM RESPONSIBILITY, VICE PRESIDENT - RISK & COMPLIANCE, OR MEMBERS OF THE AUDIT AND INTEGRITY COMMITTEE ("COMMITTEE") ARE AVAILABLE TO ANSWER ANY QUESTIONS A COVERED PERSON MAY HAVE. IN ADDITION, IF AT ANY TIME AFTER SUBMITTING AN ANNUAL CONFLICT OF INTEREST STATEMENT, A COVERED PERSON BECOMES AWARE OF AN INTEREST THAT HE OR SHE WOULD HAVE HAD TO DISCLOSE AT THE ANNUAL INTERVAL, THE COVERED PERSON IS REQUIRED PROMPTLY TO DISCLOSE THE INTEREST TO THE COMMITTEE USING THE HSHS CONFLICT OF INTEREST DISCLOSURE STATEMENT. COMPLETED CONFLICT OF INTEREST STATEMENTS ARE SUBMITTED TO THE COMMITTEE, WHICH IS RESPONSIBLE FOR IDENTIFYING, ASSESSING, AND MANAGING CONFLICTS OF INTEREST THAT ARISE IN THE COURSE OF CONDUCTING THE AFFAIRS OF HSHS AND ITS AFFILIATES. IF THE COMMITTEE DETERMINES THAT A CONFLICT OF INTEREST EXISTS, THE CONFLICT OF INTEREST POLICY REQUIRES HSHS NOT TO ENGAGE IN, OR ENTER INTO, A PROPOSED CONTRACT, TRANSACTION, RELATIONSHIP, ARRANGEMENT, OR ACTIVITY UNLESS THE COMMITTEE OR, WHERE NECESSARY, THE BOARD OF DIRECTORS (ACTING THROUGH ITS DISINTERESTED MEMBERS), HAS INVESTIGATED ALTERNATIVES TO THE PROPOSED CONTRACT, TRANSACTION, RELATIONSHIP, ARRANGEMENT, OR ACTIVITY AND, IN THE ABSENCE OF ALTERNATIVES THAT ARE IN THE BEST INTERESTS OF HSHS, HAS DETERMINED 1 THAT, REGARDLESS OF WHETHER THE COVERED PERSON PARTICIPATES IN THE IMPLEMENTATION OF THE PROPOSED CONTRACT, TRANSACTION, RELATIONSHIP, ARRANGEMENT, OR ACTIVITY, 2 THE CONTRACT, TRANSACTION, ARRANGEMENT, OR ACTIVITY IS IN THE BEST INTERESTS OF HSHS, 3 THE CONTRACT, TRANSACTION, ARRANGEMENT, OR ACTIVITY IS FAIR AND REASONABLE FROM THE PERSPECTIVE OF HSHS, AND 4 HSHS CANNOT OBTAIN A MORE ADVANTAGEOUS CONTRACT, TRANSACTION, ARRANGEMENT, OR ACTIVITY WITH REASONABLE EFFORTS UNDER THE CIRCUMSTANCES. IN DETERMINING WHETHER A CONTRACT, TRANSACTION, OR ARRANGEMENT IS FAIR AND REASONABLE TO HSHS, THE COMMITTEE SHALL CONSIDER, WHERE APPLICABLE 1 APPRAISALS OR OTHER INDEPENDENT VALUATIONS OF THE FAIR MARKET VALUE OF THE CONTRACT, TRANSACTION, OR ARRANGEMENT, 2 INFORMATION REGARDING COMPARABLE CONTRACTS, TRANSACTIONS, OR ARRANGEMENTS BETWEEN UNRELATED PARTIES, 3 OFFERS FROM COMPARABLE COMPETING ENTITIES, AND/OR 4 STUDIES OF COMPARABLE COMPENSATION ARRANGEMENTS. IN ANY CASE IN WHICH THE COMMITTEE FINDS, AFTER TAKING THE STEPS DESCRIBED ABOVE, THAT HSHS SHOULD PARTICIPATE IN A PROPOSED TRANSACTION OR ARRANGEMENT DESPITE THE EXISTENCE OF A CONFLICT OF INTEREST, THE COMMITTEE SHALL DEVELOP, IMPLEMENT, MONITOR, AND ENFORCE COMPLIANCE WITH, A CONFLICT MANAGEMENT PLAN FOR MANAGING THE CONFLICT OF INTEREST AS IT CONSIDERS NECESSARY FOR SUCH FINDINGS TO REMAIN VALID THROUGHOUT THE LIFE OF THE CONTRACT, TRANSACTION, RELATIONSHIP, ARRANGEMENT, OR ACTIVITY. ALL CONFLICT MANAGEMENT PLANS SHALL 1 STATE THAT THE COMMITTEE WILL OVERSEE, MONITOR, AND ENFORCE COMPLIANCE WITH THE PLAN THROUGHOUT THE COURSE OF THE STUDY, AND SPECIFY MEANS FOR DOING SO, INCLUDING, WITHOUT LIMITATION, THAT THE APPROPRIATE INDIVIDUALS MUST PROVIDE THE COMMITTEE WITH WRITTEN REPORTS PERTAINING TO COMPLIANCE WITH THE CONFLICT MANAGEMENT PLAN, THAT THE COMMITTEE SHALL HAVE THE RIGHT TO AUDIT THE STUDY FOR SUCH COMPLIANCE, AND THE RIGHT TO IMPOSE SANCTIONS FOR NON-COMPLIANCE, 2 STATE THAT THE PLAN MUST BE SHARED WITH COVERED PERSON WHOSE INTERESTS IT WAS DEVELOPED TO MANAGE, 3 STATE THAT THE PLAN MUST BE SHARED WITH, AND PERIODIC REPORTS ON COMPLIANCE WITH THE PLAN MUST BE PROVIDED TO, THE BOARD, SENIOR MANAGEMENT, AND/OR GOVERNMENT AGENCIES, AND 4 PROVIDE FOR SUCH OTHER MANAGEMENT STEPS AND

Identifier	Return Reference	Explanation
CONFLICT OF INTEREST POLICY	FORM 990, PART VI, LINE 12C	MECHANISMS THE COMMITTEE CONSIDERS NECESSARY AND APPROPRIATE IN ADDITION TO THE COMMITTEE, THE SYSTEM OFFICE VICE PRESIDENTS OF SYSTEM RESPONSIBILITY AND RISK & COMPLIANCE MAY RETAIN SUCH INDEPENDENT ADVISORS OR EXPERTS AS DEEMED NECESSARY TO ASSIST IN MAKING ITS DETERMINATIONS AND DECISIONS. IF THE COMMITTEE DETERMINES THAT THE CONTEMPLATED TRANSACTION, RELATIONSHIP, ARRANGEMENT, OR ACTIVITY CANNOT PROCEED DUE TO A CONFLICT OF INTEREST, THE COMMITTEE SHALL INFORM THE APPLICABLE COVERED PERSON OR DECISION-MAKING BODY OF SUCH DETERMINATION WITHIN ONE WEEK OF THE COMMITTEE MEETING AT WHICH THE CONTEMPLATED TRANSACTION WAS DISCUSSED. THE COMMITTEE SHALL DOCUMENT ITS REJECTION OF THE CONTEMPLATED TRANSACTION IN THE COMMITTEE'S MEETING MINUTES.

Identifier	Return Reference	Explanation
WHISTLEBLOWER POLICY	FORM 990, PART VI, LINE 13	Provisions w ithin the Corporate Compliance Program and Conflict of Interest Policy provide protections for w histleblow er type activities

Identifier	Return Reference	Explanation
COMPENSATION PROCESS	FORM 990, PART VI, LINE 15	The Compensation Committee ("Committee") is comprised of independent members of the Board of Directors. The Committee develops a compensation philosophy for the System and all affiliates. The Committee selects and hires the independent compensation consultant to develop comparability data and advise the Committee during its deliberations regarding all elements of total compensation for all disqualified individuals. Integrated Healthcare Strategies ("IHS"), the consultants utilized by the Committee, use data from multiple tax-exempt peer group sources to determine salary ranges, incentive opportunity ranges, and benefits for the disqualified individuals. IHS then assists the Committee in preparing contemporaneous documentation of all actions. Each Committee meeting is conducted with the intent to create a rebuttable presumption of reasonableness for all elements of executive total compensation for the disqualified individuals. The Chairman makes this declaration and also inquires if there are any conflicts of interest by any attendees. Any conflicts are disclosed and the Committee then acts in a manner to avoid any conflicted individual participating in any manner where a conflict might exist. At the end of the meeting, the Committee prepares contemporaneous minutes that record all actions taken during the meeting.

Identifier	Return Reference	Explanation
DOCUMENTS AVAILABLE TO THE PUBLIC	FORM 990, PART VI, LINE 19	Board-approved financial statements are made available to the public upon request. The governing documents and conflict of interest policy are not made available to the general public at this time.

Identifier	Return Reference	Explanation
POOLED INVESTMENT ACCOUNT	FORM 990, PART X, LINE 11	St Mary's Hospital's cash reserves are invested in a pooled investment account. Participation in the pooled fund is limited to the 501(C)(3) Hospitals and related health services organizations sponsored by the Hospital Sisters Health System. The pooled account consists of cash, and equity and debt securities that are publicly traded. In accordance with the provisions of SFAS No. 124 "Accounting for certain investments held by Not-For-Profit Organizations," investments in equity securities with readily determinable values, and all investments in debt securities, are reported at fair value on the Balance Sheet. Income, realized and unrealized gains and losses are pooled and allocated to the participants. Individual components of assets and revenue are not identified to the participants.

Identifier	Return Reference	Explanation
other changes in net assets	Form 990, Part XI, Line 5	transfer to affiliates (5,923,000) change in pension funded status (10,030,338) gain on sale of assets (251) change in temporarily restricted net assets (7,256,641) change in permanently restricted net assets 24 other change in net assets 434,635 change in sw ap agreements (1,903,744) unreal loss on investments not held at Foundation (935,600) ----- total (25,614,664) =====

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME ANN M CARR TITLE TREASURER HOURS 60

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
ST MARY'S HOSPITAL SISTERS OF THE
THIRD ORDER OF ST FRANCIS

Employer identification number

37-0661244

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
(1) Springfield Health Partners LLC 4936 Laverna Road springfield, IL 62707 37-1364419	healthcare	IL	0	0	hshs mg
(2) Kiara Clinical Integration Network LLC 4936 Laverna Rd springfield, IL 62707 26-1417684	healthcare	IL	0	0	HSSI
(3) PHYSICIAN CLINICAL INTERGRATION NETWORK 4936 LAVERNA RD SPRINGFIELD, IL 62707 37-1668647	HEALTHCARE	IL	0	0	KCIN

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

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

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	
See Additional Data Table												

Part IV

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

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

Part V

Transactions With Related Organizations

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

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

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

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

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

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

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

e Loans or loan guarantees by related organization(s)

f Sale of assets to related organization(s)

g Purchase of assets from related organization(s)

h Exchange of assets with related organization(s)

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

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

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

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

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

n Sharing of paid employees with related organization(s)

o Reimbursement paid to related organization(s) for expenses

p Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

No

No

No

No

No

No

Yes

No

Yes

No

No

Yes

Yes

Yes

Yes

Yes

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds			
(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) Prairie Cardiovascular	q	520,342	FMV
(2)			
(3)			
(4)			
(5)			
(6)			

Schedule R (Form 990) 2011

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

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation
transactions with related organizations	schedule r, part v, line 2	The transactions reported on line 1 and not specifically identified on line 2 are between related 501(c)(3) public charities accordingly they are not reported in this section

Software ID:

Software Version:

EIN: 37-0661244

Name: ST MARY'S HOSPITAL SISTERS OF THE
THIRD ORDER OF ST FRANCIS

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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c)(3))	(f) Direct Controlling Entity	(g) Section 512 (b)(13) controlled organization	
HOSPITAL SISTERS HEALTH SYSTEM 4936 LAVERNA ROAD SPRINGFIELD, IL 62707 37-1058692	HEALTHCARE	IL	501(C)(3)	11A	NA		No
Hospital Sisters Services Inc 4936 LAVERNA ROAD SPRINGFIELD, IL 62707 37-1163402	HEALTHCARE	IL	501(C)(3)	11A	NA		No
HOSPITAL SISTERS OF ST FRANCIS FDTN 4936 LAVERNA ROAD SPRINGFIELD, IL 62707 37-1186514	HEALTHCARE	IL	501(C)(3)	11A	NA		No
HSBS SELF INSURANCE TRUST FUND 4936 LAVERNA ROAD SPRINGFIELD, IL 62707 37-1120626	INSURANCE	IL	501(C)(3)	11A	NA		No
HSBS HEALTH CARE PLAN TRUST FUND 4936 LAVERNA ROAD SPRINGFIELD, IL 62707 37-1137724	HEALTHCARE	IL	501(C)(3)	N/A	NA		No
Hospital Sisters Healthcare West Inc 2661 COUNTY HIGHWAY 1 CHIPPEWA FALLS, WI 54729 51-0157933	HEALTHCARE	WI	501(C)(3)	11A	NA		No
SACRED HEART HOSPITAL 900 WEST CLAIREMONT AVENUE EAU CLAIRE, WI 54701 39-0807060	HEALTHCARE	WI	501(C)(3)	3	NA		No
ST ANTHONY'S HOSPITAL 503 N MAPLE STREET EFFINGHAM, IL 62401 37-0661233	HEALTHCARE	IL	501(C)(3)	3	NA		No
ST ELIZABETH'S HOSPITAL 211 SOUTH THIRD STREET BELLEVILLE, IL 62220 37-0663567	HEALTHCARE	IL	501(C)(3)	3	NA		No
ST NICHOLAS HOSPITAL 3100 SUPERIOR AVENUE SHEBOYGAN, WI 53081 39-0808480	HEALTHCARE	WI	501(C)(3)	3	NA		No
ST JOHN'S HOSPITAL 800 EAST CARPENTER STREET SPRINGFIELD, IL 62769 37-0661238	HEALTHCARE	IL	501(C)(3)	3	NA		No
ST JOSEPH'S HOSPITAL 9515 HOLY CROSS LANE BREESE, IL 62230 37-1208459	HEALTHCARE	IL	501(C)(3)	3	NA		No
ST JOSEPH'S HOSPITAL 2661 COUNTY HIGHWAY 1 CHIPPEWA FALLS, WI 54729 39-0810545	HEALTHCARE	WI	501(C)(3)	3	NA		No
ST FRANCIS HOSPITAL 1215 FRANCISCAN DRIVE LITCHFIELD, IL 62056 37-0661236	HEALTHCARE	IL	501(C)(3)	3	NA		No
ST MARY'S HOSPITAL 111 SPRING STREET STREATOR, IL 61364 36-2169181	HEALTHCARE	IL	501(C)(3)	3	NA		No
ST MARY'S MEDICAL CENTER 1726 SHAWANO AVENUE GREEN BAY, WI 54303 39-0818682	HEALTHCARE	WI	501(C)(3)	3	NA		No
ST VINCENT HOSPITAL 835 S VAN BUREN GREEN BAY, WI 54301 39-0817529	HEALTHCARE	WI	501(C)(3)	3	NA		No
ST JOSEPH'S HOSPITAL 1515 MAIN STREET HIGHLAND, IL 62249 37-0663568	HEALTHCARE	IL	501(C)(3)	3	NA		No
HSBS MEDICAL GROUP INC 3215 Executive Park Drive Springfield, IL 62703 26-3956318	HEALTHCARE	IL	501(C)(3)	11A	NA		No
HSBS WISCONSIN MEDICAL GROUP INC 3215 Executive Park Drive Springfield, IL 62703 26-4515959	HEALTHCARE	WI	501(C)(3)	11A	NA		No

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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c)(3))	(f) Direct Controlling Entity	(g) Section 512 (b)(13) controlled organization	
Orange Cross Ambulance inc 919 Ashland Ave Sheboygan, WI 53081 39-1860942	Healthcare	WI	501(C)(3)	9	St Nicholas		No
Wisconsin Upper Peninsula Onc Mngmt Svcs 835 S Van Buren Green Bay, WI 54301 39-1677100	Healthcare	WI	501(C)(3)	3	St Vincent		No
Unity Limited Partnership 2366 Oak Ridge Circle De Pere, WI 54115 39-1750729	Healthcare	WI	501(C)(3)	9	HSSI		No

Form 990, Schedule R, Part III - Identification of Related Organizations Taxable as a Partnership

(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 on Box 20 of K-1 (\$)	(j) General or Managing Partner?		(k) Percentage ownership
							Yes	No		Yes	No	
Memorial and St Elizabeth's Healthcare 4000 North Illinois Street Swansea, IL 62226 37-1312961	HealthCare	IL	St Elizabeth's	NONE	0	0		No	0		No	
Prairie Heart Institute - Carbondale 800 East Carpenter Street Springfield, IL 62769 37-1321197	HealthCare	IL	St John's	NONE	0	0		No	0		No	
Northeast Wisconsin Radiation Therapy Se 1821 S Webster Avenue STE 300 Green Bay, WI 543079047 26-3749065	HealthCare	WI	HSSI	NONE	0	0		No	0		No	
Pain Center of Wisconsin 4131 W Loomis Road STE 300 Greenfield, WI 53221 26-3155343	HealthCare	WI	St Vincent	NONE	0	0		No	0		No	
Surgery Center of Sheboygan LLC 3141 Saemann Ave Sheboygan, WI 53081 26-0822209	HealthCare	WI	St Nicholas	NONE	0	0		No	0		No	
Prevea Ventures LLC 2710 EXECUTIVE DR Green Bay, WI 54304 20-3775127	HealthCare	WI	HSSI	NONE	0	0		No	0		No	
CARPENTER STREET HOTEL LLC 36-	HOTEL	IL	LASANTE INC	NONE	0	0		No	0		No	
SPRINGFIELD URGENT CARE REAL E	RENT REAL ES	IL	LASANTE INC	NONE	0	0		No	0		No	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income (\$)	(g) Share of end-of-year assets (\$)	(h) Percentage ownership
Kiara Inc 4936 Laverna Rd Springfield, IL 62707 37-1163401	HealthCare	IL	HSHS	C Corp	0	0	
LaSante Wisconsin Inc 4936 Laverna Rd Springfield, IL 62707 39-1572196	HealthCare	IL	Kiara Inc	C Corp	0	0	
LaSante Inc 4936 Laverna Rd Springfield, IL 62707 37-1163400	HealthCare	IL	Kiara Inc	C Corp	0	0	
Prairie Cardiovascular 619 East Mason STE 4P57 Springfield, IL 62701 37-1071858	HealthCare	IL	Kiara Inc	C Corp	0	0	
Prevea Health Services 2710 EXECUTIVE DR Green Bay, WI 54304 39-1839351	HealthCare	WI	HSSI	C Corp	0	0	
Prevea Clinic Inc 2710 EXECUTIVE DR Green Bay, WI 54304 39-1839349	HealthCare	WI	HSSI	C Corp	0	0	
Prevea Health Network 2710 EXECUTIVE DR Green Bay, WI 54304 39-2000537	HealthCare	WI	HSSI	C Corp	0	0	
Renaissance Quality Insurance PO Box 1159 Grand Caymans KY1-1102 CJ 98-0669953	Insurance	CJ	HSSI	c corp	0	0	

TY 2011 Affiliate Listing

Name: ST MARY'S HOSPITAL SISTERS OF THE
THIRD ORDER OF ST FRANCIS

EIN: 37-0661244



HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidated Financial Statements and Supplementary Information

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)



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

Independent Auditors' Report

The Board of Directors
Hospital Sisters Health System:

We have audited the accompanying consolidated balance sheets of Hospital Sisters Health System and Subsidiaries (HSHS) 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 HSHS' 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 HSHS' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HSHS as of June 30, 2012 and 2011, and the results of their operations, changes in net assets, and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles. As described in note 2(t) to the consolidated financial statements, HSHS adopted the provisions of ASU 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Healthcare Entities*. As a result of this adoption, HSHS has presented on a separate line the provision for uncollectible accounts as a deduction from net patient service revenue (net of contractual allowances and discounts) and included enhanced disclosures about the entity's policies for recognizing revenue and assessing bad debts.



Our audits were conducted for the purpose of forming an opinion on the 2012 consolidated financial statements as a whole. The 2012 supplementary information included in schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2012 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2012 consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2012 consolidated financial statements as a whole.

KPMG LLP

October 9, 2012

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Consolidated Balance Sheets

June 30, 2012 and 2011

(Dollars in thousands)

Assets	2012	2011
Current assets:		
Cash and cash equivalents	\$ 90,514	60,860
Receivables:		
Patients' accounts, less allowance for uncollectible accounts of \$107,196 in 2012 and \$94,696 in 2011	307,814	277,699
Due from third-party reimbursement programs	4,497	3,509
Other	22,088	26,576
Total receivables	334,399	307,784
Current portion of assets whose use is limited or restricted	201,738	185,733
Inventories	40,230	40,051
Prepaid expenses	16,376	18,018
Total current assets	683,257	612,446
Assets whose use is limited or restricted, net of current portion	1,446,720	1,512,806
Property, plant, and equipment, net	1,152,063	1,071,432
Other assets	73,657	83,267
	<u>\$ 3,355,697</u>	<u>3,279,951</u>
Liabilities and Net Assets		
Current liabilities:		
Current installments of long-term debt	\$ 28,517	14,931
Long-term debt subject to short-term remarketing agreements	158,047	172,945
Accounts payable	100,336	90,468
Accrued liabilities	125,848	117,292
Estimated payables under third-party reimbursement programs	41,554	34,238
Total current liabilities	454,302	429,874
Long-term debt, excluding current installments	379,378	365,864
Estimated self-insurance liabilities	81,124	73,990
Derivative instruments	64,437	28,638
Accrued benefit liability	410,039	249,111
Other noncurrent liabilities	47,194	48,037
Total liabilities	<u>1,436,474</u>	<u>1,195,514</u>
Net assets:		
Unrestricted	1,875,690	2,041,192
Temporarily restricted	20,783	20,916
Permanently restricted	22,750	22,329
Total net assets	<u>1,919,223</u>	<u>2,084,437</u>
	<u>\$ 3,355,697</u>	<u>3,279,951</u>

See accompanying notes to consolidated financial statements.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Consolidated Statements of Operations

Years ended June 30, 2012 and 2011

(Dollars in thousands)

	<u>2012</u>	<u>2011</u>
Net patient service revenues	\$ 1,981,070	1,933,034
Provision for uncollectible accounts	<u>(111,142)</u>	<u>(103,943)</u>
Net patient service revenues less provision for uncollectible accounts	1,869,928	1,829,091
Other revenues:		
Investment income	786	6,409
Net assets released from restrictions used for operations	1,702	2,610
Other	<u>57,458</u>	<u>55,780</u>
Total revenues	<u>1,929,874</u>	<u>1,893,890</u>
Expenses:		
Sisters' services	1,155	1,498
Salaries and wages	722,856	699,805
Employee benefits	205,171	222,323
Professional fees	114,690	123,219
Supplies	275,291	296,640
Depreciation and amortization	143,523	120,803
Interest	10,075	6,693
Other	<u>460,584</u>	<u>461,507</u>
Total expenses	<u>1,933,345</u>	<u>1,932,488</u>
Losses from operations before income tax benefit	(3,471)	(38,598)
Income tax benefit	<u>—</u>	<u>(212)</u>
Losses from operations	(3,471)	(38,386)
Nonoperating gains (losses):		
Investment income	27,327	221,622
Change in fair value of interest rate swaps	<u>(35,799)</u>	<u>7,375</u>
Revenues and gains in (deficient) excess of expenses and losses	(11,943)	190,611
Other changes in unrestricted net assets:		
Net assets released from restrictions used for the purchase of property, plant, and equipment	7,369	5,485
Recognition (reversal) of change in pension funded status	(160,928)	113,749
Cumulative effect of change in accounting principle	<u>—</u>	<u>(42,519)</u>
Change in unrestricted net assets	<u>\$ (165,502)</u>	<u>267,326</u>

See accompanying notes to consolidated financial statements.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2012 and 2011

(Dollars in thousands)

	<u>2012</u>	<u>2011</u>
Unrestricted net assets:		
Revenues and gains in (deficient) excess of expenses and losses	\$ (11,943)	190,611
Other changes in unrestricted net assets:		
Net assets released from restrictions used for the purchase of property, plant, and equipment	7,369	5,485
Recognition (reversal) of change in pension funded status	(160,928)	113,749
Cumulative effect of change in accounting principle	—	(42,519)
Change in unrestricted net assets	<u>(165,502)</u>	<u>267,326</u>
Temporarily restricted net assets:		
Investment income	308	2,545
Contributions	8,630	4,408
Net assets released from restrictions	<u>(9,071)</u>	<u>(8,095)</u>
Change in temporarily restricted net assets	<u>(133)</u>	<u>(1,142)</u>
Permanently restricted net assets:		
Investment income	28	16
Contributions	<u>393</u>	<u>1,332</u>
Change in permanently restricted net assets	<u>421</u>	<u>1,348</u>
Change in net assets	<u>(165,214)</u>	<u>267,532</u>
Net assets at beginning of year	<u>2,084,437</u>	<u>1,816,905</u>
Net assets at end of year	<u>\$ 1,919,223</u>	<u>2,084,437</u>

See accompanying notes to consolidated financial statements.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Consolidated Statements of Cash Flows

Years ended June 30, 2012 and 2011

(Dollars in thousands)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities.		
Change in net assets	\$ (165,214)	267,532
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Cumulative effect of change in accounting principle		42,519
Reversal (recognition) of change in pension funded status	160,928	(113,749)
Income from equity basis investments	(5,241)	(5,229)
Cash received from equity basis investments, net	3,944	2,271
Net assets released from restrictions and used for operations	1,702	2,610
Restricted contributions and investment return	(9,359)	(8,301)
Amortization of bond issuance costs and premiums, included in interest expense	197	232
Depreciation and amortization	143,523	120,803
Provision for uncollectible accounts	111,142	103,943
Change in net unrealized gain and losses on investments	63,563	(124,092)
Net realized gains on sale of investments	(58,743)	(61,819)
Change in the fair value of derivative instruments	35,799	(7,375)
Changes in assets and liabilities:		
Patients' accounts receivable	(141,257)	(131,519)
Other receivables	4,488	5,597
Inventories	(179)	1,207
Prepaid expenses	1,642	2,921
Net amounts due to third-party reimbursement programs	6,328	2,502
Accounts payable and accrued liabilities	18,424	14,799
Estimated self-insurance liabilities and other noncurrent liabilities	6,291	10,094
Net cash provided by operating activities	<u>177,978</u>	<u>124,946</u>
Cash flows from investing activities:		
Acquisition of property, plant, and equipment	(192,020)	(216,520)
Gross purchases of investments	(1,828,882)	(1,807,631)
Gross proceeds from sale or maturity of investments	1,874,143	1,911,810
Change in other assets	2,908	(468)
Net cash used in investing activities	<u>(143,851)</u>	<u>(112,809)</u>
Cash flows from financing activities:		
Repayment of long-term debt	(22,130)	(15,404)
Proceeds from issuance of debt	10,000	—
Net assets released from restrictions and used for operations	(1,702)	(2,610)
Restricted contributions and investment return	9,359	8,301
Net cash used in financing activities	<u>(4,473)</u>	<u>(9,713)</u>
Change in cash and cash equivalents	29,654	2,424
Cash and cash equivalents at beginning of year	60,860	58,436
Cash and cash equivalents at end of year	<u>\$ 90,514</u>	<u>60,860</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 10,362	7,297
Supplemental disclosure of noncash transactions:		
Assets acquired under capital lease	24,332	—

See accompanying notes to consolidated financial statements.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(Dollars in thousands)

(1) Organization and Purpose

Hospital Sisters Health System (HSHS), an Illinois not-for-profit corporation, considers all wholly owned or controlled entities as subsidiaries for consolidated financial statement purposes. The accompanying consolidated financial statements include the accounts of HSHS and its subsidiaries. HSHS is the parent corporation for several subsidiary corporations and exerts control through various reserved powers. The subsidiary corporations and controlled entities presented in the accompanying consolidated financial statements include Hospital Sisters Services, Inc. (HSSI), HSHS System Services Center (the SSC), Hospital Sisters of St. Francis Foundation, Inc. (the Foundation), and Kiara, Inc.

HSSI, an Illinois not-for-profit holding company, is the sole member of 13 hospitals in Illinois and Wisconsin (collectively referred to as the Obligated Group), Hospital Sisters Healthcare – West, Inc. (HCW), HSHS Medical Group, Inc., and HSHS Wisconsin Medical Group, Inc. (collectively referred to as the Medical Group), Unity Limited Partnership, Kiara Clinical Integration Network (KCIN) and Renaissance Quality Insurance, Ltd. (RQIL). HSSI and the 13 hospitals have formed an Obligated Group for debt financing purposes through the use of a Master Trust Indenture (MTI) (see note 11). The hospitals are organized for the purpose of providing inpatient and outpatient healthcare services. HSSI formed the Medical Group for the purpose of affiliating with physicians. RQIL is a captive insurance company incorporated in the Cayman Islands to provide professional and general liability insurance coverage to HSSI and affiliates. HCW, the Medical Group, Unity Limited Partnership, KCIN, and RQIL are not members of the Obligated Group.

The 13 hospitals who are members of the Obligated Group, along with HSSI, are as follows:

Hospital	Location
	Illinois:
St. Elizabeth's Hospital	Belleville
St. Joseph's Hospital	Breese
St. Mary's Hospital	Decatur
St. Anthony's Memorial Hospital	Effingham
St. Joseph's Hospital	Highland
St. Francis Hospital	Litchfield
St. John's Hospital	Springfield
St. Mary's Hospital	Streator
	Wisconsin:
St. Joseph's Hospital	Chippewa Falls
Sacred Heart Hospital	Eau Claire
St. Mary's Hospital Medical Center	Green Bay
St. Vincent Hospital	Green Bay
St. Nicholas Hospital	Sheboygan

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(Dollars in thousands)

The SSC administers the Workers Compensation Fund, Health Care Trust Fund, Self-Insurance Trust Fund (the Trust), Flex Plan, and Investment Fund. The SSC is supported by annual fees paid by the HSHS affiliated hospitals and certain other HSHS controlled entities to the SSC. The SSC utilizes these funds to provide centralized management and information services to the 13 affiliated hospitals, workers' compensation, and employee health administration. In addition, the SSC administers a centralized investment program and defined contribution pension plan on behalf of all HSHS entities.

The Foundation, an Illinois not-for-profit corporation, is an entity whose purpose is to solicit and administer philanthropic funds. The Foundation is structured into 14 separate divisions to administer restricted and unrestricted gifts and bequests at each of the respective hospital locations and the SSC.

Kiara, Inc., an Illinois for-profit corporation, is an entity whose purpose is to provide a vehicle for joint ventures with physicians and an entry into those health related services which do not qualify as tax-exempt services, such as pharmacy, durable medical equipment, electronic health records (EHR) implementations, and real estate holdings. Kiara, Inc. is the holding company of three subsidiary corporations in which it is the sole stockholder, LaSante, Inc., LaSante Wisconsin, Inc., and Prairie Cardiovascular Consultants (PCC). The operations of these three wholly owned subsidiaries are consolidated into the financial statements of Kiara, Inc. In connection with the acquisition of PCC, \$5,059 and \$6,744 is still payable at June 30, 2012 and 2011, respectively, and is a component of other noncurrent liabilities in the accompanying consolidated balance sheets. PCC is a medical practice in Illinois providing healthcare services to prevent and treat cardiovascular disease.

PCC acquired Cardiology Consultants Limited (CCL) in a stock purchase transaction on December 31, 2010 for \$1,932. As of June 30, 2012 and 2011, \$0 and 2,969, respectively, of goodwill has been recorded within other assets in the accompanying consolidated balance sheets.

Prairie Diagnostic Center, LLC (PDC) was a joint venture held by LaSante, Inc. with a 25% ownership interest and approximately \$1,989 investment within other assets. In June 2011, St. John's Hospital (SJS) acquired the remaining 75% ownership interest through a cash outlay of \$9,175. As of June 30, 2012, SJS has included \$8,003 within various asset types for its acquisition of PDC based on the specific PDC assets acquired. Additionally, \$0 and \$3,160 of goodwill has been recorded within other assets in the accompanying consolidated balance sheets as of June 30, 2012 and June 30, 2011, respectively.

All significant intercompany transactions have been eliminated in consolidation.

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(2) Summary of Significant Accounting Policies

The significant accounting policies of HSHS are as follows:

(a) *Presentation*

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. Peripheral or incidental transactions are reported as nonoperating gains or losses. Nonoperating gains or losses includes investment income, other than that which is associated with self-insurance programs, funds held by trustee under indenture agreements, and the change in fair value of the interest rate swap agreements.

(b) *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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Significant estimates include: allowances for contractual allowances and bad debts, third-party payor settlements, valuation of investments, goodwill, property, plant, and equipment, self-insurance liabilities, derivative instruments, accrued benefit liability, and other liabilities. Actual results could differ from those estimates.

(c) *Cash and Cash Equivalents*

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less when purchased, excluding those amounts included as assets whose use is limited or restricted.

(d) *Assets Whose Use Is Limited or Restricted*

Assets whose use is limited or restricted include: assets set aside by the board of directors for future capital improvements, over which the board of directors retains control and may at its discretion subsequently use for other purposes; assets held by third-party trustees under indenture agreements; assets set aside for self-insurance trust arrangements; and funds temporarily or permanently restricted by donors. Management classifies the current portion of assets whose use is limited or restricted based on the approximate amount of the current portion of long-term debt.

Investments in equity securities with readily determinable values and all investments in debt securities are measured at fair value in the accompanying consolidated balance sheets. Investment income on assets deposited in the self-insurance fund, workers' compensation trust, and funds held by trustee under indenture agreements is reported as other revenues. Investment income from all other investments is reported as nonoperating gains – investment income, unless the income or loss is restricted by donor or law. Changes in net unrealized gains and losses on investments are included in revenues and gains in excess (deficient) of expenses and losses as all investments are considered to be trading securities.

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(e) Inventories

Inventories are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis.

(f) Property, Plant, and Equipment

Property, plant, and equipment acquisitions are stated at cost or fair value at the date of acquisition or donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method of accounting. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Capitalized interest is reduced by the amount of investment income earned on unexpended proceeds from project specific borrowings.

(g) Long-Lived Assets

Long-lived assets (including property, plant, and equipment) are periodically assessed for recoverability based on the occurrence of a significant adverse event or change in the environment in which HSHS 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.

(h) Goodwill

HSHS has adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) *Not-for-Profit Entities: Merger and Acquisitions* (ASU 2010-07), which in part requires healthcare entities to follow Accounting Standards Codification (ASC) Topic 350-20-35, *Intangibles – Goodwill and Other*. ASC Topic 350-20-35 requires goodwill of not-for-profit entities to be evaluated for impairment at least annually. The goodwill impairment test is a two-step test. Under the first step, the fair value of each reporting unit is compared with its carrying value (including goodwill). If the fair value of a reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the entity must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit's goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed. HSHS performed its impairment analysis as of June 30, 2012 and as a result impaired goodwill of \$7,802 previously included in other assets. The impairment is recorded a component of depreciation and amortization expense.

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In addition to the new standard, HSHS has applied transition guidance under ASC Topic 350-10-65, *Intangibles – Goodwill and Other Transition*, for recording goodwill in the first year the new accounting standard ASC Topic 350-20-35 is implemented. The transition guidance allows for an impairment loss as of the beginning of the fiscal year in which this new standard is initially applied. As a result of transition guidance, HSHS recognized a goodwill impairment transition loss of \$42,519 in the consolidated statements of changes in net assets as the cumulative effect of a change in accounting principle in 2011.

(i) Other Assets – Joint Ventures

HSHS invests in various organizations that are not wholly owned or controlled by HSHS. Investments in limited partnerships are recorded at fair value as determined by the partnership. Investments in affiliates in which HSHS has significant influence but does not control are reported on the equity method of accounting, which represents HSHS' equity in the underlying net book value. The equity method of accounting is discontinued when the investment is reduced to zero unless HSHS has guaranteed the obligations of the organization or is committed to provide additional capital support. There were no existing guarantees at June 30, 2012 or 2011.

(j) Loss Reserves

HSHS is self-insured for professional and general liability, workers' compensation, and employee health claims. The provisions for loss reserves include the ultimate cost for both reported losses and losses incurred, but not reported as of the respective consolidated balance sheet dates.

The liability for loss reserves represents an estimate of the ultimate net cost of all such amounts that are unpaid at the consolidated balance sheet dates. The liability is based on projections and the historical claim experience of HSHS and gives effect to estimates of trends. Although management believes that the estimate of the liability for claims is reasonable, it is possible that HSHS' actual incurred claims will not conform to the assumptions' inherent variability with respect to the significant assumptions utilized. Accordingly, the ultimate settlement of claims may vary from the liability for unpaid claims included in the accompanying consolidated financial statements.

(k) Derivative Instruments

HSHS accounts for derivatives and hedging activities in accordance with ASC Subtopic 815-10, *Accounting for Derivative Instruments and Hedging Activities*, which requires that an entity recognize all derivatives as either assets or liabilities in the consolidated balance sheet and measure those instruments at fair value. HSHS is involved in four and six interest rate swaps in 2012 and 2011, respectively. The fair value of the interest rate swap programs is included as derivative instruments in the accompanying consolidated balance sheets. For HSHS, the derivatives are not designated as hedge instruments, and therefore, the change in fair values of the interest rate swap agreements is recognized in the consolidated statements of operations as a component of nonoperating gains (loss) – change in fair value of interest rate swap agreements in the period of change.

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(l) Asbestos Removal Costs

HSHS accounts for asbestos removal costs in accordance with ASC Subtopic 410-20, *Accounting for Conditional Asset Retirement Obligations*. ASC Subtopic 410-20 requires the current recognition of a liability when a legal obligation exists to perform an asset retirement obligation (ARO) in 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 Subtopic 410-20 requires an 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 initially capitalized ARO long-lived asset is depreciated over the corresponding long-lived asset's remaining useful life. HSHS 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 \$28,786 and \$29,627, respectively, and is included within other noncurrent liabilities in the accompanying consolidated balance sheets. The net book value of the ARO long-lived asset at June 30, 2012 and 2011 is \$742 and \$976, respectively, and is included within other assets in the accompanying consolidated balance sheets.

(m) Donor-Restricted Net Assets

Net assets and activities are classified into three classes based on the existence or absence of donor-imposed restrictions: unrestricted, temporarily restricted, and permanently restricted. Temporarily restricted net assets represent those net assets whose use by HSHS has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by HSHS in perpetuity. During 2012 and 2011, no donors made clarifications for gifts previously recorded, and as such, no reclassifications were made.

HSHS classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Investment returns in excess of spending are classified as increases in temporarily restricted net assets until appropriated for expenditure by HSHS.

HSHS has established a spending policy, which is evaluated and approved by the Foundation board every year. The approved spending rate for fiscal year 2012 and 2011 was 3.45% and 2.75%, respectively. In establishing this policy, the long-term expected return on the endowment is considered. This is consistent with HSHS' objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term.

Endowment funds are commingled with the pooled investment fund administered by HSHS. HSHS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). HSHS targets a diversified asset allocation of 40.5% fixed income, 44.5% equities, and 15% custom hedge funds to achieve its long-term return objectives within prudent risk constraints.

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(n) *Gifts, Bequests, and Grants*

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. 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, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are recorded as unrestricted contributions. Unrestricted contributions are included in other revenues.

Gifts of long-lived assets such as property, plant, and equipment are reported as unrestricted gifts and bequests and are excluded from revenues and gains in excess of expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. In the absence of explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

(o) *Net Patient Service Revenues*

Net patient service revenues are reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and amounts received under the Medicaid assessment tax programs. 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.

(p) *Charity Care*

HSHS provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Amounts determined to qualify as charity care are not reported as net patient service revenues, since HSHS does not pursue collection of such amounts.

(q) *Revenues and Gains in Excess (Deficient) of Expenses and Losses*

The consolidated statements of operations include revenues and gains in excess (deficient) of expenses and losses. Changes in unrestricted net assets that are excluded from revenues and gains in excess (deficient) of expenses and losses, consistent with industry practice, include: contributions of property, plant, and equipment (including assets acquired using contributions that by donor restrictions or grants were to be used for the purpose of acquiring such assets); nonreciprocal transfer to affiliate for other than goods and services; cumulative effect of change in accounting principle; and recognition (reversal) of change in pension funded status.

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(r) Income Taxes

HSHS and the Foundation are Illinois not-for-profit organizations 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. Kiara, Inc. is an Illinois for-profit corporation that recognizes income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

HSHS has adopted ASC Subtopic 740-10, *Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109*. ASC Subtopic 740-10 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, HSHS 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, HSHS does not have an asset or liability for unrecognized tax benefits.

(s) Fair Value

HSHS has adopted the provisions of ASC Topic 820 *Fair value Measurements* 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 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 Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

In conjunction with the adoption of ASC Topic 820, HSHS adopted the measurement provisions of ASU 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, to certain investments in funds that do not have readily determinable fair values including private investments, hedge funds, real estate, and other funds. This guidance amends ASC Topic 820 and allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value (NAV) per share or its equivalent.

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(t) New Accounting Pronouncements

In January 2010, the FASB issued ASU 2010-07. ASU 2010-07 provides guidance on a transaction or other event in which a not-for-profit entity that is a reporting entity combines with one or more other not-for-profit businesses or nonprofit activities in a transaction that meets the definition of a merger of not-for-profit entities or an acquisition by a not-for-profit entity. In addition, the ASU provides transitional guidance on existing goodwill at the time this ASU is adopted. HSHS adopted ASU 2010-07 effective July 1, 2010 (note 2(h)).

In August 2010, the FASB issued ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*. ASU 2010-24 clarifies that healthcare entities should not net insurance recoveries against the related claim liability and that the claim liability amount should be determined without consideration of insurance recoveries. The adoption of ASU 2010-24 as of July 1, 2011 had no impact on the consolidated financial statements.

In July 2011, the FASB issued ASU 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. ASU 2011-07 requires that entities that recognize significant amounts of patient service revenue at the time the services are rendered even though they do not assess the patient's ability to pay must present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on their statement of operations. All other entities would continue to present the provision for bad debts as an operating expense. In addition, there are enhanced disclosures about the entities policies for recognizing revenue and assessing bad debts. The ASU also requires disclosures of patient service revenue as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. These disclosure requirements are applicable for HSHS effective July 1, 2011. The provision for uncollectible accounts on the accompanying consolidated statements of operations for the years ended June 30, 2012 and 2011 have been presented on a separate line as a deduction from net patient service revenue (net of contractual allowances and discounts) to reflect the retrospective application of ASU 2011-07.

(u) Reclassification

Certain 2011 amounts have been reclassified to conform to the 2012 consolidated financial statement presentation, including a reclassification of provision for uncollectible accounts in the consolidated statement of operations that decreases net patient service revenues and decreases total operating expenses by \$103,943 as a result of adopting ASU 2011-07.

(3) Community Benefit

Consistent with its mission, HSHS provides medical care to all patients regardless of their ability to pay. In addition, HSHS provides services intended to benefit the poor and underserved, including those persons who cannot afford health insurance because of inadequate resources and/or are uninsured or underinsured, and to enhance the health status of the communities in which it operates.

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The following summary has been prepared in accordance with the Catholic Health Association of the United States' (CHA) policy document, *A Guide for Planning and Reporting Community Benefit*, released in May 2006. HSHS uses a cost-to-charge ratio to calculate the cost of charity care and the unpaid cost of Medicaid. The amounts in the following table reflect the quantifiable costs of HSHS' community benefit for the years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Benefits for the poor:		
Charity care at cost	\$ 43,076	37,811
Unpaid cost of Medicaid and other public programs	97,878	102,523
Community health services	1,322	1,321
Other	766	637
	<u>143,042</u>	<u>142,292</u>
Benefits for the broader community:		
Community health services	4,443	4,797
Health professions education	15,895	10,715
Other	10,772	11,803
	<u>31,110</u>	<u>27,315</u>
Total community benefit	<u>\$ 174,152</u>	<u>169,607</u>

Benefits for the poor represent the cost of services provided to persons who cannot afford healthcare because of inadequate resources and who are uninsured or underinsured.

Benefits for the broader community represent the cost of services provided to other needy populations that may not qualify as poor, but that need special services and support. It also includes the cost of services for the general benefit of the communities in which HSHS operates. Many programs are targeted toward populations that may be poor, but also include those areas that may need special health services and support. These programs are not financially self-supporting.

Charity care at cost represents the cost of services provided to patients who cannot afford healthcare services due to inadequate resources. All or a portion of a patient's services may be considered charity care for which no payment is anticipated in accordance with HSHS' established policies.

Unpaid cost of Medicaid and other public programs represents the cost of providing services to beneficiaries of public programs, including state Medicaid and indigent care programs, in excess of payments for those services. (See note 4 for an explanation of changes to the Medicaid reimbursement from the State of Illinois and the State of Wisconsin.)

Community health services are activities and services for which no patient bill exists, although there may be nominal patient fees. These services are not expected to be financially self-supporting although some may be partially supported by outside grants or funding.

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Health professions education includes the unreimbursed cost of training health professionals, such as medical residents, nursing students, technicians, and students, in allied health professions.

Other benefits include subsidized health services, in-kind donations, and other benefits.

In addition to the amounts reported above, HSHS committed significant resources in serving the Medicare population. The cost (determined using a cost-to-charge ratio) of providing services to primarily elderly beneficiaries of the Medicare program, in excess of governmental and managed care contract payments, was \$168,420 and \$178,115 for the years ended June 30, 2012 and 2011, respectively.

A related organization, the Foundation, contributed \$15,948 and \$8,095 for charity care or other operating expenses on behalf of the hospitals during the years ended June 30, 2012 and 2011, respectively. The community benefits reported above are net of the contributions from the Foundation for such benefits.

HSHS also provides a significant amount of uncompensated care for patients, which is not included above, but is reported in the consolidated statements of operations as a provision for uncollectible accounts. Many of those patients are uninsured or underinsured, but did not apply for, or qualify for, charity care.

(4) Net Patient Service Revenues

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

Medicare – Inpatient acute care services rendered to Medicare program beneficiaries are generally paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services and certain outpatient services related to Medicare beneficiaries are paid based upon a cost reimbursement method, prospectively determined rates, established fee screens, or a combination thereof. The hospitals are reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the hospitals and audits by the Medicare fiscal intermediary. Certain outpatient services performed by the hospitals are reimbursed at a prospectively determined rate per service based upon their ambulatory payment classification. Home health services performed by the hospitals are reimbursed at a prospectively determined rate per episodic treatment.

As of June 30, 2012, Medicare cost reports have been audited and final settled through June 30, 2008.

Medicaid – Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per discharge. Outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon per visit rates. Medicaid payment methodologies and rates for services are based on the amount of funding available to state Medicaid programs. As of June 30, 2012 and 2011, Medicaid receivables aggregate to \$59,271 and \$26,775, respectively, and are valued using historical collection percentages of enacted rates.

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HSHS participates in the State of Illinois (the State) assessment program that assists in the financing of its Medicaid program. The State assessment program has been renewed by the State since its inception in 2004 and was renewed again on December 4, 2008 for the State's fiscal years ending June 30, 2009 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 hospitals have included their related prorated assessments of \$26,823 and \$26,740 in 2012 and 2011, respectively, within other expenses in the accompanying 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 hospitals have included their additional related prorated reimbursement of \$47,108 in 2012 and 2011 within net patient service revenues in the accompanying consolidated statements of operations.

During 2009, the State of Wisconsin enacted an assessment tax on the gross revenues of all Wisconsin hospitals retroactive to July 1, 2008, which is used to increase reimbursements made under its Medicaid program. During 2010, the State of Wisconsin expanded the eligibility of the Medicaid program. During the years ended June 30, 2012 and 2011, the HSHS Wisconsin hospitals were assessed \$20,210 and \$20,310, respectively, related to this tax, which is included as a component of other expenses in the accompanying consolidated statements of operations, and received \$26,513 and \$28,257, respectively, in supplemental Medicaid reimbursement, which is included as a component of net patient service revenues in the accompanying consolidated statements of operations.

The Medicaid Electronic Health Record Incentive Program provides incentive payments to eligible hospitals and professionals as they adopt, implement, upgrade, or demonstrate meaningful use of certified EHR technology in their first year of participation and demonstrate meaningful use for up to five remaining participation years. HSHS recognized \$4,181 as other revenues related to Medicaid EHR incentives, which have been received or are expected to be received as of June 30, 2012.

Other – HSHS has also entered into payment agreements with Blue Cross, certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

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A summary of gross and net patient service revenues for the years ended June 30, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Inpatient revenues	\$ 2,296,455	2,124,374
Outpatient revenues	2,791,571	2,668,210
Less provisions for estimated contractual adjustments under third-party reimbursement programs	<u>3,106,956</u>	<u>2,859,550</u>
Net patient service revenues	<u>\$ 1,981,070</u>	<u>1,933,034</u>

Net patient service revenues for the years ended June 30, 2012 include \$995 of favorable retrospectively determined prior year settlements with third-party payors. In addition, net patient service revenues include \$15,547 related to a settlement from Medicare for fiscal years 2007-2011 as settlement of the Rural Floor Budget Neutrality Adjustment Appeal. Additionally, professional fees expense includes \$3,997 of settlement fees paid as part of the Rural Floor Budget Neutrality Adjustment Appeal. Net patient service revenues for the years ended June 30, 2011 include approximately \$3,568 of favorable retrospectively determined prior year settlements with third party payors.

A summary of Medicare, Medicaid, and managed care/contracted payor utilization percentages, based upon gross patient service revenues, is as follows:

	<u>2012</u>	<u>2011</u>
Medicare	46%	46%
Medicaid	14	14
Managed care/contracted payor	32	30
Self-pay	5	5
Other	3	5

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Patients' accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of patients' accounts receivable, HSHS analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, HSHS analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (e.g., for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), HSHS records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

HSHS' allowance for uncollectible accounts for self-pay patients increased from 77.4% of self-pay accounts receivable at June 30, 2011, to 81.0% of self-pay accounts receivable at June 30, 2012. In addition, HSHS' self-pay write-offs increased \$16,320 from \$82,322 for fiscal year 2011 to \$98,642 for fiscal year 2012. Both increases were the result of negative trends experienced in the collection of amounts from self-pay patients in fiscal year 2012. HSHS has not changed its charity care or uninsured discount policies during fiscal years 2011 or 2012. HSHS does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant write-offs from third-party payors.

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HSHS recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, HSHS recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of HSHS' uninsured patients will be unable or unwilling to pay for the services provided. Thus, HSHS records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (before the provision for bad debts), is recognized in the period from these major payor sources, as follows:

	<u>2012</u>	<u>2011</u>
Medicare	\$ 693,335	666,021
Medicaid	213,011	207,311
Managed care/contracted payor	893,712	879,182
Self-pay	111,130	105,100
Other	69,882	75,420
Net patient service revenues	<u>\$ 1,981,070</u>	<u>1,933,034</u>

(5) Concentration of Credit Risk

HSHS provides healthcare services through their inpatient and outpatient facilities located in Illinois and Wisconsin. HSHS grants credit to patients, substantially all of whom are local residents. HSHS does not require collateral or other security in extending credit to patients; however, they routinely obtain assignment of (or are otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Blue Cross, health maintenance organizations, and commercial insurance policies).

The mix of net receivables from patients and third-party payors as of June 30, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Medicare	22%	26%
Medicaid	19	10
Managed care/contracted payor	42	45
Self-pay	8	9
Other	8	10

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(6) Investment Composition and Fair Value Measurements

(a) Overall Investment Objective

The overall investment objective of HSHS is to invest its assets in a prudent manner that will achieve an expected rate of return, manage risk exposure, and focus on downside protection. HSHS' invested assets will maintain sufficient liquidity to fund a portion of HSHS' annual operating activities and structure the invested assets to maintain a high percentage of available liquidity. HSHS diversifies its investments among various asset classes incorporating multiple strategies and managers. The HSHS board approves the investment policy statement. The Investment Subcommittee oversees the investment program in accordance with investment policy statement.

(b) Allocation of Investment Strategies

To manage risk, HSHS invests in fixed income, domestic equities, international equities, and custom hedge funds. HSHS engages outside portfolio managers as follows: 5 fixed income managers, 14 domestic equity managers, 5 international managers, and 2 custom hedge fund portfolio managers. Because of the inherent uncertainties for valuation of some holdings, the estimated fair values may differ from values that would have been used had a ready market existed.

(c) Basis of Reporting

Assets whose use is limited or restricted are reported at estimated fair value. If an investment is held directly by HSHS and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in common and preferred stock and fixed income are based on share prices reported by the funds as of the last business day of the fiscal year. HSHS' interests in alternative investment funds are generally reported at the NAV reported by the fund managers, which is used as a practical expedient to estimate the fair value of the HSHS' interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2012, HSHS had no plans or intentions to sell investments at amounts different from NAV.

(d) Fair Value of Financial Instruments

The following methods and assumptions were used by HSHS 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, receivables, accounts payable, accrued liabilities, and estimated payables under third-party reimbursement programs.
- Fair values of HSHS' investments held as assets whose use is limited or restricted are estimated based on prices provided by its investment managers and its custodian bank except for the carrying value of pledges receivable and other, which equals fair value. Fair value for cash and cash equivalents, corporate and preferred stocks, foreign securities, U.S. government securities, corporate bonds, municipal bonds, and commingled mutual funds are measured using quoted

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market prices at the reporting date multiplied by the quantity held. The carrying value equals fair value.

- HSHS has two hedge fund investments for which quoted market prices are not available. The two hedge fund investments are K2 multi-strategy fund and Mesirow multi-strategy fund. The estimated fair value of these hedge fund investments includes estimates, appraisals, assumptions, and methods provided by external financial advisors and reviewed by HSHS.

The investment objective of the K2 multi-strategy fund is to achieve equity type returns with reduced volatility and risk. This is achieved through a diversified portfolio targeting allocations of long strategies and low volatility strategies.

The investment objective of the Mesirow multi-strategy fund is to achieve positive returns with low volatility and risk. This is achieved through a multi-manager, multi-strategy, diversified investment approach.

- Fair value of fixed rate long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to HSHS for debt of the same remaining maturities. For variable rate debt, carrying amounts approximate fair value. Fair value was estimated using quoted market prices based upon HSHS' current borrowing rates for similar types of long-term debt securities.
- Fair value of interest rate swaps is determined using pricing models developed based on the LIBOR swap rate and other observable market data by financial advisors. The value was determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and HSHS. The carrying value equals fair value.

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

The following table presents the carrying amounts and estimated fair values of HSHS' financial instruments not carried at fair value at June 30, 2012 and 2011.

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt	\$ 565,942	571,456	553,740	551,046

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(e) Fair Value Hierarchy

HSHS has adopted ASC Topic 820 for fair value measurements of financial assets and liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated 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 HSHS has the ability to access at the measurement date.
- Level 2 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.

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The following table summarizes HSHS' cash and cash equivalents and assets whose use is limited or restricted by major category in the fair value hierarchy as of June 30, 2012, as well as related strategy, liquidity, and funding commitments:

	June 30, 2012				Redemption or liquidation	Days notice
	Level 1	Level 2	Level 3	Total		
Cash and cash equivalents	\$ 90,514	—	—	90,514	Daily	One
Assets whose use is limited or restricted excluding accrued interest and other of \$8,666 and pledges receivable and other of \$22,127.						
Cash and cash equivalents	\$ 114,831	—	—	114,831	Daily	One
Common stocks	443,162	—	—	443,162	Daily	Three
U.S. government securities	—	296,522	—	296,522	Daily	One
Municipal bonds	—	33,879	—	33,879	Daily	Two
Corporate bonds	—	121,931	—	121,931	Daily	Two
Foreign securities	217,740	27,460	—	245,200	Daily	Three
Commingled mutual funds	—	152,837	—	152,837	Daily	Three
Hedge funds:						
K2 multi-strategy fund	—	—	165,890	165,890	Monthly	Thirty
Mesirow multi-fund	—	—	43,413	43,413	Monthly	Thirty
Total financial assets	\$ 775,733	632,629	209,303	1,617,665		
Liabilities:						
Derivative instruments	\$ —	64,437	—	64,437		

The table below sets forth a summary of changes in the fair value of the HSHS' Level 3 assets for the year ended June 30, 2012:

	Level 3 assets, year ended June 30, 2012		
	K2 fund	Mesirow fund	Total funds
Balance, beginning of year	\$ —	—	—
Purchases	166,400	41,600	208,000
Total net gains (losses)	(510)	1,813	1,303
Sales	—	—	—
Balance, end of year	\$ 165,890	43,413	209,303

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The following table summarizes HSHS' cash and cash equivalents and assets whose use is limited or restricted by major category in the fair value hierarchy as of June 30, 2011, as well as related strategy, liquidity, and funding commitments:

	June 30, 2011			Redemption or liquidation	Days notice
	Level 1	Level 2	Level 3		
Cash and cash equivalents	\$ 60,860	—	—	Daily	One
Assets whose use is limited or restricted excluding accrued interest and other of \$5,655 and pledges receivable and other of \$6,908:					
Cash and cash equivalents	\$ 132,419	—	—	Daily	One
Common stocks	569,383	—	—	Daily	Three
U.S. government securities	175,020	172,875	—	Daily	One
Municipal bonds	—	35,445	—	Daily	Two
Corporate bonds	—	240,945	—	Daily	Two
Foreign securities	165,631	55,037	—	Daily	Three
Commingled mutual funds	—	139,221	—	Daily	Three
Total financial assets	<u>\$ 1,042,453</u>	<u>643,523</u>	<u>—</u>		
Liabilities:					
Derivative instruments	\$ —	28,638	—		

A summary of assets whose use is limited or restricted as of June 30, 2012 and 2011 is as follows:

	2012	2011
Assets whose use is limited or restricted:		
By the board for capital improvements	\$ 1,375,077	1,370,367
Funds held by trustee under indenture agreements	34,723	109,705
Funds held by trustee for self-insurance	83,710	64,504
Funds held by RQIL	64,051	55,420
Funds temporarily restricted by donors	425	434
Investments held at the Foundation	90,472	98,109
Total assets whose use is limited or restricted	<u>\$ 1,648,458</u>	<u>1,698,539</u>

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The composition of investment return for the years ended June 30, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Investment return:		
Interest and dividend income	\$ 33,310	45,477
Net realized gains on sale of investments	58,743	61,819
Change in net unrealized gains and losses	<u>(63,563)</u>	<u>124,092</u>
Total investment return	<u>\$ 28,490</u>	<u>231,388</u>

Investment returns are included in the accompanying consolidated statements of operations and changes in net assets for the years ended June 30, 2012 and 2011 as follows:

	<u>2012</u>	<u>2011</u>
Other revenues – investment income	\$ 786	6,409
Nonoperating gains (losses) – investment income	27,327	221,622
Temporarily restricted net assets – investment income	308	2,545
Permanently restricted net assets – investment income	28	16
Interest income capitalized as part of construction in progress	<u>41</u>	<u>796</u>
Total investment return	<u>\$ 28,490</u>	<u>231,388</u>

(7) Derivative Instruments

HSHS has interest-rate related derivative instruments to manage its exposure on its debt instruments. HSHS does not enter into derivative instruments for any purpose other than cash flow hedging purposes, and HSHS does not speculate using derivative instruments.

By using derivative financial instruments to hedge exposures to changes in interest rates, HSHS exposes itself to credit risk, tax risk, and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes HSHS, which creates credit risk for HSHS. When the fair value of a derivative contract is negative, HSHS owes the counterparty, and therefore, it does not possess credit risk. HSHS minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties.

Tax risk is the adverse effect that HSHS takes on to the extent tax law changes impact the rates paid to a variable rate bondholder (either positively or negatively) that would affect the variable rate received from the counterparty under a LIBOR-based swap that may not match that bond payment. HSHS minimizes the tax risk in derivative instruments by maintaining sufficient cash reserves to handle potential tax law changes.

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Market risk is the adverse effect on the value of the derivative instrument that results from a change in interest rates. The market risk associated with interest rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

HSHS entered into an interest rate swap agreement in fiscal year 2007, which effectively changes a portion of the interest rate exposure on the Series 1998 Bonds from fixed to variable rates. HSHS receives fixed rate payments of 4.10% and pays the Security Industry Financial Markets Association (SIFMA) Index variable rate. The interest rate swap agreement has a notional amount of \$0 and \$60,890 at June 30, 2012 and 2011, respectively. On August 14, 2011, the counterparty exercised its onetime right to terminate the swap at notional of \$60,890 and received \$492.

HSHS maintains an interest rate swap agreement, which effectively changes a portion of the fixed interest rate exposure on the Series 2003D Bonds from a fixed to a variable rate. HSHS receives a fixed rate payment of 3.01% and pays the SIFMA Index variable rate. The interest rate swap agreement has a notional amount of \$0 and \$2,540 at June 30, 2012 and 2011, respectively, which amortized through December 2011 in accordance with principal repayments on the fixed rate components of the Series 2003D Bonds. On December 1, 2011, the interest rate swap agreement settled with HSHS receiving \$38.

HSHS maintains an interest rate swap agreement, which effectively changes a portion of the interest rate exposure on the Series 2007B-1 Bonds from a variable rate to a fixed rate. HSHS receives the SIFMA Index variable rate and pays a fixed rate of 4.02%. The interest rate swap agreement has a notional amount of \$76,750 at both June 30, 2012 and 2011, respectively, which will amortize through March 2036 in accordance with principal repayments on the Series 2007B-1 Bonds.

HSHS entered into two interest rate swap agreements in fiscal year 2008, which effectively changed the interest rate exposure on the Series 2007B-2 and 2007C Bonds from variable to fixed rates. HSHS pays fixed rate payments of 3.47% for both swaps and receives the three-month LIBOR Index variable rate. The interest rate swap agreements have a notional amount of \$41,300 and \$100,425 for Series 2007B-2 and 2007C Bonds, respectively, at June 30, 2012 and 2011, which will amortize through March 2036 in accordance with principal repayments on the Series 2007B-2 and 2007C Bonds. HSHS also entered into a fixed spread basis swap in fiscal year 2008 that removes the tax risk from the bondholders and transfers the risk to HSHS. The premium that HSHS receives for taking on this risk is 67.00% of the one-month LIBOR plus a fixed spread of 48 basis points less the SIFMA Index rate. The fixed spread basis swap has a notional amount of \$150,000 with a final maturity in May 2033.

HSHS is exposed to credit loss in the event of nonperformance by the counterparty to the interest rate swap agreements; however, this is not anticipated. During the years ended June 30, 2012 and 2011, HSHS was not required to post collateral.

Payments equal to the differential to be paid or received under the interest rate swap agreements are recognized quarterly. HSHS has recognized \$6,225 and \$3,323 in interest expense in the accompanying consolidated statements of operations during 2012 and 2011, respectively, as its portion of the net interest rate differential paid as a result of the interest rate swap agreements. For fiscal years ended June 30, 2012 and 2011, the aggregate change in the fair value of all swap agreements was an increase in the liability of

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\$35,799 and decrease in the liability of \$7,375, respectively, which is recognized within nonoperating gains (loss) in the accompanying consolidated statements of operations.

The fair value of the swap agreements under ASC Topic 820 is \$(64,437) and \$(28,638) and is recorded as derivative instruments in the accompanying consolidated balance sheets at June 30, 2012 and 2011, respectively. The change in fair value of interest rate swap agreements of \$(35,799) and \$7,375 as of June 30, 2012 and 2011, respectively, is recorded as nonoperating gains (losses) in the accompanying consolidated statements of operations. The settlement value, if terminated, of the swap agreements at June 30, 2012 and 2011 was \$(74,133) and \$(29,656), respectively

The following is a summary of the swaps as of June 30, 2012:

Type of interest swap	Notional amount	Settlement value	Fair value
Fixed payor	\$ 76,750	(25,211)	(22,536)
Fixed spread basis	150,000	(3,781)	(2,302)
Fixed payor	41,300	(13,145)	(11,533)
Fixed payor	100,425	(31,996)	(28,066)
		<u>\$ (74,133)</u>	<u>(64,437)</u>

The following is a summary of the swaps as of June 30, 2011:

Type of interest swap	Notional amount	Settlement value	Fair value
Fixed receiver	\$ 2,540	30	29
Fixed receiver	60,890	320	364
Fixed payor	76,750	(6,968)	(6,971)
Fixed spread basis	150,000	(5,000)	(4,421)
Fixed payor	41,300	(5,255)	(5,139)
Fixed payor	100,425	(12,783)	(12,500)
		<u>\$ (29,656)</u>	<u>(28,638)</u>

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(8) Property, Plant, and Equipment

A summary of property, plant, and equipment at June 30, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Land	\$ 47,294	45,166
Land improvements	37,113	36,910
Buildings and permanent fixtures	1,246,834	1,170,608
Equipment and furnishings	1,142,086	1,032,991
	<u>2,473,327</u>	<u>2,285,675</u>
Less accumulated depreciation	1,433,133	1,337,120
	1,040,194	948,555
Construction in progress	111,869	122,877
	<u>\$ 1,152,063</u>	<u>1,071,432</u>

As of June 30, 2012, construction in progress represents various building and remodeling projects. These projects, which have remaining contracted costs at June 30, 2012 of approximately \$116,869, will be financed with board-designated assets or from operations. Additionally, St. Joseph's Hospital in Highland recognized \$3,962 of accelerated depreciation and amortization expense as of June 30, 2012 related to building and other projects.

A reconciliation of total interest costs, as reported in the accompanying consolidated statements of operations for 2012 and 2011, is as follows:

	<u>2012</u>	<u>2011</u>
Interest cost capitalized	\$ 3,997	5,244
Interest cost charged to expense	10,078	6,693
Total interest cost	<u>\$ 14,075</u>	<u>11,937</u>
Interest income capitalized	\$ 41	796

(9) Self-Insurance

(a) Professional and General Liability

Prior to July 1, 2010, HSHS was self-insured for its primary general and professional liability (GPL) risk, other than for its Wisconsin hospitals, through the Trust. In June 2010, RQIL was incorporated and licensed as a captive insurance company in the Cayman Islands. Effective July 1, 2010, RQIL became the risk financing vehicle for the HSHS self-insurance program for the HSHS hospitals in Illinois other than the two critical access hospitals (St. Joseph's Hospital, Highland and St. Francis

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Hospital, Litchfield), which continued to be self-insured through the Trust. RQIL is a wholly owned subsidiary of HSSI. Effective July 1, 2010, the outstanding liabilities funded in the Trust for all participants were assumed by RQIL. Effective July 1, 2011, the critical access hospitals began participation through RQIL. RQIL also assumed the outstanding liabilities of the Trust for the critical access hospitals for the July 1, 2010 thru July 1, 2011 period. Currently, the Trust is inactive. In addition, effective July 1, 2010, the primary GPL risk for the five Wisconsin hospitals was assumed by RQIL pursuant to a reinsurance transaction with a commercial insurance carrier. Between January 2005 and July 1, 2010, the Wisconsin hospitals purchased primary GPL coverage through the Wisconsin Health Care Liability Insurance Plan on an occurrence basis and excess coverage for general liability from a commercial carrier and through the State of Wisconsin Injured Patients and Families Compensation Fund for professional liability coverage.

Under the System's GPL self-insurance program through RQIL, claims are reflected based upon actuarial estimation, including both reported and incurred but not reported claims, taking into consideration the severity of incidents and the expected timing of claim payments. At June 30, 2012 and 2011, funds held by RQIL were \$64,051 and \$55,420, respectively. The related estimated self-insurance liabilities for June 30, 2012 and 2011 were \$51,488 and \$46,574, respectively. At June 30, 2012 and 2011, RQIL's estimated self-insurance liability for all future claims payments reflects the actuarially determined outstanding losses at the undiscounted/expected level. The amount included in expenses for professional and general liability insurance by RQIL for 2012 and 2011 was \$14,267 and \$15,424, respectively, and is included in other expense in the consolidated statements of operations.

HSHS is involved in litigation arising in the ordinary course of business. Reported claims are in various stages of litigation. Additional claims may be asserted against HSHS arising from services through June 30, 2012. It is the opinion of management that the estimated malpractice liabilities accrued at June 30, 2012 are adequate to provide for potential losses resulting from pending or threatened litigation.

(b) *Workers' Compensation and Employee Health*

The HSHS self-insurance program provides workers' compensation insurance and health insurance for employees. An independent actuary has been retained to assist management in determining funding requirements for workers' compensation insurance. For health insurance claims, HSHS has developed internal techniques for estimating the ultimate costs. The amounts funded for each program have been placed in separate accounts that are administered by the trustee.

At June 30, 2012 and 2011, funds held by the trustee and critical access hospitals for workers' compensation liability self-insurance are \$25,237 and \$22,899, respectively, and related estimated self-insurance liabilities are \$13,005 and \$13,323, respectively. The discount rate used to compute the estimated self-insurance liability at June 30, 2012 and 2011 was 4% and 5%, respectively, for all future claim payments. The amount included in employee benefits for 2012 and 2011 was \$5,599 and \$8,992, respectively, and is included in other expense in the consolidated statements of operations.

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At June 30, 2012 and 2011, funds held by the trustee for health insurance liability for employees' self-insurance are \$58,473 and \$41,130, respectively, and are included in assets whose use is limited or restricted. At June 30, 2012 and 2011, related estimated self-insurance liabilities are \$10,518 and \$13,618, respectively.

(10) Pension

HSHS employees participate in The Hospitals Sisters Health System Employees Pension Plan (the Plan). This noncontributory defined benefit pension plan covers substantially all employees of the hospitals who have completed 1,000 hours of employment during any calendar year subsequent to the commencement of employment. The Plan recognizes and funds the costs related to employee service using the projected unit credit actuarial cost method. The information below represents the aggregation of HSHS' pension financial status, which is determined by the consulting actuaries on a member-specific basis.

The following table sets forth the Plan's funded status, amounts recognized in HSHS' consolidated financial statements, and assumptions at June 30, 2012 and 2011:

	2012	2011
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 1,057,227	1,010,609
Service cost	40,998	40,444
Interest cost	58,154	55,520
Other	—	4,016
Actuarial loss (gain)	161,114	(34,746)
Expected expenses	(6,061)	(4,848)
Benefits paid	(18,196)	(13,768)
Benefit obligation at end of year	\$ 1,293,236	1,057,227
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 808,116	647,749
Actual gain on plan assets	52,814	126,106
Employer contributions	40,463	44,776
Other	—	3,253
Benefits paid	(18,196)	(13,768)
Fair value of plan assets at end of year	\$ 883,197	808,116

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	<u>2012</u>	<u>2011</u>
Reconciliation of funded status:		
Funded status	\$ (410,039)	(249,111)
Amounts recognized in the accompanying consolidated balance sheets:		
Accrued benefit liability	(410,039)	(249,111)
Amounts not yet reflected in net periodic benefit cost and included as an accumulated charge to unrestricted net assets:		
Prior service cost	\$ (3,070)	(2,766)
Actuarial loss	(406,969)	(246,345)
	<u>\$ (410,039)</u>	<u>(249,111)</u>
	<u>2012</u>	<u>2011</u>
Changes recognized in unrestricted net assets:		
Net loss (gain) arising during the period	\$ 170,762	(101,858)
Amortization of prior service credit	303	382
Prior service cost arising during the period	—	1,650
Amortization or settlement recognition of net loss	(10,137)	(13,923)
Total recognized in unrestricted net assets	<u>\$ 160,928</u>	<u>(113,749)</u>
Total recognized in net periodic pension cost and unrestricted net assets	\$ 201,392	(68,973)
Estimated amounts that will be amortized from unrestricted net assets over the next fiscal year:		
Prior service credit	(575)	304
Net loss	(28,876)	(12,317)
Accumulated benefit obligation	1,172,307	941,966
Components of net periodic benefit cost:		
Service cost	\$ 40,998	39,440
Interest cost	58,154	55,343
Expected return on plan assets	(68,522)	(63,317)
Amortization of prior service cost	(303)	(613)
Amortization of net loss	10,137	13,923
Net periodic benefit cost	<u>\$ 40,464</u>	<u>44,776</u>

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	<u>2012</u>	<u>2011</u>
Weighted average assumptions used to determine benefit obligations at June 30:		
Discount rate	4.75%	5.69%
Average rate of compensation increase	3.00	3.00
Measurement date	6/30/2012	6/30/2011
Weighted average assumptions used to determine net periodic benefit cost for the year ended June 30:		
Discount rate	5.69%	5.60%
Expected long-term return on plan assets	8.25	8.25
Average rate of compensation increase	3.00	3.50
Measurement date	6/30/2011	6/30/2010

The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual assets categories. The return is based exclusively on historical returns, without adjustments.

As of June 30, 2012, the Mercer Bond Model was used to select the discount rate used to measure liabilities of the Plan. HSHS concluded the Mercer Bond Model was the best estimate of the interest rates at which the pension benefits could be effectively settled in accordance with ASC Section 715-30-55-25. The Mercer Bond Model discounts the Plan's cash flow and calculates the Plan's appropriate equivalent single discount rate for the given cash flow based on a hypothetical bond portfolio whose cash flows from coupons and maturities match year-by-year the projected liability benefit payments from the Plan. The Plan used the Mercer Pension Discount Yield Curve to select the discount rate used to measure the liabilities of the Plan as of June 30, 2011.

HSHS expects to contribute to its pension plan for the 2013 fiscal year the following amount	\$ 68,675
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The following benefit payments that reflect expected future service, as appropriate, are expected to be paid:

2013	\$ 25,492
2014	30,803
2015	36,546
2016	42,709
2017	49,366
2018 – 2022	347,659

The expected benefits are based on the same assumptions used to measure HSHS' benefit obligation at June 30, 2012 and include estimated future employee service.

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The Plan has developed a Pension Plan Investment Policy Statement (the IPS), which is reviewed and approved by the HSHS board of directors. The IPS established goals and objectives of the fund, asset allocations, allowable and prohibited investments, socially responsible guidelines, and asset classifications, as well as specific investment manager guidelines. The IPS dictates that assets should be rebalanced back to target allocation on a quarterly basis. Investments are managed by independent advisors. Management monitors the performance of these managers on a monthly basis.

The table below lists the target asset allocation and acceptable ranges and actual asset allocations as of June 30, 2012 and 2011:

Asset	Target allocation	Acceptable range	Actual allocation at June 30	
			2012	2011
Equities	57%	30% – 70%	55%	60%
Debt securities	30	20 – 70	29	37
Alternative investments	13	0 – 15	12	—
Cash and cash equivalents	—	0 – 6	4	3

(a) Overall Investment Objective

The overall investment objective of the Plan is to invest the Plan's assets in a prudent manner to best serve the participants of the Plan. Plan investment assets are to produce investment results that achieve the Plan's actuarial assumed rate of return, protect the integrity of the Plan, assist HSHS in meeting the obligations to the Plan's participants, manage risk exposures, focus on downside protection, and to maintain enough liquidity in the portfolio to ensure timely cash outflows and beneficiary payments. The Plans' investments are diversified among various asset classes incorporating multiple strategies and managers to exceed a weighted benchmark return based upon policy asset allocation targets and standard index returns. Major investment decisions are authorized by the Board's Retirement Committee, which oversees the Plan's investment program in accordance with established guidelines.

(b) Allocation of Investment Strategies

The Plan maintains a percent of assets in domestic and international equity stocks to achieve the expected rate of return. To manage risk exposure, up to 30% of the Plans' assets are invested in a liability driven investment strategy.

(c) Basis of Reporting

Investments are reported at estimated fair value. If an investment is held directly by HSHS and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in mutual funds registered with them are based on share prices reported by the funds as of the last business day of the fiscal year. The Plan's interests in alternative investment funds are generally reported at the NAV reported by the fund managers, which is used as a practical expedient to estimate the fair value of the Plan's interest therein, unless it

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is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2012, the Plan had no plans or intentions to sell investments at amounts different from NAV.

The fair values of HSHS' pension plan assets at June 30, 2012, by asset category class, are as follows:

	June 30, 2012			Redemption or liquidation	Days notice
	Level 1	Level 2	Level 3		
Pension plan assets excluding accrued interest of \$2,017					
Cash and cash equivalents \$	31,627	—	—	Daily	One
Common stocks	342,927	—	—	Daily	Three
U S government securities	—	108,654	—	Daily	One
Commingled mutual funds	—	142,355	—	Daily	One
Municipal bonds	—	2,917	—	Daily	Two
Corporate bonds, notes, and debentures	—	11,893	—	Daily	Two
Foreign securities	129,130	4,835	—	Daily	Three
Hedge funds					
K2 multi-strategy fund	—	—	20,537	Monthly	Thirty
Mesirow multi- strategy fund	—	—	86,305	Monthly	Thirty
Total assets at fair value \$	<u>503,684</u>	<u>270,654</u>	<u>106,842</u>		
			<u>881,180</u>		

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended June 30, 2012:

	Level 3 assets, year ended June 30, 2012		
	K2 fund	Mesirow fund	Total funds
Balance, beginning of year	\$ —	—	—
Purchases	20,600	82,700	103,300
Total net gains (losses)	(63)	3,605	3,542
Sales	—	—	—
Balance, end of year	\$ <u>20,537</u>	<u>86,305</u>	<u>106,842</u>

(Dollars in thousands)

	June 30, 2011				Redemption or liquidation	Days notice
	Level 1	Level 2	Level 3	Total		
Pension plan assets excluding accrued interest of \$1,970:						
Cash and cash equivalents	\$ 41,205	—	—	41,205	Daily	One
Common stocks	322,859	—	—	322,859	Daily	Three
U.S. government securities	60,073	51,082	—	111,155	Daily	One
Commingled mutual funds	—	167,218	—	167,218	Daily	Two
Municipal bonds	—	2,962	—	2,962	Daily	Two
Corporate bonds, notes, and debentures	—	15,365	—	15,365	Daily	Two
Foreign securities	142,662	2,720	—	145,382	Daily	Three
Total assets at fair value	\$ 566,799	239,347	—	806,146		

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valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(e) Fair Value Hierarchy

The Plan has adopted ASC Subtopic 715-20-50, *Compensation – Retirement Benefits: Defined Benefit Plans – General: Disclosures*, 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 consolidated financial statements on a recurring basis. ASC Subtopic 715-20-50 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

(11) Long-Term Debt

HSSI and its 13 hospital affiliates are included in the HSSI Obligated Group. Under the terms of the Obligated Group MTI, each member of the Obligated Group is jointly and severally liable for all obligations issued thereunder. Bonds issued are unsecured general obligations, but carry covenants regarding withdrawals from the Obligated Group, issuance of additional debt, and creations of liens on property. Obligations outstanding under the Obligated Group MTI are issued through state health facility authorities and comprise both serial and term bonds with varying maturities. Assured Guaranty is used as the bond insurer for all outstanding bonds, except for Series 2007A, 2008A, and 2008B, which were issued as fixed rate and variable rate debt based on HSSI's Aa rating.

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As of June 30, 2012 and 2011, long-term debt consisted of the following:

Series	Interest rates	Final maturity dates	2012	2011
Fixed interest rate issues:				
2003D	5.00%	December 1, 2011	\$ —	2,540
2007A	5.00%	March 15, 2028	72,035	72,035
Variable interest rate issues:				
2003A	Variable 0.50% and 0.13% at June 30, 2012 and 2011, respectively	December 1, 2023	65,550	65,550
2003B	Variable 0.25% to 0.37% and 0.26% to 0.44% at June 30, 2012 and 2011, respectively	December 1, 2023	69,850	69,850
2007B-1	Variable 0.35% and 0.12% at June 30, 2012 and 2011, respectively	March 15, 2036	76,750	76,750
2007B-2	Variable 0.50% and 0.13% at June 30, 2012 and 2011, respectively	March 15, 2036	41,300	41,300
2007C	Variable 0.50% and 0.16% at June 30, 2012 and 2011, respectively	March 15, 2036	100,425	100,425
2008A	Variable 0.15% to 0.19% and 0.15% to 0.35% at June 30, 2012 and 2011, respectively	June 1, 2029	89,005	99,150
2008B	Variable 0.17% to 0.18% and 0.18% to 0.26% at June 30, 2012 and 2011, respectively	June 1, 2029	14,090	15,770
			529,005	543,370
Other long-term debt			34,318	7,554
			563,323	550,924
Plus unamortized bond issue premiums			2,619	2,816
Total debt			565,942	553,740
Less current installments			28,517	14,931
Less long-term debt subject to short-term remarketing agreements			158,047	172,945
Total long-term debt, excluding current installments			\$ 379,378	365,864

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The Obligated Group's effective interest rates for variable debt for the years ended June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Variable interest rate issues:		
2003A	0.26%	0.30%
2003B	0.32	0.57
2007B-1	0.19	0.28
2007B-2	0.26	0.30
2007C	0.27	0.30
2008A	0.16	0.32
2008B	0.15	0.33

Bond issue premiums and costs are amortized over the term of the related bonds using the bonds outstanding method. Bond issuance costs, net of amortization, are reported as other assets in the accompanying consolidated balance sheets.

HSSI has variable rate demand notes that have a put option available to the creditor. If the put option is exercised, the bonds are presented to the bank, which in turn draws on the underlying letter of credit, if available. The bond series and the underlying credit facility terms are described as follows as of June 30, 2012:

<u>Series</u>	<u>Term</u>
Series 2003A	Equal quarterly installments on the first business day of each January, April, July, or October whichever occurs first on or following the 367th day after the purchase date and paid in full no later than the fifth anniversary of the purchase date
Series 2003B	Self-liquidity
Series 2007B-1	Equal quarterly installments on the first business day of each January, April, July, or October whichever occurs first on or following the 367th day after the purchase date and paid in full no later than the fifth anniversary of the purchase date

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Series	Term
Series 2007B-2	Equal quarterly installments on the first business day of each January, April, July, or October whichever occurs first on or following the 367th day after the purchase date and paid in full no later than the fifth anniversary of the purchase date
Series 2007C	Equal quarterly installments on the first business day of each January, April, July, or October whichever occurs first on or following the 367th day after the purchase date and paid in full no later than the fifth anniversary of the purchase date
Series 2008A	Self-liquidity
Series 2008B	Self-liquidity

On October 1, 2012, HSHS issued \$620,834 of Series 2012 bonds, which included a bond premium of \$19,360. As part of this issuance, \$160,415 was issued as new bonds and \$460,419 was issued as bonds refunding prior outstanding bonds. As a result of this issuance, HSHS will incur a loss of \$5,544 to nonoperating loss for previously unamortized bond issue costs. The following table details the Series 2012 bond issuance and use of proceeds:

New bond series	Type	Description	Terms	Par amount	Premium	Total
2012A	Private	New funds	N/A	\$ 120,415	—	120,415
2012B	Fixed	Refunding series 2003B and 2007B-1	N/A	76,880	9,824	86,704
2012C	Fixed	New funds and Refunding 2007C	N/A	68,785	9,535	78,320
2012D	Variable	Refunding series 2007B-1	Letter of credit	61,050	—	61,050
2012E	Variable	Refunding 2007B-2	Letter of credit	41,550	—	41,550
2012F	Variable	Refunding 2007C	Letter of credit	31,645	—	31,645
2012G	Variable	Refunding 2007C	Letter of credit	31,645	—	31,645
2012H	Variable	Refunding 2003A	Self-liquidity	65,885	—	65,885
2012I	Variable	Refunding 2008A	Self-liquidity	89,460	—	89,460
2012J	Variable	Refunding 2008B	Self-liquidity	14,160	—	14,160
Total Series 2012				<u>\$ 601,475</u>	<u>19,359</u>	<u>620,834</u>

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Scheduled principal repayments on long-term debt based on the variable rate demand notes being put back to HSHS and a corresponding draw being made on the underlying credit facility, if available, are as follows:

Year ending June 30:	
2013	\$ 186,564
2014	56,383
2015	73,393
2016	88,267
2017	71,888
Thereafter	<u>86,828</u>
	<u>\$ 563,323</u>

Scheduled principal repayments on the long-term debt based on the scheduled redemptions according to the Obligated Group MTI are as follows:

Year ending June 30:	
2013	\$ 28,517
2014	18,548
2015	18,327
2016	33,761
2017	17,962
Thereafter	<u>446,208</u>
	<u>\$ 563,323</u>

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(12) Capital Leases

HSHS leases certain equipment under capital leases. Included with property, plant, and equipment are \$24,332 of assets held under capital leases and \$7,350 of related accumulated amortization at June 30, 2012. A summary of future minimum lease payments and the present value of future minimum lease payments related to capital leases at June 30, 2012 is as follows:

	<u>Amount</u>
Year:	
2013	\$ 3,979
2014	3,319
2015	2,531
2016	1,563
2017	1,174
Thereafter	<u>11,058</u>
Total future minimum lease payments	23,624
Less amount representing interest at rates ranging from 5.0% to 6.5%	<u>6,228</u>
Present value of future minimum lease payments	17,396
Less current portion of obligations under capital leases included in current installments of long-term debt	<u>3,044</u>
Obligations under capital leases, excluding current portion included in long-term debt, excluding current installments	<u><u>\$ 14,352</u></u>

(13) Functional Expenses

HSHS provides general healthcare services to residents within its respective geographic regions. Expenses related to providing these services for the years ended June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Healthcare services	\$ 1,506,246	1,501,881
General and administrative services	<u>427,099</u>	<u>430,607</u>
	<u><u>\$ 1,933,345</u></u>	<u><u>1,932,488</u></u>

(14) Prevea

St. Vincent Hospital (St. Vincent) and St. Mary's Hospital Medical Center (St. Mary's) (collectively referred to as the Green Bay Hospitals), two members of the Obligated Group located in Green Bay, Wisconsin, each have a 25% interest in Prevea Health Systems, Inc. (Prevea). The Green Bay Hospitals held \$21,989 (21,989 shares), at June 30, 2012 and 2011, of Prevea preferred stock. Prevea has

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9,000 shares of authorized stock consisting of 900 shares of Class P voting common stock, 3,600 shares of Class P nonvoting, and 4,500 shares of Class H common stock.

With respect to all matters upon which shareholders are entitled to vote or give consent, the outstanding shares of Class P voting common stock constitute one voting group and the holders of outstanding shares of Class H common stock constitute a separate voting group. Each voting group gets 50% of the total voting privileges (with each entitled to elect one-half of the total authorized number of directors of the corporation). Based on Prevea numbers as of June 30th, there are 100 voting shares for the Hospitals (Class H), 146 voting shares for Physicians (Class P). There are 457 nonvoting shares. The preferred stockholders of Prevea have liquidation preferences to common stockholders, as defined in the Articles of Incorporation of Prevea. The preferred stock entitles the Green Bay Hospitals to receive dividends equal to 7% of the face value of the preferred stock. Additionally, preferred stock dividends are cumulative. The Green Bay Hospitals' policy is to recognize preferred stock dividends when the dividends are declared. Dividends were declared and paid by Prevea totaling \$500 in 2012 and \$1,250 in 2011. The investment in Prevea is accounted for using the equity method. The carrying value of the Green Bay Hospitals' investment in Prevea, inclusive of preferred stock holdings, is reported as other assets in the accompanying consolidated balance sheets.

Prevea formed a wholly owned subsidiary, Prevea Clinic, Inc. (the Clinic). The Clinic started operations in 1995. The Clinic consists of several medical clinic locations throughout the Green Bay and Sheboygan area with approximately 296 physicians and midlevel providers.

Prevea formed Prevea Regional Services, Inc. (Prevea Regional) in 1997 to develop a regional clinic system throughout the outlying areas of Green Bay. Prevea held all of the voting common stock of Prevea Regional on June 30, 2009. The Green Bay Hospitals held \$5,550 (1,110 shares) at June 30, 2009 of nonvoting preferred stock in Prevea Regional. In August 2009, Prevea Regional was merged into the Clinic by Prevea. Also in August 2009, the Green Bay Hospitals' preferred stock shares of \$5,550 (1,110 shares) in Prevea Regional were exchanged for preferred shares of equal value in Prevea Health Services, Inc.

In September 2009, the Clinic entered into several transactions with St. Vincent. They are summarized as follows:

- Certain assets of the Clinic were sold, transferred, and assigned in the amount of \$31,370 in exchange for the redemption of the appropriate number of shares of preferred stock owned by St. Vincent having the same value.
- Lease arrangements – St. Vincent leased all real property, equipment, furnishings, and other personal property and intellectual property from the Clinic for use in the operations of the Clinic.
- Physician services agreement – St. Vincent entered into physician services agreement with the Clinic whereby the Clinic provides certain professional medical services in connection with the operations of the clinic.
- Managed and staff services agreement – St. Vincent entered into a management and nonphysician staff services agreement with the Clinic in connection with the operations of the clinics whereby the

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Clinic provides certain management and nonphysician staff services in connection with the operations of the Clinic.

Since September 2009, St. Vincent, with the completion of these transactions, has assumed operations of the Clinic's medical clinic locations, and it is now operating these sites as St. Vincent doing business as Prevea Health receiving all of the Clinic's patient revenues and responsible for all of the operating expenses. The expenses directly related to Prevea Health, mainly for the leasing of all employees and doctors, for the years ended June 30, 2012 and 2011 are \$178,214 and \$166,869, respectively, included in other expenses in the consolidated statements of operations.

During the years ended June 30, 2012 and 2011, the Green Bay Hospitals have \$930 and \$952 respectively, of notes receivable for cash advances to Prevea.

The following are Prevea's condensed unaudited financial statement data as of and for the years ended June 30, 2012 and 2011:

	2012	2011
Total assets	\$ 83,914	83,306
Total liabilities	50,458	53,965
Total equity	33,456	29,341
Total net revenue	182,007	170,419
Net income	2,220	2,072

The Green Bay Hospitals' equity portion in Prevea at June 30, 2012 and 2011 increased by \$1,110 and \$1,036, respectively, and is included in other operating income in the accompanying consolidated statements of operations.

During fiscal year 2010, the Obligated Group replaced the St. Vincent guarantee whereby the Obligated Group agrees to guarantee the lesser of \$10,500 or 39.92% of the outstanding notes. The Obligated Group will be paid 1.25% of the lesser of 39.92% of the average outstanding principal amount or \$10,500 of the outstanding notes. Included in the guarantee executed in December 2009 are \$2,920 taxable variable rate demand notes of PHP Insurance Plan, Inc. (PHP). PHP, a former health maintenance organization, sold its insurance license, changed its corporate structure, and became Prevea Ventures, LLC (PV). Prevea is the sole corporate member of PV. At June 30, 2012 and 2011, the Clinic has notes outstanding with balances of \$22,555 and \$23,270, respectively. At June 30, 2012 and 2011, PV has notes outstanding of \$2,505 and \$2,585, respectively.

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(Dollars in thousands)

(15) Joint Ventures

Joint ventures are accounted for using the equity method of accounting and represent \$18,002 and \$17,591 of other long-term assets in the accompanying consolidated balance sheets at June 30, 2012 and 2011, respectively. The most significant of these investments, excluding Prevea (note 14), include:

- Protestant Memorial Medical Center and St. Elizabeth's Healthcare Services, LLP (held by St. Elizabeth's Hospital) – 50% ownership interest;
- Northeast Wisconsin Radiation Therapy Services, LLC (held by St. Vincent and St. Mary's, Green Bay) – each hospital has a 25% ownership interest;
- Pain Center of Wisconsin (held by St. Vincent) – 50% ownership interest;
- Surgery Center of Sheboygan, LLC (held by St. Nicholas Hospital) – 50% ownership interest;
- Orange Cross Ambulance, Inc. (held by St. Nicholas Hospital) – 50% ownership interest;
- Holy Family (held by St. Vincent, Green Bay) – 50% ownership interest;
- Wisconsin Upper Peninsula Oncology Management Services, Inc. (held by St. Vincent) – 50% ownership interest; and
- Community Memorial Hospital – (held by St. Vincent (70%) and St. Mary's, Green Bay (30%)) – 24% ownership interest overall, beginning May 17, 2011.

For the years ended June 30, 2012 and 2011, HSHS recognized income of \$4,131 and \$4,193, respectively, in investments in affiliated companies. This activity is included as a component of other revenue in the accompanying consolidated statements of operations. During 2012 and 2011, HSHS received cash distributions of \$4,039 and \$2,430, respectively, from the joint ventures. During 2012 and 2011, HSHS also contributed cash of \$95 and \$159, respectively, to the joint ventures.

The following table summarizes the unaudited aggregated financial information of unconsolidated affiliated companies of HSHS as of June 30, 2012 and 2011:

		2012	2011
Total assets	\$	52,613	51,349
Total liabilities		18,411	19,662
Total equity		34,202	31,687
Total net revenue		35,030	33,659
Net income		7,886	6,969

(16) Pledges Receivable

Pledges, net of a present value discount rate, determined in the year the pledge is made, and an allowance for uncollectible pledges are recorded as a component of assets whose use is limited or restricted in the accompanying consolidated financial statements based on their expected collection date.

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Included in assets whose use is limited or restricted at June 30, 2012 and 2011 are the following unconditional promises to give:

	<u>2012</u>	<u>2011</u>
Unconditional promises to give	\$ 8,291	6,377
Less unamortized discount	419	467
	<u>7,872</u>	<u>5,910</u>
Less allowance for uncollectible pledges	286	210
Net pledges receivable	<u>\$ 7,586</u>	<u>5,700</u>
Amounts due in:		
Less than one year	\$ 2,553	1,798
One to five years	4,751	4,176
More than five years	987	403
Total	<u>\$ 8,291</u>	<u>6,377</u>

(17) Temporarily and Permanently Restricted Assets

Temporarily restricted assets are available for the following purposes or periods at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Healthcare services	\$ 9,475	8,381
Capital expenditures	10,883	12,101
Catholic Radio	221	234
College of nursing	204	200
	<u>\$ 20,783</u>	<u>20,916</u>

As of June 30, 2012 and 2011, HSHS has permanently restricted endowments as follows:

	<u>2012</u>	<u>2011</u>
Assets to be held in perpetuity, the income from which is expendable to support nursing schools	\$ 2,300	2,179
Assets to be held in perpetuity, the income from which is expendable to support specific operations of HSHS facilities	20,450	20,150
	<u>\$ 22,750</u>	<u>22,329</u>

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As of June 30, 2012 and 2011, HSHS has unrestricted and temporarily restricted funds that represent the unspent accumulation of earnings for endowment funds as follows:

	<u>2012</u>	<u>2011</u>
Unspent income from which is expendable to support nursing schools	\$ 241	254
Unspent income from which is expendable to support specific operations of HSHS facilities	7,334	7,762
	<u>\$ 7,575</u>	<u>8,016</u>

(18) Commitments and Contingencies

(a) Operating Leases

HSHS occupies space in certain facilities and leases various pieces of equipment under long-term noncancelable operating lease arrangements. Total equipment rental, asset lease, and facility rental expense in 2012 and 2011 was \$28,552 and \$27,666, respectively.

The following is a schedule by year of future minimum lease payments to be made under operating leases as of June 30, 2012 that have initial or remaining lease terms in excess of one year:

	<u>Amount</u>
Year ending June 30:	
2013	\$ 18,314
2014	14,729
2015	11,885
2016	9,812
2017	8,901
Thereafter	17,025

(b) Regulatory Investigations

The U.S. Department of Justice and other federal agencies routinely conduct regulatory investigations and compliance audits of healthcare providers. HSHS is subject to these regulatory efforts. Management is currently unaware of any regulatory matters that may have a material adverse effect on HSHS' consolidated financial position or results of operations.

(c) Litigation

HSHS is involved in litigation arising in the ordinary course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Obligated Group's future consolidated financial position or results of operations.

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(d) *Unemployment*

The Wisconsin hospitals of HSHS pledged a U.S. Treasury note as collateral for any unpaid unemployment compensation claims with a face value of \$4,000 and \$3,000 for 2012 and 2011, respectively, to the Wisconsin Unemployment Reserve Fund. The pledged U.S. Treasury note remained unused at June 30, 2012 and 2011.

(e) *Investment Risk and Uncertainties*

HSHS invests in various investment securities. Investment securities are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated balance sheets.

(19) Subsequent Events

HSHS evaluated events and transactions through October 9, 2012, the date the consolidated financial statements were issued, noting no subsequent events requiring recording or disclosure, except for the bond transaction as noted in note 11.

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Consolidating Balance Sheet Information

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(Dollars in thousands)

Assets	HSSI – Obligated Group	RQIL	Unity Limited Partnership	KCIN
Current assets				
Cash and cash equivalents	\$ 64,175	—	4,042	542
Receivables:				
Patients' accounts, less allowance for uncollectible accounts	287,560	—	3,433	—
Due from third-party reimbursement programs	4,497	—	—	—
Other	18,478	—	51	397
Total receivables	310,535	—	3,484	397
Current portion of assets whose use is limited or restricted	153,963	—	1,075	397
Inventories	39,347	—	—	—
Prepaid expenses	11,248	—	—	460
Total current assets	579,268	—	8,601	1,796
Assets whose use is limited or restricted, net of current portion	1,392,177	64,051	313	—
Property, plant, and equipment, net	962,738	—	5,340	8,268
Other assets	76,328	—	—	—
	\$ 3,010,511	64,051	14,254	10,064
Liabilities and Net Assets				
Current liabilities:				
Current installments of long-term debt	\$ 25,713	—	—	—
Long-term debt subject to short-term remarketing agreements	158,047	—	—	—
Accounts payable	86,537	—	1,330	751
Accrued liabilities	95,575	265	38	1,647
Estimated payable: under third-party reimbursement programs	41,554	—	—	—
Total current liabilities	407,426	265	1,368	2,398
Long-term debt, excluding current installments	389,570	—	—	3,500
Estimated self-insurance liabilities	13,005	57,601	—	—
Derivative instruments	64,437	—	—	—
Accrued benefit liability	383,032	—	—	—
Other noncurrent liabilities	29,855	—	5,799	—
Total liabilities	1,287,325	57,866	7,167	5,898
Net assets				
Unrestricted	1,633,005	6,185	7,087	4,166
Temporarily restricted	67,431	—	—	—
Permanently restricted	22,750	—	—	—
Total net assets	1,723,186	6,185	7,087	4,166
Stockholder's equity	—	—	—	—
	\$ 3,010,511	64,051	14,254	10,064

See accompanying independent auditors' report

Schedule 1

Healthcare West	System Office	HSMS Medical Group	Health Care Trust Fund	Flex Plan	Foundation	Kiara	Eliminations	Total
864	9,179	7,120		742	1,791	3,850	(1,791)	90,514
—	—	8,425	—	—	—	8,396	—	307,814
—	15,328	1,979	—	—	7,586	4,675	(26,406)	4,497
—	15,328	10,404	—	—	7,586	13,071	(26,406)	22,088
—	32,399	6,096	—	—	—	7,808	—	334,399
—	41	—	—	—	—	842	—	201,738
—	4,242	243	—	—	—	183	—	40,230
864	61,189	23,863	—	742	9,377	25,754	(28,197)	16,376
6,913	48,711	—	58,473	—	81,983	—	(205,901)	683,257
2,066	163,536	4,744	—	—	—	5,371	—	1,446,720
—	21,688	—	—	—	860	9,321	(34,540)	1,152,063
9,843	295,124	28,607	58,473	742	92,220	40,446	(268,638)	73,657
—	2,563	—	—	—	—	241	—	3,355,697
59	3,980	1,055	23,575	589	—	1,280	—	28,517
30	11,167	7,865	2,055	—	92,220	7,626	(18,820)	158,047
—	—	—	—	—	—	—	(92,640)	100,336
89	17,710	8,920	25,630	589	92,220	9,147	—	125,848
—	106,838	—	—	—	—	6,468	(111,460)	41,554
—	—	—	10,518	—	—	—	(126,998)	454,302
—	20,123	4,669	—	—	—	2,215	—	379,378
386	5,446	—	—	—	—	5,708	—	81,124
475	150,117	13,589	36,148	589	92,220	23,538	—	64,437
9,368	144,296	15,018	22,325	153	—	—	(238,458)	410,039
—	711	—	—	—	—	—	—	47,194
—	—	—	—	—	—	—	—	1,436,474
9,368	145,007	15,018	22,325	153	—	—	34,087	1,875,690
—	—	—	—	—	—	—	(47,359)	20,783
—	—	—	—	—	—	—	—	22,750
9,368	145,007	15,018	22,325	153	—	—	(13,272)	1,919,223
—	—	—	—	—	—	16,908	(16,908)	—
9,843	295,124	28,607	58,473	742	92,220	40,446	(268,638)	3,355,697

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidating Statement of Operations Information

Year ended June 30, 2012

(Dollars in thousands)

	HSSI – Obligated Group	RQIL	Unity Limited Partnership	KCIN
Net patient service revenues	\$ 1,863,845		19,469	
Provision for uncollectible accounts	(106,617)	—		
Net patient service revenues less provision for uncollectible accounts	1,757,228	—	19,469	—
Other revenues:				
Investment income	477	2,235	—	1
Net assets released from restrictions used for operations	1,606	—	—	—
Other	46,267	12,032	753	4,053
Total revenues	1,805,578	14,267	20,222	4,054
Expenses:				
Sisters' services	308		—	—
Salaries and wages	556,090	—	10,018	—
Employee benefits	182,986	—	3,719	—
Professional fees	96,918	—	221	194
Supplies	273,656		199	1
Depreciation and amortization	109,322		448	1,137
Interest	10,087	—	—	54
Other	549,902	14,267	4,879	5,091
Total expenses	1,779,269	14,267	19,484	6,477
Income (loss) before income tax expense	26,309	—	738	(2,423)
Income tax expense	—	—	—	—
Income (loss) from operations	26,309	—	738	(2,423)
Nonoperating gains (losses):				
Investment income	22,794	—	—	
Change in fair value of interest rate swaps	(35,799)	—	—	—
Revenues and gains in excess (deficient) of expenses and losses	13,304		738	(2,423)
Other changes in unrestricted net assets:				
Net assets released from restrictions used for the purchase of property, plant, and equipment	16,120			
Reversal of change in pension funded status	(147,115)	—		
Transfers (to) from affiliates	(58,213)	—		6,589
Change in unrestricted net assets	\$ (175,904)	—	738	4,166

See accompanying independent auditors' report

Schedule 2

Healthcare West	System Office	HSHS Medical Group	Health Care Trust Fund	Flex Plan	Foundation	Klara	Eliminations	Total
—	—	56,304	—	—	—	41,452	—	1,981,070
—	—	(4,379)	—	—	—	(146)	—	(111,142)
—	—	51,925	—	—	—	41,306	—	1,869,928
—	—	—	545	1	—	308	(2,781)	786
—	—	—	—	—	7,332	—	(7,236)	1,702
866	81,080	34,472	135,284	161	3,216	19,398	(280,124)	57,458
866	81,080	86,397	135,829	162	10,548	61,012	(290,141)	1,929,874
—	847	—	—	—	—	—	—	1,155
—	34,134	64,864	—	—	—	57,748	2	722,856
—	8,814	9,540	128,377	69	—	7,676	(136,010)	205,171
15	8,874	7,505	—	—	—	1,018	(55)	114,690
36	169	3,296	—	—	—	1,956	(4,022)	275,291
253	26,225	1,078	—	—	—	5,060	—	143,523
—	4,650	—	—	—	—	333	(5,049)	10,075
277	25,374	14,509	—	—	19,256	9,351	(182,322)	460,584
581	109,087	100,792	128,377	69	19,256	83,142	(327,456)	1,933,345
285	(28,007)	(14,395)	7,452	93	(8,708)	(22,130)	37,315	(3,471)
—	—	—	—	—	—	—	—	—
285	(28,007)	(14,395)	7,452	93	(8,708)	(22,130)	37,315	(3,471)
117	8,683	6	—	—	774	—	(5,047)	27,327
—	—	—	—	—	—	—	—	(35,799)
402	(19,324)	(14,389)	7,452	93	(7,934)	(22,130)	32,268	(11,943)
—	—	—	—	—	—	—	(8,751)	7,369
—	(7,101)	(4,584)	—	—	—	(2,128)	—	(160,928)
—	21,546	30,078	—	—	7,934	24,258	(32,192)	—
402	(4,879)	11,105	7,452	93	—	—	(8,675)	(165,502)

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidating Statement of Changes in Net Assets Information

Year ended June 30, 2012

(Dollars in thousands)

	HSSI – Obligated Group	RQIL	Unity Limited Partnership	KCIN	Healthcare West
Unrestricted net assets					
Revenues and gains in excess (deficient) of expenses and losses	\$ 13,304	—	738	(2,423)	402
Other changes in unrestricted net assets					
Net assets released from restrictions used for the purchase of property, plant, and equipment	16,120	—	—	—	—
Reversal of change in pension funded status	(147,115)	—	—	—	—
Transfers (to) from affiliates	(58,213)	—	—	6,589	—
Change in unrestricted net assets	(175,904)	—	738	4,166	402
Temporarily restricted net assets					
Investment income	1,070	—	—	—	—
Contributions	8,675	—	—	—	—
Transfers (to) from affiliates	—	—	—	—	—
Net assets released from restrictions	(17,726)	—	—	—	—
Change in temporarily restricted net assets	(7,981)	—	—	—	—
Permanently restricted net assets					
Investment income	28	—	—	—	—
Contributions	393	—	—	—	—
Transfers (to) from affiliates	—	—	—	—	—
Change in permanently restricted net assets	421	—	—	—	—
Change in net assets	(183,464)	—	738	4,166	402
Net assets at beginning of year	1,906,650	6,185	6,349	—	8,966
Net assets at end of year	\$ 1,723,186	6,185	7,087	4,166	9,368

See accompanying independent auditors' report

Schedule 3

System Office	HSHS Medical Group	Health Care Trust Fund	Flex Plan	Foundation	Kiara	Eliminations	Total
(19,324)	(14,389)	7,452	93	(7,934)	(22,130)	32,268	(11,943)
—	—	—	—	—	—	(8,751)	7,369
(7,101)	(4,584)	—	—	—	(2,128)	—	(160,928)
21,546	30,078	—	—	7,934	24,258	(32,192)	—
(4,879)	11,105	7,452	93	—	—	(8,675)	(165,502)
14	—	—	—	308	—	(1,084)	308
(103)	—	—	—	6,900	—	(6,842)	8,630
—	—	—	—	124	—	(124)	—
—	—	—	—	(7,332)	—	15,987	(9,071)
(89)	—	—	—	—	—	7,937	(133)
—	—	—	—	29	—	(29)	28
—	—	—	—	392	—	(392)	393
—	—	—	—	(421)	—	421	—
—	—	—	—	—	—	—	421
(4,968)	11,105	7,452	93	—	—	(738)	(165,214)
149,975	3,913	14,873	60	—	—	(12,534)	2,084,437
145,007	15,018	22,325	153	—	—	(13,272)	1,919,223

HOSPITAL SISTERS SERVICES, INC. OBLIGATED GROUP
Springfield, Illinois

Consolidating Balance Sheet Information

June 30, 2012

(Dollars in thousands)

	St. Elizabeth's Belleville, Illinois	St. Joseph's Besse, Illinois	St. Mary's Decatur, Illinois	St. Anthony's Effingham, Illinois	St. Joseph's Highland, Illinois	St. Francis Litchfield, Illinois
Assets						
Current assets:						
Cash and cash equivalents	\$ (4,023)	3,324	1,461	9,185	15	3,912
Receivables						
Patients' accounts, less allowance for uncollectible accounts	28,695	7,387	20,481	17,954	3,548	2,642
Due from third-party reimbursement programs	2,591		976	412	8	—
Other	1,239	205	2,774	520	408	390
Total receivables	32,525	7,592	24,231	18,886	3,964	3,032
Current portion of assets whose use is limited or restricted	(76)	2,740	(778)	11,139	1,741	870
Inventories	2,566	614	3,181	5,389	362	371
Prepaid expenses	1,017	207	1,090	176	172	274
Total current assets	32,009	14,477	29,183	44,775	6,254	8,459
Assets whose use is limited or restricted, net of current portion	29,646	75,792	12,661	217,094	6,985	29,346
Property, plant, and equipment, net	62,250	23,650	97,423	56,718	8,801	13,644
Other assets	4,417	138	310	247	26	108
	<u>\$ 128,322</u>	<u>114,057</u>	<u>139,579</u>	<u>318,834</u>	<u>22,066</u>	<u>51,557</u>
Liabilities and Net Assets						
Current liabilities						
Current installments of long-term debt	\$ 1,565	315	695	1,593	10,110	100
Long-term debt subject to short-term remarketing agreements	12,135	2,425	5,390	9,546	855	770
Accounts payable	4,574	1,423	10,005	3,459	883	1,177
Accrued liabilities	7,625	2,211	7,868	4,559	1,022	1,567
Estimated payables under third-party reimbursement programs	3,191	2,482	7,011	7,787	1,094	1,561
Total current liabilities	29,090	8,856	30,969	26,944	13,964	5,175
Long-term debt, excluding current installments	49,092	8,200	22,169	18,497	3,987	11,497
Estimated self-insurance liability	2,635	267	1,337	512	364	519
Derivative instruments	5,707	1,334	3,421	3,213	469	1,445
Accrued benefit liability	38,567	7,683	28,583	16,855	6,537	9,716
Other noncurrent liabilities	8,259	2,430	1,761	671	1,025	867
Total liabilities	<u>133,350</u>	<u>28,770</u>	<u>88,240</u>	<u>66,692</u>	<u>26,346</u>	<u>29,219</u>
Net assets						
Unrestricted	(11,328)	83,740	45,136	249,919	(8,487)	19,700
Temporarily restricted	6,226	1,547	5,002	2,111	4,207	2,015
Permanently restricted	74	—	1,201	112	—	623
Total net assets	<u>(5,028)</u>	<u>85,287</u>	<u>51,339</u>	<u>252,142</u>	<u>(4,280)</u>	<u>22,338</u>
	<u>\$ 128,322</u>	<u>114,057</u>	<u>139,579</u>	<u>318,834</u>	<u>22,066</u>	<u>51,557</u>

See accompanying independent auditors' report.

Schedule 4

St. John's Springfield, Illinois	St. Mary's Streator, Illinois	St. Joseph's Chippewa Falls, Wisconsin	Sacred Heart Eau Claire, Wisconsin	St. Mary's Green Bay, Wisconsin	St. Vincent Green Bay, Wisconsin	St. Nicholas Sheboygan, Wisconsin	Hospital Sisters Services, Inc.	Eliminations	Total
11,073	(420)	2,270	5,220	6,694	19,800	5,663		—	64,175
87,288	7,872	7,188	25,045	12,785	57,406	9,269		—	287,560
—	144	—	—	172	30	164	—	—	4,497
2,434	459	125	584	1,006	17,019	1,164	10,054	(19,903)	18,478
89,722	8,475	7,313	25,629	13,963	74,455	10,597	10,054	(19,903)	310,535
51,280	2,585	7,572	28,828	7,394	28,931	11,209	521	—	153,963
11,000	932	312	5,383	2,479	5,197	1,561	—	—	39,347
3,687	478	100	744	421	2,650	232	—	—	11,248
166,762	12,050	17,567	65,804	30,951	131,040	29,262	10,576	(19,903)	579,260
294,199	31,588	78,089	269,176	48,216	270,477	23,908	—	—	1,392,177
290,596	39,539	23,498	99,012	77,538	120,931	49,138	—	—	962,738
2,511	625	190	9,994	10,483	38,955	1,498	6,826	—	76,328
754,068	83,802	119,344	443,986	167,188	561,403	108,806	17,402	(19,903)	3,010,511
5,865	295	265	1,303	660	2,284	663	10,000	(10,000)	25,713
45,415	2,290	7,306	27,525	6,734	26,888	10,758	—	—	158,047
23,095	2,103	4,128	12,383	13,355	13,196	3,750	2,909	(9,903)	86,537
20,888	2,399	3,549	7,437	4,164	29,914	2,352	—	—	95,575
8,881	3,656	1,021	4,319	230	315	6	—	—	41,554
104,144	10,743	16,269	52,987	25,143	72,597	17,539	12,909	(19,903)	407,426
137,563	10,038	8,175	30,700	25,600	54,085	9,967	—	—	389,570
5,085	429	116	756	113	607	265	—	—	13,005
22,862	1,532	1,899	7,199	3,989	9,380	1,987	—	—	64,437
29,386	16,132	20,479	37,490	25,196	73,309	13,099	—	—	383,032
10,444	1,829	500	224	648	556	—	641	—	29,855
369,484	40,703	46,938	129,632	80,265	210,626	43,413	13,550	(19,903)	1,287,325
357,557	40,834	63,005	307,361	79,922	344,106	57,688	3,852	—	1,633,005
24,550	2,184	3,070	1,884	4,704	3,867	6,064	—	—	67,431
2,477	81	6,331	5,109	2,297	2,804	1,641	—	—	22,750
384,584	43,099	72,406	314,354	86,923	350,777	65,393	3,852	—	1,723,186
754,068	83,802	119,344	443,986	167,188	561,403	108,806	17,402	(19,903)	3,010,511

HOSPITAL SISTERS SERVICES, INC. OBLIGATED GROUP
Springfield, Illinois

Consolidating Statement of Operations Information

Year ended June 30, 2012

(Dollars in thousands)

	St. Elizabeth's Belleville, Illinois	St. Joseph's Bress, Illinois	St. Mary's Decatur, Illinois	St. Anthony's Effingham, Illinois	St. Joseph's Highland, Illinois	St. Francis Litchfield, Illinois
Net patient service revenues	\$ 165,137	49,962	138,225	118,536	23,055	34,836
Provision for uncollectible accounts	(19,389)	(3,154)	(15,178)	(4,450)	(1,093)	(2,712)
Net patient service revenues less provision for uncollectible accounts	146,448	46,808	123,107	114,086	21,962	32,124
Other revenues						
Investment income (loss)	78	8	74	20	(3)	8
Net assets released from restrictions used for operations	19					
Other	4,429	928	4,062	2,081	451	581
Total revenues	150,974	47,744	127,243	116,187	22,410	32,713
Expenses						
Sisters' services	—	—	2	—	24	—
Salaries and wages	56,062	16,298	43,795	32,079	8,258	10,748
Employee benefits	17,592	5,986	13,773	13,331	3,536	3,836
Professional fees	5,316	3,250	5,892	5,629	2,513	2,791
Supplies	21,683	3,971	19,159	19,556	2,306	2,942
Depreciation and amortization	9,625	3,354	7,449	5,935	5,434	1,319
Interest	149	262	342	331	110	15
Other	52,960	9,179	36,398	21,941	7,294	7,590
Total expenses	163,387	42,300	126,810	98,802	29,475	29,241
Income (loss) from operations	(12,413)	5,444	433	17,385	(7,065)	3,472
Nonoperating gains (losses)						
Investment income (loss)	8	1,213	(391)	3,803	(60)	309
Change in fair value of interest rate swap	(3,156)	(741)	(1,904)	(1,760)	(260)	(814)
Revenues in excess (deficient) of expenses and losses	(15,561)	5,916	(1,862)	19,428	(7,385)	2,967
Other changes in unrestricted net assets						
Net assets released from restrictions used for the purchase of property, plant, and equipment	100	269	9,284	564	107	205
Transfer from (to) affiliate	(5,495)	(1,486)	(5,923)	(4,385)	(894)	(1,224)
Reversal of changes in pension funded status	(15,264)	(3,284)	(10,030)	(7,787)	(2,626)	(3,562)
Change in unrestricted net assets	\$ (36,220)	1,415	(8,531)	7,820	(10,798)	(1,614)

See accompanying independent auditors' report

St. John's Springfield, Illinois	St. Mary's Streator, Illinois	St. Joseph's Chippewa Falls, Wisconsin	Sacred Heart Eau Claire, Wisconsin	St. Mary's Green Bay, Wisconsin	St. Vincent Green Bay, Wisconsin	St. Nicholas Sheboygan, Wisconsin	Hospital Sisters Services, Inc.	Eliminations	Total
419,916 (31,648)	53,477 (1,678)	67,492 (1,098)	213,987 (5,794)	114,587 (5,130)	404,149 (13,062)	59,726 (2,231)	—	—	1,863,845 (106,617)
388,268	51,799	66,394	208,193	109,457	391,087	57,495	—	—	1,757,228
201	20	4	10	8	29	20	2	(2)	477
1,466	—	—	—	—	121	—	—	—	1,606
14,909	547	2,412	3,386	5,501	9,165	2,904	123	(5,212)	46,267
404,844	52,366	68,810	211,589	114,966	400,402	60,419	125	(5,214)	1,805,578
152	—	—	—	—	130	—	—	—	308
134,446	17,050	27,134	70,068	35,313	85,032	19,807	—	—	556,090
41,765	6,439	9,172	22,088	12,269	27,035	6,164	—	—	182,986
43,538	5,480	3,653	6,381	2,674	11,019	1,176	200	(2,594)	96,918
79,683	5,234	5,144	34,929	16,604	53,669	8,776	—	—	273,656
29,046	4,524	2,720	13,452	6,125	15,693	4,646	—	—	109,322
3,467	241	263	1,545	1,082	1,991	289	2	(2)	10,087
93,657	14,803	14,754	38,873	34,539	194,402	23,421	2,709	(2,618)	549,902
425,754	53,771	62,840	187,336	108,606	398,971	64,279	2,911	(5,214)	1,779,269
(20,910)	(1,405)	5,970	24,253	6,360	11,431	(3,860)	(2,786)	—	26,309
3,821	448	1,124	4,527	723	6,884	377	8	—	22,794
(12,663)	(853)	(1,063)	(4,021)	(2,228)	(5,231)	(1,105)	—	—	(35,799)
(29,752)	(1,810)	6,031	24,759	4,855	13,084	(4,588)	(2,778)	—	13,304
579	222	2,346	595	969	410	470	—	—	16,120
(26,081)	(2,798)	(1,916)	(2,069)	(1,263)	(3,963)	(716)	—	—	(58,213)
(34,152)	(6,506)	(7,126)	(14,922)	(8,964)	(27,785)	(5,107)	—	—	(147,115)
(89,406)	(10,892)	(665)	8,363	(4,403)	(18,254)	(9,941)	(2,778)	—	(175,904)

HOSPITAL SISTERS SERVICES, INC. OBLIGATED GROUP
Springfield, Illinois

Consolidating Statement of Changes in Net Assets Information

Year ended June 30, 2012

(Dollars in thousands)

	St. Elizabeth's Belleville, Illinois	St. Joseph's Breene, Illinois	St. Mary's Decatur, Illinois	St. Anthony's Effingham, Illinois	St. Joseph's Highland, Illinois	St. Francis Litchfield, Illinois
Unrestricted net assets						
Revenues in excess (deficient) of expenses and losses	\$ (15,561)	5,916	(1,862)	19,428	(7,305)	2,967
Other changes in unrestricted net assets						
Net assets released from restrictions used for the purchase of property, plant, and equipment	100	269	9,284	564	107	205
Transfer from (to) affiliate	(5,495)	(1,486)	(5,923)	(4,385)	(894)	(1,224)
Reversal of changes in pension funded status	(15,264)	(3,284)	(10,030)	(7,787)	(2,626)	(3,562)
Change in unrestricted net assets	(36,220)	1,415	(8,531)	7,820	(10,798)	(1,614)
Temporarily restricted net assets						
Investment income (loss)	101	20	(149)	38	26	34
Contributions	97	225	2,175	547	2,225	784
Net assets released from restrictions	(119)	(269)	(9,284)	(564)	(107)	(205)
Change in temporarily restricted net assets	79	(24)	(7,258)	21	2,144	613
Investment income (loss)	(3)	—	—	—	—	—
Contributions	33	—	—	—	—	—
Change in permanently restricted net assets	30	—	—	—	—	—
Change in net assets	(36,111)	1,391	(15,789)	7,841	(8,654)	(1,001)
Net assets at beginning of year	31,083	83,896	67,128	244,301	4,374	23,339
Net assets at end of year	\$ (5,028)	\$ 85,287	\$ 51,339	\$ 252,142	\$ (4,280)	\$ 22,338

See accompanying independent auditors' report

St. John's Springfield, Illinois	St. Mary's Streator, Illinois	St. Joseph's Chippewa Falls, Wisconsin	Sacred Heart Eau Claire, Wisconsin	St. Mary's Green Bay, Wisconsin	St. Vincent Green Bay, Wisconsin	St. Nicholas Sheboygan, Wisconsin	Hospital Sisters Services, Inc.	Eliminations	Total
(29,752)	(1,810)	6,031	24,759	4,755	13,084	(4,588)	(2,778)		13,304
579	222	2,346	595	969	410	470	—	—	16,120
(26,081)	(2,798)	(1,916)	(2,069)	(1,263)	(3,963)	(716)	—	—	(58,213)
(34,152)	(6,506)	(7,126)	(14,922)	(8,964)	(27,785)	(5,107)	—	—	(147,115)
(89,406)	(10,892)	(665)	8,363	(4,403)	(18,254)	(9,941)	(2,778)	—	(175,904)
417	37	95	113	108	99	131	—	—	1,070
1,147	217	176	118	12	751	201	—	—	8,675
(2,045)	(222)	(2,346)	(595)	(969)	(531)	(470)	—	—	(17,726)
(481)	32	(2,075)	(364)	(849)	319	(138)	—	—	(7,981)
—	—	—	31	—	—	—	—	—	28
50	14	135	110	—	40	11	—	—	393
50	14	135	141	—	40	11	—	—	421
(89,837)	(10,846)	(2,605)	8,140	(5,252)	(17,895)	(10,068)	(2,778)	—	(183,464)
474,421	53,945	75,011	306,214	92,175	368,672	75,461	6,630	—	1,906,650
384,584	43,099	72,406	314,354	86,923	350,777	65,393	3,852	—	1,723,186